

## Corporate governance

The Supervisory Board and the Executive Board are responsible for the company's corporate governance structure and for compliance with that structure. The main lines of this corporate governance structure are explained every year in the annual report.

The Supervisory Board and the Executive Board subscribe to the principles and best practice provisions of the Dutch Corporate Governance Code (hereafter 'the Code'). The Supervisory Board and the Executive Board have a qualifying comment in respect of one of the provisions of the Code, and best practice provisions II.2.13 (performance criteria, variable remuneration) and II.2.8 (maximum severance payment) are not applied in full. See also the further details given below regarding the company's compliance with and implementation of the Dutch Corporate Governance Code. The full text of the Code can be found at [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl).

### *Executive Board*

The Supervisory Board and the Executive Board share the premise of the code that the Executive Board, apart from looking after the day-to-day management of the company, is also responsible for formulating and achieving corporate objectives, for corporate strategy with its associated risk profile and for corporate social responsibility. The Executive Board accounts for its activities to the Supervisory Board and to the General Meeting of Shareholders. In performing its duties, the Executive Board is guided by the interests of the company and the related enterprise, weighing the justifiable interests of the various stakeholders against each other. The Code's best practice provisions evolving from this premise are supported.

The members of the Executive Board jointly manage the company and are jointly and severally liable for that management. Subject to the approval of the Supervisory Board, the members of the Executive Board share out their activities. The Chairman manages the Executive Board. The Chief Financial Officer (CFO) is specifically charged with financial tasks. The Chairman and other members of the Executive Board manage the companies that are entrusted to their supervision.

The Executive Board ensures proper provision of information to the Supervisory Board. In the annual report, the Executive Board describes the principal risks related to the company's strategy, the organisation and operation of internal risk management and control systems in relation to the principal risks during the financial year and any significant shortcomings in the internal risk management and control systems that were identified during the financial year, any significant changes that were made and any significant improvements that are planned. The Group has implemented general risk-management measures in the form of internal procedures and instructions. Besides general measures, the Group has also implemented specific measures focused primarily on risks relating to market, reputation, safety, projects, currency, credit, debtors, interest and liquidity positions. These risks are discussed in greater detail on page 53 and page 115 of the annual report, along with the risk management measures that the Group has taken.

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The risk section in the annual report contains a statement by the Executive Board on the risks of financial reporting, as referred to in provision II.1.5 of the Code.

The company's Executive Board consists of four or five members, which is a number that the Supervisory Board considers appropriate in today's circumstances, especially given the size and international nature of the Group.

The Supervisory Board appoints members of the Executive Board. The Supervisory Board notifies the General Meeting of Shareholders of its intended appointments to the Executive Board. The Supervisory Board nominates one of the members of the Executive Board as Chairman and another as Vice-Chairman.

On 21 April 2009, the General Meeting of Shareholders voted in favour of voluntary application of the mitigated two-tier regime. As a result, after the company's Articles of Association have been amended, members of the Executive Board will be appointed by the General Meeting of Shareholders. The Executive Board and the Supervisory Board will present a proposal to amend the company's Articles of Association – incorporating the procedure for appointing members of the Executive Board – to the General Meeting of Shareholders for approval on 21 April 2010.

Pursuant to the Code, members of the Executive Board are appointed for a maximum period of four years. They retire after the conclusion of the first Annual General Meeting of Shareholders to be held in the fourth year after the year in which they were appointed. Members of the Executive Board can be re-appointed for a further period of four years. The contractual agreements with members of the Executive Board who were appointed before the 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 main elements of the employment contracts with members of the Executive Board are published on the company's website, in accordance with the Code.

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The premise when determining the variable portion of the remuneration for members of the Executive Board is that it should be linked to predefined objectives that are assessable and that can be influenced, with a responsible balance between short-term and long-term focus. The Supervisory Board analyses the possible results of the variable remuneration components and the consequences for the directors' remuneration. The Supervisory Board determines the level and structure of this remuneration on the basis of scenario analyses, taking into account remuneration ratios within the Group, and in doing so considers financial and nonfinancial indicators which are relevant to the Group's objectives.

When these indicators are set, the Supervisory Board feels that priority must be given to further improvement of the profit margin, with profit growth in the long term as well as the short term being a particular performance criterion.

The company strives, in the information on variable remuneration to be stated in the remuneration

report, for a proper balance between transparency on the one hand and not revealing information that may give an advantage to the competition on the other hand.

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.

The Supervisory Board also has the power to amend the existing conditional awards of the variable remuneration by 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 Code.

The payment for members of the Executive Board if they are dismissed during or after the expiry of the first term of appointment is a maximum of one year's salary or, if this is clearly unreasonable, a maximum of twice the annual salary. If the new member of the Executive Board comes from within the company, the company reserves the right to take rights accumulated within the Group into account when determining the level of severance pay.

What is stated above in relation to current agreements also applies with regard to members of the Executive Board who were appointed before the Code came into effect. The company believes that existing rights should be respected.

The company does not have any share or options plans, and there is no intention to introduce such plans. If the company ever decided to introduce them, the Code's recommendations would be followed. Principle and best-practice provisions relating to conflicts of interest are supported.

Any form or appearance of conflicting interests between the company and members of the Executive Board must be avoided. Decisions to enter into transactions that involve conflicts of interest between the members of the Executive Board and that are of material importance to the company and/or the Executive Board member in question must be approved by the Supervisory Board. The Executive Board's rules set out in detail what action should be taken in the event of possible conflicts of interest. These rules govern such matters as what situations might constitute conflicts of interest, the manner in which members of the Executive Board are to report conflicts of interest, the impartiality of the Executive Board member concerned in relevant decisions and the approval procedure of the Supervisory Board.

#### *Supervisory Board*

The duty of the Supervisory Board is to exercise supervision of the Executive Board's policies and the general affairs of the company and the related enterprise. The role of the Supervisory Board is also to advise the Executive Board. The Supervisory Board, too, is guided by the interests of the company and the related enterprise, weighing the justifiable interests of the various stakeholders against each other. In such cases, the Supervisory Board also considers corporate social responsibility.

The principles and best-practice provisions relating to the Supervisory Board are supported.

At its periodic meetings with the Executive Board, the Supervisory Board discusses a number of subjects, including the general state of affairs (e.g. order book, major tenders, special projects, problem areas, major claims and legal proceedings) and financial reporting based on the operational plan for the year in question (quarterly reports, balance sheet, profit and loss account, cash and cash equivalents, capital investment and warranties).

The agenda for Supervisory Board meetings also includes subjects such as major investments (both as regards acquisitions and disposals and as regards fixed assets), human resources,

corporate social responsibility, the relationship with shareholders, the dividend proposal, quarterly and half yearly reports, the auditor's report, the external auditor's management letter and follow-ups to that management letter, setting the operational plan with the operational and financial goals for the following financial year (set once a year), and approval of the strategic plan and the related parameter conditions (every third year). At least once a year, the Supervisory Board discusses the strategy and the principal risks connected to the business, the Executive Board's assessment of the organisation and operation of the internal risk management and control systems, as well as any significant changes to those systems. A statement that these discussions took place is included in the report by the Supervisory Board.

The Supervisory Board is subject to a set of rules laying down the details of how it operates and its relationship with the Executive Board, the shareholders and the Central Works Council. The Supervisory Board's rules can be found on the company's website.

The Supervisory Board consists of six or seven members, which is a number that the Supervisory Board considers appropriate in today's circumstances, especially given the size and international nature of the Group.

The company is obliged by law to operate the two-tier regime. The members of the Supervisory Board are appointed by the General Meeting of Shareholders on the recommendation of the Executive Board, that recommendation being made on the basis of the profile. The Board discusses the profile when it is first drawn up (and in the event of any changes) with the General Meeting of Shareholders and with the Works Council. The General Meeting of Shareholders and the Works Council are entitled to recommend candidates for inclusion in the proposal made by the Supervisory Board.

The General Meeting of Shareholders can reject the candidates put forward by the Supervisory Board, in which case the Supervisory Board must draw up a new list of proposed candidates. The Works Council has an extended right of recommendation in respect of one third of the membership of the Supervisory Board. If the Supervisory Board rejects the recommended candidate or candidates the Board and the Works Council consult with each other and the Works Council makes a new recommendation. If the Supervisory Board and the Works Council fail to reach agreement, then the matter is submitted to the Enterprise Chamber of the Amsterdam Court of Appeal for a ruling. If the Supervisory Board adopts the Works Council's recommendation, the General Meeting of Shareholders may still reject it. The General Meeting of Shareholders may dismiss the entire Supervisory Board once the Works Council has had the opportunity to give its opinion. The General Meeting of Shareholders determines the Supervisory Board members' remuneration.

In relation to the independence of Supervisory Directors, as detailed in best practice provision III.2.1, it should be pointed out that all of the current members of the Supervisory Board qualify as being independent within the meaning of the Code, apart from one member of the Board, which is also in line with the Code.

The Supervisory Board has created a profile, which was discussed with the shareholders at the General Meeting of Shareholders on 21 April 2009. This profile is available for shareholders to examine at the company's office and it is also published on the company's website. The composition of the Supervisory Board must be balanced and in line with this profile.

The members of the Supervisory Board must have the experience needed to perform well in a large multinational construction company. Each member must be capable of assessing the main aspects of the overall policy and of behaving in a critical and independent manner with regard to the other members of the Supervisory Board and the members of the Executive Board. The members of the Supervisory Board must carry out the tasks of the Supervisory Board as specified by law and by the company's Articles of Association and they must be able to give the Executive Board solicited and unsolicited advice.

Other, specific criteria applied by the Board to its composition are a general, broad-based understanding of business, knowledge of the construction industry, experience in the

management of large, preferably international companies and expertise relating to issues with a social dimension and concerning society at large. The current composition of the Board does not yet fully reflect the desired diversity. The Supervisory Board will endeavour, in the years to come, to bring the composition of the Board into line with the amended profile in terms of gender.

The Supervisory Board appoints one of its members to be chairman, and another to be vice-chairman to act in the chairman's place as the occasion demands. The Board has among its members a financial expert with experience in both the finance and accounting disciplines at a large legal entity.

The company will provide an introduction programme for directors appointed to the Supervisory Board for the first time as referred to in provision III.3.3. This provision will also be met by arranging working visits to the Group's operating companies and presentations by operating company managers for the Supervisory Board.

The Supervisory Board has three permanent committees, namely an Audit Committee, a Remuneration Committee and a Selection and Appointments Committee. The rules and the composition of these committees can be found on the company's website. The composition and role of these committees are in line with the relevant provisions of the Code. It is the task of the committees to support and advise the Supervisory Board concerning the activities that are the committees' responsibility and to prepare the Supervisory Board's decisions regarding those activities. The Supervisory Board as a whole remains responsible for the way in which it performs its tasks and for the preparatory work carried out by the committees. The committees submit reports of all their meetings to the Supervisory Board.

The Audit Committee's assessments include:

- the operation of the internal risk management and control systems;
- the provision of financial information on the company's part, including the financial statements, the quarterly figures and the process through which this information is generated;
- compliance with recommendations and follow-up to comments from the external auditor;
- the audit process and the audit plan;
- the relationship with the external auditor;
- the process through which the company monitors compliance with laws and regulations and with its own code of conduct;
- policy in respect of tax planning;
- the application of ICT;
- Group financing; and
- the financial and administrative organisation.

The Audit Committee also assesses whether the Group needs an internal auditor and makes a recommendation accordingly to the Supervisory Board.

One of the tasks of the Remuneration Committee is to make proposals to the Supervisory Board with regard to company remuneration policy, as well as the remuneration structure, the level of remuneration and the terms and conditions of employment of members of the Executive Board and the remuneration of the members of the Supervisory Board. The Committee also consults the Chairman of the Executive Board about the policy on terms and conditions of employment for operating company managers and executives of equivalent rank. The Remuneration Committee also proposes a remuneration report on the way in which remuneration policy has been implemented in practice.

One of the tasks of the Selection and Appointments Committee is to make proposals to the Supervisory Board with regard to:

- selection criteria and appointment procedures with regard to members of the Supervisory Board and members of the Executive Board;
- the size and composition of the Supervisory Board and the Executive Board and a profile of the Supervisory Board;
- assessment of the performance of individual members of the Supervisory Board and members of the Executive Board;
- (re-)appointment of members of the Supervisory Board and members of the Executive Board;
- an Executive Board member's acceptance of membership of the Supervisory Board of another listed company;
- possible conflicts of interest arising in connection with the acceptance of other positions by members of the Supervisory Board.

The Committee also monitors the Executive Board's policy on selection criteria and appointment procedures for senior management.

Principle and best-practice provisions relating to conflicts of interest are supported. The matters set out above in connection with the Executive Board apply equally to the members of the Supervisory Board. The Supervisory Board rules set out in detail what action should be taken in the event of possible conflicts of interest.

The company has prepared rules as regards ownership of and transactions in shares by members of the Supervisory Board and members of the Executive Board, if those shares are issued by other companies. These rules are included in the BAM rules on ownership of and transactions in shares. If the transactions are not undertaken by an independent third party, members of the Supervisory Board and of the Executive Board report their ownership of and transactions in shares issued by listed companies established in the Netherlands which operate in sectors where the Group operates, or associated sectors. This includes companies operating as subcontractors, advisers or suppliers in the construction industry in the broad sense.

#### Shareholders

The Group supports the principles and best practice provisions in Chapter IV of the Code with regard to the shareholders and the General Meeting of Shareholders. As a large company with a two-tier board, best-practice provision IV.1.1 (restriction of the right to make binding recommendations for appointments to the Executive Board or Supervisory Board) does not affect Royal BAM Group.

Principle IV.2 and the ensuing best-practice provisions concern the issue of depositary receipts for shares. No depositary receipts of shares in the company have been issued with the company's co-operation.

Royal BAM Group does not have any provisions limiting voting rights. One vote may be cast for every share held. The company's capital consists of ordinary shares, Class F preference shares and Class B preference shares (not issued at present). The ordinary and the Class F preference shares are listed on Euronext in Amsterdam. Ordinary share options are also traded on the Amsterdam option exchange of Euronext.liffe.

The Supervisory Board and the Executive Board believe it to be very important that as many shareholders as possible take part in the decision making process in shareholders' meetings. The company's Articles of Association allow for a registration period to be set, thus reducing the period of time in which shareholders do not have their shares at their disposal. The Executive Board applies this option.

Notices convening shareholders' meetings, agendas and documentation to be discussed are generally published approximately thirty days prior to the meeting, and placed on the company's website. A shorter period may be applied for Extraordinary Meetings of Shareholders. The website also holds an anonymous list, broken down by agenda item, of the votes cast by proxy received by the company prior to the meeting.

Remote voting and voting by proxy also play a role in increasing shareholder participation. The Act to promote the use of electronic communication media enables shareholders to participate in meetings of shareholders and to cast their votes at such meetings without being physically present. The company has incorporated the facilities offered by law for using electronic communication media into the Articles of Association. The company considers that the manner in which shareholders take part in their meetings and cast votes at such meetings will require a meticulous procedure. The use of electronic means of communication therefore depends greatly on the degree of certainty that these means of communication will work properly. In addition, voting by proxy continues to provide shareholders with a good mechanism for allowing their voice to be heard in meetings that they are unable to attend, so that the company can note their views. When shareholders' meetings are convened, the company invites shareholders to use their option to vote by proxy, and ensures that voting instruction forms can be obtained and that these forms are also available electronically. Shareholders are also advised of their option to give a proxy electronically. The company offers its shareholders the opportunity to issue a power of attorney, with voting instructions, to an independent third party before the meeting takes place. The company also offers shareholders the possibility of voting in advance of the meeting. As a rule, voting takes place electronically at the meeting itself. The company invites shareholders to submit any questions to the company prior to the meeting, which will then be answered by the company at the meeting.

Prior approval from the General Meeting of Shareholders is required for decisions concerning any important changes in the identity or nature of the company or the business, including the entire or near-entire transfer of ownership of the business, entry into long-term partnerships that have a significant effect on the company and acquiring or disposing of a participating interest worth at least a third of the amount of the assets recognised in the consolidated balance sheet. In the event that a serious private bid has been announced for part of the business or a participating interest, and that bid is worth at least a third of the amount of the assets recognised in the consolidated balance sheet, the Executive Board will publicly announce its standpoint in respect of the bid, together with its reasons, as soon as possible.

Resolutions to amend the company's Articles of Association may be adopted by the General Meeting of Shareholders by a simple majority of votes, in response to a proposal by the Executive Board with the approval of the Supervisory Board. Material amendments to the Articles of Association will each be submitted separately to the General Meeting.

Shareholders are entitled to put items on the agenda of shareholders' meetings. Shareholders who on their own or jointly represent at least (i) 1 percent of the issued capital or (ii) shares worth €50 million can place items on the agenda of the General Meeting of Shareholders subject to the condition that the company receives a request to that effect at least sixty days before the date of the meeting. The Supervisory Board and the Executive Board may only refuse to put an item on the agenda if doing so would be counter to a weighty company interest. In addition, shareholders who represent at least 10 percent of the company's issued capital are entitled to call a shareholders' meeting.

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A proposal for approval or authorisation by the General Meeting of Shareholders will be accompanied by a written explanation including all relevant information. The agenda for shareholders' meetings will state which of the agenda items are for discussion and which items will be put to a vote.

Reports of shareholders' meetings are provided to shareholders, as stipulated in the Code. Within fifteen calendar days after each shareholders' meeting, the results of the votes, broken down by agenda item, are published on the company's website.

As regards the provision of information as stated in Principle IV.3 of the Code, the Supervisory Board and the Executive Board endorse the importance of providing transparent and equal information. The company endeavours to do so, subject to exceptions under the law. All press and analysts' meetings in connection with the publication of financial statements and half-yearly figures are accessible to everyone via the Internet. Anyone can call in to any conference call with press and analysts in connection with the publication of firstquarter and third-quarter figures.

Shareholders' meetings are open to the press and are webcast. All dates and locations of roadshows, seminars and the like are published on the company's website. Financial presentations made to third parties are published on the company's website where there is a material difference between these and previously published presentations. For six weeks prior to each annual report and three weeks prior to each quarterly and half yearly report, the company will be extremely reticent about conducting any conversations with investors, analysts or members of the press about the overall course of business at the company.

The company does not review analysts' reports or valuations by analysts in advance, nor add comments or correct them, except for matters of fact. The company does not pay any fees to any parties for carrying out investigations for analysts' reports, nor for writing or publishing such reports, with the exception of credit rating firms. As a rule, the Chairman of the Executive Board and/or the Chief Financial Officer from the Executive Board, with the assistance of the investor relations manager or the public relations director, will speak to investors, analysts or the press. These directors and officers are fully up to date regarding all relevant information – whether or not it is already known on the market – and they ensure that the information is provided in a clear and unambiguous manner. Should any price-sensitive information be provided by mistake during any contact with shareholders, investors, analysts or the press, a press release will be issued immediately.

The company has a general policy on bilateral contacts with shareholders, investors, analysts and the press. This policy has been published on the company's website.

The Executive Board can invoke a response period as specified in provision II.1.9 of the Code. The Supervisory Board will be involved closely and in good time in the process concerning any offer for shares in the company, and the Executive Board and the Supervisory Board will immediately discuss any request from a competing third-party bidder to examine company information.

As regards the protective provisions against undesirable developments that might affect the independence, continuity and/or identity of the Group, the company can issue Class B preference shares. A call option was given to the foundation Stichting Aandelenbeheer BAM Groep in 1993 for Class B preference shares. The company gave this foundation the right of investigation in 2008.

Information relating to protective measures is provided on page 180 of the annual report.

#### *Financial reporting and the role of the auditor*

The principles and best-practice provisions relating to financial reporting are supported. The

Executive Board is responsible for the quality and completeness of the financial reports that are published. The Supervisory Board ensures that the Executive Board carries out this responsibility.

The principles and best-practice provisions regarding the role, appointment, remuneration and assessment of the performance of the external auditor are also supported. A particular point of note is that the external auditor will be present at the Annual General Meeting of Shareholders to answer questions from shareholders about his report regarding the truth and fairness of the financial statements.

The company does not have an internal audit department. The Audit Committee assesses any possible need for an internal auditor every year. Based on this assessment and on a proposal by the Audit Committee, the Supervisory Board makes a recommendation to the Executive Board and includes this recommendation in the report by the Supervisory Board.

The external auditor attends the meetings of the Supervisory Board at which the financial statements and the half-yearly figures are discussed. The external auditor reports the same information from the findings of his audit of the annual accounts to the Executive Board and the Supervisory Board. The external auditor is also present when the Audit Committee discusses the financial statements, the half-yearly figures and the quarterly figures. The external auditor may also attend other meetings of the Audit Committee, subject to asking the chairman of the Audit Committee for permission to attend in advance. The external auditor receives the financial information on which the quarterly and half-yearly figures are based and is given the opportunity to react to that information. The partner in the external audit company who performs the required audits is allowed to audit the Group's financial statements for a maximum of seven consecutive years.

The Supervisory Board and the Executive Board are convinced that Royal BAM Group's corporate governance is well organised.

This corporate governance structure was discussed with the shareholders during the General Meeting of Shareholders on 21 April 2009. The company will always submit any substantial changes in the main features of the corporate governance structure to the shareholders for discussion purposes.