REMUNERATION REPORT

The remuneration policy of the Management Board was adopted by the General Meeting of Shareholders. This policy is aimed at rewarding the Management Board on the basis of its contribution to the results of the company. The objective of the remuneration policy is to attract and motivate qualified people who may contribute to the success of Roto Smeets Group and bind them to the company.

Each time after two years, the Supervisory Board reviews the employment conditions of the members of the Management Board. With regard to the determination of the level and the structure of the remuneration, result development and non-financial indicators relevant to the long-term value creation of the company are among the factors considered.

Regarding the review mentioned above, the employment conditions of the Management Board will be compared with the following criteria, which need to be kept in balance:

– balance in the remuneration level which according to the best processable information with respect to that, applies in the Netherlands to board members of companies with a comparable size, importance and profit basis, so that Roto Smeets Group does not position itself with a financial handicap in the market from which management talent is available;
– balance in the income ratio compared to the layers of management of the company below the Management Board, so that the differences can be rationally justified from the comparison of the size of the tasks and responsibilities as well as the competences required for the top management positions;
– balance with the development of the returns / profits of Roto Smeets Group;
– balance with the securities, rights and obligations resulting from the social policy of Roto Smeets Group, which also applies to any member of the Management Board.

The result of this review will serve as a starting point for the then to be (partly) restated employment conditions. The Management Board is thereby partly responsible vis-à-vis the company for these employment conditions being and remaining in agreement with the employment conditions for the other employees and withy the appropriate laws and regulations.

The level of the remuneration is determined on the basis of market research carried out within the Netherlands among board members of companies with a comparable size, importance and result – the so-called peer group. For this, use is made of the research as carried out annually by Hay Consultants. The Management Board is remunerated at the

median level in the market and its members will receive from Roto Smeets Group a remuneration based on this level, consisting of a fixed and a variable part. The Supervisory Board analyses the possible outcomes of the variable remuneration components and the subsequent consequences for the remuneration of the Management Board members.

On the fixed part an inflation correction in accordance with the 'GrafiMedia CAO' was applied.

Through a short term (1 year) variable component a link is established between the remuneration of the individual members of the Management Board and the performance of the company. The level of the short-term component is determined by the EBITDA of the company as a percentage of the average capital used (invested capital, fixed assets and working capital). The members of the Board of Management receive a certain amount per percentage point. This percentage point is fixed annually by the Remuneration Committee of the Supervisory Board. In case of insufficient performance, the short-term component may be reduced.

The payment of the variable part of the remuneration in any year is based on the developments of the previous year.

For the long term (4 years) Roto Smeets Group has a bonus based on imaginary shares (phantom shares), which is paid up at the end of a predetermined period at the then current share price.

The members of the Management Board have a pension scheme which au fond is in line with the scheme that applies to the majority of the employees of Roto Smeets Group. The pension scheme is free of premium.

When new board members take up office, the best practice provision II.1.1 of the Dutch Corporate Governance Code will in principle be applicable and the board members will be appointed for four years. Reappointment is possible on a four-year basis.

The severance payment in case of dismissal will amount to a maximum of one annual salary (fixed component). In the case that the reason for the dismissal consists of either the discontinuation of the position as a result of the merger or co-operation of RSG and another company, or is the result of a change of ownership of RSG, the payment will be two annual salaries.

The agreements as stated in the employment contract of the current CEO, entered into in 2001 for an undetermined period of time, will be respected.

The development of the fixed and variable component as well as the pension commitments are stated in the notes to the annual accounts.