

## 4.3 Remuneration report

The following remuneration report from the Supervisory Board describes how the remuneration policy has been put into practice during the past financial year. The report includes summaries of information concerning remuneration received in 2015 and also contains a summary of the remuneration policy for the coming financial year and subsequent years.

### Remuneration

The Remuneration Committee is a permanent committee of the Supervisory Board and shall consist of at least two members of the Supervisory Board. The Remuneration Committee is subject to rules established by the Supervisory Board. At the end of the year under review it consisted of Mrs Mahieu (Chairwoman), Mr Elverding and Mr Noy and met three times during the past financial year. The composition of the Remuneration Committee is in line with the provisions of the Code. The Committee members consulted with each other a number of times outside the context of a formal meeting.

The Remuneration Committee used the services of external remuneration advisers (Hay group) in 2015 to benchmark the remuneration level. As a result the salaries were not modified in 2015, but a new long-term incentive plan has been introduced and the performance measures for the short-term incentive have been expanded, which changes were adopted in the annual general meeting of 22 April 2015 with effect as of 1 January 2015.

A summary of the remuneration of the individual members of the Executive Board can be found in > tables 48 and 51. No other compensation was awarded to members of the Executive Board in the financial year other than the compensation indicated in > tables 48 and 51.

#### *Annual variable remuneration and long-term remuneration for the members of the Executive Board*

The members of the Executive Board were awarded 56.5 per cent annual variable remuneration in relation to the financial and non-financial targets from the short-term incentive plan. The targets related to performance on BAM Group's financial priorities as well as on safety.

The phantom share plan was discontinued and replaced by a performance-based share plan, which was adopted by the annual general meeting on 22 April 2015. The conditional performance shares granted to the members of the Executive Board in 2015 are stated in > table 52.

The company has not awarded any options to members of the Executive Board, members of operating company management teams or employees. The remuneration of the Executive Board

members is not affected by a change of control at the company. No loans were issued to members of the Executive Board.

The Supervisory Board did not see any reason during the financial year to use its extraordinary powers to adjust or reclaim variable or long-term remuneration that had already been awarded.

#### *Remuneration of the Supervisory Board members*

The annual remuneration for the members of the Supervisory Board, in accordance with the policy adopted at the General Meeting on 7 May 2008, is €50,000 for the Chairman, €45,000 for the Vice-Chairman and €40,000 for the other members of the Board, with an additional remuneration of €5,000 for each member who is on one or more Committees set up by the Supervisory Board. The Chairman and the other members of the Supervisory Board receive an annual fixed expenses allowance of €3,280 and €1,640 respectively. The remuneration and fixed expenses allowance are paid on quarterly basis.

The company has not awarded any options or shares to members of the Supervisory Board. The remuneration of the Supervisory Board members is not affected by the company's results, nor by any change of control at the company. No loans were issued to members of the Supervisory Board.

### Remuneration policy

The Supervisory Board draws up the company's remuneration policy based on advice from its Remuneration Committee. The General Meeting adopts the remuneration policy. Once the remuneration policy has been adopted, the Supervisory Board determines the remuneration for the individual members of the Executive Board, again on the basis of recommendations by its Remuneration Committee. The Remuneration Committee's regulations are published on BAM's website. The members of the Executive Board received remuneration in the past financial year in line with the remuneration policy adopted by the General Meeting on 22 April 2015 after a review of the remuneration policy for the Executive Board in light of the Back in Shape programme and by taking into account developments in market best practices since the previous update.

#### *Design principles*

The remuneration policy is geared to attract and retain qualified people and motivating them to achieve Royal BAM Group's objectives. Particular emphasis is placed on experience with the Group's (international) activities and the necessary management qualities. In the design of the policy and in determining the remuneration levels of the members of the Executive Board, the Supervisory Board has benchmarked the several remuneration elements against market standards. Also the internal pay

differentials have been taken into account, as well as scenario analyses which have been used to determine possible outcomes of the variable remuneration elements, including the maximum value of the long-term incentive. The remuneration structure and elements take into account that risk-taking beyond the risk profile of the company should not be encouraged.

The policy is also aimed to stimulate profitable growth and long-term value creation, to motivate individuals and to increase the attractiveness of the company to highly qualified executives, including those from other industries, so as to interest them in Royal BAM Group as an employer. The remuneration level and structure are partly based on the development of results, as well as other developments that are relevant to the company, including non-financial indicators which are relevant for the company's long-term objectives.

In order to achieve these design principles, remuneration is set at a competitive level for the relevant national general remuneration market for directors and other senior managers of large companies. The Supervisory Board will regularly review the remuneration package to ensure that it complies with the assumptions underlying the remuneration policy. The remuneration policy will also be evaluated regularly; changes in the policy will be put forward for adoption at the General Meeting.

#### *Remuneration level*

The Supervisory Board uses external benchmark information to assess market comparability of the remuneration levels. Beginning 2015 the previous peer group, consisting of 28 companies, has been reviewed with the assistance of Hay Group and taking into account the ISS criteria. Based on industry, ownership structure, geographical business scope and size parameters, a new peer group of 17 companies has been selected. Remuneration levels are aimed at the median of this peer group. The Supervisory Board also took notice of the fact that over the last five years the base salary of the members of the Executive Board has only been slightly increased once (1.75 per cent correction of inflation). In addition no STI has been paid during the last two years, while in the previous three years pay-out was very restricted.

The 2015 incentive levels are presented in the > table below:

Remuneration level	2015
<b>STI (% of base salary)</b>	
CEO	55% (target) 75% (maximum)
Members	55% (target) 75% (maximum)
<b>LTI (% of base salary)*</b>	
CEO	70%
Members	60%

#### **Share ownership guidelines**

CEO	1 times gross base salary
Members	0.75 times gross base salary

\* Award value

#### *Remuneration package*

The remuneration of the Executive Board consists of four elements:

- Fixed salary;
- Short-term incentive (STI);
- Long-term incentive (LTI);
- Pension provisions and other secondary conditions of employment.

#### *Ad a. Fixed salary*

The Supervisory Board determines the development of the annual salary of the individual member of the Executive Board. The annual evaluation and change in salary generally take place per 1 January of each year. The evaluation considers personal performance, the results of the past year, the extent to which the current salary deviates from the benchmark and general changes in the market.

#### *Variable remuneration*

To enhance alignment of the remuneration policy with the Back in Shape programme and market best practices, the STI and LTI plans of the Executive Board have been amended. In addition the new LTI plan has been cascaded down to currently a maximum of 15 senior executive positions below the Executive Board.

#### *Ad b. Short-term incentive*

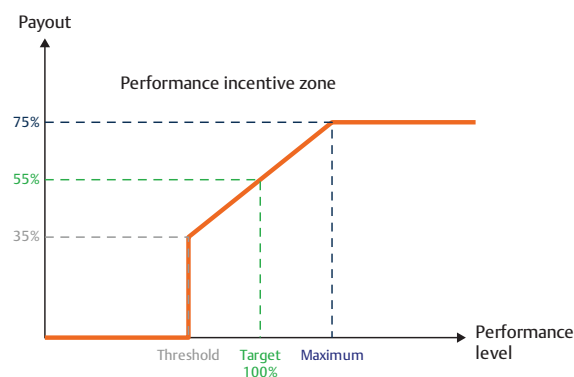
To ensure continued alignment between the short-term incentive and BAM Group's strategy, greater flexibility with respect to the STI metrics is important to enable adequate responses to the challenges BAM Group is facing. The Remuneration Committee annually selects two (2) to three (3) financial metrics for the STI of the members of the Executive Board. It also determines their relative weighting.

The financial metrics will be chosen from the following list:

- |                              |                    |
|------------------------------|--------------------|
| 1. Profit before tax         | 5. Cash conversion |
| 2. Operational result (EBIT) | 6. Cost reduction  |
| 3. Working capital           | 7. Divestments     |
| 4. Cash flow                 |                    |

The selected metrics link remuneration with a focus on BAM Group's financial priorities. As specific targets for each of the metrics may qualify as sensitive information, these will in principle not be disclosed.

Two thirds of the STI are based on financial criteria (as outlined above) and the remaining one third is linked to non-financial performance targets. Performance incentive zones are defined for each of the targets. Pay-out gradually increases with performance, starting with a pay-out of 35 per cent of the target opportunity at threshold performance and potentially going up to 75 per cent pay-out at maximum performance per individual target. Below threshold there will be zero pay-out. The Supervisory Board sets the performance ranges (i.e. threshold, at target and maximum performance levels) and corresponding payout levels, with the constraint that the STI payout will not exceed 75 per cent of base salary. For more details, see the > graph below.



47 — STI payout

In cases where the variable remuneration is awarded on the basis of inaccurate (financial) data, the Supervisory Board has the right to adjust the variable remuneration accordingly, and the company is entitled to reclaim (any part of) the variable remuneration paid to a member of the Executive Board on the basis of incorrect (financial) information.

In the case of new awards of variable remuneration to members of the Executive Board, based on quantified performance criteria, the Supervisory Board has the right to amend the awards in relation to the level of previous years if it considers that this would otherwise lead to an unreasonable outcome.

The Supervisory Board also has the power to amend the existing conditional awards of variable remuneration based on quantifiable performance criteria if, in its opinion, applying the criteria without amendment would have an unreasonable and unintended outcome. These matters have been incorporated into the employment and management agreements of Executive Board.

#### *Ad c. Long-term incentive*

In 2015 the previous phantom share plan has been replaced by a performance share plan. The performance shares are conditionally awarded subject to performance testing after three years. The number of performance shares at grant date is calculated by dividing the award value by the average closing price of BAM Group shares on Euronext Amsterdam based on the five-days average closing price after AGM. The maximum value at the moment of vesting of the LTI is capped at 2.5 times the award value in order to avoid inappropriate payouts.

There are two financial performance measures, being total shareholder return and ROCE and one non-financial measure related to sustainability. Realised performance results in a vesting percentage for each of the three (3) performance targets, each determining one third of the vesting of the conditionally granted shares. The TSR measure will also operate as a 'circuit breaker' for the vesting part linked to the other two criteria. When BAM Group ranks at the bottom two places of the TSR peer group, the other parts will not pay out regardless of the performance in this area.

Minimum share ownership requirements; for the CEO this amounts to 100 per cent of base salary and for the other members of the Executive Board this amounts to 75 per cent of base salary. In accordance with the code the three-year vesting period will be followed by a two-year lock-up period. Participants are not allowed to divest any shareholding until the two year lock-up period has lapsed and the above minimum share ownership requirements are met, with the exception of any sale of shares during the lock-up period required to meet any tax obligations and social security premiums (including any other duties and levies) as a consequence of this performance share plan.

<b>Long-term incentive plan</b>	<b>2015</b>
Financial vs. non-financial (personal) measures	Financial: 66.7 per cent Non-financial: 33.3 per cent
Weight (% of total value at grant) and type of measures	TSR: 33.3 per cent ROCE: 33.3 per cent Sustainability: 33.3 per cent
Payment mechanism	Conditional performance shares
Stimulating share ownership	Two-year additional holding period plus minimum share ownership requirements

TSR is defined as the share price increase, including dividends. TSR is measured over a three (3) year period based on a three (3) month average period before grant and vesting date. The relative position within the peer group determines the vesting percentage. The TSR peer group comprises of Balfour Beatty, Boskalis, Carillion, Heijmans, Hochtief, Eiffage, Skanska, Strabag, Vinci, YIT (and BAM). The composition of the TSR peer group is being evaluated on a periodic basis, among other things, in light of corporate events.

Realised performance against those targets is assessed by using performance incentive zones. For excellent performance, the number of performance shares per individual target that may vest may amount to a maximum of 150 per cent of the 'at target' number of performance shares. This percentage may be reduced to zero (0) (on a sliding scale) for non-achievement of the individual targets. The performance incentive zones are presented in the tables below:

Relative TSR		ROCE		Sustainability	
TSR ranking	Vesting	Score	Vesting	Score	Vesting
1	150%	Above maximum	150%	Above maximum	150%
2	125%	Maximum	150%	Maximum	150%
3	100%	Target	100%	Target	100%
4	75%	Threshold	50%	Threshold	50%
5	50%	Below threshold	0%	Below threshold	0%
6	25%				
7	0%				
8	0%				
9	0%	Notes:			
10	0%	1) Vesting is expressed as a percentage of the conditionally granted number of shares.			
11	0%	2) If TSR would be at position 10 or 11, no vesting can occur for the other parts.			

The value of the performance shares – as the combined result of the number of performance shares that will vest and the share price at the moment of vesting – that will become unconditional to a participant will at vesting never exceed two and a half (2.5) times the award value.

The authority to implement the long-term incentive plan is vested in the Supervisory Board. The Supervisory Board has the right to change or terminate the scheme at any time. If the Supervisory Board decides to terminate or make material changes to the long-term incentive plan, the next General Meeting will be asked to adopt a resolution to that effect. Upon a decision of the Supervisory Board, following a proposal from the Remuneration Committee, the company has the discretionary power to fully or partially reclaim from the participant who is member of the Executive Board the conditionally awarded performance shares as well as vested shares (or any benefit resulting therefrom) where those have been awarded on the basis of incorrect information concerning (i) the achievement of the performance conditions concerned or (ii) events or conditions on which the shares were conditionally awarded.

In case of announcement of a public offer for shares in the Company as referred to in Article 5 of the Takeover Decree (Besluit openbare biedingen Wft), the provisions of Article 2:135 (7) of the Civil Code shall apply. In accordance with this article, the company (based upon a resolution of the Supervisory Board, following a proposal of the Remuneration Committee) is entitled to reclaim from a member of the Executive Board payment in kind or in cash of any increase in value referred to therein.

At the request of the Supervisory Board, the company's independent auditor will check the calculations carried out and conclusions reached in connection with the long-term incentive plan, in which case the independent auditor's assessment will be binding.

*Ad d. Pension provisions and other secondary conditions of employment*

With respect to pensions, sector regulations are being adopted wherever possible, with surplus schemes based on defined contributions and contributions from the participants. Members of the Executive Board are subject to a pension scheme and transitional arrangements as applicable within the Group from 1 January 2006 for all comparable employees following the introduction of the Act of Parliament concerning early retirement, pre-pension and life-course savings schemes (wet VPL). The costs of trend-based indexation of underlying pension rights have been included in the pension contributions with effect from 2009. The company does not have any early retirement schemes. Due to the nature of the management services agreement no pension arrangements were made with regard to Mr Bax, who instead will receive a contribution for his personal pension arrangements.

As for all the other employees, the Group has a competitive package of secondary conditions of employment for the members of the Executive Board. This package includes such matters as healthcare and disability insurance, personal accident insurance, a car scheme and reimbursement of personal expenses. The Group does not give loans, warrants and the like to members of the Executive Board or to other employees, except for the arrangements set out below.

Current and former members of the Supervisory Board and current and former members of the Executive Board are covered by the indemnity, under the Articles of Association, against claims made against them in respect of actions or omissions in the performance of the duties of their position, unless said actions or omissions constituted willful, deliberately reckless or seriously culpable conduct and / or consisted of traffic offences. This facility also applies to all employees and former employees of BAM. The company has taken out directors' and officers' liability insurance under standard market terms and conditions for the members of the Supervisory Board, the members of the Executive Board, the members of the operating company management teams and all other directors and officers in BAM.

*Period of appointment and contracts of employment*

Members of the Executive Board are appointed for a period of four years. The employment agreement of Mr R.P. van Wingerden has been entered into for an indefinite period. The employment agreement of Mrs T. Menssen and the management services agreement of Mr E.J. Bax have been entered into for a period of four years. The members of the Executive Board have a notice period of six months for the company and three months for the members. The company regards a notice period of three months suitable for a member of the Executive Board.

The relationship between the members of the Executive Board and the company changed as of 1 January 2013 with the

introduction of the Management and Supervision (Public and Private Companies) Act (Wet bestuur en toezicht). As such, the employment relationship between new members of the Executive Board and the company will not be classified as a contract of employment. As of the above-mentioned date new Executive Board members are being appointed by means of a management services agreement. This is the case for Mr Bax with whom a management services agreement has been negotiated. It is the intention of the Supervisory Board to also change the current employment contracts of the other members of the Executive Board into management services contracts in the course of 2016.

If the company terminates the (employment or assignment) contract of a member of the Executive Board, the maximum severance payment will be one year's base salary. If this maximum of one year's salary would be manifestly unreasonable for a member who is dismissed during his or her first term of appointment, such Board member will be eligible for severance pay not exceeding twice the annual salary.

The company has no other remuneration provisions, beyond the remuneration package mentioned above, nor are there any other rights to one-time payments.

*Securities rules*

The company has rules relating to the possession of and trading in securities. These rules are published on the company's website and also include regulations for members of the Executive Board and the Supervisory Board relating to the possession of and trading in securities other than those issued by the company. To this effect the Supervisory Board has established a so-called 'stop-list', meaning that it shall be prohibited to execute transactions in the securities of the companies included in this list. This list will be evaluated periodically and shall apply for the members of the Executive Board and of the Supervisory Board. This prohibition does not apply to securities that are included in investment funds nor to securities that are being administered by an independent financial firm. The stop-list is being evaluated annually.

## Remuneration policy for 2016 and subsequent years

The remuneration policy described above will remain in effect in the financial year 2016 and subsequent years. No material changes in the remuneration policy are planned in the coming period.

Bunnik, the Netherlands, 17 February 2016

Supervisory Board

## Executive Board remuneration

### 48 — Fixed annual salary, annual variable remuneration, pension premiums and other benefits

(x €1,000)

	Gross salary		Other short-term benefits		Post-employment benefits		Other benefits		Crisis levy	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	R.P. van Wingerden <sup>1</sup>	620	508	350	-	46	64	379	8	-
T. Menssen	470	470	265	-	38	30	274	8	-	48
E.J. Bax <sup>2</sup>	470	313	265	-	52	35	111	-	-	34

<sup>1</sup> Appointed as Chairman of the Executive Board with effect from 1 October 2014

<sup>2</sup> Appointed as a member of the Executive Board with effect from 1 May 2014

## Long-term remuneration plan

### 49 — Unconditional Phantom Share Plan 2012-2015 <sup>1</sup>

(value in €)

	At the award date		At the vesting date				
	Number	Value	Number	TSR-performance	Graduated scale	Vested shares	Value <sup>2</sup>
R.P. van Wingerden	88,459	230,000	88,030	0.3%	35%	30,811	158,058
T. Menssen	-	-	-	-	-	-	-
E.J. Bax	-	-	-	-	-	-	-

<sup>1</sup> Award has become unconditional on 4 May 2015; lock-up period up to and including 4 May 2017.

<sup>2</sup> Potential value based on the closing share price of BAM at year-end 2015 (€5.130) and on the number of vested shares three years after the award. The ultimate TSR performance is based on the quarterly average for the year 2013, 2014 and 2015.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

### 50 — Conditional phantom shares plan 2013-2016 <sup>1</sup>

(value in €)

	At the award date		Year-end 2015		TSR-performance	graduated scale
	number	value	number	value <sup>2</sup>		
R.P. van Wingerden	69,272	235,000	70,259	162,193	7.6%	45%
T. Menssen	69,272	235,000	70,259	162,193	7.6%	45%
E.J. Bax	-	-	-	-	7.6%	45%

<sup>1</sup> Award on 3 May 2013; award becomes unconditional on 3 May 2016; lock-up period up to and including 3 May 2018.

<sup>2</sup> Potential value based on the closing share price of BAM at year-end 2015 (€5.130) and on the number of conditional phantom shares that become unconditional three years after the award.

The TSR performance is based on the quarterly average for 2015. The ultimate TSR performance is based on the quarterly average for the year 2013, 2014 and 2015.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

### 51 — Conditional phantom shares plan 2014-2017<sup>1</sup>

(value in €)

	At the award date		Year-end 2015		TSR- performance	graduated scale
	number	value	number	value <sup>2</sup>		
R.P. van Wingerden	60,072	235,000	60,072	138,676	7.7%	45%
T. Menssen	60,072	235,000	60,072	138,676	7.7%	45%
E.J. Bax	60,072	235,000	54,064	124,807	7.7%	45%

<sup>1</sup> Award on 1 May 2014; award becomes unconditional on 1 May 2017; lock-up period up to and including 4 May 2019.

<sup>2</sup> Potential value based on the closing share price of BAM at year-end 2015 (€5,130) and on the number of conditional phantom shares that become unconditional three years after the award.

The TSR performance is based on the quarterly average for 2014. The ultimate TSR performance is based on the quarterly average for the year 2014, 2015 and 2016.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

### 52 — Conditional performance share plan 2015-2017<sup>1</sup>

(value in €)

	At the award date		Year-end 2015	
	number	value	number	value <sup>2</sup>
R.P. van Wingerden	114,319	434,000	114,319	586,456
T. Menssen	74,281	282,000	74,281	381,061
E.J. Bax	74,281	282,000	74,281	381,061

<sup>1</sup> Award on 30 April 2015; award becomes unconditional if the specified 3-year performance targets are met.

<sup>2</sup> Potential value based on the closing share price of BAM at year-end 2015 (€5,130) and on the 'at target' number of conditional phantom shares that become unconditional three years after the award.

The value of the performance shares – as the combined result of the number of performance shares that will vest and the share price at the vesting date – that become unconditional, will never exceed two and a half (2.5) times the award value.

### 53 — Appointment and contractual arrangements

	Year of employment	Date of appointment	Period of appointment	Notice period for the Company	Notice period for the Executive Board member	Severance
R.P. van Wingerden	1988	7 May 2008	4 years	6 months	3 months	1 year's salary
T. Menssen	2012	1 October 2012 <sup>1</sup>	4 years	6 months	3 months	1 year's salary
E.J. Bax	2014	1 May 2014 <sup>1</sup>	4 years	6 months	3 months	1 year's salary

<sup>1</sup> First appointment.