

REMUNERATION
REPORT 2017

REMUNERATION REPORT 2017



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INTRODUCTION



MEMBERS OF THE REMUNERATION COMMITTEE

In 2017 the Remuneration Committee consisted of two members, with Mr. Van Woudenberg as chairman and Mr. Niggebrugge as a member. On 10 May 2017 Mr. Niggebrugge stepped down as member of the Remuneration Committee and was succeeded by Mr. Van der Veer.

The Remuneration Committee regularly avails itself of the services of an independent remuneration adviser and has ascertained that this remuneration adviser does not provide advice to the members of the Board of Management.

DUTIES AND RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

It is the role of the Remuneration Committee to advise the Supervisory Board on:

- the submission of a clear and understandable proposal concerning the remuneration policy to be pursued for members of the Board of Management with focus on long-term value creation for the company and the business connected with it and taking into account the internal pay ratios within the company. The Remuneration Committee shall consider and include all matters required by law and the Corporate Governance Code 2016 (the "Code"). The Supervisory Board shall present the policy to the General Meeting of Shareholders for adoption;

- the submission of a proposal concerning the remuneration of individual members of the Board of Management. The proposal shall be drawn up in accordance with the remuneration policy that has been established and will, in any event, cover the remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, the scenario analyses that are carried out and the pay ratios with the company and its affiliated enterprise. When formulating the proposal for remuneration of the Board of Management, the Remuneration Committee shall take note of the views of the individual members of the Board of Management with regard to the amount and structure of their remuneration;
- the preparation of the report on the remuneration policy implemented in the past financial year. The Remuneration Committee shall consider and include all matters required by law and the Code. The Supervisory Board's remuneration report shall be placed on the company's website.

ACTIVITIES DURING 2017

The Remuneration Committee met three times during 2017, with all members having attended each of the meetings. The Committee also held regular consultations outside these meetings.

Reports and findings of the meetings of the Remuneration Committee were presented to the entire Supervisory Board.

During the year under review the activities of the Remuneration Committee included:

- informing itself of developments surrounding remuneration policy for senior management in the Dutch and international market;
- staying abreast of the latest corporate governance developments in the Netherlands and internationally;
- performing scenario analyses;
- submitting a proposal concerning the remuneration of individual members of the Board of Management in accordance with the law and the Code, wherein among others note has been taken of views of the individual members of the Board of Management with regard to the amount and structure of their own remuneration in the framework of the Remuneration Policy;
- discussing with the Board of Management the remuneration of the members of the Group Management, who are not members of the Board of Management;
- submitting a proposal to align the severance payments in all contracts of the Board of Management with the Code;
- revising the labor market reference group;
- performing a remuneration survey for the Board of Management;
- performing a remuneration survey for the Supervisory Board.

REVISION OF THE LABOR MARKET REFERENCE GROUP AND REMUNERATION SURVEYS

In the year under review, the Remuneration Committee commissioned an external remuneration advisor to assist in the execution of its activities.

The Remuneration Committee proposed to revise the labor market reference group due to a change in the status of one of the included companies, which proposal has been approved by the Supervisory Board. The new composition consists of a mix of fourteen Dutch (AEX and AMX-listed) companies that are comparable in terms of size and business activities. The new labor market reference group is thus formed by BAM, DSM, Fugro, SBM Offshore, Sligro, RELX Group, PostNL, Wolters Kluwer, Arcadis, Vopak, Aalberts Industries, OCI, KPN and TKH Group.

As already announced in the Remuneration Report 2016, the Remuneration Committee re-evaluated in 2017 the prevailing remuneration policy for the members of the Board of Management in light of the current market developments and circumstances.

The outcome of this remuneration survey shows that the members of the Board of Management receive an appropriate basic salary, but that the overall direct compensation package for all members of the Board of Management are in comparison with the labor market reference group below or around the lowest quartile (P25). This as a result of a relatively low long-term variable element. In addition, more and more (AEX and AMX-listed) companies – in contrast to Boskalis – have a share-based long-term incentive scheme.

Based on this the Supervisory Board has decided to propose an adjustment in the remuneration policy for the Board of Management to the General Meeting of Shareholders to be held on 9 May 2018, wherein the level of remuneration for the Board of Management will be brought more in line with the market and a share-based long-term incentive scheme will be introduced to be applicable from 1 January 2018. The text of the proposed remuneration policy will form part of the explanatory notes to the agenda of the General Meeting of Shareholders to be published on 28 March 2018.

In 2017 also a remuneration survey has been performed to calibrate the level of remuneration of members of the Supervisory Board. The results of this survey show that the remuneration of the Supervisory Board is relatively lower than the median of the labor market reference group. The Supervisory Board will propose an adjustment in the remuneration policy for the Supervisory Board to the General Meeting of Shareholders to bring the level of remuneration in line with market level. The text of the proposed adjustment will form part of the explanatory notes to the agenda of the General Meeting of Shareholders to be published on 28 March 2018.

REMUNERATION POLICY FOR THE BOARD OF MANAGEMENT

The current remuneration policy for the Board of Management was adopted by the General Meeting of Shareholders on 21 January 2011. The remuneration policy is consistent with the strategy and core values of Boskalis, which are centered on long-term orientation and continuity and take into account the interests of Boskalis' shareholders, clients, employees as well as the 'wider environment'. The Remuneration Committee ascertained that in defining and executing the remuneration policy the remuneration ratios within the company were adhered to and that potential outcomes of the variable remuneration elements (short and long term) for the remuneration of individual board members were analyzed and in part determined by performing scenario analyses. Other factors taken into account in determining the amount and structure of the remuneration included the development of results, the Boskalis share price performance and non-financial indicators with due consideration of the risks to the company.

The full text of the remuneration policy can be found on the Boskalis website (www.boskalis.com).

ELEMENTS OF REMUNERATION

The table below provides an overview of the remuneration package for members of the Board of Management (including pay-out levels and – where applicable – performance measures).

A – BASIC SALARY

The amount of the basic salary is determined based on the labor market reference group in accordance with the remuneration policy and checked periodically using data obtained by an external advisor.

B – PENSION PLAN

The members of the Board of Management participate in the Boskalis pension scheme, which is administered by PGB pension fund. Pension accrual is based on a conditionally indexed non-contributory average earnings scheme with a fiscal cap of EUR 105,075. The retirement target age is 68.

C – SHORT-TERM VARIABLE ELEMENT

The Supervisory Board sets targets for full-year net result and individual performance, with payment of the short-term variable element subject to these being met.

Individual targets are assessed in terms of quality and/or quantity (depending on the specific target), while the full-year net result is determined solely in terms of quantity. The external auditor is involved in the final determination of the short-term variable element and is responsible for ensuring that the relevant procedures are followed correctly.

Individual performance objectives are directly derived from Boskalis' strategic agenda and are in line with the corporate objectives as defined for 2017. Examples include the execution of the staff rationalization plan, further strengthening of the divisional activities and specific commercial achievements.

REMUNERATION PACKAGE FOR MEMBERS OF THE BOARD OF MANAGEMENT

Type of remuneration	Element of remuneration	Performance period & measures	Payout
Fixed	A. Basic salary (x EUR 1,000)	Period: 2017	CEO: EUR 792.8 BoM member: EUR 573.5
	B. Pension plan	—	See table on page 8
Variable	C. Short-term element	Period: 1 year Performance measure: - 50% full-year net result - 50% individual targets	At target CEO: 50% of basic salary Maximum CEO: 75% of basic salary At target BoM member: 45% of basic salary Maximum BoM member: 67.5% of basic salary
	D. Long-term element	Period: 3 years Performance measured: - Share price performance - Realizing corporate policy	At target CEO: 50% of basic salary Maximum CEO: 75% of basic salary At target BoM member: 45% of basic salary Maximum BoM member: 67.5% of basic salary

D – LONG-TERM VARIABLE ELEMENT

The members of the Board of Management participate in a long-term (three-year) remuneration scheme. The amount of the long-term variable element depends on the Boskalis share price performance and the extent to which certain long-term corporate objectives are achieved, such as growth and result of the company as well as CSR aspects such as safety and senior staff development. The Supervisory Board sets measurable/assessable targets in these areas, with payment of the long-term variable element subject to these being met.

The part of the long-term variable element that is linked to the creation of shareholder value is based on share price performance. Share price performance is measured by the ratio between the average share price over the three months prior to the start and prior to the end of the three-year performance period.

At the start of the performance period a basic bonus amount is established equal to the 'at target' percentages (50% of fixed annual income for the chairman of the Board of Management and 45% for the other members).

Establishing the ultimate score (of the long-term variable element) is determined by the degree to which the stated targets were met over the past three-year period. The creation of shareholder value is assessed qualitatively while the corporate objectives are largely assessed quantitatively. The external auditor is involved in the final determination of the long-term variable element and is responsible for ensuring that the relevant procedures are followed correctly.

This means that the variable income of members of the Board of Management is partly dependent on the Boskalis share price and is therefore linked to the value development of the company. The corporate objectives are directly derived from Boskalis' strategic agenda.

The Supervisory Board ascertains that both the short-term variable and the long-term variable element are structured in such a way as not to encourage the taking of risks that are inconsistent with sound business practice. The Supervisory Board has the authority to adjust the payout if exceptional circumstances have arisen during the performance periods. The Supervisory Board also has the authority to demand repayment of both the short-term variable and the long-term variable bonus in the event these were awarded on the basis of incorrect financial or other information ('clawback clause'). Where necessary in 2014 the contracts were further tightened up to reflect the Dutch Clawback Act.

OTHER TERMS AND CONDITIONS

The table below provides an overview of main elements of the contracts of the members of the Board of Management, including the length of the contracts, terms of office and severance pay of the members of the Board of Management.

In December 2017 the current contracts of the Chief Executive Officer and the Chief Financial Officer have been amended, so that all contracts of the members of the Board of Management comply with the requirements set with regard to maximum severance pay.

LENGTH OF EMPLOYMENT CONTRACTS, TERMS OF OFFICE AND SEVERANCE PAY OF THE MEMBERS OF THE BOARD OF MANAGEMENT

Members of the Board of Management	Contract length	Term of office	Severance pay
Dr. P.A.M. Berdowski Chief Executive Officer	until pension date		1 year
J.H. Kamps Chief Financial Officer	4 years	4 years	1 year
T.L. Baartmans Member of the Board	4 years	4 years	1 year

- The package of secondary employment conditions offered by the company is in line with the market (including phone, car, expense allowance).
- No loans, advances or guarantees are extended to executives.
- Positions outside the company may only be accepted with the explicit prior approval of the chairman of the Supervisory Board.

APPLICATION OF REMUNERATION POLICY IN 2017



In 2017 the remuneration policy was applied in accordance with the remuneration policy as last adopted by the General Meeting of Shareholders on 21 January 2011.

The table on the next page provides an overview with regard to the remuneration of the members of the Board of Management. During 2016 the targets set for the short-term variable element were exceeded. This resulted in a payout in excess of the 'at target' level of the short-term variable element in 2017.

The long-term variable element over the period 2014-2016 was also deemed to be in excess of the 'at target' level and was paid out accordingly.

In the opinion of the Supervisory Board the remuneration granted is appropriate to the performance achieved in 2017, 2016 and 2015, respectively. As such the performance achieved contributed towards the successful execution of Boskalis' strategic agenda.

INTERNAL PAY RATIO

In connection to the application of the remuneration policy, the Remuneration Committee has in the year under review considered the internal pay ratio within the company.

In the approach of the internal pay ratio the following calculation method has been applied: the total direct compensation costs of the CEO (including benefits and excluding pension costs) divided by the average of the total direct compensation costs (including benefits and excluding pension costs) per FTE of the Dutch employees of Baggermaatschappij Boskalis B.V. leads to an internal pay ratio of 22.77.

The internal pay ratio is a new disclosure under the Code. In 2018 the Remuneration Committee will in comparison to the year under review, report changes (if any) to the internal pay ratio.

The Remuneration Committee will in 2018 monitor best practices in relation to internal pay ratios.



OVERVIEW OF THE TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT

(Payments made by the company in the year concerned x EUR 1,000)

	Year	Fixed remuneration	Variable remuneration		Pension	Other allowances	Total
		Basic salary	Short-term remuneration	Long-term remuneration			
Dr. P.A.M. Berdowski	2017	793	352	463	205	28	1,841
Chief Executive Officer	2016	793	541	649	561 *	28	2,572
	2015	770	546	770	195	29	2,310
J.H. Kamps	2017	574	235	301	148	28	1,286
Chief Financial Officer	2016	573	313	423	320 *	28	1,657
	2015	557	355	501	140	30	1,583
T.L. Baartmans	2017	574	235	301	148	31	1,289
	2016	573	352	423	279 *	31	1,658
	2015	557	355	501	127	30	1,570

* Includes the general compensation following the amendment of the PGB pension scheme regarding the change from unconditional to conditional indexation.

SUPERVISORY BOARD REMUNERATION POLICY

The remuneration policy for the Supervisory Board was adopted by the General Meeting of Shareholders on 10 May 2012. In 2017 the remuneration policy was applied in accordance with the policy as adopted.

OVERVIEW OF THE ANNUAL AND COMMITTEE ALLOWANCES FOR THE SUPERVISORY BOARD

(x EUR 1,000)

Chairman of the Supervisory Board	60
Member of the Supervisory Board	45
Chairman of the Audit Committee	10
Member of the Audit Committee	7
Chairman of the Remuneration Committee	7
Member of the Remuneration Committee	5
Chairman of the Selection and Appointment Committee	6
Member of the Selection and Appointment Committee	4

In addition members of the Supervisory Board receive an annual expenses allowance of EUR 2,368. Supervisory Board members are not remunerated in shares, nor are any loans, advances or guarantees extended to members of the Supervisory Board.



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