

Supervisory Board

Remuneration Policy - 2024



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Preamble

1. Background

Royal BAM Group's Supervisory Board remuneration policy will be brought to the 2024 Annual General Meeting for adoption, since it has been four years since its conception. In anticipation of this, the Supervisory Board has dedicated substantial time to review the policy and its implementation. This extensive assessment aims to ensure the policy's continued relevance, taking into account the new strategy for 2024-2026, business performance, and the interests of the stakeholders of Royal BAM Group nv ('the Group', 'BAM' or 'the Company').

BAM's previous 'Building a sustainable tomorrow' strategy (2021-2023), was initiated shortly after the initial approval of the Supervisory Board remuneration policy at the 2020 Annual General Meeting. Following this strategy, the Group executed a de-risking process, resulting in a focus on the Netherlands, the United Kingdom and Ireland and an improved profitability and predictability of performance. Noteworthy was the emphasis on sustainability, with clear goals to reduce emission intensity and virgin material usage in clients' projects and in BAM's own operations.

Under the new strategy (2024-2026), BAM aims to be a market leader in selected, sustainable, and profitable product market combinations. The strategy focuses on protecting profitability, transforming through industrialisation and digitisation, and further expanding into growth markets. To uphold these ambitions, it is imperative for the Supervisory Board remuneration policy to ensure:

- **Business profile:** Alignment with the Group's evolving business profile in the challenging construction markets of the Netherlands, the UK and Ireland;
- **Qualified members:** Facilitation of the attraction and retention of Supervisory Board members who contribute to the desired composition regarding expertise, experience, diversity and independence.

In this context, the Supervisory Board proposes a series of changes to the Supervisory Board remuneration policy and its implementation for 2024.

2. Overview of the key changes

Labour market reference group

To enhance market comparability, it is proposed to adopt the same labour market reference group as for the Executive Board, which is justified by the overlap in their talent markets. This means that it is based on five guiding principles: geography, industry, sustainability, size, and governance. The composition of the group is to be reviewed on an annual basis against these principles. This will ensure alignment with the relevant talent market and a better reflection of the current company profile. For 2024, the reference group would consist of fourteen publicly traded companies in BAM's home markets, comparable in size and sustainability profile¹.

Review of fee levels

To set the correct starting position of the fixed remuneration and committee fee levels, these have been benchmarked against the labour market reference group. This benchmark has shown that our current fee levels were below the market median. Furthermore, the approach of granting an all-inclusive fee for all committees is not in line with market practice, nor does it reflect the additional time commitment and responsibilities associated with participation in multiple committees. We propose to increase fee levels accordingly and introduce individual committee fees for every committee a Supervisory Board member participates in.

	Fee levels 2023	Fee levels 2024 after review
Fixed remuneration	<ul style="list-style-type: none">• Chair € 94,500• Vice-chair € 57,750• Member € 52,500	<ul style="list-style-type: none">• Chair € 105,000• Vice-chair € 70,000• Member € 60,000
Committee fees	<ul style="list-style-type: none">• Chair € 10,500• Member € 7,350	<ul style="list-style-type: none">• Chair € 10,500 per committee• Member € 7,350 per committee

¹ The composition of the 2024 labour market reference group is presented in the appendix to this remuneration policy.

Indexation

It is proposed to index fixed remuneration and committee fees automatically during the policy period, in line with the general increase for the *CAO Bouw & Infra*. This is to keep these fees in line with broader (macro-)economic developments. The indexation will be effectuated per 2025. Bi-annual benchmarks will continue to take place to monitor fee levels, but the ambition is not to propose additional adjustments to the shareholders until the next review of the policy in 2028.

3. The review process

Throughout 2023, the Remuneration Committee convened on seven occasions. Four of these meetings were exclusively dedicated to the review of remuneration policies for the Executive Board and the Supervisory Board, encompassing detailed discussions on policy implementation. An additional two sessions were focused on addressing outstanding topics of this review, preparing for stakeholder consultations and contributing to the decision-making process during the Supervisory Board meetings held in November and December.

The review process was supported by the expertise of Deloitte Executive Compensation, who commenced their involvement in March 2023 by conducting interviews with all Supervisory Board members, to gather their personal perspectives. In May, they led a kick-off workshop during a Remuneration Committee meeting. Deloitte provided external insights on market developments and offered benchmarks essential for BAM's comprehensive understanding of how its remuneration policy could be improved.

4. How BAM has engaged with its stakeholders

In the past year, as part of the comprehensive review and renewal of the Executive Board and the Supervisory Board remuneration policies, the Remuneration Committee of the Supervisory Board has actively engaged with shareholders, external stakeholders, and employees. BAM is grateful to all those who participated in these discussions, as their insights have been very valuable.

During the development of the proposed Executive Board and Supervisory Board remuneration policies, the Supervisory Board adopted a phased approach to stakeholder engagement. Initially, key issues raised by stakeholders regarding the draft policy were identified. Subsequently potential solutions were discussed in follow-up conversations. Specifically, in November and December of 2023, eleven discussions were held with prominent stakeholders, including proxy advisors ISS and Glass Lewis, shareholder representatives Eumedion and VEB, a major shareholder, and the Central Works Council.

The primary topic of discussion centered around the proposal of indexation of fixed remuneration and committee fees. During discussions, it was emphasised that the *CAO Bouw & Infra* itself would not apply to the Supervisory Board. The negotiated general increase of the CAO would however function as the objective reference point to determine increases in fixed remuneration and committee fees. This factor was chosen to ensure an automatic indexation while simultaneously complying with the regulatory requirement that the Supervisory Board has no (discretionary) authority to impact or adjust its own remuneration without asking shareholder approval. Furthermore, BAM is committed to continuously monitor Supervisory Board remuneration during the policy period in comparison to the labour market reference group.

BAM remains dedicated to fostering a constructive and positive relationship with all stakeholders and commits to ongoing engagement as appropriate in the future.

Supervisory Board remuneration policy

1. Introduction

This document presents the Supervisory Board remuneration policy, which is proposed for adoption by the 2024 annual general meeting ('AGM') of the shareholders of Royal BAM Group nv ('BAM', 'the Group' or 'the Company'). Once adopted, this policy will be effective retroactively from 1 January 2024, until the 2028 AGM. It will be disclosed in full on BAM's corporate website.

The policy builds on the new strategy for 2024-2026 under which BAM aims to be a market leader in selected, sustainable, and profitable product market combinations. The strategy focuses on protecting profitability, transforming through industrialisation and digitalisation, and further expanding into growth markets.

Focus to protect profitability

BAM's strategy involves selective focus on profitable growth platforms in the Netherlands, and in the United Kingdom and Ireland, emphasising key clients and proven competitive advantages.

Transform to strengthen competitive advantage

BAM's transformation centres on sustainability in markets where it is looking to differentiate from competition on product and process leadership and strong relationships with clients. BAM will target markets where prioritisation of innovation and sustainability can flourish, enabling transformation within the portfolio.

Expand for future growth

BAM sees strong further growth in residential, new energy markets and renovations towards 2030. With its scale and scope it is well positioned to serve these larger societal challenges. BAM targets leading positions in markets that are in line with its strengths and sustainability purpose. This will be done by expanding existing capabilities.

The remuneration policy is geared to attract and retain highly qualified Supervisory Board members who have the experience and qualities to drive BAM's strategy.

Remuneration policy design principles

The remuneration policy aims to reward the Supervisory Board members for their time spent and for the responsibilities associated with their role. These responsibilities include, but are not limited to, the responsibilities imposed by the Dutch Civil Code, Dutch Corporate Governance Code and the Articles of Association. The Supervisory Board's remuneration is not tied to the results of BAM, nor impacted by any change in control at BAM. The remuneration policy does not allow for rewarding any options or shares to the Supervisory Board members.

How internal and external views are taken into account

Internal views

BAM is convinced of the importance that the Supervisory Board remuneration policy is aligned with and sufficiently considers pay practices within the Group. When reviewing the remuneration policy, BAM engages with the Central Works Council to get feedback on the proposals.

External views

BAM engages on a regular basis with its external stakeholders on the design and application of the remuneration policy and the Group proactively reports back on their feedback and how this is taken into consideration. These stakeholders include (a representation of) BAM's shareholders where they have a meaningful stake in the Company, proxy advisors and (institutional) investor associations. While BAM's Central Works Council is primarily considered as an internal stakeholder, its views are also a fair representation of Dutch society at large as they represent approximately 6,500 employees in the Netherlands.

2. The labour market reference group

BAM uses a labour market reference group to assess market comparability of the design and value provided by the remuneration policy and to ensure it can attract and retain the Supervisory Board members.

As there is significant overlap in the talent market for the Supervisory Board and Executive Board members, the same labour market reference group is applied for both groups. As such, the same guiding principles are used as for the Executive Board:

Guiding principle	Operation in practice
Geography	BAM is headquartered in the Netherlands and its core markets are the Netherlands, the United Kingdom and Ireland.
Industry	BAM is a construction and engineering company, but its talent market is not limited to the construction industry.
Sustainability	Sustainability is an integral part of the Group's corporate strategy.
Size	Peer companies should be broadly comparable in terms of BAM's size and complexity.
Governance	Comparison with other listed companies is most relevant.

Selection criteria are used such that the composition of the labour market reference group and peer company selection acknowledges these guiding principles:

- Peer companies' size is assessed on the metrics *Market capitalisation*, *Revenues*, *Employees* and *Assets* against the size metrics of BAM.
- Peer companies' sustainability profile should be comparable with BAM's sustainability profile, using external validation (e.g. *Sustainalytics* and *CDP scores*).

The Remuneration Committee will balance in the selection process to ensure that the labour market reference group is sufficiently robust, while not losing sight of potential relevant peer companies.

The labour market reference group will be verified on an annual basis, whereby the ambition is to keep the composition as stable as possible during the four-year policy mandate. Adjustment of the composition will only occur in case of significant changes in size, ownership structure, business profile, geographical scope or sustainability profile of BAM's and/or peer companies. BAM shall disclose the composition of the labour market reference group on an annual basis in its remuneration report², as part of the annual report.

BAM aims to provide remuneration levels at the median of the labour market reference group and BAM will review the remuneration levels on a regular basis. To ensure alignment with the policy, an indexation in line with the general increase for the *CAO Bouw & Infra* will be applied automatically during the policy period. Notwithstanding this automatic process, a benchmark will be performed bi-annually to review whether remuneration levels indeed continue to be in line with the policy. The Group may only deviate from the market positioning in exceptional circumstances, if that is the case further explanation shall be provided in the remuneration report.

² The composition of the 2024 labour market reference group is presented in the appendix to this remuneration policy.

3. Remuneration elements

Overview of the remuneration elements

The tables below outline the purpose, operation and opportunity of the different elements that make up the remuneration package of the Supervisory Board.

Fixed remuneration

Purpose	<ul style="list-style-type: none">• Provide compensation to attract and retain Supervisory Board members who contribute to the desired board composition regarding expertise, experience, diversity and independence.
How BAM applies it in practice	<ul style="list-style-type: none">• The Supervisory Board determines, based on advice of the Remuneration Committee, fixed remuneration levels for the Supervisory Board members.• The fixed remuneration levels are set in accordance with the time commitment and responsibilities associated with the role in the Supervisory Board.• These levels are automatically indexed in line with the general increase for the <i>CAO Bouw & Infra</i> during the policy period.• Fixed remuneration is paid in cash.
Opportunity	<ul style="list-style-type: none">• Chair: € 105,000 per annum.• Vice-Chair: € 70,000 per annum.• Member: € 60,000 per annum.

Committee fee

Purpose	<ul style="list-style-type: none">• Provide compensation for the support and advice that the Committee provides to the Supervisory Board on items under its responsibility.
How BAM applies it in practice	<ul style="list-style-type: none">• The Supervisory Board determines, based on advice of the Remuneration Committee, committee fees for BAM's Supervisory Board Committees.• The committee fee levels are set in accordance with the time commitment and responsibilities associated with the role in the Committees.• These levels are automatically indexed in line with the general increase for the <i>CAO Bouw & Infra</i> during the policy period.• Members are compensated for their role in every Committee they participate in.• Committee fee is paid in cash.
Opportunity	<ul style="list-style-type: none">• Chair: € 10,500 per annum.• Member: € 7,350 per annum.

Other arrangements

Purpose	<ul style="list-style-type: none">• Enable the Supervisory Board members to undertake their role.
How BAM applies it in practice	<ul style="list-style-type: none">• The Supervisory Board members receive an attendance fee per meeting in case of attending a meeting outside the country of residence to compensate for additional time spent.• The Supervisory Board members are reimbursed for all actual costs incurred related to the attendance and preparation of meetings, training and education.• Attendance fees, and reimbursement of actual incurred costs are paid in cash.• BAM does not issue loans or guarantees to the Supervisory Board members, nor are they eligible to participate in any benefits programme offered by BAM to its employees.
Opportunity	<ul style="list-style-type: none">• Attendance fee per meeting outside the country of residence: € 1,500 per meeting.• Reimbursement of costs: all actual costs incurred.

4. Governance provisions

Derogation clause

In exceptional circumstances, the Supervisory Board may decide to award an additional remuneration of € 1,500 per half day.

The derogation clause will not be taken lightly and shall only be triggered in case of exceptional circumstances as defined by Dutch law (when this is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability). Triggers may be, but are not limited to a situation when a Supervisory Board member is temporarily delegated to support the Executive Committee in an advisory role or when there is a temporary and significant increase (e.g. at least 25%) in time commitment in relation the Supervisory Board or one of its Committees.

In case of a trigger event, the Remuneration Committee shall present a proposal to the Supervisory Board for approval. This will consist of an overview of the specific circumstances and the impact of the proposal on the total remuneration package. Application of the derogation clause, including the rationale for invoking it, shall be disclosed in the remuneration report. Derogation will be terminated no later than the adoption of a new remuneration policy.

Other governance provisions

Other than the regular remuneration elements for the Supervisory Board, BAM does not provide additional remuneration such as sign-on bonuses to the Supervisory Board members. Furthermore, the Supervisory Board members are not eligible to any severance payments nor are they subject to malus, claw-back or change-in-control provisions.

All Supervisory Board remuneration elements are paid in cash. If and in so far as a Supervisory Board member holds shares in BAM, these should be held as long-term investments.

Review approach of the remuneration policy

The Supervisory Board is responsible for drafting the remuneration policy, based on advice from the Remuneration Committee. The remuneration policy is drafted in accordance with statutory, legal and regulatory requirements. The AGM adopts the remuneration policy.

The Supervisory Board shall regularly review the remuneration policy and put forward for adoption by the AGM at least every four years. In the event of material changes, both internal and external stakeholders shall be engaged to capture their feedback. Any proposal shall describe and explain the material changes and shall explain how it has considered the views of stakeholders on the remuneration policy and reports since the latest voting on the remuneration policy. The remuneration policy is to be adopted by the AGM by at least 75% of the votes cast.

5. Overview of remuneration policy changes

Element	Summary of previous policy	Summary of proposed policy	Rationale
Labour market reference group	<ul style="list-style-type: none"> • Median of Dutch listed companies with a two-tier board structure comparable in size and scope. 	<ul style="list-style-type: none"> • Same labour market reference group as for the Executive Board. 	<ul style="list-style-type: none"> • Use the same group to reflect the overlap in the talent market for the Supervisory Board and Executive Board.
Fixed remuneration	<ul style="list-style-type: none"> • Chair € 94,500, Vice-Chair € 57,750, Member € 52,500. • Adjusted periodically on the basis of benchmark information. 	<ul style="list-style-type: none"> • Chair € 105,000, Vice-Chair € 70,000, Member € 60,000. • Automatically indexed in line with the general increase for the <i>CAO Bouw & Infra</i>. 	<ul style="list-style-type: none"> • Align levels with market median and ensure that alignment remains during the four-year mandate.
Committee fee	<ul style="list-style-type: none"> • Chair € 10,500, Member € 7,350. • Fixed committee fee, regardless of the number of committees in which the member participates. 	<ul style="list-style-type: none"> • Chair € 10,500, Member € 7,350. • Committee fee for every Committee a member participates in. • Automatically indexed in line with the general increase for the <i>CAO Bouw & Infra</i>. 	<ul style="list-style-type: none"> • Acknowledge the additional time commitment and responsibilities for participation in every single committee. • Ensure that fees remain aligned with market median during the four-year policy mandate.

6. Appendix to this remuneration policy

The labour market reference group in 2024 consists of the following companies:

Aalberts	Fugro	Koninklijke KPN	SBM Offshore
Arcadis	Heijmans	Morgan Sindall Group	Signify
Balfour Beatty	Keller Group	PostNL	
Corbion	Kier Group	Renew Holdings	

