

Report of the Supervisory Board

We take pride in presenting the first ever Annual Report of Sif Group since the initial public offering of shares in Sif Holding N.V. and the listing of these shares on The Amsterdam Stock Exchange.

Sif Group has a two-tier board structure comprising an Executive Board, responsible for day-to-day management and a Supervisory Board responsible for supervision of the Executive Board and for advice regarding day-to-day management. The Supervisory Board and the Executive Board have discussed the 2016 Annual Report extensively during their meetings. One of these meetings was attended by the Auditor. These discussions have convinced the Supervisory Board that the Annual Report complies with the transparency requirements and constitutes a full and fair reflection of the relevant events that occurred during the year under review. The Annual Report includes the 2016 financial statements audited by Ernst & Young Accountants LLP. The unqualified independent auditor's report is included under 'Other information'.

The Supervisory Board recommends that the General Meeting of Shareholders to be held on 18 May 2017 adopts these financial statements and discharges the Executive Board and Supervisory Board of responsibility in respect of their respective managerial and supervisory obligations. Furthermore the Supervisory Board recommends that the General Meeting of Shareholders approves the proposed profit appropriation and the addition of 75% of the €37,365 million profit attributable to the shareholders to Sif Group's equity. It is proposed that €9,341 million is paid-out to the shareholders as a dividend. This results in a proposed dividend per share of €0.37, which is in line with the dividend policy as agreed by last year's General Meeting of Shareholders.

This Annual Report also explains the relationships between the endeavors and responsibilities of the Company's Executive Board, Supervisory Board and shareholders that are aimed at ensuring the continuity of the Company and its

affiliated enterprises and thus the creation of long-term shareholder value. Long term value creation is the basis for Sif's strategy as stated in the Company Profile. Sif Group, with the exception of a few deviations, complies with the best practice provisions as defined in the 2008 Dutch Corporate Governance Code. These deviations are stated in the Executive Board report along with the reason for non-compliance and the current situation.

In 2016 the Supervisory Board scheduled and held five meetings. One of the scheduled meetings was dedicated entirely to discussing the Company's strategy and another was dedicated mainly to discussing the budget for the following year. During the remaining four meetings the topics discussed included the progress in respect of the execution of the strategy, the management of the related risks, the shareholders' perception of the strategy and progress with regard to the execution of and compliance with the Code of Conduct as well as various Company policies. In particular the Supervisory Board discussed the risks related to the industry, the business and the activities of Sif Group and the extent to which internal management and control systems provide a reasonable assurance that the financial reporting does not contain errors of material importance. In addition, the Executive Board presented the Company's quarterly results and a comparison of the results to the budget. In 2016 all board members were present at the Supervisory Board meetings. The Executive Board participated in all the Supervisory Board meetings except for one during which the Supervisory Board assessed its own functioning and also discussed the functioning of the (individual members of the) Executive Board. In addition to the regular scheduled meetings the Chairman of the Supervisory Board and the CEO met from time to time in one-on-one meetings for updates on the business progress and individual members of the Supervisory Board participated in various random site visits both in Roermond and Rotterdam. Individual Supervisory Board members had three meetings with the Works Council during which the finance, operations and human resource management of Sif Group were discussed.

The composition of the Supervisory Board remained unchanged from February 2016 until the end of the year under review. In accordance with the rotation schedule for the Supervisory Board members the term of Maarten Schönfeld will expire in 2018. In accordance with the rotation schedule Mrs. Caroline van den



*From left to right:
Mr. Maarten Schönfeld,
Mr. André Goedée,
Mrs. Caroline van den Bosch,
Mr. Peter Gerretse and
Mr. Alexander van Wassenauer*

Bosch and Mr. André Goedée will step down from the Supervisory Board in 2018. Mr. Alexander van Wassenauer and Mr. Peter Gerretse will step down from the Supervisory Board in 2020. A Supervisory Board Profile is included in the Company's website. When the Supervisory Board was established in 2016 the following five members were appointed:

Mr. André Goedée (1951, male), Chairman. First appointed to this Board in January 2016 but served on the preceding Supervisory Board from December 2015. Dutch nationality. Currently he is also the chairman of the Supervisory Board of Amphia Group (clinical hospitals) and member of the Board of FSC (Flight Simulation Company for pilot and crew training). Between 2003 and 2013 André Goedée was the CEO of Dockwise. Following the acquisition of Dockwise by Boskalis, André Goedée was appointed a member of the Executive Board of Boskalis and advisor to the Board. Before joining Dockwise André Goedée was CEO European staffing of Vedior Professional Services (1999–2003), Executive Vice-President of Heerema Offshore Services (1989–1999) and Executive Vice-President of Neddrill Drilling Contractors (1977–1989). In 1978 André Goedée obtained a Master Mariner degree (maritime technical engineering) from the Mercantile Marine College in Scheveningen/Rotterdam. He has also participated in various management and marketing programs at various academic institutes. On the date this Annual Report was signed André Goedée did not own shares in Sif Holding N.V.

Mr. Maarten Schönfeld (1949, male), Vice-chairman. First appointed in February 2016. Current term two years (until the closing of the 2018 AGM). Dutch

nationality. Currently he is also a member of the Supervisory Boards of Fugro and Arcadis, and a member of the Board of Foundation Continuity ICT. He was a member of the Supervisory Committee of the Dutch Authorities Financial Markets (AFM). Maarten Schönfeld was CFO and Vice-chairman of the Management Board of Stork from 2001 to 2008. Before that he worked for the Royal Dutch Shell Group in various financial capacities. Maarten Schönfeld holds a degree in Business Administration from the University of Groningen and obtained an MBA at INSEAD Fontainebleau. On the date this Annual Report was signed Maarten Schönfeld did not own shares in Sif Holding N.V.

Mrs. Caroline van den Bosch (1964, female). First appointed in February 2016. Current term four years (until the closing of the 2020 AGM). Dutch nationality. Since June 1998 Caroline van den Bosch has been the managing partner and shareholder of Emeritor (procurement services and software development). She also holds 50% of the shares in Meal Company, a manufacturer of food vending machines, has been a moderator for Alex van Groningen since June 2011 and was a member of the Supervisory Committee of the Amstelveen Sportbedrijf until July 2013. Caroline van den Bosch holds a marketing degree from the School of Business Administration and Economics (HEAO) in Utrecht as well as a NIMA-C Marketing degree (MBA level). Mrs. Caroline van den Bosch is Supervisory Board's the primary contact with the Works' Council of Sif Group. On the date this Annual Report was signed she did not own shares in Sif Holding N.V.

Mr. Peter Gerretse (1955, male). First appointed in February 2016. Current term four years (until the closing of the 2020 AGM). Dutch nationality. Since 2010 Peter Gerretse has also been a member of the Supervisory Board of Aeronamic Holding. Between 1995 and 2013 Peter Gerretse worked at Vanderlande Industries, a leading supplier of Material Handling systems, where his last function was President and CEO. Before joining Vanderlande Industries Peter Gerretse held several management positions at Fokker Aircraft. Peter Gerretse holds an engineering degree in Aerospace Engineering from Technical University Delft. On the date this Annual Report was signed Mr. Peter Gerretse did not own shares in Sif Holding N.V.

Mr. Alexander van Wassenaer (1959, male). First appointed to this Board in January 2016. Current term four years (until the closing of the 2020 AGM). From February 2014 until January 2016 he was a member of the Supervisory Board of Sif Group's major shareholder, GKSE Holding B.V. Alexander van Wassenaer is responsible for Egeria's long-hold portfolio, including Muelink & Grol Group, Royal Mosa, Vendor Holding and Sif Group and as such is also a member of the Supervisory Boards of these companies. Alexander van Wassenaer started his career at McKinsey & Company's Amsterdam office and worked there from 1989 until 2001. At McKinsey he was a principal, responsible for the Benelux corporate finance practice. Alexander van Wassenaer holds an engineering degree in Agricultural Sciences (Economics) from Wageningen Agricultural University and a PhD in Business Economics from Harvard University.

The Supervisory Board has set-up three committees to advise and assist it in respect of its tasks and responsibilities related to audits (Audit Committee), the selection and nomination of Executive Board members (Selection and Nomination Committee) and remuneration of the Executives and Supervisory Board members (Remuneration Committee). Charters or regulations for the Supervisory Board as well as for the separate committees are included in the Company's website.

The Audit Committee's tasks include supervising the effectiveness of the internal risk management and control systems and the financial information to be disclosed by the company. It also supervises Sif Group's compliance program, tax-planning policy, information and communication technology and financing. In addition, the Committee maintains regular contact with the external auditor and nominates an external auditor for appointment by the General Meeting. In 2016 the Audit Committee assessed the internal audit requirements, discussed an audit plan with the external auditor and advised the Supervisory Board regarding the necessity of an internal audit function. Establishing an internal audit function was deemed unnecessary at this point in time.

During the year under review the Audit Committee met three times. The members of the Audit Committee attended all the meetings, except one member who was absent at one meeting. The members of the Executive Board attended all the meetings except one during which the Audit Committee met with the external Auditor in the absence of the Executive Board. The external Auditor was present at three meetings of the Audit Committee. The Audit Committee comprises Maarten Schönfeld (Chairman) and Alexander van Wassenaer. During 2016, the first year of listing and the first year of operation of the Supervisory Board and Audit Committee, the full Supervisory Board attended Audit Committee meetings. The Committee's tasks, roles and responsibilities are laid-down in the Audit Committee charter.

The Selection and Nomination Committee advises the Supervisory Board in respect of its tasks related to the selection and nomination of Executive Board and Supervisory Board members. The Committee periodically assesses the size and composition of the Boards. It also assesses the functioning of individual Board members and reports on this to the Supervisory Board. Towards the end of the year the Committee was involved in the selection of a successor to CFO Mr. B. Nijdam, who gave notice of resignation and needed to be replaced by the end of the year. The Board wishes to thank Mr. Nijdam for his contribution to the Company in 2016 and wishes him success in his future career. In 2016 the Selection and Nomination Committee met once. The meeting was attended by all the Committee members. The Committee's tasks, roles and responsibilities are laid-down in the Selection and Nomination Committee charter. The Committee comprises Andre Goedee (Chairman), Maarten Schönfeld and Alexander van Wassenaer.

The Remuneration Committee met four times during the year under review. All the members were present during these meetings. PwC participated as a consultant in two of these meetings to discuss the outline of a Long Term Incentive plan. The remuneration of Executive Board members was assessed on the basis of a comparison with the median of a peer group. The assessment has resulted in an increase of the fixed income levels for the CEO and CFO and a decrease in the bonus percentages related to the short-term incentive

arrangements. The on-target/max levels for the CEO are now 40/60% of fixed income. A Long-Term Incentive Plan will be presented to the 2017 AGM for approval. The proposed plan is based on the awarding of share units up to a maximum of 20% of fixed income with a vesting period of three years conditional to continued employment. The awarding is subject to specified targets related to safety, utilization and performance. The Committee's tasks, roles and responsibilities are laid-down in the Remuneration Committee charter. The Remuneration Committee comprises Peter Gerretse (Chairman), Caroline van den Bosch and Alexander van Wassenaer.

The remuneration of the individual members of the Supervisory Board is determined by the General Meeting of Shareholders and has no relation to the results of the company. Members of the Supervisory Board are remunerated on a fixed basis. They do not receive a variable remuneration nor are they awarded (options on) Sif shares.

SUPERVISORY BOARD MEMBERS

<i>IN €</i>	Remuneration including expenses 2016
André Goedée	70,106
Maarten Schönfeld	53,450
Peter Gerretse	41,108
Caroline van den Bosch	41,531
Alexander van Wassenaer	45,000
Total remuneration and expenses	251,195

The Supervisory Board determined the remuneration of the individual members of the Executive Board in accordance with the remuneration policy approved by the General Meeting of Shareholders in 2016. The remuneration policy aims to attract, retain and motivate Managers with the leadership qualities, skills and experience needed to support and promote the growth and sustainable success of the Company and its business. It should also be a driver of strong business

performance, promote accountability, offer incentives to achieve short and long-term performance targets aimed at substantially increasing the Company's equity value, and ensure that the interests of the Managers are closely aligned with the interests of the Company, its business and its stakeholders (including shareholders, employees, creditors, customers and suppliers). Finally it should ensure the overall market-competitiveness of the remuneration packages offered to the Managers, while providing the Supervisory Board with sufficient flexibility to tailor the Company's remuneration practices on a case-by-case basis, depending on the current market conditions. The remuneration package comprises a mix of fixed and variable remuneration components, including fixed salary, variable remuneration in the form of bonuses, profit sharing arrangements and cash and/or equity incentives, pension, allowances and benefits, and severance payment. The full remuneration policy is included in the Company's website. The remuneration is paid in cash and includes both fixed and variable components. Variable components are based on targets for EBITDA and Return on Invested Capital in addition to personal development targets, set at the discretion of the Supervisory Board. The targets relate directly to the strategic targets as explained on page 13 of this Annual Report. The Supervisory Board has analyzed the possible outcomes of the proposed variable remuneration components of the policy.

The Supervisory Board will, on a regular basis, compare the remuneration package (including pensions) with information supplied by external experts to verify that it is in line with the Company's objectives and growth as well as with the market and legislation. In the year under review the base salaries for members of the Executive Board were raised and offset against a lower variable short-term incentive.

An overview of the total costs for the Company related to the remuneration of executives is given below:

COMPENSATION TYPE IN €	Jan Bruggenthijs		Boudewijn Nijdam	
	2016	2015	2016	2015*
Base salary	274,135	254,808	165,000	57,115
Employer Pension Contribution	25,559	22,311	25,559	7,437
Pension compensation**	84,727	-	18,977	-
Annual bonus***	282,200	126,100	67,035	44,427
Other benefits (car lease, expenses, relocation expenses)	131,609	28,547	18,487	-
Social security and other payments	9,829	9,283	9,829	3,050
Placement reward IPO	2,834,403	-	1,062,902	-
Placement reward under clawback****	(944,801)	-	-	-
Severance fee	-	-	137,500	-
Total remuneration	2,697,661	441,049	1,505,289	112,029

* CFO per September 2015.

** For a two-year period.

*** The annual bonus allows for final settlement of the bonus award of the previous year and certain provisions for the award for 2016.

**** The placement reward under clawback reflects the end of 2016 amount.

Pensions for Executive Board members are determined by the collective labor agreement for the metal industry. In 2016 the members of Sif's Executive Board were granted a one-time IPO incentive in cash with a two year clawback (50% payable immediately, 25% payable one year after IPO and 25% payable two years after IPO).

The Supervisory Board confirms that the results on which the 2016 bonus for the Executive Board is based are derived from the audited financial statements. CEO Jan Bruggenthijs has a contractual severance payment of six months salary in the event of a change of control of the Company and in case of early dismissal at the request of the Supervisory Board and the shareholders other than for termination for cause. The severance fee paid to Mr. Boudewijn Nijdam and shown in the table was in-line with the agreement with Mr. Nijdam.

The members of the Supervisory Board have signed the financial statements in compliance with their statutory obligation pursuant to Article 2:101, Paragraph 2, of the Dutch Civil Code. The Supervisory Board is pleased with the Company's development and the achieved results. The Company reports positive and solid cash flows before financing and investments. We are grateful for the confidence of our clients, the loyalty of our suppliers and the trust of our shareholders. The Supervisory Board would like to express its gratitude to the management and staff of Sif Group for their motivation, drive and achievements. The Supervisory Board commends the Executive Board for achieving commercial successes in a developing and turbulent competitive market, while executing a successful IPO and building a brand new state-of-the-art production facility. 2016 was a truly memorable year.

Supervisory Board

André Goedée, Chairman

Maarten Schönfeld, Vice-Chairman

Caroline van den Bosch

Peter Gerretse

Alexander van Wassenaer

Roermond, 28 March 2017