Explanatory notes AGM

Agenda item 3a: Adoption of amendments to the remuneration policy for the Executive Board

It is proposed to amend the remuneration policy of the Executive Board. The existing policy was adopted by the Annual General Meeting on 8 May 2007 and amended by the General Meeting on 20 April 2011. It is proposed that the current revisions to the policy (including those to the long-term incentive plan) will take effect retroactively as per 1 January 2015.

The Supervisory Board reviewed the remuneration policy for the Executive Board in light of the *Back in shape* strategy and by taking into account developments in market best practices since the last update. In the design of the proposed 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 will only encourage risk taking that is in line with the risk profile of the company. The existing reclaim/ claw back clauses in the contracts of the members of the Executive Board and the policy in case of a takeover will be aligned with the Dutch 'claw back legislation/ takeover decree', introduced per 1 January 2014.

The remuneration of the Executive Board will continue to consist of four elements:

- A fixed annual salary;
- Short-term incentive ('STI');
- Long-term incentive ('LTI');
- Pension provisions & other secondary conditions of employment.

The main changes compared to the existing policy are:

- Pay mix: increased focus on longer term performance by increasing the (conditional) LTI award level;
- STI plan: expansion of the choice of performance measures for the STI to increase flexibility and ensure continuous alignment with the current and possible future business strategy;
- LTI plan: replacement of the phantom share plan with a performance share plan (i.e. paying out in real equity), a revision of the existing performance peer group (Total Shareholder Return) and adding Return on Capital Employed ('ROCE') and Sustainability as performance metrics;
- Share ownership guidelines: introduction of a minimum shareholding requirement for Executive Board members as well as a group of maximum 15 senior executive positions.

Remuneration level

In line with the current policy, the Supervisory Board used external benchmark information to assess market comparability of the remuneration levels. To this effect 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 took also notice of the fact that over the last 5 years the base salary of the members of the Executive Board has only been slightly increased once (1.75% correction of inflation). In addition no STI has been paid during the last 2 years, while in the previous 3 years pay-out was very restricted. The external benchmark also revealed that the base salary of the CEO is currently lagging behind against the peer group but that adjustment at this moment is not felt to be prudent.

Based on the proposed policy, the 2015 incentive levels are presented in the table below, compared to the 2014 levels.

Remuneration level	Current	Proposed
STI (% of base salary)		
CEO	60% (maximum)	55% (target) 75% (maximum)
Members	60% (maximum)	55% (target) 75% (maximum)
LTI (% of base salary)*		
CEO	50%	70%
Members	50%	60%
Share ownership guidelines		
CEO	n/a	1 times gross base salary
Members	n/a	0.75 times gross base salary

** Award value*

Remuneration structure

To enhance alignment of the remuneration policy with the *Back in shape* strategy and market best practices, the STI and LTI plans of the Executive Board are proposed to be amended. The LTI plan will be cascaded down to a maximum number of 15 senior executive positions below the Executive Board.

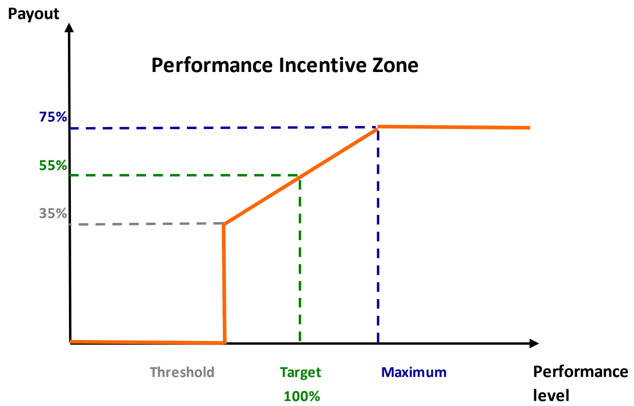
Short-term incentive

To ensure continued alignment between BAM Group's strategy and incentive metrics, greater flexibility with respect to the STI incentives will enable adequate responses to the challenges BAM Group is facing. It is proposed that the Remuneration Committee annually selects two (2) to three (3) financial metrics and determines their relative weighting. The financial metrics may include:

1. Profit before Tax
2. Operational result (EBIT)
3. Working Capital
4. Cash flow
5. Cash conversion
6. Cost reduction
7. Divestments

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

The relative weighting of financial versus non-financial targets remains the same as in the current policy. 2/3rd of the STI will be based on financial criteria (as outlined above), and the remaining 1/3rd will be 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% of the target opportunity at threshold performance and potentially going up to 75% pay-out at maximum performance per individual target. Below threshold there will be zero pay-out. The Supervisory Board will set 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% of base salary. For more details, see the graph below.



Long-term incentive
To further strengthen the alignment with shareholder's interests, the existing phantom shares (that pays out in cash) are proposed to be replaced by performance shares in BAM Group. Like the phantom shares in the past, the performance shares will be conditionally awarded subject to performance testing after three years. The number of performance shares at grant is calculated by dividing the award value by the average closing price of BAM Group shares on Euronext Amsterdam based on the 5-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.

The current *relative* financial performance measure Total Shareholder Return is complemented with a second *absolut*e financial measure ROCE and a non-financial measure related to sustainability. By adding ROCE and sustainability, BAM Group recognizes that – next to outperforming the competition – realizing a sufficient return on capital in absolute terms in combination with sustainability are core elements of longer term sustainable value creation.

Realized performance results in a vesting percentage for each of the 3 performance targets, each determining 1/3rd 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 payout regardless of the performance in this area.

Share ownership requirements
In the proposed policy, minimum share ownership requirements are introduced. For the CEO this amounts to 100% of base salary and for the other members of the Executive Board this amounts to 75% of base salary. In accordance with the Dutch Corporate Governance 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.

Long-term incentive plan	Current	Proposed
Financial vs. non-financial (personal) measures	100% Financial	66.7% Financial 33.3% Non-financial
Weight (% of total value at grant) and type of measures	100% TSR	TSR: 33.3% ROCE: 33.3% Sustainability: 33.3%
Payment mechanism	Phantom shares	Conditional Performance shares
Stimulating share ownership	2-year additional holding period	2-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 existing TSR peer group has been revised (Ballast Nedam and Bilfinger are removed) and has been extended from five (5) to ten (10) companies (11 including BAM Group). The new group comprises of Balfour Beatty, Boskalis, Carillion, Heijmans, Hochtief, Eiffage, Skanska, Strabag, Vinci and YIT. The replacements and additions to the TSR peer group provide for robustness in TSR comparison over time and decrease the luck factor when determining the vesting level. The composition of the TSR peer group will continue to be evaluated on a periodic basis, among others, in light of corporate events.

Realized 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% of the 'at target' number of performance shares. This percentage may be reduced to zero (on a sliding scale) for non-achievement of the individual targets. The performance incentive zones are presented in the tables below:

Relative TSR	
TSR ranking	Vesting
1	150%
2	125%
3	100%
4	75%
5	50%
6	25%
7	0%
8	0%
9	0%
10	0%
11	0%

ROCE	
Score	Vesting
Above maximum	150%
Maximum	150%
Target	100%
Threshold	50%
Below threshold	0%

Sustainability	
Score	Vesting
Above maximum	150%
Maximum	150%
Target	100%
Threshold	50%
Below threshold	0%

Notes

1) Vesting is expressed as a percentage of the conditionally granted number of shares

2) If TSR would be at position 10 or 11, no vesting could occur for the other parts