



The Supervisory Board reviewed the remuneration policy for the Board of Management of Fugro N.V. ("Fugro") in 2017. The adjustments proposed by the Supervisory Board were adopted by the Annual General Meeting ('AGM') on 2 May 2017. The adjusted remuneration policy took effect retroactively as from 1 January 2017.

Remuneration policy

The main objective of Fugro's remuneration policy is to attract, motivate and retain qualified management that is needed for a global company of the size and complexity of Fugro. The members of the Board of Management are rewarded accordingly. The remuneration policy aims at compensation in line with the median of the labour market reference group. Variable remuneration is an important part of the total package. The policy supports both short and long-term objectives, whereas the emphasis is on long-term value creation for Fugro and its stakeholders.

The current remuneration policy was first adopted by the AGM in 2014 and has since been adjusted twice, most recently by the AGM in 2017. When preparing the adjustments of the remuneration policy in 2017, the Supervisory Board considered (where applicable) the aspects as formulated in best practice provision 3.1.2 of the Code. The adjustments concerned:

- Introduction of a list of financial performance criteria for the short-term incentive (STI).
- Shift in the long-term incentive program (LTIP) to conditional performance shares only.
- Introduction of a third performance measure in the LTIP focused on strategic challenges.
- Adjustment of the moment on which grants under the LTIP are made.

The remuneration policy will be reviewed once every three years to verify its market conformity, potentially leading to adjustments. The last review took place in 2017 and the next review will in principle take place in 2020.

Labour market reference group

In preparing the remuneration policy and to determine the remuneration of the members of the Board of Management, the remuneration committee uses external benchmark information to assess market comparability of the remuneration. The labour market reference group consists of 14 Dutch listed companies of comparable scope with international/ global business activities. These are: Aalberts Industries, Accell Group, Aperam, Arcadis, ASM International, BAM Group, Boskalis, Brunel, Refresco, SBM Offshore, TKH Group, TomTom, Vopak and Wolters Kluwer. In addition, an international group has been used to assess market competitiveness within the sector, especially regarding short and long term incentive levels

The Supervisory Board will periodically evaluate the composition of the labour market reference group, among others, in light of corporate events. Companies removed from the reference group will be replaced by other listed companies of comparable scope with international/ global business activities.

Pay ratios

When formulating the remuneration policy, the pay ratios within Fugro are taken into consideration. In 2017 an independent external consultant was requested to review and analyse internal pay ratios and to provide the internal pay ratio between the CEO and the average of the employees for the year 2017. Based on the value of the actual long term incentive awarded to the CEO in 2017, Fugro had a pay ratio of 13 (2016: 14), implying that the CEO pay was 13 times the average pay within the organisation. The average pay takes into account all employee costs, i.e. salaries, variable pay, pensions and other benefits. Based on the expected value of the CEO long term incentive at target vesting, the pay ratio would have been 23 (2016: 22).



Analyses

In the design of the remuneration policy and in determining the remuneration of the members of the Board of Management, the Supervisory Board takes into account possible outcomes of the variable remuneration elements and how they may affect the remuneration. The level and structure of the remuneration are designed by taking into consideration these scenario analyses, internal pay differentials, development of the market price of the Fugro shares and the performance indicators relevant to the long-term objectives of the company, as included in the strategic agenda. The remuneration structure and elements do not encourage risk taking that is not in line with Fugro's strategy and risk appetite. The remuneration committee takes note of individual Board of Management members' views with regard to the amount and structure of their own remuneration.

Share ownership guidelines

The Supervisory Board encourages the Board of Management to hold shares in Fugro to emphasise their confidence in Fugro and its strategy. Since 2014 minimum share ownership guidelines are applicable. For the CEO this amounts to 250% of fixed base salary and for the other members of the Board of Management this amounts to 125% of fixed base salary. The build-up period equals 5 years.

Claw back and value adjustment

Pursuant to section 2:135 paragraph 6 DCC, the Supervisory Board is authorised to adjust a variable remuneration component to an appropriate level if payment of that variable remuneration component would be unacceptable according to standards of reasonableness and fairness. Pursuant to section 2:135 paragraph 8 DCC, Fugro is authorised to claw back a variable remuneration component in full or in part to the extent the payment was made on the basis of incorrect information with respect to the achievement of the targets on which the variable remuneration component was based or with respect to the circumstances on which this variable remuneration component was dependent.

Remuneration design

The remuneration of the Board of Management consists of the following four elements:

- Fixed base salary
- Short-term incentive (STI), consisting of an annual cash bonus opportunity
- Long-term incentive (LTI), consisting of conditional performance shares*
- Pension and other benefits

*Since 2014 and until 2017, the LTI consisted of a mix of performance shares and performance options. In line with market practice, the form of conditional awards has been changed from a mix of performance shares and options to conditional awards in the form of performance shares only. This was approved by the AGM in 2017.

The principles of the remuneration policy are cascaded to the next senior management level.

Fixed base salary

Fixed base salaries of the members of the Board of Management are determined by the Supervisory Board (based on advice of the Remuneration Committee) and set in line with the median of the labour market reference group. Once a year, the Supervisory Board determines whether, and if so, to what extent the base salaries will be adjusted. At least once every three years, the outcome of external benchmarking by an independent consultant is taken into consideration. In view of market developments and Fugro's performance, base salaries have not been increased since 2015.



Short-term incentive (annual bonus)

Each member of the Board of Management is eligible for an annual bonus. The bonus may vary from 0% to 100% of fixed base salary, with 67% being applicable when targets are achieved. The STI is linked to financial targets (75%) and to non-financial (personal) targets (25%). The non-financial targets give the possibility to include health and safety, corporate social responsibility, personal development goals, etc. into the bonus program.

At the beginning of each financial year, the Supervisory Board will set the targets, based on the budget and taking into account the strategy aspirations. In respect of the financial targets, three to four financial metrics will be selected from the following list:

- Earnings per share (EPS)
- EBIT margin
- Working capital
- Cash flow
- Net debt
- Organic revenue growth

The Supervisory Board will also determine the relative weighting for the selected financial metrics and the applicable performance zones for each target (financial and non-financial). These performance zones determine: (i) the performance level below which no pay-outs are made; (ii) the performance level at which 100% pay-out is made; and (iii) the performance level at which the maximum pay-out of 150% is made. There will be no overshoot possibility for the non-financial targets. The maximum multiplier for the financial targets is therefore 1.67. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategic goals. Achievement of the targets is determined by the Supervisory Board and the bonus, if any, is paid after adoption by the AGM of the financial statements.

Long-term incentive (performance shares only)

To strengthen the alignment with shareholder's interests, the LTI consists of performance-related shares which are conditionally granted annually to members of the Board of Management (and to other senior management). These shares vest after three years, conditional on the achievement of predetermined targets, which are focused on long-term value creation. Vesting is also subject to continuous employment with exceptions in connection with retirement, long-term disability and death.

The number of granted performance shares is set for a period of three years. The principle being that the expected value as percentage of fixed base salary of the members of the Board of Management is as follows: CEO 100%, CFO 90% and other members 80%. As the previous three-year period was finished in 2017, a new three-year period will start with the granting early 2018.

Grants under the LTI are made in the open period immediately following the publication of the annual results. The performance period is from 1 January of the year of granting to 31 December three years later. The next grant will be at the beginning of March 2018 (after publication of the 2017 annual results), with the number of conditionally granted performance shares being based on the average share price of the Fugro shares in the last quarter of 2017.

Remuneration policy for the Board of Management of Fugro N.V. as of 1 January 2017



The maximum number of shares that can vest after three years equals 175% of the conditionally granted number of shares (only in the case that maximum performance is achieved on all criteria). The criteria used for vesting and their relative weight are as follows:

- Total shareholder return (TSR): 37.5%
- Return on capital employed (ROCE): 37.5%
- Strategic target: 25%

TSR is defined as the share price increase, including reinvested dividends. TSR is measured over a three-year (calendar year) period based on a three-month average of the last three months of the year before grant and before vesting date. The relative position within the peer group determines the award level. The composition of the peer group is evaluated on a yearly basis, amongst others, in light of corporate events, and comprises of: Arcadis, Boskalis Westminster, Core Laboratories, Fluor, John Wood Group, Oceaneering International, Schlumberger, Subsea 7, TechnipFMC, Transocean and WorleyParsons.

Total shareholder return ranking (weight: 37.5%)	Vesting (% of conditional award)
1	175%
2	150%
3	125%
4	100%
5	75%
6	50%
7	25%
8-12	0%

The Supervisory Board will set each year at granting the performance criteria with respect to ROCE, taking into account the ROCE target for the year of vesting. Return will be based on NOPAT, excluding impairments; Capital Employed will be corrected for impairments (these will be set back when applying the vesting criteria).

The strategic target has been added as strategic targets are an important driver for long-term value creation. Each year at granting, the Supervisory Board will set a strategic target to be achieved in the coming three-year period. These targets will be derived from Fugro's strategy to create long-term value for its shareholders and other stakeholders. Examples would be a target related to Fugro's long-term goal to develop more business opportunities outside the oil and gas market or a target related to new business development based on innovative technology.

Achievement of the performance targets is determined by the Supervisory Board in the first quarter of the year following the three-year performance period. The vesting period starts at the first day following the grant date. Vested shares have a holding (lock-up) period of 2 years and may be partly sold only to meet tax requirements at vesting. The holders of performance shares are not entitled to shareholders' rights, including the right to dividends, during the period between granting and vesting.

Pension and other benefits

The pension contribution for the members of the Board of Management is in line with market practice. In accordance with Dutch law, tax deductible pension accruals are only possible for the part of salary up to



EUR 103,317 (2017). Members of the Board of Management are compensated by a non-tax deductible, age dependent pension contribution, which allows building up pension out of net salary, resulting in pension costs for Fugro at a similar level as before the legislative changes per 1 January 2015.

The fringe benefits of the members of the Board of Management are commensurate with the position held and include expense and relocation allowances, a company car and health and accident insurance.

Fugro does not grant loans, advance payments or guarantees to members of the Board of Management.

Severance pay

Severance payment to members of the Board of Management is limited to one year's fixed base salary and in principle is applicable in the event of termination or annulment of the management services agreement unless this is for cause. This severance payment is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/ services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy.

Version 2 May 2017

Update: version 15 November 2017 (reference to section 2:135 paragraph 7 Dutch Civil Code deleted because this provision has expired on 1 July 2017).

Update: version 24 February 2018 (no material changes. Only adjusted to the 2017 remuneration report)