Remuneration Policy Executive Board Arcadis NV

Objectives

The remuneration policy for members of the Executive Board of Arcadis N.V. ('**Arcadis**' or the '**Company**') serves to attract, motivate, and retain international executives of the highest caliber to deliver our business strategy. The remuneration policy for the Executive Board acknowledges the internal and external context as well as our business needs and long-term strategy. The remuneration policy is designed to encourage behavior that is focused on long-term value creation, the long-term interests and sustainability of the Company, while adopting the highest standards of good corporate governance. The remuneration policy further enhances the link between pay and performance by defining performance criteria which are directly linked to achieving our business strategy. The performance criteria, a combination of financial and non-financial criteria, determine the short-term and long-term variable compensation of the members of the Executive Board. In addition, the remuneration policy aligns the interests of the members of the Executive Board with the long-term interests of Arcadis and the interests of shareholders by stimulating share ownership of the members of the Executive Board.

Compensation elements

The remuneration policy for the members of the Executive Board consists of four elements: annual base salary, short-term variable compensation, long-term variable compensation and other benefits such as pension.

Labor market reference group

Arcadis has developed from a multi-local to the world's leading company delivering intelligence-driven sustainable design, engineering and consultancy solutions for natural and built assets. In order to align with Arcadis' size (in terms of revenues, average market capitalization, total assets and number of FTE), geographic and industry scope, and labor market competition, a labor market reference group has been defined[1]. The reference group consists of Dutch headquartered companies with significant international activities, supplemented by global industry peers (excluding US companies), as presented below.

Dutch headquartered companies with significant international activities	Global industry peer companies
Aalberts Industries	AFRY (FIN)
AkzoNobel	SNC Lavalin (CAN)
ASM International	Stantec (CAN)
BAM	Sweco (SE)
Randstad	WSP Global (CAN)
Fugro	Worley (AUS)
SBM Offshore	
TKH Group	
Vopak	

Within this group, Arcadis positions around the median in terms of the average of the aforementioned parameters.

The remuneration policy for the Executive Board aims at Total Direct Compensation levels (the sum of base salary, short-term variable compensation and long-term variable compensation) around the median of the compensation levels of this reference group.

[1] Changes to the reference group may be required from time to time e.g. following mergers or acquisitions in which one or more companies in the reference group are involved.

Total Direct Compensation

The relative proportion of the annual base salary and the short-term and long-term variable compensation components[2] of the members of the Executive Board is as follows:

	Base salary	Short-term Variable	Long-term Variable	Total
Chief Executive Officer	26%	31%	43%	100%
Chief Financial Officer	26%	31%	43%	100%

The compensation has a relatively strong focus on long-term variable compensation, which reflects the importance of alignment with the long-term strategy and long-term value creation of the Company and with shareholder interests.

Base salary

The Supervisory Board determines the base salaries of the members of the Executive Board on an annual basis. This is being done based on benchmarking against the labor market reference group, market movements, salary increases of employees and other considerations as are deemed appropriate. The increase of base salaries of the members of the Executive Board will not exceed the average increase for employees, unless the benchmarking exercise indicates differently. The actual base salaries and any salary increase will be disclosed in Q1 of the relevant year, in the remuneration report relating to the previous financial year.

Short-term variable compensation

The short-term variable compensation serves to incentivize the Executive Board for meeting short-term performance criteria. The short- term variable compensation is a percentage of base salary and ranges from 0% to 102%[3] of the annual base salary, with 60% being the target. The short-term variable compensation is payable in cash. The payment is made in March, the year following the performance year.

Conditions for payment

Payment is conditional upon compliance by the Executive Board member with the Arcadis General Business Principles, upon meeting the global free cash flow threshold for the Company, and upon meeting the threshold targets of the selected short-term incentive (‘**STI**’) performance criteria. The global free cash flow threshold for the Company and the threshold targets for the STI performance criteria will be determined by the Supervisory Board on an annual basis. Payout for performance between threshold and target and between target and maximum is based on a linear calculation approach. All short-term variable compensation criteria allow for rewarding strong performance.

Performance criteria STI

To support the Company’s strategy, the criteria for the short-term variable compensation are based on the strategy and are partly financial and partly non-financial. Based on the annual priorities of the Company, the Supervisory Board determines the performance criteria applicable to the short-term variable compensation in their meeting prior to the performance year.

The Supervisory Board will select from the following performance criteria:

1) Financial criteria (minimum 60% weighting):

- Profit / Margin
- Revenue / Growth
- Cash Flow
- Capital return measures (such as ROA, ROE, ROIC)
- Economic / Market value added measures

2) Non-financial criteria (minimum 30% weighting):

- Customer results (e.g. net promotor score)
- People & organization (e.g. voluntary turnover, employee engagement)
- Sustainability (e.g. carbon footprint reduction)
- Individual non-financial criterion (e.g. measuring the success of the implementation of the strategy)

The targets (threshold, target and maximum) for each of the performance criteria will be determined annually by the Supervisory Board by reference to the business plan for the respective year and considering the strategic aspirations of the Company.

The selected performance criteria will be disclosed in Q1 of the relevant performance year, in the remuneration report relating to the previous year.

The actual realization on each of the criteria will be reported in the remuneration report relating to the relevant performance year. No payout will be made for meeting a performance criterion in case the performance does not meet the threshold target.

The Supervisory Board has the discretion to make adjustments, for example to account for events that were not planned when targets were set or were outside of management’s control. In case discretion has been applied, this will be disclosed in the annual remuneration report.

2 Percentages mentioned are the on-target levels.
3 The maximum payout of target is 170%. With a target of 60%, the maximum payout is 102% of the annual base salary.

Long-term variable compensation

The long-term variable compensation serves to align the interests of the members of the Executive Board with long-term interests of the Company and its shareholders. Members of the Executive Board annually receive conditional performance shares in principle on the ex-dividend date after the annual General Meeting of the Company. The conditional performance shares vest after three years and are subject to achievement of set performance criteria over three financial years. In addition, the shares must be held for two more years.

The Supervisory Board has the discretion to include adjustments, for example, to account for events that were not planned when targets were set or were outside of management's control. In case discretion has been applied, this will be disclosed in the annual remuneration report.

Size of award

The size of the long-term incentive ('**LTI**') award is defined as a percentage of annual base salary, with the actual grant being determined by this percentage and the applicable Volume Weighted Average Price ('**VWAP**'). The applicable VWAP will be disclosed in the remuneration report.

The following percentages (as % of base salary) apply:

	Target	Maximum
Chief Executive Officer	120%	198%[4]
Chief Financial Officer	120%	198%[4]

The maximum opportunity for the long-term variable compensation shall not exceed 165% of target.

Performance criteria LTI

To support the strategy, the long-term interests and continuity of the Company as well as the shareholder interests, the performance criteria are:

Performance criterion	Weight
Total Shareholder Return	33.33%
Earnings Per Share	33.33%
Sustainability	33.33%
Total	**100%**

Performance criterion 1: Total Shareholder Return

To determine the achievement of this performance criterion, the relative Total Shareholder Return ('**TSR**') is measured, which is defined as share price movements including dividends, assuming dividends are reinvested.

The TSR performance of Arcadis is measured against the performance of direct competitors. The TSR peer group is as follows[5]:

TSR peer group		
Arcadis (NL)	Jacobs Engineering (USA)	Stantec (CAN)
AECOM (USA)	NV5 (USA)	Tetra Tech (USA)
AFRY (FIN)	SNC-Lavalin (CAN)	Worley (AUS)
Alten (FR)	Sweco (SE)	WSP Global (CAN)
Fugro (NL)	Spie (FR)	

The position of Arcadis in the TSR peer group, after three years[6], determines the final score for this criterion in accordance with the following performance incentive zones:

Ranking	14-8	7	6	5	4	3	2	1
Vesting %	0%	50%	75%	100%	125%	150%	175%	200%

The ranking of Arcadis will define the vesting for this part of the conditional grant.

Performance criterion 2: Earnings Per Share

Earnings Per Share ('**EPS**') is calculated by applying the simple point-to-point method[7] at the end of the period. EPS is disclosed in our Consolidated Financial Statements (in our Annual Integrated Report) and is calculated by dividing the net income from operations by the weighted average number of shares outstanding during the period, excluding ordinary shares purchased by the Company and held as treasury shares (i.e. shares purchased to cover share/option plans). Earnings are adjusted for changes in accounting principles during the performance period.

The EPS growth target, threshold and maximum are set annually by the Supervisory Board. Since these targets are considered commercially sensitive, EPS targets and the achieved performance are published in the remuneration report after the relevant performance period.

The following performance incentive zones will be used to define the vesting for this part of the conditional grant:

EPS	< Treshold	Treshold	Target	Maximum
Vesting %	0%	50%	100%	150%

Payout for performance between the performance incentive zones is based on a linear calculation approach.

4 198% = 165% (maximum) * 120% (target).
5 Changes to the peer group may be required from time to time e.g. following mergers or acquisitions in which one or more peer companies are involved.
6 The TSR performance is measured by using the average performance in the three months before the start of the performance period and the average performance over the last three months of the performance period.
7 % growth from t_0 to t_x, divided by # years.

Performance criterion 3: Sustainability

An important part of the strategy of the Company is to create impact through sustainable solutions. The strategy is to embed sustainability across everything we do and focus on solutions that enable our clients to be more resilient, future proof and secure.

The field of sustainability is in continuous development. To measure progress on this performance criterion, the Supervisory Board will select a best-in-class measurement method. The measurement method selected should be externally validated and should align with the strategy to create impact through sustainable solutions. The measurement method selected will be disclosed in Q1 of the start of the relevant performance period, in the remuneration report with respect to the previous year.

The actual realization on each of the LTI performance criteria will be reported in the remuneration report relating to the year at the end of the relevant performance period.

The Supervisory Board will set a target, threshold and maximum score each year for the 3-year period.

The following performance incentive zones will be used to define the vesting for this part of the conditional grant:

Sustainability score	< Treshold	Treshold	Target	Maximum
Vesting %	0%	50%	100%	150%

Payout for performance between the performance incentive zones is based on a linear calculation approach.

Other benefits

In line with best practice, the Company provides benefits which the Supervisory Board considers appropriate for a global Company which needs to attract and retain Executive Board members from different parts of the world. Any benefits provided will be reported in the remuneration report.

If a new Executive Board member is recruited from abroad, the Company's mobility policy may apply. Such policy includes various benefits in relation to a potential relocation of the Executive Board member, such as housing, schooling and relocation support.

Furthermore, the members of the Executive Board may participate in the Dutch Arcadis Pension Scheme. This pension scheme provides for pension accrual according to a Collective Defined Contribution method up to the statutory salary maximum. For the salary above this statutory maximum, compensation is provide d. Members of the Executive Board are offered to receive the cash equivalent of the employer contribution to the pension fund as an alternative if participation in the Dutch Arcadis Pension Scheme is not possible or appropriate.

Arcadis does not provide loans to members of the Executive Board.

Management agreements

Management agreements of members of the Executive Board in principle have a duration of four years with a notice period of three months for the Company and three months for the Executive Board member.

Share ownership guidelines

One of the aims of the remuneration policy for the Executive Board is to increase alignment with the interests of the shareholders by stimulating share ownership. The members of the Executive Board must retain the shares awarded under the long-term variable compensation for a period of at least five years from the grant date, while allowing part of the shares to be sold to cover taxes due on the date of vesting, if any. Furthermore, members of the Executive Board must hold shares in the Company with a value equal to 300% of the annual base salary for the Chief Executive Officer and 200% of the annual base salary for the Chief Financial Officer for which, in principle, a buildup period of five years applies from the vesting date of the first LTI grant received in their capacity of Executive Board member. All shares obtained by means of compensation are held until the required ownership level is reached, with the exception of shares sold to cover taxes due on the date of vesting, if any.

Policy in case of change in control

In the event of a change in control of Arcadis, the treatment of shares (and options) granted to the Executive Board (and other senior staff) will be determined by the Supervisory Board, upon advice by the Remuneration Committee, considering the share price in the period preceding the disclosure of an offer, as well as all other relevant circumstances at that moment. This means that the exercise price of outstanding options and the number of unvested conditional shares can be adjusted to correct for (part of) the increase in share price caused by the offer. Unvested shares and options will vest proportionally to the number of months of the three-year vesting period that elapsed since the grant date.

Severance arrangements

In line with the Dutch Corporate Governance Code, severance compensation is maximized at one-year gross annual base salary (so excluding variable compensation and other elements such as expense allowance and pension contributions). In accordance with the Dutch Corporate Governance Code, severance compensation will not be awarded if the Executive Board membership and/or the management agreement is terminated early at the initiative of the

Executive Board member, or in the event of seriously culpable or negligent behavior on the part of the Executive Board member. A severance compensation will not be awarded if the Executive Board member is not reappointed at the end of a regular term.

Clawback and adjustment

The so-called clawback and adjustment clauses of section 2:135.6 and 2:135.8 of the Dutch Civil Code are applicable to the variable remuneration paid to the members of the Executive Board. These clawback and adjustment clauses concern the possibility, at the Supervisory Board's discretion (i) to revise variable compensation prior to payment, if unaltered payment of the variable compensation would be unreasonable and unfair (including in case of a violation of the Arcadis General Business Principles by the member of the Executive Board, as established by the Supervisory Board in accordance with the Compliance Charter), and (ii) to reclaim variable compensation if payment took place on the basis of incorrect information on the fulfilment of the performance criteria or the conditions for payment of the variable remuneration (including, in case of short-term variable compensation: compliance with the Arcadis General Business Principles by the member of the Executive Board).

Adoption, revision of and deviation from this policy

Adoption/revision

The remuneration policy for members of the Executive Board of Arcadis is, in principle, reviewed every two years by the Remuneration Committee at the instruction of the Supervisory Board.

To this end the Arcadis Remuneration Committee submits a proposal for the remuneration policy for the Executive Board to the Supervisory Board (such policy to be adopted by the General Meeting).

In their preparation of the Executive Board remuneration policy, the Remuneration Committee takes into careful consideration the Company's identity, mission and values, the level of support of society, the CEO pay ratio[8] and salary and employment conditions of the Company's employees. The Remuneration Committee tracks how the pay ratio changes on an annual basis and takes this into consideration when reviewing Executive Board compensation levels.

The Company's identity, mission and values are translated into the short-term and long-term incentive targets. These are measured by a balanced approach of both financial and non-financial metrics.

The Remuneration Committee also takes into consideration the compensation and benefits of the employees of the Company. This is done by means of a benchmark using the internal grading system and related compensation schemes, which are structured in a systematic manner, supported by external consultants.

The level of support of society for the remuneration policy is assessed by means of a stakeholder engagement process, gathering the opinions of various shareholders, employees and other stakeholders. As part of the review process of this remuneration policy, the Remuneration Committee organized various meetings with a representative selection of shareholders, shareholder representatives and employee representatives to understand their opinions. In general, the feedback from these stakeholders was positive. Stakeholders supported the proposed compensation changes. Based on the feedback of stakeholders, the Remuneration Committee decided to make a few adjustments to the initial proposal, including an increase of the required level of share ownership for the members of the Executive Board and further specifying the statutory adjustment and clawback arrangement by including the possibility to adjust or reclaim STI in case of a violation of the Arcadis General Business Principles by an Executive Board member. In addition, the Remuneration Committee proposed to use a new Sustainability metric for the long-term incentive program from the 2024 grant onwards, aimed at incentivizing the reduction of Greenhouse Gas emission by Arcadis.

The Remuneration Committee considered the view of the members of the Executive Board in its decision to propose changes to the remuneration policy. The members of the Executive Board supported the proposed changes to the remuneration policy.

To validate the proposed remuneration policy for the Executive Board, the Remuneration Committee performed a scenario analysis.

If the General Meeting does not approve the proposed amendments to the remuneration policy for the Executive Board, the Company shall continue to remunerate in accordance with the existing approved remuneration policy and shall submit a revised policy for approval at the subsequent annual General Meeting.

[8] The CEO pay ratio is calculated by dividing the total CEO compensation by the average employee compensation within the Arcadis organization, as disclosed in the annual financial statements. Average employee compensation is based on total personnel costs and the average number of full-time employees over two years.

Deviation

In exceptional circumstances only, the Supervisory Board, upon advice of the Remuneration Committee, may decide to temporarily deviate from this policy. Exceptional circumstances are only those situations in which deviation from the remuneration policy is necessary to serve the long-term interests and continuity of Arcadis. This includes the situation where a new Executive Board member is recruited from an external company. In such case, a one-off sign-on grant up to a maximum of 200% of their annual LTI award under this policy is permitted as compensation for loss of long-term incentive value at their previous company.