



## remuneration policy Management Board

### remuneration objectives and principles

The remuneration policy (“**Policy**”) of the management board (“**Management Board**”) of Aalberts N.V. (“**Aalberts**”), supports the company’s purpose, values, strategy and objectives. Aalberts is where technology matters and real progress can be made. Humanly, environmentally and financially. The Policy encourages the Management Board to relentlessly execute the Aalberts strategy and objectives by being entrepreneurial, taking ownership, going for excellence in everything they do, sharing knowledge to learn fast, continuously improving and innovating and acting with integrity. Aalberts strives for sustainable profitable growth and to continuously improve business results, while integrating sustainability in its strategy and taking responsibility for human and environment. Taking this into account, the remuneration structure for the Management Board is aimed at the best possible balance between the company’s short-term results and its long-term objectives.

The objective of this Policy is to recruit, motivate and retain qualified and experienced directors with industry experience for the Management Board. The best qualified talent is necessary to continuously improve company performance and create long-term value with mission-critical technologies. Meanwhile the public context around remuneration is acknowledged and the interests of all Aalberts’ stakeholders are recognised.

### policy review

In establishing this Policy, the Supervisory Board has considered the external environment in which the Company operates, legislation and best practice recommendations of the Dutch Corporate Governance Code, new requirements under the EU Shareholders’ Rights Directive and Dutch law, competitive market practice and the guidance issued by organisations representing institutional shareholders.

### external competitiveness

To ensure that qualified directors can be attracted, Aalberts’ remuneration structure must be competitive compared to those of other (Dutch and European) multinational companies, similar in size, international scope and complexity. The Remuneration, Selection and Appointment Committee (“**RemCo**”) looks at the total remuneration levels of similar board memberships and other positions in relevant markets on a regular basis. The RemCo uses various benchmarks to arrive at an informed position. Medium size and Dutch stock-listed companies included in the AEX and the AMX as well as Dutch and European peer group companies are considered most relevant. The Supervisory Board takes into consideration factors like the size and nature of the company, global presence, nature and complexity of the business and exposure of the Management Board.

### internal consistency

The principles underlying the remuneration policies for the Management Board, the Executive Team and other senior executives of Aalberts are aligned. In this respect Aalberts strives for internal consistency in remuneration in the main markets of operation. In establishing this Policy, the company’s other remuneration programs have been taken into account, amongst others by ensuring consistency within the salary structure, the short term incentives and the long-term incentives in the form of a Performance Share Plan (“**PSP**”). For a selected group of employees that are part of a business team, a PSP is in place that is based on and aligned with the existing PSP for executives.

The pay ratio is also taken into account for establishing the annual remuneration. For the calculation of the pay ratio, the average annual compensation of the Management Board members is based on salary, pension contribution and variable remuneration (short-term) and excludes long-term incentives.

## Management Board remuneration

### components

Annually, the RemCo reviews the total remuneration of the Management Board members, as well as each remuneration component of their package, such on behalf of the Supervisory Board. In doing so, the RemCo takes the remuneration objectives and principles as reflected in this Policy into account.

The total remuneration of the Management Board members comprises the following components:

- a fixed base salary;
- a pension plan;
- variable remuneration in cash for achievements in the short-term (one year);
- value remuneration in shares for achievements in the long-term (three years).

The aim is to achieve a good balance between fixed and non-fixed remuneration and short-term variable and long-term value remuneration. The final relative proportion of the remuneration components is disclosed in the annual remuneration report.

### fixed remuneration

The fixed remuneration of the Management Board consists of a base salary and a pension plan.

#### base salary

Once a year, the Supervisory Board determines whether, and if so, to what extent the base salary will be adjusted, taking into account developments in the market, the reward structures of peer group companies as described in this Policy, the results of Aalberts and the pay ratio within the Aalberts group.

#### pension plan

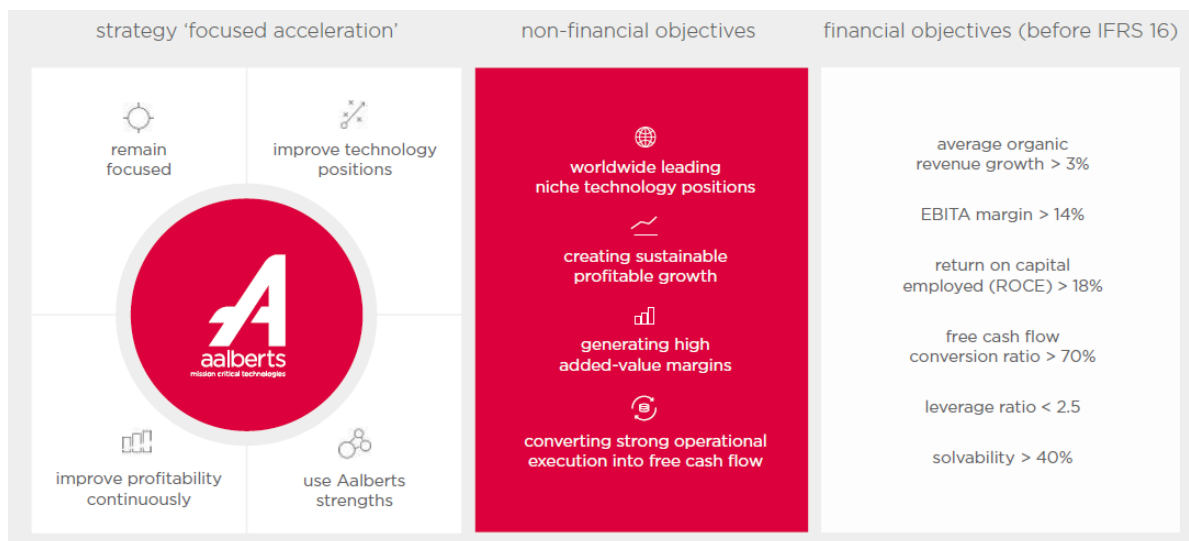
The Management Board members participate in a pension plan (average pay or defined contribution pension plan) which also is applicable to the employees of the Aalberts headquarter. The pension plan includes two contribution arrangements, dependent on annual pensionable salary levels:

- basic arrangements for that part of the annual pensionable salary up to EUR 110,111 (2020);
- net surplus arrangement for that part of the annual pensionable salary above EUR 110,111. The employer contributions to this arrangement are made to participants in the form of gross cash compensation subject to tax withholdings, which can be used to fund a voluntary net defined contribution plan.

Management Board members pay one-third of the contribution for the basic arrangements.

### non-fixed remuneration

The non-fixed remuneration consists of variable remuneration in the form of short-term incentives (“**STI**”) and value remuneration in the form of long-term incentives (“**LTI**”) and is an important component of the remuneration package. The distribution between the STI and the LTI aims to achieve an optimal balance between short-term result and long-term value creation. The non-fixed remuneration relates to the 5-year business plan of Aalberts as reflected in the non-financial and financial objectives under its strategy. The Aalberts 5-year business plan is based on the plans of the business teams, which are discussed and evaluated each year with the Management Board during the strategy & forecast meetings. Currently, the Aalberts non-financial objectives and financial objectives are those of the strategy ‘focused acceleration’ 2018-2022 (the “**Aalberts Strategic Objectives**”):



### pay for performance

As a reflection of Aalberts' performance culture, the short-term and long-term compensation plans for the Management Board, Executive Team and other key employees are performance-driven. The STI and the LTI are performance-driven and forward-looking. No guaranteed variable pay or performance shares are offered. In determining (the changes to) the design of the short-term and long-term compensation plans, scenarios on possible outcomes and consequences of these outcomes on the total remuneration levels are analysed and taken into consideration.

### claw-back

Subject to applicable rules and regulations, the Supervisory Board is entitled at its own discretion to recover on behalf of the company from the members of the Management Board (the value of) the STI or LTI on the basis of incorrect financial or other information, provided that such recovery decision shall be duly motivated.

### short-term incentives (STI)

The STI is an important component of the remuneration package to reward short-term performance in line with the long-term Aalberts Strategic Objectives, combined with additional individual non-financial performance goals. The Supervisory Board sets the yearly financial targets based on the targets for that year, in line with the Aalberts Strategic Objectives and the individual non-financial targets at the beginning of each financial year and these are evaluated in a personal conversation after the end of each financial year. The individual non-financial criteria are not disclosed, as these qualify as commercially sensitive information. Depending on the level of achievement of the targets, the STI can add from a minimum of 0% up to a maximum of 75% to the base salary. If the non-financial and financial targets are achieved for exactly 100% (on an individual basis or mutually compensated), the STI adds maximum 75% to the base salary. The achievement of the financial targets on an individual basis is between a minimum of 90% and a maximum of 110%. The weighting of the non-financial targets and the financial targets is 20% and 80% respectively. If the non-financial targets are achieved for 0% and all financial targets are achieved for a percentage under 90%, the STI will be 0, which endorses the pay for performance principle.

The Supervisory Board establishes annually the extent to which the STI targets set for that year have been achieved. The achievement of the financial targets is calculated on the basis of the audited financial results of that relevant financial year. The achievement of the non-financial targets is evaluated and assessed per topic by the RemCo for each individual Management Board member on behalf of the Supervisory Board.

### **long-term incentives (LTI)**

The remuneration in the long-term for performance of Management Board members is in the form of a conditional awarding of shares. Under the PSP, shares will conditionally be granted to Management Board members. Vesting of these shares is conditional on the achievement of certain predetermined performance targets at the end of a three-year period. The long-term performance criteria attached to the granting of the performance shares relate to the implementation of the Aalberts Strategic Objectives over a three-year period (the “**Performance Period**”). The Supervisory Board determines upfront how many shares will be conditionally awarded to the Management Board members. The vesting of the performance shares is subject to the achievement of the company’s average growth of the earnings per share before amortisation (“**EPS**”) [and the Return On Capital Employed percentage \(“\*\*ROCE %\*\*”\)](#) over the Performance Period, in accordance with the vesting schedule as included in the PSP. The vesting schedule reflects that the actual number of performance shares to be released after the Performance Period can be a number between 0% and 125% of the shares that have been conditionally awarded. If the average annual growth of EPS in the Performance Period equals 10% [and the average ROCE % in the Performance Period equals 17%](#), then 100% of the performance shares will vest and will be released.

Shares awarded conditionally must be held for at least five years (three years vesting period plus two years holding period) or until the end of employment, if this is sooner. Given this five-year period Management Board members are driven and motivated to contribute to the realisation of the Aalberts Strategic Objectives, creating long-term value creation for the stakeholders of Aalberts. Upon the release of the performance shares, personal tax and social contribution obligations arise for the Management Board members. The holding period of five years does not apply if the shares are sold to pay these tax and social contribution obligations.

The Supervisory Board has the discretionary authority to adjust the number of performance shares or the performance criteria, if the Supervisory Board is of the opinion that the adjusted number of performance shares or the revised performance criteria would produce a fairer measure of the performance of the company or the Management Board members. Such adjustments may be downwards or upwards.

## **appointment and termination**

### **term of employment, appointment and termination**

The current CEO is appointed as Management Board member in 2009 for an indefinite period of time on the basis of an individual employment agreement. The employment agreement may be terminated by the company with a notice period of six months and by the current CEO with a notice period of three months.

The current CFO is appointed, and future members will be appointed as Management Board members for a period of four years on the basis of a board agreement, after which they are eligible for reappointment by the General Meeting. The board agreement may be terminated by the company and by the Management Board member with a notice period of three months.

### **severance arrangement**

There are no specific contractual exit arrangements for the current CEO. Should a situation arise in which a severance payment is appropriate for him, the RemCo will recommend the terms and conditions. The Supervisory Board will decide upon this, taking into account usual practices for these types of situations, as well as applicable laws and corporate governance requirements. The current CFO is, and future Management Board members will be, covered by a severance provision in accordance with the Dutch Corporate Governance Code, which is set at a maximum of one annual base salary. There are no specific arrangements for early termination of employment and resignation of the Management Board members.

### **loans**

Aalberts does not provide any loans to Management Board members.

## governance

### **deviation**

In the event of exceptional circumstances, the Supervisory Board, upon recommendation of the RemCo, may decide to temporarily deviate from this Policy. A deviation for exceptional circumstances only covers situations in which the derogation from this Policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability. Deviations shall be aligned with the main objectives of the Policy applying a consistent approach.

### **amendments to the Policy**

The Policy and actual remuneration to individual Management Board members are set by the Supervisory Board, based on proposals of the RemCo. Subject to the approval of the General Meeting, the Supervisory Board is authorised to amend the Policy. If the Policy will not be amended during a period of four years from the last amendment, the General Meeting will be requested for confirmation of approval. The Supervisory Board considers the design of this Policy in line with the company's purpose, business strategy and business environment, applicable laws and regulations, as well as the views of its stakeholders and society at large. Remuneration is a recurring topic in our stakeholder dialogue, but based on the outcome of this dialogue not reflected as material topic in our materiality matrix.

In the annual remuneration report, the application of the Policy in the financial year at hand is set out in detail.

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