

## 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 2013 and also contains a summary of the remuneration policy provided by the Supervisory Board for the coming financial year and subsequent years.

### Remuneration

The Remuneration Committee is a permanent committee of the Supervisory Board consisting of at least two members of the Supervisory Board. The Remuneration Committee is subject to rules established by the Supervisory Board. It currently consists of Ms Mahieu (chairwoman) and Mr Elverding and met three times during the past financial year.

The Remuneration Committee did not use the services of external remuneration advisers during the financial year. The salary and the terms of employment were not modified in 2013, other than the indexation in January 2013 described below.

#### *Annual salary of members of the Executive Board*

During the year under review the members of the Executive Board found no reasons for proposing any amendments to the remuneration structure as explained in greater detail in the remuneration policy.

The fixed salaries of the members of the Executive were indexed as of 1 January 2013 at 1.75 per cent, with rounding to the nearest ten-thousandth. As regards this indexation, the Supervisory Board considered that the salaries of the Dutch members of the Executive Board had not been increased in the last four years; and that index-linking these salaries brings them in line with the upward trend of executive salaries in the Netherlands as well as in line with increases under the UTA collective labour agreement (CAO).

A summary of the remuneration of the individual members of the Executive Board can be found in > Tables 2 and 3. No other compensation was awarded to members of the Executive Board in the financial year other than the compensation indicated in > Tables 2 and 3. No remuneration was awarded to former members of the Executive Board in the past financial year.

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

The members of the Executive Board were awarded no variable remuneration for 2013 in relation to the financial objectives (maximum amount of variable remuneration is 40 per cent). The individual non-financial objective for the members of the

Executive Board consisted of a joint sustainable enterprise objective. This objective was to reduce the number of safety incidents, to increase safety awareness, to cut CO<sub>2</sub> emissions and to reduce waste. Due to the company's below-par financial performance, the Supervisory Board decided this year in consultation with the Executive Board not to offer remuneration based on this component either.

The conditional phantom share awards stated in > Table 3 were given to the members of the Executive Board under the long-term benefit plan.

The company has not awarded any options or shares 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 shareholders' 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 a bonus of €5,000 for each member who is on any of the Committees set up by the Supervisory Board, with a maximum of one bonus per member. The chairman and the other members of the Supervisory Board receive an annual fixed expenses allowance of €3,280 and €1,640 respectively. A quarter of the annual remuneration and the annual fixed expenses allowance is paid out during the course of each quarter.

The Supervisory Board considers that the remuneration of members of the Supervisory Board is at a level which is currently properly comparable with businesses of a similar size and nature to the Group.

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, or 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 on the basis of advice from its Remuneration Committee. Royal BAM Group's General Meeting formally 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 Royal BAM Group'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 8 May 2007 and amended by the General Meeting on 20 April 2011 because of the introduction of a new long-term benefit plan.

### *Points of departure*

The remuneration policy is geared to attracting and retaining qualified people and motivating them to achieve Royal BAM Group's objectives. Particular emphasis is placed on experience of the Group's (international) activities and the necessary management qualities.

The policy is also aimed at safeguarding growth in the value of the enterprise, motivating individuals and increasing the attractiveness of the enterprise for highly qualified executives, including those from other industries, so as to interest them in the Group as an employer. The remuneration level and structure are based partly 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 points of departure, remuneration is set at a competitive level for the relevant national general remuneration market for directors and other senior managers of large companies. In the case of members of the Executive Board, the equivalent remuneration possibilities in their country of residence are also taken into account. The Supervisory Board will regularly check the remuneration package to ensure that it complies with the assumptions underlying the remuneration policy. The remuneration policy will also be checked regularly; changes in the policy will be put forward for adoption at the General Meeting.

### *Remuneration package*

The total remuneration of the members of the Executive Board of the Group consists of an annual salary, variable remuneration, a remuneration plan that gives long-term rewards for improvements, a pension and other secondary conditions. It was decided to use the median of the aforementioned remuneration market for this total remuneration. The company does not

distribute shares to members of the Executive Board or to anyone else working in the Group, nor are they given any entitlements to shares (i.e. share options). The company does not have any remuneration rules that are related to a change of control at the company. The way in which the remuneration package is made up – a fixed salary and limited short and long-term variable remuneration elements – provides a payment ceiling. Each year, using scenarios prepared by the Remuneration Committee, the Supervisory Board analyses the level of this ceiling and the make-up and interrelationship of the elements in the remuneration package, taking into account the relevant remuneration market and the remuneration ratios within the Group.

### *Fixed annual salary*

Upon appointment, the annual salary of the individual member of the Executive Board originating from the BAM organisation is usually less than the standard salary for this Board appointment. The Supervisory Board determines the development of the member's salary, the principle being that the difference between starting salary and the standard salary will be bridged in several years if the Board Member fulfills his or her duties properly.

The annual evaluation and change in the annual salary generally take place on 1 January of each year. The evaluation considers personal performance, the results of the past year, the extent to which the Board Member's current salary is less than the standard salary and general changes in the remuneration market.

### *Annual variable remuneration*

Each member of the Executive Board is eligible for annual variable remuneration, with the level depending on the achievement in the year concerned of targets agreed beforehand between the Supervisory Board and the Executive Board that support the execution of Royal BAM Group's strategic agenda. A responsible balance is struck between short-term and long-term focus. The variable remuneration actually achieved is set by the Supervisory Board on the advice of the Remuneration Committee, at which point an assessment is also made of the possible results of the variable remuneration elements and their consequences for the total remuneration of members of the Executive Board.

The maximum annual variable remuneration is 60 per cent of the fixed part of the Board member's annual salary, a percentage which the Supervisory Board considers at this point to be properly proportionate to the fixed element of the remuneration package. When this percentage is being set, it is designed to be in line with the relevant remuneration market and the levels of variable remuneration appropriate for senior officials of the Group.

The annual variable remuneration depends on the achievement of previously set, measurable targets which are assessable and which

can be influenced. The portion of the variable remuneration that is related to financial targets is a maximum of 40 per cent of the fixed part of the Board member's annual salary. The annual result and the cash flow of the Group are an equally determining factor in this regard. If the agreed objectives are achieved, the variable remuneration is 40 per cent and proportionately less if this is not the case. If the annual result is a great deal less than the budgeted figure, this part of the Board Member's remuneration is not paid out.

A maximum of 20 per cent of the annual salary is related to non-financial targets that are derived from the Royal BAM Group strategic agenda. The strategic agenda defines, among other things, objectives that stimulate long-term value creation for the shareholders, such as further growth in specific market segments, corporate social responsibility, product development, risk management (including safety), staff development and knowledge management. The position in relation to these topics is also that they are formulated and evaluated as far as possible in assessable terms. The variable remuneration consists of an annual cash payment and is paid out in the following year.

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

In the case of new awards of variable remuneration to directors, 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 there would be an unreasonable outcome, partly based on the remuneration policy adopted by the shareholders.

The Supervisory Board also has the power to amend the existing conditional awards of variable remuneration with quantified performance criteria if, in its opinion, applying the award without amendment would have an unreasonable and unintended outcome. These matters have all been incorporated into the employment agreements of Executive Board members since the introduction of the Dutch Corporate Governance Code.

#### *Long-term benefit*

A remuneration element that gives long-term rewards for improvements has also been incorporated in the remuneration policy for members of the Executive Board.

This long-term benefit plan is based on remuneration in the form of conditionally awarded phantom shares. These include a dividend right, to which the same conditions apply as to the phantom shares. They are reinvested. Three years after the

conditional award, the phantom shares become unconditional, if the level of performance achieved is sufficient. The unconditional phantom shares are then subject to a transfer restriction for another two years. The cash equivalent will only be paid out at the end of this period. A long-term benefit therefore remains valid for five years. The award consists of phantom shares, i.e. no shares or options are issued.

The amount of the unconditional long-term benefit depends on the extent to which the target performance level is achieved. The target performance is development in the value of BAM shares (i.e. improved share price plus dividend) as compared to the average development in the value of shares in the following companies which are similar to BAM: Balfour Beatty, Ballast Nedam, Bilfinger, Heijmans and Skanska.

Performance is assessed over a three year period (referred to as the 'performance period'), starting on 1 January of the year in which the long-term benefit is awarded. The development in the share value (TSR, i.e. Total Shareholder's Return) of both BAM and the peer group (i.e. an average) is recorded at the end of each quarter in the performance period. The development is then calculated based on the average of all end of quarter TSRs recorded during the performance period. Consequently, BAM's TSR is not absolute, but relative, as it involves comparison with a peer group.

The Supervisory Board may decide in due course that future performance should not be linked to the Total Shareholder's Return alone, but also to other criteria such as sustainability as soon as those criteria are sufficiently measurable. The Supervisory Board can also opt to change the peer group's composition if it decides that one of the peer group companies is no longer comparable to BAM. Any companies to be added to the peer Group must be deemed comparable to BAM by the Supervisory Board.

The phantom shares awarded conditionally to the Executive Board members are taxed when they become unconditional (i.e. three years after the award). The Executive Board members have to pay the tax themselves. The company will not provide any loans, nor can a long-term benefit be paid out in part or in full for the purposes of paying the tax due on the long-term benefit. The long-term benefit is not paid out until two years after it becomes unconditional.

In practice, each Executive Board member is awarded a conditional long-term benefit (i.e. a number of phantom shares) every year on the sixth day after the Annual General Meeting. The number of conditional phantom shares awarded is equal to 50 per cent of the member's fixed annual salary divided by the average closing price of BAM shares over the five trading days preceding the award date.

The conditionally awarded long-term benefit (i.e. the phantom shares) becomes unconditional three years after the date of the conditional award.

The number of phantom shares awarded unconditionally depends on the extent to which BAM's Total Shareholder's Return exceeds the peer group Total Shareholder's Return (as a percentage) for the performance period.

The graduated scale shown below applies. If BAM outperforms the peer group by the percentages indicated, the corresponding awards are given:

< 0 percent: 0 per cent award

0-5 percent: 35 per cent award

5-10 percent: 45 per cent award

10-15 percent: 55 per cent award

15-20 percent: 65 per cent award

20-25 percent: 75 per cent award

25-30 percent: 85 per cent award

> 30 percent: 100 per cent award

(i.e. the percentage indicated of the number of phantom shares conditionally awarded three years previously).

This number of phantom shares is now an unconditional award, but a transfer restriction then applies for a two year period known as the 'lock-up period'. During the lock up period, the long-term benefit amount depends only on the development of the value of BAM shares (i.e. share price plus dividend) and is therefore no longer affected by the peer group's performance.

The company will pay out on the phantom shares that have become unconditional on the first working day after the lock-up period (i.e. five years after the conditional award). This payout is in cash at a value per phantom share that is equal to the average current rate of the BAM share during the five trading days preceding the date of the payout.

The cash amount per long-term benefit paid to an Executive Board member will never exceed one and a half times the fixed salary of the Executive Board member on the day of the payout.

The authority to implement the long-term benefit plan is vested in the Supervisory Board. The Supervisory Board can at all times change or terminate the scheme. If the Supervisory Board decides to terminate or make material changes to the long-term benefit plan, the next General Meeting will be asked to adopt a resolution to that effect. In exceptional circumstances and in accordance with the requirements of reasonableness and fairness, the Supervisory Board can decide to make a long-term benefit unconditional or lift the transfer restriction. In exceptional circumstances (e.g. divisions, mergers, changes in company control), the Supervisory Board is authorised to withdraw

conditional and unconditional long-term benefits in exchange for a cash payment at market value.

If BAM's capital changes, the Supervisory Board will modify the long-term benefits (both before and after they become unconditional), such that the market value of the long-term benefits after modification is as close as possible to the market value before modification.

The Supervisory Board is authorised to change the number of phantom shares to be awarded conditionally or unconditionally, if the Supervisory Board determines that failure to do so would lead to unreasonable results, including with respect to the remuneration policy adopted by the General Meeting.

The Supervisory Board's special powers – as stated in the last three paragraphs of the section 'Annual variable remuneration' – also apply to the long-term benefit plan.

Only Executive Board members are eligible for the long-term benefit plan. A long-term benefit only becomes unconditional for an Executive Board member if that member is an Executive Board member on the date when the long-term benefit becomes unconditional. If the person concerned is no longer an Executive Board member as of that date due to no fault of his/her own, he/she is entitled to the long-term benefit pro rata. The long-term benefits of former Executive Board members in this situation are also subject to a two-year lock-up period. Former Executive Board members who are no longer members because of other reasons as of the date when the long-term benefits become unconditional will lose their right to long-term benefits which are still conditional. However, they do retain their right to long-term benefits that are unconditional, subject to the two-year lock-up period.

The Supervisory Board can decide that Executive Board members appointed after the conditional award date and before 31 December of the award year will receive part of the long-term benefit awarded to Executive Board members in the year concerned.

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

#### *Pension*

With respect to pensions, the sector regulations will be adopted wherever possible, with surplus schemes based on defined contributions and contributions from the participants. Members of the Executive Board are subject to the new pension scheme and transitional arrangements with effect from 1 January 2006, as applicable from that date within the Group 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.

#### *Other secondary conditions of employment*

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 directors' liability insurance. 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 after 1 January 2005 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 Royal BAM Group.

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 Royal BAM Group.

#### *Period of appointment and contracts of employment*

Members of the Executive Board are appointed for a period of four years. The contractual agreements with members of the Executive Board who were appointed before the Dutch Corporate Governance Code came into effect will be honoured; their appointment is for an indefinite period.

The contracts of employment of Messrs N.J. de Vries, R.P. van Wingerden and M.J. Rogers are for an indefinite period. The employment agreement of Ms T. Menssen has 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 member. The company regards a notice period of three months as suitable for a director. The notice period for the company is twice the length of the notice to be given by the director in line with the statutory rules on notice periods in employment contracts. On Mr Rogers' appointment, the rules set out in his employment contract with BAM Construct UK were continued.

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 will be appointed by means of an agreement of assignment.

If the company terminates the contract of a Board member appointed after 1 January 2004, the maximum severance payment will be one year's salary. If that is clearly unreasonable for a member of the Executive Board who is made redundant during or following the expiry of his first term on the Board, that Board member will be eligible for a severance payment of a maximum of twice his annual salary.

The Supervisory Board can decide on a higher payment if the Board member concerned has been employed by Royal BAM Group for a long period of time. This provision was made because of the fact that long periods of employment at the same company are not unusual in the construction industry. Reducing rights accrued in that way may be considered undesirable or unreasonable in certain circumstances.

The employment contracts of members of the Executive Board appointed before 1 January 2004 do not include a provision regarding severance pay. If such a member is made redundant, the Supervisory Board will determine the amount of the severance pay taking into account the circumstances of the case, current practice, prevailing legislation and the requirements of good corporate governance. See > Table 6.

The company has no other remuneration rules, beyond the remuneration package mentioned above, in relation to payments on the departure of members of the Executive Board or members of the Supervisory Board, 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 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. These rules are published on the company's website.

### Remuneration policy for 2014 and subsequent years

The remuneration policy described above will remain in effect in the financial year 2014 and subsequent years. No material changes are planned in the remuneration policy in the coming period.

Bunnik, the Netherlands, 19 February 2014  
Supervisory Board

**Table 2** Fixed annual salary, annual variable remuneration, pension premiums and other benefits (x €1,000)

	Gross salary		Variable remuneration <sup>3</sup>		Pension premiums <sup>4</sup>		Other Benefits <sup>5</sup>		Crisis levy	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
N.J. de Vries	620	610	-	107	133	142	63	46	90	126
T. Menssen	470	115 <sup>1</sup>	-	20	30	5	8	2	51	-
M.J. Rogers <sup>2</sup>	509	517	-	90	102	103	71	57	-	-
J. Ruis	153	460	-	81	55	112	17	18	12	88
R.P. van Wingerden	470	460	-	81	59	62	49	37	61	87

<sup>1</sup> As of 1 October 2012 (based on 2012 annually salary of €460,000).

<sup>2</sup> Gross salary 2013 based on £428,000 (2012: £420,000). Variable remuneration based on £73,000.

<sup>3</sup> This is the variable remuneration to be paid on an annual basis; see > Tables 3, 4 and 5 for the long-term benefit plan.

<sup>4</sup> The pension premiums are the gross pension costs recognised in the income statement.

<sup>5</sup> Consists of the annual expenses allowance, the insurance premium and costs involved in the granted phantom shares.

**Table 3** Long-term benefit 2011/2014<sup>1</sup>, Conditional phantom shares (value in €)

	As to the award date		Ultimo 2013		TSR- performance	graduated scale
	number	value	number	value <sup>2</sup>		
N.J. de Vries	56,027	305,000	61,484	-	-0.2 %	0 %
T. Menssen	-	-	-	-	-	-
M.J. Rogers	43,483	236,713	47,719	-	-0.2 %	0 %
R.P. van Wingerden	42,250	230,000	46,365	-	-0.2 %	0 %

<sup>1</sup> Awarded on 2 May 2011; award becomes unconditional on 2 May 2014; lock-up period up to and including 2 May 2016.

<sup>2</sup> Potential value based on the table used to calculate the closing price of BAM ordinary shares at year-end 2013 (3,783) and on the table used to calculate the number of phantom shares that become unconditional three years after the award. The Total Shareholder's Return performance used in the calculation was based on the quarterly average for 2012 and 2013. The ultimate TSR performance will be determined based on the quarterly average for the years 2011, 2012 and 2013. The long-term benefit paid out in cash will never be more than one and a half times the fixed annual salary on the day of payment.

**Table 4** Long-term benefit 2012/2015<sup>1</sup>, Conditional phantom shares (value in €)

	As to the award date		Ultimo 2013		TSR- performance	graduated scale
	number	value	number	value <sup>2</sup>		
N.J. de Vries	112,132	305,000	115,064	152,350	1.1 %	35 %
T. Menssen	-	-	-	-	-	-
M.J. Rogers	94,983	258,353	97,465	129,050	1.1 %	35 %
R.P. van Wingerden	84,559	230,000	86,770	114,888	1.1 %	35 %

<sup>1</sup> Awarded on 4 May 2012; award becomes unconditional on 4 May 2015; lock-up period up to and including 4 May 2017.

<sup>2</sup> Potential value based on the table used to calculate the closing price of BAM ordinary shares at year-end 2013 (€3,783) and on the table used to calculate the number of phantom shares that become unconditional three years after the award. The Total Shareholder's Return performance used in the calculation was based on the quarterly average for 2013. The ultimate TSR performance will be determined based on the quarterly average for the years 2012, 2013 and 2014. The long-term benefit paid out in cash will never be more than one and a half times the fixed annual salary on the day of payment.

**Table 5** Long-term benefit 2013-2016<sup>1</sup>, Conditional phantom shares (value in €)

	As to the award date		Ultimo 2013		TSR- performance	graduated scale
	number	value	number	value <sup>2</sup>		
N.J. de Vries	91,381	310,000	91,381	-	-0.1 %	0 %
T. Menssen	69,272	235,000	69,272	-	-0.1 %	0 %
M.J. Rogers	75,003	254,441	75,003	-	-0.1 %	0 %
R.P. van Wingerden	69,272	235,000	69,272	-	-0.1 %	0 %

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

<sup>2</sup> Potential value determined on the basis of the closing price of BAM ordinary shares at year-end 2013 (€3,783) and on the table used to calculate the number of phantom shares that become unconditional three years after the award. The Total Shareholder's Return performance used in the calculation was based on the quarterly average for 2013. The ultimate TSR performance will be determined based on the quarterly average for the years 2013, 2014 and 2015. The long-term benefit paid out in cash will never be more than one and a half times the fixed annual salary on the day of payment.

**Table 6** Contracts of employment/appointments of members of the Executive Board

	Year employed	Date of appointment	Period of appointment	Contract type	Notice period for company	Notice period for director	Severance payment
N.J. de Vries	1977	28.05.1998	unlimited	Indefinite	6 months	3 months	not agreed
T. Menssen	2012	01.10.2012 <sup>1</sup>	4 years	4 years	6 months	3 months	1 year's salary
M.J. Rogers	1979	21.04.2009 <sup>1</sup>	4 years	Indefinite	6 months	3 months	min. €600,000.-; max. 2 year's salary
R.P. van Wingerden	1988	07.05.2008 <sup>1</sup>	4 years	Indefinite	6 months	3 months	max. 2 year's salary

<sup>1</sup> First appointment.