

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 2010, 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 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 met three times during the past financial year. The Remuneration Committee did not use the services of external remuneration advisers during the 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 2010, partly based on analysing a number of scenarios. The Board did not see any reason to propose changes to the pay structure described below in relation to the remuneration policy, on the understanding that a new long-term bonus plan will be proposed to replace the current plan (2007-2010). This proposal is addressed in more detail at the end of this report.

The fixed salaries of the Dutch members of the Executive Board were not indexed as of 1 January 2010, which is in line with the salary index in the Netherlands for this target group. As of 1 January 2010, Mr Rogers' salary was increased to GBP 360,000 and Mr van Wingerden's salary to €460,000, both increases as a step to incorporate them into the reference salary system applicable to their positions.

Mr Van Oosten will receive a one-off payment equal to one hundred percent of his annual fixed salary when he steps down from the Executive Board as of 1 April 2011. The Supervisory Board believes that this payment is fair and reasonable in light of the fact that Mr Van Oosten is leaving the Group earlier than originally planned after such a long period of employment with the Group.

A summary of the remuneration of the individual members of the Executive Board can be found in table 6. No other compensation was awarded to current or former members of the Executive Board in the financial year other than the compensation indicated in table 6.

Table 6 Remuneration of the individual members of the Executive Board (x €1,000)

	Gross salary		Variable remuneration 3		Pension costs 4		Other benefits 5	
	2010	2009	2010	2009	2010	2009	2010	2009
N.J. de Vries	554	535	89	107	93	92	8.6	8.5
J.A.P. van Oosten	610	610	-	-	141	140	8.6	8.5
J. Ruis	460	460	74	92	82	81	8.6	8.5
R.P. van Wingerden	460	420	74	84	44	31	8.6	8.5
M.J. Rogers 2	420	252	67	50	82	48	1.0	1.0

1 From 1 October 2010 €610,000.- on an annual basis; until 1 October 2010 €535,000.-.

2 From 21 April 2009.

3 This is short-term variable remuneration; a bonus was not paid out under the long-term bonus plan.

4 These pension costs are the gross pension costs recognised in the income statement.

5 Consists of the annual expenses allowance (€7,500) and the insurance premium (€1,054).

Variable remuneration of the members of the Executive Board

None of the members of the Executive Board were awarded variable remuneration for achievement of financial objectives for 2010 (maximum variable remuneration: 40 percent).

In accordance with the Executive Board members' portfolios, the individual non-financial objectives for the members of the Executive Board in 2010 concerned: progress in implementing the strategy for 2010-2012, adequately responding to the consequences of the financial crisis, restructuring the property activities in the Netherlands, structuring the organisations in Belgium and the United Kingdom, improving the balance sheet and improving the measurable Corporate Social Responsibility results.

Messrs De Vries, Rogers, Ruis and Van Wingerden have been awarded 16 percent variable remuneration for achieving the non-financial objectives (maximum variable remuneration is 20 percent).

For the 2011 financial year, the members of the Executive Board have been set an individual non-financial short-term objective of 50 percent of the joint objective for sustainable business practice (reducing the number of safety incidents, reducing the Group's carbon footprint and reducing the amount of waste produced). The other individual objectives involve improving the internal organisation, the Group's financial position and implementing the business strategy.

No bonuses were paid out under the long-term bonus plan that was applicable until the end of 2010. The company has not allocated any options or shares to members of the Executive Board, operating company managers or employees.

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

Remuneration of the members of the Supervisory Board

The annual remuneration for the members of the Supervisory Board, in accordance with the policy adopted at the shareholders' meeting on 7 May 2008, amounts to €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.

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

The remuneration of the members of the Executive Board was paid in the past financial year in accordance with the remuneration policy adopted by the General Meeting on 8 May 2007.

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 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, 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 Royal BAM Group consists of an annual salary, 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 way in which the remuneration package is made up – a fixed salary and limited 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.

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 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.

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 60 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 40 percent of the fixed part of the Board member's annual salary. The annual result of Royal BAM Group is decisive in this regard. If the agreed annual result is achieved, the variable remuneration is 40 percent, with a proportionate reduction if the budgeted result is 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 20 percent of the annual salary is related to 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 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.

With a view to the achievement of long-term aims, a place has also been found in the remuneration policy for members of the Executive Board for a long-term bonus plan. 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 50 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 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 or unintended outcome. The Supervisory Board would only use these powers as a last resort. These matters have all been incorporated into the employment agreements with members of the Executive Board since 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 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 Royal BAM Group for all comparable employees following the introduction of the Act concerning accelerated retirement 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, 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 willful, deliberately reckless or seriously culpable conduct and/or consisted of traffic offences. 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 of 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 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 a director. This is 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 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 in the employ of 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. In such an event, 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. 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.

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

	Year of entry into service	Date of appointment	Period of appointment	Type of Contract	Period of notice for company	Period of notice for member	Severance pay
N.J. de Vries	1977	28.05.1998	unlimited	permanent	6 months	3 months	not agreed
J.A.P. van Oosten 1	1976	08.06.1995	unlimited	permanent	6 months	3 months	not agreed
M.J. Rogers	1979	21.04.2009 2	4 year	permanent	6 months	3 months	min. €600,000.-; max. twice annual salary
J. Ruis	1971	07.05.2008 3	4 year	permanent	6 months	3 months	maximum €800,000.-
R .P. van Wingerden	1988	07.05.2008 2	4 year	permanent	6 months	3 months	max. twice annual salary

1 Retired with effect from 1 April 2011.

2 Refers to first appointment.

3 Refers to reappointment; first appointment: 07.05.2004.

Remuneration policy for 2011 and subsequent years

The remuneration policy described above will remain in effect in the financial year 2011 and subsequent years, with the exception of the long-term bonus plan which expired at the end of 2010. The Supervisory Board believes that the Executive Board remuneration package should reward members for achieving long-term improvements in addition to the fixed salary and annual variable remuneration. A new long-term benefit plan will therefore be proposed, under which members of the Executive Board will be allocated phantom shares on an annual basis. These shares will pay out an amount after five years in accordance with the extent to which the predetermined performance targets have been achieved. A more detailed description of this plan can be found in the brochure drawn up for the General Meeting on 20 April 2011. The General Meeting will be requested to adopt the long-term benefit plan as part of the existing remuneration policy.

Bunnik, Netherlands, 2 March 2011
Supervisory Board