

6.4 Remuneration report

The Supervisory Board hereby presents the remuneration report, containing a summary account of Ballast Nedam's remuneration policy. Mr Akvardar is Chairman and Mrs Ilicak Kayaalp is a member of the Remuneration Committee.

6.4.1 Principles of the remuneration policy for Board of Management members

The Supervisory Board determines the remuneration of the members of the Board of Management in accordance with the remuneration policy adopted at the Annual General Meeting of Shareholders in 2005.

The aim of the remuneration policy for Board of Management members is to motivate and retain competent board members. The members of the Board of Management must be capable of leading a major Dutch construction group with international operations.

The benchmark for the remuneration level of the members of the Board of Management of Ballast Nedam N.V. is the remuneration level of other (comparable) listed Dutch construction groups. The Supervisory Board takes into consideration the complexity, size, risk profile and management model of these companies. The remuneration level of the individual members of the Board of Management is furthermore based on the responsibilities of the respective members.

The remuneration agreements made with the members of the Board of Management are set down in contracts when they take up their positions.

Fixed annual salary

After members of the Board of Management take up their positions, increments to their fixed annual salary are limited in principle in line with increments under the collective labour agreement for the building industry (CAO Bouwnijverheid).

Short-term variable remuneration: bonus

Under the current remuneration policy for members of the Board of Management, a bonus may be paid in addition to the fixed salary, up to a maximum of one-third of the fixed salary. Two-thirds of the bonus is determined by reference to financial targets, the profit for the period and average capital employed, as documented in the business plan approved by the Supervisory Board. One-third of the bonus is determined by reference to non-financial criteria, as laid down and assessed by the Supervisory Board. These criteria are leadership, quality of relationships with the various stakeholders of the company, sustainability and the management of specific important issues arising in a given year. The Supervisory Board bases its assessment of these non-financial criteria on reports, personal observation, discussions with the Board of Management, discussions with third parties and other information.

The Supervisory Board has discretionary powers to award different bonuses or not to award bonuses, independently of any financial or non-financial criteria. Any bonus payment is made in the financial year following the reporting year. For competition reasons, the financial targets included in the business plan are not publicly disclosed in advance.

At the Annual General Meeting of Shareholders, the Supervisory Board reports on the financial and non-financial targets that were set for the reporting year, and the extent to which they were achieved.

Long-term variable remuneration: options

Ballast Nedam N.V. has a management option scheme that was approved at an Extraordinary General Meeting of Shareholders on 26 October 2006. The aim of the management option scheme is twofold, namely (i) to secure the long-term loyalty of directors and (ii) to ensure that the interests of individual directors mirror those of the shareholders.

Options are granted under the following two conditions: the members of the Board of Management must themselves purchase depositary receipts for shares (or shares following cancellation of depositary receipts), equivalent to a minimum of 5% of the number of options granted, and hold such shares or depositary receipts for three years after the options are granted.

The Supervisory Board is authorized annually to grant or not to grant options to the members of the Board of Management on the publication date of the Ballast Nedam N.V. annual accounts. The Supervisory Board determines the number of options to be granted with reference to the following criteria:

- the proven high personal significance for the company of the managing director in question;
- the Supervisory Board's desire to secure the loyalty of the managing director for the longer term, in the interests of continuity of the business;
- the degree to which the individual member of the Board of Management met the financial and non-financial criteria in the preceding financial year.

Under this scheme, the maximum option rights that the Supervisory Board may grant to the Board of Management in any one year is 2% of the total number of Ballast Nedam N.V. shares in issue. The members may exercise their option rights between three and six years from the date on which the options were granted.

The exercise price of the options is equal to the average closing price of Ballast Nedam N.V. shares on Euronext Amsterdam for five trading days prior to the grant of the options, including the grant date. The option exercise price and other conditions for the granted options remain unchanged throughout the term of the options.

6.4.2 Remuneration policy in 2015

The full Supervisory Board and the remuneration committee discussed the remuneration of the individual members of the Board of Management in a single meeting in 2015. In accordance with the Dutch Corporate Governance Code the Supervisory Board drew up and discussed scenario analyses in 2015 regarding the amount and structure of the remuneration of the members of the Board of Management.

Relationship between performance criteria and strategy objectives

The most important indicators of the financial targets derive from Ballast Nedam N.V.'s strategy objectives (see Chapter 3 *Strategic objectives and results* on page 12) and are reflected in the financial performance criteria (i.e. the profit for the period and average capital employed, as stated in the business plan). The achievement or otherwise of the financial 'profit for the period' and 'average capital employed' performance criteria is assessed largely with reference to Ballast Nedam's strategic objectives. The Supervisory Board refers to the achievement or otherwise of the financial and non-financial performance criteria in determining the eligibility of members of the Board of Management for bonus payments.

There is also a connection through the management option scheme between strategic objectives and long-term variable remuneration, in that the achievement or otherwise of strategic objectives is a determinant of Ballast Nedam N.V.'s share price.

Relationship between remuneration and performance, both ex-ante and ex-post

In the opinion of the Supervisory Board, the remuneration received by the Board of Management in 2015 is in line with their performance. The Supervisory Board has reached this judgment in part because the non-financial performance criteria were largely achieved. The Board of Management has successfully concluded the refinancing and explored strategic options. The Supervisory Board has also compared the remuneration level of members of the Board of Management with that of other listed Dutch construction groups, taking into consideration the complexity, size, risk profile and management model of the reference companies.

6.4.3 Remuneration and employment conditions of the Board of Management

The remuneration for the members of the Board of Management consists of the fixed annual salary, bonus payments, options, pension and other remuneration.

Fixed annual salary

The fixed annual salaries, including holiday pay, of the members of the Board of Management are as follows:

	1 January 2016	1 January 2015
Mr E. van der Noordaa	€500,000	€500,000
Mr C. Düzyol	not applicable	not applicable

These amounts consist of the fixed periodic salaries as at 1 January 2015 multiplied by 13, plus holiday pay. These fixed annual salaries are based on 52 weeks. Mr Düzyol does not receive any remuneration from Ballast Nedam.

Bonus

As is evident in this Annual Report, the Board of Management has demonstrated skilled management of important issues for the company, such as bringing the organization into line with the strategic route of the company. In the opinion of the Supervisory Board, the members of the Board of Management have satisfied the non-financial criteria. The Board of Management members have not met the financial performance criteria set for them. They are not eligible for a bonus.

Options

No options were granted to Board of Management members in 2015 in respect of the 2014 financial year. The Supervisory Board agreed with Mr Van der Noordaa upon the conclusion of his engagement agreement that he is entitled to a grant of 50,000 options. This grant has not taken place and Mr Van der Noordaa has decided that he will not make use of this right.

Pension

There is no early retirement scheme for the members of the Board of Management. It was agreed with Mr Van der Noordaa at the time of his appointment that he would receive a pension contribution of 17% of his gross salary.

Redundancy scheme

Mr Van Zwieten stepped down at the end of 2015 and received the contractually agreed severance pay (equal to one year's fixed annual salary).

Other matters

Board of Management members receive a fixed expense allowance. Mr Van der Noordaa receives a mileage allowance for the use of his private car. In other respects, the members of the Board of Management are entitled to the provisions of the applicable collective labour agreement for the building industry (CAO Bouwnijverheid), including annual increments. The members of the Board of

Management may avail themselves of the same schemes that apply to other Ballast Nedam employees, such as tax-efficient gym membership and use of a mobile phone or PDA.

Contract term, notice period, severance pay and clawback

Mr Van der Noordaa was appointed to the Board of Management for a four-year term on 27 June 2014. The notice period for Board of Management members is three months and for Ballast Nedam six months. However, in the first two years after the appointment of Mr Van der Noordaa the notice period for Ballast Nedam is twelve (12) months and the notice period for the Director is six (6) months.

In the event of termination of the engagement agreement by Ballast Nedam for reasons not attributable to Mr Van der Noordaa, Mr Van der Noordaa is entitled to gross severance pay equivalent to one year's fixed annual salary, unless this is unreasonable, in which case Mr Van der Noordaa is eligible, but only in the case of termination during the first term of appointment, for termination pay equivalent up to twice the fixed annual salary.

The Supervisory Board is authorized to claw back any variable remuneration if it was or is based on incorrect financial or other information.

Mr Düzyol was appointed to the Board of Management for a four-year term on 20 November 2015. Mr Düzyol is also a Board member of Rönesans Russia Construction and does not have any (employment) agreement with Ballast Nedam.

6.4.4 Remuneration policy for 2016

The Supervisory Board takes the view that the current scale of, and criteria for, the remuneration package properly reflect the management priorities. The Board supports limited variable remuneration linked to feasible targets that provide the appropriate emphasis. As stated above, the Supervisory Board drew up scenario analyses in 2015 for the possible outcomes of variable remuneration. Partly on this basis the Supervisory Board intends to continue the current remuneration policy in 2016, on the understanding that it will request the annual general meeting of shareholders to adjust the management option scheme. See Section 6.4.1 under *Long-term variable remuneration: options* on page 61.

The Supervisory Board expects the remuneration of the Board of Management in 2016 to be in line with the performance of the members of the Board of Management. This expectation arises from the inclusion in the remuneration structure of a variable component alongside a fixed salary (see *Fixed annual salary* in Section 6.4.3 on page 62 and the direct connection, also in 2016, between the established performance criteria and the strategic objectives for 2016.

6.4.5 Options

Theoretical value and time value

The theoretical value of the options at the grant date is measured using an option valuation model that takes account of the intrinsic value and the time value. The intrinsic value is determined on the basis of the difference between the share price and the option exercise price at the grant date. The time value is determined on the basis of factors including the predicted movement in the share price, which in turn is derived from historical prices. If the options concerned are publicly traded on the stock exchange, the value may deviate upwards or downwards.

Determination of cost of options

When granting the options Ballast Nedam recognizes the theoretical value of the options during the vesting period as an expense in the statement of income. This expense is distributed uniformly in time

over the year in which the option is granted and three subsequent financial years. The total costs in the financial year consist of the costs allocated to that financial year of all current option grants in the vesting period.

The expected value at the end of the vesting period is recalculated annually in the light of the information available at the end of the financial year. This expected value also consists of an intrinsic value and a time value. The time value may mean that the options have a value even though the current share price is lower than the exercise price.

6.4.6 Remuneration of Supervisory Board members

Supervisory Board members receive a fixed fee that is not dependent on the results of the company. The General Meeting of Shareholders set the remuneration of the Supervisory Board in 2005. As of 1 January 2016, the annual fees for members of the Supervisory Board were as follows:

- Mrs I. Ilicak Kayaalp not applicable
- Mr H. Akvardar not applicable
- Mr E. Baki not applicable
- Mr L.W.A.M. van Doorne €30,000
- Mrs C.M. Insinger €30,000

Mrs Ilicak, Mr Akvardar and Mr Baki are employees of Renaissance Construction and do not receive an additional fee for their membership of the Supervisory Board. The members of the Supervisory Board also receive an allowance for expenses incurred in performing their duties.

An Audit Committee has been formed of members of the Supervisory Board. The General Meeting of Shareholders set the remuneration of the Audit Committee in 2008. As of 1 January 2016, the annual fees for members of the Audit Committee were as follows:

- Mr E. Baki not applicable
- Mrs C.M. Insinger €5,000

Remuneration chart

Board of Management and Supervisory Board

x € 1 thousand	2015					2014				
	Gross salary	Severance compensation	Bonus	Pension charges & social security costs	Reimbursement	Total	Gross salary	Severance compensation	Bonus	Total
Board of Management										
E. van der Noordaa	592			32	5	629	268			331
P. van Zwieten 1)	423	517		38	4	982	364	30		481
T.A.C.M. Bruijninx 2)		64				64	496	689		1 298
C. Düzyol 3)										
	1 015	581		70	9	1 675	1 128	719		2 110
Supervisory Board										
L.W.A.M. van Doorne	43				2	45	41			43
C.M. Insinger	35				2	37	35			37
J. Bout 4)	27				2	29	32			34
J.S.T. Tiemstra 5)	31				2	33	4			4
I. Ilicak Kayaalp 6)										
H. Avni Akvardar 7)										
E. Baki 8)										
A.N.A.M. Smits 9)							33			35
	136				8	144	145			153
Total	1 151	581		70	17	1 819	1 273	719		2 263

1) Until 31 December 2015

2) Until 31 December 2014. Amount concerns severance compensation; reservation in 2014 was not sufficient.

3) As of 20 November 2015

4) Until 20 November 2015

5) Until 20 November 2015

6) As of 20 November 2015

7) As of 20 November 2015

8) As of 20 November 2015

9) Until 14 November 2014

6.5 Composition of the Board of Management

E. van der Noordaa (Chairman)

Mr Erik van der Noordaa was born in 1961 and is a Dutch national. Mr Van der Noordaa holds the position of Chief Executive Officer (CEO). He joined the company on 1 June 2014 and was appointed as Chief Executive Officer on 27 June 2014, after the Extraordinary General Meeting of Shareholders (EGM) was informed of the intended appointment. Mr Van der Noordaa began his career in 1986 at Damen Shipyards Group, a global shipbuilding group headquartered in Gorinchem, the Netherlands. He occupied a number of positions at Damen in the field of engineering, production, marketing and sales, as well as various management functions.

In 2004 Mr Van der Noordaa joined the Board of Management of Damen Shipyards Group, where he was appointed as Chief Operating Officer in 2006. He served in this position up to the time of his departure in 2010. From 2010 to 2013 he served as Chairman of the Board of Management of the Germanischer Lloyd Group (GL Group). In September 2013, the GL Group was merged with the Norwegian company DNV, since when it has operated under the name of DNV GL Group. Mr Van der Noordaa was appointed as Chief Executive Officer 27 May 2014 for a term of four years.

C. Düzyol

Mr Cenk Düzyol was born in 1971 and is a Turkish national. As a member of the Board of Management his focus will be primarily directed towards the co-operation with Renaissance Construction and the other companies within the Group. He is also a member of the Board of Management of Renaissance Construction Russia.

Mr Düzyol was first appointed to the Board of Management for a four-year term on 20 November 2015. His current term of office expires on 20 November 2019.