

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 references made to the Code below are to the Code that came into operation on 1 January 2004.

The Executive Board and the Supervisory Board only have reservations in one area of the Code and the provisions in that regard are therefore not (entirely) applied. This concerns the following provisions: II.2 (performance criteria for variable remuneration) and II.2.7 (maximum remuneration in the event of dismissal). See also the further details given below regarding the company's compliance with and implementation of the Dutch corporate governance code. No substantial changes are being proposed to the company's corporate governance structure.

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 its annual report, the Executive Board reports on the principal risks associated with the company's strategy and on the set-up and operation of the internal risk management and control systems as regards these risks. In the annual report, the Executive Board indicates the changes that have been introduced to these systems and the areas in which any major improvements are planned. The annual report contains an 'in control' declaration by the Executive Board in relation to financial reporting risks.

The Executive Board is subject to a set of rules approved by the Supervisory Board, laying down the details of how the Executive Board operates and its relationship with the Supervisory Board, the shareholders and the Central Works Council. The Executive Board rules have been published on the company's website.

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.

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 Code's provisions relating to the amount of the remuneration payable to members of the Executive Board and the composition of the remuneration package as well as the disclosure of these details are supported.

The Supervisory Board draws up a proposal – prepared by the Remuneration Committee – regarding the company's remuneration policy. This remuneration policy is put forward for approval at the General Meeting of Shareholders. The Supervisory Board also compiles an annual remuneration report, which is also prepared by the Remuneration Committee. The remuneration report confirms the manner in which the remuneration policy has been followed in practice during the financial year. It also contains details of the remuneration of members of the Executive Board and a summary of the remuneration policy to be adopted by the shareholders for the coming financial year and ensuing financial years.

The remuneration report is incorporated into the annual report and is also published on the company's website. The Supervisory Board determines the remuneration of the members of the Executive Board within the framework of the remuneration policy.

The principle is that the variable element of the remuneration for members of the Executive Board must be linked to predetermined and assessable goals which are subject to their influence. Restraint will be shown in respect of publication of performance assessment criteria that relate to the performance of other companies. The Supervisory Board believes that priority should be given to further improving the profit margin, and that the profit development, in particular, should serve as the performance criterion.

The Code sets the maximum remuneration in the event of dismissal at one year's salary, and if this would be manifestly unreasonable – during the Board member's first term of office – at a maximum of twice the annual salary. This provision has been observed from the date when the Code came into operation, to the extent possible under Dutch employment law. 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 are no serious plans 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 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 Section 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, and 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 9 May 2005. The Supervisory Board appoints one of its members to be chairman and another to be vice-chairman.

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 committees, namely an Audit Committee, a Remuneration Committee and a Selection and Appointments Committee. The composition and role of these committees is in line with the relevant provisions of the Code. Details about the members and the activities of the committees can be found in the Report by the Supervisory Board elsewhere in the Annual Report.

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 principles and best-practice provisions relating to shareholders are also supported. 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. The ordinary share is also listed on the Amsterdam option exchange, Euronext.liffe.

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.

As the majority of the staff employed by the Group now work outside the Netherlands, and BAM is accordingly no longer classified as a company where the two-tier regime is mandatory, the Supervisory Board and the Executive Board will accordingly submit a choice of three options to the General Meeting of Shareholders on 21 April 2009: voluntary maintenance of the two-tier regime; application of the 'mitigated two-tier regime'; or abolition of the two-tier regime.

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. There must accordingly be sufficient certainty, before the company starts to use electronic communication media in future that these communication media operate satisfactorily. 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 will also be offered the possibility of lodging proxies with an independent third party prior to the meeting. Shareholders are also advised of their option to give a proxy electronically. The company also offers shareholders the possibility of voting in advance of the meeting. 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 on 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 at least a third of the amount of the assets recognised on 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.

The General Meeting of Shareholders is asked each year to authorise the Executive Board – subject to the approval of the Supervisory Board – to issue shares or share options. This authorisation is limited in time to a period of eighteen months. It is also limited in scope in respect of ordinary shares and Class F preference shares to 10 percent of the issued capital, plus an additional 10 percent, which additional 10 percent may be used exclusively for mergers and acquisitions by the company or by operating companies. The General Meeting of Shareholders is also asked – subject to the approval of the Supervisory Board – to exclude or limit pre-emptive rights to issued shares and to exclude or limit the issuing of ordinary share options. The Shareholders' Meeting is also asked each year to authorise the Executive Board for a period of eighteen months to repurchase shares in the company, within the limitations imposed by the law and the Articles of Association. Every request for the granting of such an authorisation is put separately to the shareholders.

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.

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 cooperation.

Principle IV.3 concerning the provision of information is supported. The Supervisory Board and the Executive Board believe that it is very important to make every effort to achieve equal provision of information to investors, taking into account the exceptions provided for by law. Royal BAM Group applies this principle as follows. 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 first-quarter 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. No substantive comments will be made to investors or analysts for six weeks prior to each annual report and three weeks prior to each quarterly and half-yearly report.

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, only the Chairman of the Executive Board and the Chief Financial Officer (who is a member of the Executive Board), with the assistance of the investor relations manager, will speak to investors and analysts. 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 the press, investors or analysts, a press release will be issued immediately.

As regards the protective provisions against undesirable developments that might affect the independence, continuity and/or identity of the Group, the company has the facility for issuing Class B preference shares. A call option was issued to the foundation Stichting Aandelenbeheer BAM Groep in 1993 for Class B preference shares. In 2008, the company granted the said foundation the right of investigation.

Information relating to protective measures is provided on page 169 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. Bearing in mind the project-oriented nature of a building company's activities, and the large number of projects being undertaken both at home and abroad by divisions of the Group, the audit process is carried out for reasons of efficiency by an external auditor in conjunction with employees from the central finance division and auditors at the operating companies. Clearer arrangements have been made in relation to this collaboration.

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. Following a request accordingly to the chair of the Audit Committee, the external auditor may attend other meetings of the Audit Committee as well. 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 Executive Board are convinced that Royal BAM Group's corporate governance is well organised, not least because of the application of the corporate governance code. This corporate governance structure was discussed with the shareholders during the General Meeting of Shareholders on 9 May 2005. The company will continue to state the corporate governance structure in the Annual Report and will submit any material changes in the main points of the corporate governance structure in each case to the shareholders for discussion. The Supervisory Board and the Executive Board will be examining the corporate governance structure during the financial year 2009 in the light of the amended Dutch corporate governance code which came into effect on 1 January 2009. The methods for complying with the amended code will be submitted to the General Meeting of Shareholders in 2009.