

Remuneration report

The following remuneration report from the Supervisory Board contains a report on the manner in which the remuneration policy has been put into practice during the past financial year. The report includes summaries of information concerning remuneration received in 2008, and also contains a summary of the remuneration policy provided by the Supervisory Board for the coming financial year and subsequent years.

Remuneration in 2008

The Remuneration Committee is a permanent committee of the Supervisory Board consisting of at least two members who are appointed and dismissed by the Supervisory Board. The Remuneration Committee is subject to rules established by the Supervisory Board. During the past financial year, the committee consisted of Mr Baar (chairman) and Mr Wiechers. The Remuneration Committee convened four times during the past financial year.

Annual salary of the members of the Executive Board

The Supervisory Board also assessed the level and structure of remuneration for members of the Executive Board in 2008. There were no reasons found for proposing any amendments to the remuneration structure as explained in greater detail in the remuneration policy below. As regards the level of remuneration, the fixed salaries of the Dutch members of the Executive Board were adjusted with effect from 1 January 2008 to bring them more closely into line with the salaries in the Netherlands. Mr Brooks' salary was increased by 8 percent as at 1 January 2008, in line with salary developments in the United Kingdom employment market. A summary of the remuneration of the individual members of the Executive Board can be found in table 6.

	Gross salary		Bonus		Long-term bonus		Pension premiums	
	2008	2007	2008	2007	'08-'10 2008	'05-'07 2007	2008	2007
J.A.P. van Oosten	587	555	238	333	-	277	105	83
N.J. de Vries	514	493	208	295	-	246	93	77
P.B. Brooks *	499	352	202	196	-	163	125	90
J. Ruis	444	430	180	258	-	215	81	71
R.P. van Wingerden **	235	-	95	-	-	-	28	-

* from 8 May 2007.

** from 7 May 2008.

Variable remuneration of the members of the Executive Board

The variable remuneration for the financial year 2008 has been fixed at 40.5 percent of the fixed element of the annual salary (to be set at a maximum of 60 percent), of which 23.5 percent is linked to the achievement of the financial objectives (maximum of 40 percent) and 17 percent is linked to the achievement of non-financial indicators (maximum of 20 percent).

The company has not allocated any options or shares to members of the Executive Board, operating company managers or employees.

Remuneration of the members of the Supervisory Board

The annual remuneration for the members of the Board, in accordance with the policy adopted at the shareholders' meeting on 7 May 2008, amounts to €50,000.– for the chair, €45,000.– for the deputy chair 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 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 remuneration of the Supervisory Board members does not depend on the company's results, nor on a change of control in the company.

Remuneration policy

The Supervisory Board draws up the company's remuneration policy on the basis of advice from its Remuneration Committee. The General Meeting of Shareholders of Royal BAM Group then formally adopts the remuneration policy.

No changes are predicted in the current financial year in the remuneration policy for 2007 and subsequent years, as adopted at the General Meeting of Shareholders held on 8 May 2007.

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 regulations of the Remuneration Committee are published on the website of Royal BAM Group.

Assumptions

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 of the enterprise's value, motivating individuals and increasing the enterprise's attraction for 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 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, the 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 of Shareholders.

Remuneration package

The total remuneration of the members of the Executive Board of Royal BAM Group consists of an annual salary, a variable remuneration, a pension and other secondary conditions as well as redundancy compensation schemes in the event that they are made redundant. It was decided to use the level of 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 (options) on shares. The company does not have any remuneration rules that are related to a change of control of the company.

The composition of the remuneration package – consisting of a fixed salary and limited variable bonus scheme – leads to a remuneration 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.

Annual salary

Upon appointment, the annual salary of the individual member of the Executive Board originating from this organisation is usually less than the standard salary for this Board appointment. The Supervisory Board determines the salary development, the principle being that the difference between starting salary and the standard salary will be bridged in several years with proper performance from the Board Member.

The annual evaluation and change in the annual salary generally takes 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.

Variable remuneration

Each member of the Executive Board is eligible for variable remuneration, with the level depending on the achievement 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 sixty percent 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 Royal BAM Group.

The 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 forty percent of the fixed part of the member's annual salary. The annual result of Royal BAM Group is decisive for this. If the agreed annual results are achieved, the variable remuneration is a maximum of forty percent, with a proportionate reduction if the budgeted results are not realised. 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 twenty percent of the member's annual salary is related to objectives derived from Royal BAM Group's 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 as assessable targets. The variable remuneration does not contain any element that can simply be set by the Supervisory Board at its own discretion.

The variable remuneration consists of an annual cash payment and is paid out in the following year.

In order to achieve long-term aims, a place has also been found in the remuneration policy for members of the Executive Board. Under the current long-term bonus plan, if the margin of 4 percent before tax is realised on Group turnover, as formulated in the strategic agenda, each member of the Executive Board will be eligible for an additional variable remuneration in that year of fifty percent of his annual salary. No payments will be made if this profit margin is not achieved. The plan lasts for three years and comes to an end on 31 December 2010 or earlier if the target is achieved before that date.

In cases where the variable remuneration is awarded on the basis of inaccurate (financial) data, the Supervisory Board has the possibility of adjusting (that part of) the remuneration accordingly and the company is entitled to reclaim any 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 or unintended outcome. The Supervisory Board would only use these powers as a last resort. All necessary provisions will be included in the new remuneration contracts with the directors as of the introduction of the Dutch Corporate Governance Code.

Pensions

With respect to pensions, the sector regulations will be adopted wherever possible, with surplus schemes based on existing premiums 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 Royal BAM Group following the introduction of the Act concerning accelerated retirement and lifecycle savings schemes (wet VPL).

Mr Brooks receives a non-pensionable bonus on top of his salary as compensation for the fact that he is not a member of any pension plan within Royal BAM Group.

Other secondary conditions of employment

As for all the other employees, Royal BAM Group has a competitive package of secondary conditions of employment for the members of the Executive Board. This includes such matters as schemes for healthcare insurance and disability, personal accident insurance, a car scheme and directors' liability insurance. Royal BAM 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 wilful, deliberately reckless or seriously culpable conduct. This facility 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 operating company managers and all other directors and officers in Royal BAM Group.

Periods of appointment and employment contracts

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 for members of the Executive Board are for an indefinite period of time. A four-year contract of employment is concluded with new members who join the Executive Board from outside the Group. The members of the Executive Board have a term of notice of six months for the company and three months for the members of the Executive Board. 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 a director. This is in line with the statutory rules on notice periods in employment contracts. On Mr Brooks' appointment, the rules set out in his employment agreement with BAM Nuttall Ltd were continued.

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. 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. See Table 7.

Rules governing securities

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.

Bunnik, Netherlands, 4 March 2009
Supervisory Board

Table 7 Contracts of employment/appointments of the members of the Executive Board

	Year of employment	Date of appointment	Period of appointment	Contract type	Company's period of notice	Period of notice for Board member	Redundancy scheme
J.A.P. van Oosten	1976	08.06.1995	unlimited	indefinite	6 months	3 months	not agreed
N.J. de Vries	1977	28.05.1998	unlimited	indefinite	6 months	3 months	not agreed
P.B. Brooks	1979	08.05.2007	4 years	indefinite	24 months	24 months	not applicable
J. Ruis	1971	07.05.2008 *	4 years	indefinite	6 months	3 months	max. €800,000
R.P. van Wingerden	1988	07.05.2008	4 years	indefinite	6 months	3 months	max. 2 years' salary

* Relates to reappointment; first appointment: 07.05.2004.