

2019 Remuneration Report of Heijmans N.V.

This report, which must be regarded as a report in the sense of Article 2:135b of the Dutch Civil Code and in the sense of principle 3.4 of the Dutch Corporate Governance Code, explains the implementation of the remuneration policy for the Executive Board and the remuneration policy for the Supervisory Board as it applied for the 2019 financial year. The remuneration policy for the Executive Board and the remuneration policy for the Supervisory Board are explained in brief.

This report is structured as follows:

1. Basic principles of the remuneration policy for the Executive Board and for the Supervisory Board
2. Main points of the remuneration policy for the Executive Board
3. Implementation of the remuneration policy for the Executive Board in 2019
4. Main points of the remuneration policy for the Supervisory Board
5. Implementation of the remuneration policy for the Supervisory Board in 2019
6. Evaluation of the remuneration policy and intentions for 2020

1. Basic principles of the remuneration policy for the Executive Board and for the Supervisory Board

Heijmans has the mission of creating a healthy living environment. The company wants to be a trendsetter when it comes to innovation and works to create a healthy living environment on the basis of a distinctive vision and in-depth knowledge and skill. The strategy is focused on long-term value creation for all stakeholders and for society as a whole, in the form of sustainable homes, sustainable construction processes and a significant contribution to employment and the economy.

In order to formulate and implement this strategy, Heijmans must be able to attract, motivate and retain expert directors and supervisory directors of a high calibre. The remuneration policy lays down the basis for that and as such is instrumental in realizing the strategy and value creation.

Heijmans endorses the principles and best practice provisions relating to the remuneration of directors and supervisory directors as identified in the Corporate Governance Code and follows those in its policy and in this report.

2. Main points of the remuneration policy for the Executive Board of Heijmans N.V.

The remuneration policy for the Executive Board as it applied during the 2019 financial year was adopted by the Annual General Meeting of Shareholders ('AGM') on 28 April 2010.

It was decided to grant a fixed income and variable remuneration that depends on objectives oriented to the short term (variable remuneration on yearly basis) and long term (annual recurring variable remuneration on three-year basis). Under this structure, the total variable remuneration equates to 100% of the fixed remuneration provided that the short and long-term objectives are achieved 'at target'. If performance significantly exceeds or falls well below the agreed-upon objectives, the variable remuneration can range from a maximum of 150% of the fixed remuneration down to zero. If the objectives are realized 'at target', 50% of the total variable remuneration will be comprised of the variable remuneration on yearly basis and 50% will be comprised of the recurring variable remuneration on three-year basis. 50% of the variable remuneration on yearly basis depends on financial objectives set annually. 50% of it depends on individual qualitative performance, subject to the Supervisory Board's assessment.

If the company closes any year with a negative net result, then a claim to variable remuneration on yearly basis for that particular year only becomes definitive if and when the company's net result is positive in the following year or year subsequent to that, subject to a specific minimum level to be set by the Supervisory Board. After that, any claim to variable remuneration on yearly basis for the year in question expires. 50% of the variable remuneration on three-year basis depends on financial

objectives and 50% depends on individual qualitative performance and other non-financial criteria, at the discretion of and subject to the assessment of the Supervisory Board.

The entire variable remuneration is subject to a claw-back clause: variable remuneration allocated can be reclaimed if it emerges to have been granted on the basis of incorrect information. The Supervisory Board also has the discretionary power to adjust the variable remuneration granted in an earlier financial year if, in the Supervisory Board's opinion, this remuneration results in an unfair or unreasonable situation because of very exceptional circumstances in the relevant assessment period (last resort). The Supervisory Board has the right to finally review and possibly adjust every allocation of variable remuneration. The main points of the remuneration policy for directors of Heijmans N.V. were adopted by the AGM on 28 April 2010. The objectives that apply in the context of the variable remuneration for the members of the Executive Board are set by the Supervisory Board. These are the financial objectives and the objectives for qualitative performance which are determinative for the yearly remuneration and the remuneration payable over a three-year period.

3. Implementation of the remuneration policy for the Executive Board in 2019

3.1 brief summary

The Remuneration Committee consists of Ms P.G. Boumeester, Ms M.M. Jonk and Mr R. van Gelder (chair). The Remuneration Committee held two regular meetings in 2019, at which the usual annual items such as remuneration for the Executive Board members, the objectives in the context of the variable remuneration, the variable remuneration itself and the Bonus Investment Share Matching Plan were discussed. There was consultation between committee members on several occasions as well. The committee also met three times in the context of a review of the remuneration policy for the Executive Board and Supervisory Board prompted by the revised Shareholders' Rights Directive (SRD II), as will be put to a vote during the AGM on 15 April 2020.

The Supervisory Board took a number of aspects into account when applying the remuneration policy for the Executive Board in 2019. Relevant market developments in relation to remuneration were considered, for instance. The results of a market survey were taken into account in the formulation of the remuneration policy for the Executive Board which will be put to the AGM on 15 April 2020. The criteria used to put together the reference group for the market survey were number of employees, turnover, market value, total assets, complexity and similar company dynamics. On average, Heijmans ranks in the 27th percentile in this reference group.

A careful assessment took place of how the Executive Board implemented the company's strategic and financial objectives. Current issues such as the problems with nitrogen and PFAS chemicals, which actually fall outside the company's control but which can have a major impact, were taken into account in this. The Supervisory Board looked into whether the company's results should have consequences for remuneration.

3.2 Table with overview of remuneration by component

The information according article 2:135b section 3 sub e of the Dutch Civil Code is reported in the following statement.

Executive Board remuneration - Five-year overview

Fixed and variable remuneration

In €		2019	2018	2017	2016	2015
	Underlying EBITDA	€ 54 mln	€ 43 mln	€ 30 mln	€ -46 mln	€ 16 mln
	a Average remuneration employees	56.823	52.797	52.553	52.421	50.989
	b Average remuneration Executive Board members	462.500	462.500	462.500	451.907	444.794
A.G.J. Hillen	1 Gross fixed salary	500.000	500.000	500.000	414.470	395.661
	2 Short-term variable bonus	242.211	250.000	345.868		
	3 Long-term variable bonus	256.250	437.500	-102.050	-95.780	
	4 Termination payment					
	5 Pension expense	202.052	201.141	200.273	116.917	111.172
	6 Expense allowances incl. reimbursement of car expenses, compulsory social insurance contributions, long-service bonus and costs of the Share Matching Plan	79.117	57.252	43.483	45.048	29.610
	Total	1.279.630	1.445.893	987.574	480.655	536.443
J.G. Janssen	1 Gross fixed salary	425.000	425.000	74.053		
	2 Short-term variable bonus	205.879	212.500			
	3 Long-term variable bonus	217.813	212.500			
	4 Termination payment					
	5 Pension expense	88.000	88.000	14.867		
	6 Expense allowances incl. reimbursement of car expenses, compulsory social insurance contributions, long-service bonus and costs of the Share Matching Plan	70.037	48.801	9.059		
	Total	1.006.729	986.801	97.979	0	0
L.J.T. van der Els	1 Gross fixed salary			115.954	496.906	493.926
	2 Short-term variable bonus				-98.753	98.753
	3 Long-term variable bonus				-246.882	
	4 Termination payment					
	5 Pension expense			28.671	102.160	102.160
	6 Expense allowances incl. reimbursement of car expenses, compulsory social insurance contributions, long-service bonus and costs of the Share Matching Plan			14.892	47.123	30.444
	Total	0	0	159.517	300.554	725.283
M.C. van den Biggelaar	1 Gross fixed salary			68.209	406.907	395.661
	2 Short-term variable bonus				-79.132	79.132
	3 Long-term variable bonus				-197.831	
	4 Termination payment					
	5 Pension expense			11.870	73.059	79.475
	6 Expense allowances incl. reimbursement of car expenses, compulsory social insurance contributions, long-service bonus and costs of the Share Matching Plan			9.372	53.512	33.847
	Total	0	0	89.451	256.515	588.115
R.F. Majenburg	1 Gross fixed salary			331.409	386.903	
	2 Short-term variable bonus			248.557		
	3 Long-term variable bonus			-64.484	64.484	
	4 Termination payment			404.563		
	5 Pension expense			72.822	85.135	
	6 Expense allowances incl. reimbursement of car expenses, compulsory social insurance contributions, long-service bonus and costs of the Share Matching Plan			34.304	40.445	
	Total	0	0	1.027.171	576.967	0
Total	1 Gross fixed salary	925.000	925.000	1.089.625	1.705.186	1.285.248
	2 Short-term variable bonus	448.090	462.500	594.425	-177.885	177.885
	3 Long-term variable bonus	474.063	650.000	-166.534	-476.009	0
	4 Termination payment	0	0	404.563	0	0
	5 Pension expense	290.052	289.141	328.503	377.271	292.807
	6 Expense allowances incl. reimbursement of car expenses, compulsory social insurance contributions, long-service bonus and costs of the Share Matching Plan	149.154	106.053	111.110	186.128	93.901
	Total	2.286.359	2.432.694	2.361.692	1.614.691	1.849.841

a. In 2015 and 2016, determined on the basis of interpolation.

1. Fixed agreed annual salary.

2. Short-term variable bonus in accordance with the remuneration policy described in section 1 of this report.

3. Long-term variable three-year bonus in accordance with the remuneration policy described in section 1 of this report.

5. For an explanation of the pension expenses, see section 3.2.1 of this report

6. For an explanation of the Share matching Plan, see section 3.2.2 of this report

3.2.1 Bonus Share Matching Plan

As part of the Bonus Share Matching Plan, the Executive Board members are given the opportunity to use maximum 50% of the short-term remuneration allocated to them to buy shares or depositary receipts for shares in Heijmans. The so-called matching shares are granted after three years, provided certain conditions are met and the participant is still in office at that point.

In April 2018, Mr Hillen used the short-term bonus allocated for 2017 to buy 5,000 depositary receipts for shares in Heijmans. Matching shares can be allocated in April 2021.

In April 2019, Messrs Hillen and Janssen used the short-term bonus allocated for 2018 to buy 7,500 and 5,000 depositary receipts for shares in Heijmans, respectively. Matching shares can be allocated in April 2022.

After the matching shares are unconditionally granted, a blocking period of two years takes effect. Matching shares were most recently granted in April 2017. The blocking period for these expired in April 2019. For the rest, at the end of 2019 the participants did not hold any matching shares to which any blocking period still applied.

3.2.2 Explanation of pension contributions

For Mr A.G.J. Hillen, the conditionally indexed average salary sectoral pension fund scheme applies, in which pension is accrued on the gross fixed remuneration up to € 60,850 and payment starts at the age of 67. This includes the accrual of retirement pension, survivor's pension and orphan's pension. For the portion of the salary that exceeds this amount, up to € 107,593, this Executive Board member participates in a defined contribution scheme. This director also receives compensation for the discontinuation of pension accrual on the portion of the salary that exceeds € 107,593. In deviation from what is stated above, Mr J.G. Janssen receives fixed compensation for the accrual of his own pension scheme. There are no pension schemes for early retirement.

3.2.3 Explanation of expense allowances

The expense allowance, including car costs, social contributions and the costs of the Share Matching plan, are reported in the table in section b. For further details, see the 2019 Annual Accounts, 6.28 Affiliates.

3.3 Allocation of variable remuneration

The Supervisory Board has assessed the short- and long-term objectives that apply for the Executive Board members for 2019 and for the years 2017-2019, respectively. The Supervisory Board has assessed that the financial short-term objectives, level of EBITDA and average net debt, have been met by 119% of the target. The qualitative short-term objectives, amongst others reduction of cost of after sales, augmentation of application of digital twins, creation of logistic hubs, decrease of CO2 emission, increase of recyclable packaging and strengthening the HR operation, have been met by 75% of the target.

With regard to the financial long-term objectives, amongst others strengthening underlying Ebit and level of solvency, the Supervisory Board has assessed that the Executive Board has met these objectives for 100% of the target. The qualitative long-term objectives, such as a well-balanced Infra portfolio, control of large projects and profitable growth of non-residential projects, have been met by 105% of the target.

This assessment results in the decision of the Supervisory Board to grant both members of the Executive Board a short-term variable remuneration for 2019 of 48% of the fixed agreed-upon annual remuneration and a long-term variable remuneration for 2019 of 51% of the fixed agreed-upon annual remuneration. The amounts are reported in the following statement.

in €	Gross fixed salary			Variable bonus			Total fixed and variable remuneration		
	To be paid out in 2020	Paid out in 2019	Paid out in 2018	To be paid out in 2020	Paid out in 2019	Paid out in 2018	To be paid out in 2020	Paid out in 2019	Paid out in 2018
A.G.J. Hillen	500.000	500.000	500.000	498.461	437.500	425.000	998.461	937.500	925.000
J.G. Janssen	425.000	425.000	425.000	423.692	212.500	-	848.692	637.500	425.000
	925.000	925.000	925.000	922.153	650.000	425.000	1.847.153	1.575.000	1.350.000

3.4 Pay Ratio

In follow-up to best practice 3.4.1, part iv, the pay ratio between the Executive Board and other employees within the company has been calculated. The fixed agreed-upon remuneration including holiday allowance serves as the starting point, with reference date 30 November 2019. The average fixed agreed-upon remuneration of the Executive Board members in office as of the reference date was compared to the reference group, which consists of all employees who have an employment contract with the company (Heijmans N.V.) or one of its subsidiaries in the Netherlands on the reference date. The average fixed remuneration of the Executive Board members amounted to €462,500 on the reference date (2018: €462,500) compared to average fixed remuneration of €56,823 (2018: €52,797) for the reference group. Based on the above, the pay ratio can be expressed as 1:8 (2018: 1:8.8).

The Remuneration Committee takes the pay ratio into account in the proposal it puts to the Supervisory Board in relation to the individual pay packages for the Executive Board members.

4. Main points of the remuneration policy for the Supervisory Board of Heijmans N.V.

The remuneration policy for the Supervisory Board as it applied during the 2019 financial year was adopted by the Extraordinary General Meeting of Shareholders on 6 December 2018

The Supervisory Board exercises supervision on the implementation of the strategy formulated by the Executive Board in dialogue with the Supervisory Board. Attracting and retaining supervisory directors who complement each other and can support the Executive Board with advice and assistance is the key to sound supervision.

The remuneration policy is aimed at being able to attract experienced and expert supervisory directors. That requires a competitive pay package. In accordance with best practice 3.3.1 of the Dutch Corporate Governance Code, the remuneration of the supervisory directors must furthermore reflect the time commitment and the responsibilities of the position. With the supervisory directors' independent position in mind, their remuneration does not depend on the company's results and the internal pay ratio is less relevant.

In order to attune the remuneration to the time commitment and responsibilities:

- the chair and vice-chair of the Supervisory Board receive higher fixed basic compensation than ordinary members;
- supervisory directors receive compensation for the work they do in committees on which they serve, in addition to the basic compensation that all members receive;
- committee chairs receive higher committee compensation than ordinary committee members.

In accordance with the remuneration policy adopted on 6 December 2018, the following amounts apply with effect from 2019:

	per year in €
Chair Supervisory Board	60.000
Vice-Chair Supervisory Board	45.000
Member Supervisory Board	40.000
Chair Audit committee	8.000
Member Audit committee	6.000
Chair Remuneration committee	4.000
Member Remuneration committee	3.000
Chair Selection and appointment committee	4.000
Member Selection and appointment committee	3.000

These compensations are adjusted annually as of 1 January on the basis of the Statistics Netherlands (CBS) all-items consumer price index.

5. Implementation of the remuneration policy for the Supervisory Board in 2019

During the 2019 financial year, the Supervisory Board members received a fee in accordance with the policy described in point 4 of this report. The allocation of duties was as follows in 2019:

- Mr S.S. Vollebregt, chair
- Mr R. Icke, vice-chair of the Supervisory Board and chair of the Audit Committee
- Mr R. van Gelder, member of the Supervisory Board, member of the Remuneration Committee (until 10 April 2019), chair of the Remuneration Committee (from 10 April 2019), member of the Selection and Appointment Committee, member of the Audit Committee.
- Ms P.G. Boumeester, member of the Supervisory Board, member of the Remuneration Committee, member of the Selection and Appointment Committee (until 10 April 2019), chair of the Selection and Appointment Committee (from 10 April 2019).
- Ms M.M. Jonk, member of the Supervisory Board, member of the Remuneration Committee (from 10 April 2019), member of the Selection and Appointment Committee (from 10 April 2019), member of the Audit Committee (from 10 April 2019).
- Mr S. van Keulen, retired after the conclusion of the Annual General Meeting of Shareholders held on 10 April 2019. Until that date, member of the Supervisory Board, chair of the Remuneration Committee and chair of the Selection and Appointment Committee and member of the Audit Committee.

The following amounts were granted to the Supervisory Board members for the years 2014 to 2019, inclusive:

in €	2019	2018	2017	2016	2015	2014
Sj.S. Vollebregt – voorzitter*	60.000	60.000	47.723	43.973	24.542	0
Drs. P.G. Boumeester**	46.750	46.000	37.723	37.723	37.723	37.723
Mr. M.M. Jonk***	49.000	3.333	0	0	0	0
Ing. R. van Gelder BA****	52.750	52.000	42.723	42.723	40.223	37.723
Drs. S. van Keulen*****	13.500	54.000	42.723	42.723	42.723	42.723
R. Icke RA*****	53.000	53.000	37.723	37.723	37.723	37.723
Totaal	275.000	268.333	208.615	204.865	182.934	155.892

* supervisory director with effect from 15 April 2015,
Chair with effect from 13 April 2016
** supervisory director with effect from 28 April 2010
*** supervisory director with effect from 6 December 2018

**** supervisory director with effect from 1 July 2010
***** supervisory director from 18 April 2007 to 10 April 2019
***** supervisory director with effect from 9 April 2008

6. Evaluation of the remuneration policy and intentions for 2020

Partly in the light of new legislation implementing the European directive to promote long-term shareholder commitment, the Remuneration Committee evaluated and reformulated the remuneration policy for both boards. The policy, remuneration structures and pay levels were found to be in balance. The policy was reformulated, however, and the explanation and rationale have been improved in accordance with the provisions of the European directive and the Dutch legislation implementing that directive. Because the Remuneration Committee has been merged with the Selection and Appointment Committee effective 2020, it will be put to the AGM on 15 April 2020 that the compensation for the merged committee be set at €7,000 per year for the chair of the Committee and €5,000 for a member of the Committee. The Supervisory Board adopted the Remuneration Committee's policy proposals and presented these to the Works Council for advice. The Works Council advised positively on both policy proposals.

The remuneration policy for the Executive Board and the remuneration policy for the Supervisory Board will be presented for approval to the Annual General Meeting of Shareholders on 15 April 2020. After the full remuneration policy has been voted on at the Annual General Meeting of Shareholders on 15 April 2020, it will be published immediately on Heijmans' website.

Rosmalen, 20 February 2020