

REMUNERATION  
REPORT 2016

# REMUNERATION REPORT 2016





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# INTRODUCTION



## MEMBERS OF THE REMUNERATION COMMITTEE

The Remuneration Committee consists of two members, with Mr. Van Woudenberg as chairman and Mr. Niggebrugge as a member.

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

The Remuneration Committee performs the following duties:

- Putting forward a proposal to the Supervisory Board with regard to the remuneration policy to be pursued for the Board of Management. The policy is submitted for approval to the General Meeting of Shareholders.
- Investigating whether the adopted remuneration policy is still up-to-date and proposing policy adjustments where necessary.
- Putting forward proposals to the Supervisory Board with regard to the remuneration of individual members of the Board of Management (this in accordance with the remuneration policy adopted by the General Meeting of Shareholders).
- Compiling the remuneration report on the remuneration policy pursued, subject to adoption by the Supervisory Board.



## ACTIVITIES DURING 2016

The Remuneration Committee met twice during 2016, with both 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 market;
- staying abreast of the latest corporate governance developments in the Netherlands and internationally;
- performing scenario analyses.

## CHANGES TO PENSION PLAN

The Boskalis pension plan, managed by the PGB pension fund, includes an unconditional indexation for all Boskalis participants that were employed on 31 December 2014. This unconditional indexation is also applicable for members of the Board of Management. The level of indexation was equal to the annual general wage level increase at Boskalis.

However, this defined unconditional pension indexation led to high volatility in the pension liabilities in the statement of profit or loss under IFRS due to fluctuations in the discount rate and deviations in the calculation of the pension liability compared to the method in which PGB calculates and establishes the premium. This resulted in undesirable and disproportionate effects on the statement of profit or loss and the balance sheet. To mitigate these undesirable effects, an amendment has been made to the indexation arrangement. This amendment and the associated compensation was approved by the Works Council in December 2016. Subsequently the unconditional indexation was abolished as per 31 December 2016.

As of 1 January 2017, pension indexation is conditional and solely dependent on the coverage ratio and the

financial position of PGB. Future indexation will be financed by PGB pension fund only.

To compensate for the change from unconditional to conditional indexation, Boskalis has provided an amount to PGB that allows for a one-off 5% increase in accrued pension rights as of 31 December 2016.

## AGENDA FOR 2017

The remuneration survey performed in 2015 considered the remuneration for the members of the Board of Management compared to the remuneration of the labor market peer group\*. It concluded at that time that the members of the Board of Management were receiving an appropriate basic salary.

However, the survey concluded that the overall direct remuneration package of the members of the Board of Management was below the median for the labor market reference group. This was due to a lower short-term variable element and in particular a lower long-term variable element.

Despite the fact that the remuneration survey revealed these differences in both variable remuneration elements, the Remuneration Committee proposed in 2015 not to change the current remuneration policy in light of the changing market environment. In 2017 the Remuneration Committee will re-evaluate the prevailing policy in light of the current market developments and circumstances.

In 2017 the Remuneration Committee will also seek to stay abreast of the developments in the national and international remuneration market as well as of the relevant regulations and the possible implications these may have for the current remuneration policy.

\* The peer group defined in 2015 consists of BAM, DSM, Fugro, USG People, SBM Offshore, RELX Group, PostNL, Wolters Kluwer, Arcadis, Vopak, Aalberts Industries, OCI, KPN and TKH Group.



# REMUNERATION POLICY FOR THE BOARD OF MANAGEMENT

The 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 of management positions was in balance 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](http://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 peer 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 101,519. The retirement age is 67.

### 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 2016. Examples include the realization of the fleet rationalization plan, the further strengthening of the divisional structure 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)	<b>Period:</b> 2016	<b>CEO:</b> EUR 792.8 <b>BoM member:</b> EUR 573.5
	B. Pension plan	—	See table on page 8
Variable	C. Short-term element	<b>Period:</b> 1 year <b>Performance measure:</b> - 50% full-year net result - 50% individual targets	<b>At target CEO:</b> 50% of basic salary <b>Maximum CEO:</b> 75% of basic salary  <b>At target BoM member:</b> 45% of basic salary <b>Maximum BoM member:</b> 67.5% of basic salary
	D. Long-term element	<b>Period:</b> 3 years <b>Performance measured:</b> - Share price performance - Realizing corporate policy	<b>At target CEO:</b> 50% of basic salary <b>Maximum CEO:</b> 75% of basic salary  <b>At target BoM member:</b> 45% of basic salary <b>Maximum BoM member:</b> 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 staff development. The Supervisory Board sets 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. Examples of this include (post-)merger and integration activities, CSR objectives such as the company-wide implementation of the No Injuries, No Accidents (NINA) safety program and succession planning for the senior management.

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 the length of the contracts, terms of office and severance pay of the members of the Board of Management.

The contracts of members of the Board of Management who joined the company subsequent to the introduction of the Dutch Corporate Governance Code (i.e. after 2004) 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

<b>Members of the Board of Management</b>	<b>Contract length</b>	<b>Term of office</b>	<b>Severance pay</b>
Dr. P.A.M. Berdowski Chief Executive Officer	Until 1/12/2019		1.5 years
J.H. Kamps Chief Financial Officer	4 years	4 years	2 years
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 2016



In 2016 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 executives. In accordance with the remuneration policy as adopted by the General Meeting of Shareholders a minor adjustment was made to the basic salaries of the members of the Board of Management in 2016.

During 2015 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 2016.

The long-term variable element over the period 2013-2015 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 2016, 2015 and 2014, respectively. As such the performance achieved contributed towards the successful execution of Boskalis' strategic agenda.





# 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 Chief Executive Officer	2016	793	541	649	561 **	28	2,572
	2015	770	546	770	195	29	2,310
	2014	743	520	498	188	28	1,977
J.H. Kamps Chief Financial Officer	2016	573	313	423	320 **	28	1,657
	2015	557	355	501	140	30	1,583
	2014	538	338	324	135	28	1,363
T.L. Baartmans	2016	573	352	423	279 **	31	1,658
	2015	557	355	501	127	30	1,570
	2014	538	310	324	135	27	1,334
F.A. Verhoeven*	2016	203	352	787	60	8	1,410
	2015	557	355	501	163	22	1,598
	2014	538	331	-	137	21	1,027

\* The agreement of instruction between Mr Verhoeven and the company was terminated with effect from 11 May 2016.

\*\* 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 2016 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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