

Report by the Supervisory Board to the shareholders

Financial statements and dividend proposal

The Supervisory Board hereby presents the 2010 financial statements, duly prepared by the Executive Board, to the General Meeting of Shareholders for approval. The financial statements have been audited by the Group's external auditor, PricewaterhouseCoopers Accountants N.V.; the independent auditor's report is included on page 187 of the annual report. The Supervisory Board has discussed the financial statements with the Executive Board in the presence of the external auditor. The Supervisory Board is of the opinion that the financial statements and the report by the Executive Board form a good basis on which to hold the Executive Board accountable for the management policies pursued and the Supervisory Board accountable for its supervision of the management policies pursued. The members of the Supervisory Board have signed the financial statements in accordance with their statutory obligations under Article 2:101, paragraph 2 of the Netherlands Civil Code.

The General Meeting of Shareholders to be held on 20 April 2011 will be invited to declare a dividend for 2010 of €0.03 (2009: €0.10) in cash per ordinary share or in shares. A cash dividend of €0.37086 per share will be paid on the convertible Class F preference shares. A cash dividend of €0.38346 per share will be paid on the non-convertible Class F preference shares.

Composition of the Supervisory Board

With regard to the vacancy that arose following the retirement from the Supervisory Board of Mr Abrahamsen in April 2010, the Central Works Council stated its intention to exercise its reinforced right of recommendation as referred to in Article 2:158 paragraph 6 of the Dutch Civil Code. The Central Works Council subsequently recommended that Ms C.M.C. Mahieu be put forward for appointment as a member of the Supervisory Board. The Supervisory Board fully endorses this recommendation.

Ms Mahieu has extensive experience of human-resources policy, the management of change and management development, in addition to wide-ranging expertise on developments with a social dimension and concerning society at large. She has also held various management positions at large international companies. Ms Mahieu is currently employed by Aegon as global head of human resources. If the General Meeting does not make any other recommendations, the Supervisory Board intends to propose that Ms C.M.C. Mahieu be appointed to the Supervisory Board for a four-year period by the General Meeting on 20 April 2011.

Mr W. van Vonno, who has been a member of the Supervisory Board since 2006, has indicated his intention to step down from the Supervisory Board for personal reasons following the General Meeting on 20 April 2011. The Supervisory Board obviously respects Mr Van Vonno's decision and is extremely grateful to him for the commitment and effort with which he has carried out his duties as a member of the Supervisory Board. The Supervisory Board greatly appreciates the contribution made by Mr Van Vonno to the Group, not least in his previous role as Chairman of the Executive Board. If the General Meeting makes no other recommendations, the Supervisory Board intends to propose that Mr K.S. Wester be appointed to the Supervisory Board for a four-year period by the General Meeting on 20 April 2011 to fill the vacancy created by Mr Van Vonno's departure.

Mr Wester has extensive knowledge and experience of managing an international engineering company. He is an expert in the construction industry in the broad sense of the term and has wide-ranging experience of the national and international markets in which the Group operates.

In 2011, Mr W.K. Wiechers will resign by rotation as a member of the Supervisory Board, in connection with the end of his term of appointment. Mr Wiechers has completed three four-year terms as a member of the Board. If the General Meeting does not make any other recommendations, the Supervisory Board intends to propose that Mr P.A.F.W. Elverding be appointed to the Supervisory Board for a four-year period by the General Meeting on 20 April 2011. As the former successful director of a major company, Mr Elverding has a great deal of experience and expertise in relation to managing a large international organisation. During his long career he has also acquired substantial experience in various positions in relation to human resources. Because of his role as a supervisor, he is familiar with a number of sectors that are important to the Group.

In a departure from the Dutch corporate governance code, which prescribes a maximum of three four-year terms, the Supervisory Board also has good reasons for proposing that Mr Wiechers be reappointed to the Supervisory Board for a period of one year by the General Meeting on 20 April 2011 (if the General Meeting makes no other recommendations). In deciding to take this position, the Supervisory Board considered the fact that Mr Wiechers is currently Chairman of the Supervisory Board and a new Chairman would have to be chosen from the ranks of the Board's members. The Supervisory Board considers it very important that its Chairman remain unchanged, if possible, for a longer period of time and has therefore concluded that it is preferable to defer the choice of a new Chairman by a year because of the large number of new appointments and expected other changes. The new members of the Supervisory Board would then have the time to familiarise themselves with the Group. The Supervisory Board therefore strongly advocates the reappointment of Mr Wiechers for a period of one year.

The Supervisory Board would like to emphasise that this proposed deviation from the maximum period of appointment should be seen as a temporary exception to the rule.

The Central Works Council has stated that it fully supports these proposed appointments and reappointment.

The Supervisory Board consisted of six members during the financial year, which became five when Mr Abrahamsen stepped down. Following the changes indicated above, the Supervisory Board will have seven members. The Supervisory Board takes the view that around six to seven members is an appropriate number in the present circumstances, given the size and the international nature of the Group.

There is a profile of the Supervisory Board, which shareholders may examine at the company's office and that is also published on the company's website. This profile was discussed with shareholders at the General Meeting on 21 April 2009 in the context of the amendments to the Dutch corporate governance code (hereafter 'the Code') with effect from 1 January 2009.

The Supervisory Board believes that its composition will conform to its profile once the changes intended in 2011 have taken place.

The members possess the experience that is needed to function effectively in a large construction group with international operations, as well as being able to assess the main points of overall policy, act critically and independently with regard to the other members of the Supervisory Board and the members of the Executive Board, perform the tasks of the Supervisory Board as laid down by law and by the company's Articles of Association, and provide the Executive Board with solicited and unsolicited opinions as well as advice.

The Board has among its members a financial expert with experience in both the finance and accounting disciplines at other large companies. 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 retirement schedule for the members of the Supervisory Board is shown on page 34 of the annual report, and is also published on the company's website. In accordance with the Code, Supervisory Board members can in principle serve a maximum of three four-year terms of office. Their reappointment for another term of office will obviously be put forward to shareholders on each occasion.

The particulars of the members of the Supervisory Board are stated on pages 34 and 35 of the annual report, and constitute part of the Supervisory Board's report.

The General Meeting on 7 May 2008 set the annual remuneration of the members of the Supervisory Board at €50,000 for the Chairman, €45,000 for the Vice-Chairman and €40,000 for the other members of the Board, with a bonus of €5,000 for each member who is on any of the Committees set up by the Supervisory Board, with a maximum of one bonus per member. The General Meeting also approved the company's proposal not to place the remuneration of the members of the Supervisory Board on the agenda of a General Meeting unless any proposals were submitted to adjust this remuneration.

The remuneration of the Supervisory Board members does not depend on the company's results, or on a change of control in the company.

The Supervisory Board members do not have any other relationships of a business nature with the company. In the opinion of the Supervisory Board, the requirement of the Code with regard to independence is met. In the person of Mr Van Vonno, as former Chairman and former member of the Executive Board, the company had one member of its Supervisory Board during the financial year who was not independent within the meaning of the Code, which does not present any conflicts with the Code. None of the Supervisory Board members is a member of the Supervisory Board of more than five Dutch listed companies. The Supervisory Board is not aware of any conflicts of interest between the company and members of the Supervisory Board, or between the company and natural persons or legal entities that hold at least 10 percent of the shares in the company.

Composition of the Executive Board

The Executive Board consisted of five members during the financial year. An Executive Board consisting of four or five members is considered appropriate in the present circumstances, bearing in mind the size and international nature of the Group.

The Executive Board was chaired by Mr J.A.P. van Oosten up to and including 30 September 2010 and from 1 October 2010 by Mr N.J. de Vries. At the request of the Supervisory Board, Mr Van Oosten has been exercising restraint as a member of the Executive Board in relation to the Board's activities since he stepped down as Chairman. Mr Van Oosten will retire on 1 April 2011 and will consequently step down as a member of the Executive Board at the end of March 2011. Mr Van Oosten has built up a long service record with the Group. He joined BAM as a planning engineer in 1976 and went on to occupy various management positions in the Group in both project development and non-residential construction. Having joined the Executive Board in 1995, he was appointed Chairman in 2005. The Supervisory Board owes an enormous debt of thanks to Mr Van Oosten for the energetic, open and committed manner in which he contributed to the Group's development over many years in numerous managerial positions.

During the financial year 2010, the Supervisory Board once again assessed the performance of the Executive Board and of the individual members of the Executive Board. The Supervisory Board notes that the Executive Board had to operate in difficult economic circumstances in 2010. Nevertheless, a situation was still achieved in which all parts of the Group made a positive contribution to the result, with the exception of the property activities which were hit hard by the financial crisis. The Board regrets the fact that the property activities had such a major impact on the annual result but appreciates enormously the results that were achieved elsewhere in the Group.

Members of the Executive Board are appointed for a period of four years. They retire after the conclusion of the first Annual General Meeting to be held in the fourth year after the year in which they were appointed. 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 retirement schedule for the members of the Executive Board is shown on page 36 of the annual report, and is also published on the company's website. The remuneration of the members of the Executive Board is presented on page 28 of the annual report. The Supervisory Board approved Mr Van Oosten's appointment as a member of the Supervisory Board of another listed company. The other members of the Executive Board are not members of the Supervisory Boards of any other listed companies.

The Supervisory Board has no evidence of any conflicts of interest between the company and members of the Executive Board.

The Supervisory Board's activities

In response to the economic crisis, the Supervisory Board met several times with the Executive Board to discuss the effects of this crisis for the Group, and to discuss what steps should be taken. A large amount of time at these meetings was spent discussing the Group's position on the property markets and the Dutch residential construction market in particular. The Executive Board drew up a number of scenarios which were discussed with the Supervisory Board. Once again over the past financial year,

these discussions focussed in particular on the property activities, especially those involving AM. There was regular consultation about the measures taken to steer AM through the difficult economic circumstances and about risk management with regard to property activities. The Group's funding structure and improving the equity position by means of a rights issue were also major issues of discussion. Details about these subjects are given later in this report.

The Supervisory Board held eleven meetings in the presence of the Executive Board during the year under review. Six of those were ordinary meetings. None of the members of the Board was frequently absent. The average attendance was more than 90 percent at both ordinary and extraordinary meetings. The Supervisory Board also met six times without the Executive Board being present. Each of the meetings of the Supervisory Board featured a report on what had been discussed in meetings of the Board's committees. In addition, the Executive Board reported in each case on the state of affairs, the financial situation and market developments for the operating companies and the risks that they face, each report being based on the operational plan for the relevant financial year. Matters also discussed included the annual report and financial statements for 2009, the quarterly statements for 2010, reserve and dividend policy and the dividend proposal for 2009, corporate governance, the various effects of IFRS (International Financial Reporting Standards) on the Group's financial reports, the Group's existing antitakeover measures, management development and the quality of management and the most important claims and legal proceedings involving parts of the Group. The property markets were hit hard by the economic crisis in 2009 and the difficult market circumstances resulted in impairments and provisions on property projects at AM in the financial year 2009. The Supervisory Board and the Executive Board were obliged to take far-reaching measures. As a result, AM's property activities were merged with those of BAM Vastgoed to form a single organisation, led by the management of BAM Vastgoed, with effect from the beginning of the financial year 2010.

The Supervisory Board has been closely following developments on the property market for some time. Whereas there was still the cautious expectation in the first half of the financial year that rock bottom had been reached, the Dutch residential market continued to show no signs of recovery in the second half of the year. On the contrary, the outlook worsened because of the increasing number of projects being postponed or stopped and the ongoing delays, reductions and austerity measures taken in projects that were already in operation. Against this background, it was decided that an extraordinary impairment on the property positions of the new AM and subsidiaries was unavoidable. AM also posted a significant operational loss because of disappointing sales and sales revenues, writing off planning costs and a shortfall in the coverage of overheads.

Consequently, in spite of the good results, under the circumstances, that were achieved in the other sectors, BAM made a modest profit for 2010 as a whole. The Supervisory Board deeply regrets the course of events at AM and has discussed the subject in detail with the Executive Board. The events at AM can be attributed to a significant extent to the extreme circumstances on the property markets. In retrospect, however, it must be stated that the former AM management viewed developments on the Dutch property market too optimistically and as a result reacted late to the changed market circumstances. In accordance with the conditions of the takeover in 2006, the old AM operated autonomously and under its own identity at arm's length from BAM until the start of 2009, which was partly why the size and consequences of the changing circumstances on the property market were recognized late.

The Supervisory Board contracted the external auditor to carry out a detailed audit at AM so that the Board could better understand the course of events. The Supervisory Board also had an assessment conducted of the procedures surrounding the acquisitions completed by AM in recent years. Nothing was found to indicate the need for further investigation. The Supervisory Board believes that attention and energy should now be focussed entirely on coming through the economic circumstances as well as possible and on further improvements to risk management in relation to property activities. The Supervisory Board gave its approval for the 2011 Operational Plan, which sets out the Group's financial targets, the strategy aimed at realising those targets and the preconditions to be observed in connection with that strategy. The Executive Board gave more details about the sensitivity of the Operational Plan at the request of the Supervisory Board. At the start of the financial year, the Supervisory Board and the Executive Board discussed the need to strengthen the Group's equity position. One of the issues discussed was the most suitable way of ensuring that the Group has sufficient financial flexibility to handle the current difficult economic circumstances, maintain its commercial effectiveness and have sufficient financing possibilities for further growth in the PPP

market in particular. These discussions ultimately led to the decision to organise a rights issue. The rights issue was successfully completed at the end of the first half of the year. The Supervisory Board also exchanged views several times with the Executive Board regarding the operating capital, the possibilities for offsetting losses against tax, the options for scaling down the amount of equity invested in property, the liquidity level, the terms and conditions of the current financing covenants, the Group's solvency level and the Group's financing requirement for the longer term. The Supervisory Board discussed the importance of corporate social responsibility (CSR) for the Group with the Executive Board. The Supervisory Board agrees with the factors of CSR identified by the Executive Board as being most relevant for BAM. The discussion included the progress being made by the Group in relation to safety and the steps proposed to further improve safety. The Supervisory Board was pleased to note that the Group is doing a lot in terms of corporate social responsibility and that it is a pioneer in this regard in the construction sector. The Board highlighted the challenge facing the Group as to how to include the other participants in the construction supply chain in these developments.

The Supervisory Board and the Executive Board exchanged views about strategy memorandum 2010-2012 that was drafted in the financial year 2009. The subjects discussed included the question of whether these objectives were sufficiently challenging on the one hand and, on the other hand, whether they were still achievable in the light of the economic crisis. The various aspects of the memorandum will continue to be checked in the financial year 2011. The possibility of making acquisitions in line with the Group's strategy was also discussed. An explanation of the strategy can be found on page 8 of this annual report.

The subjects discussed in the meetings without the Executive Board included an internal discussion about the difficult decisions taken by the company in this financial year, as well as the performance of the Executive Board as a whole and of its individual members. The Supervisory Board also discussed its own performance (both the Board as a whole and the individual members) and the performance of the Board's separate committees. The Supervisory Board discussed its composition and profile, the decision-making process, the quality of the supervision process and of the supervision itself, its relationship with the Executive Board, the composition and assessment of the Executive Board (the entire Board and the individual members) and the remuneration – including setting the variable part thereof – for the members of the Executive Board. The performances of the Supervisory Board and its individual members are assessed periodically based on a survey of the Board's members, plus individual interviews if necessary. The performances of the Supervisory Board and its individual members were assessed at the end of the 2010 financial year and discussed by the Supervisory Board at the beginning of 2011. As a result, the Supervisory Board decided that some changes are needed in certain aspects of how it divides its time between the various important subjects that have to be discussed.

The assessment of the performance of the Executive Board and its individual members was based on discussions held between the Selection and Appointments Committee and each member of the Executive Board. The results were discussed by the Supervisory Board in the absence of the Executive Board. The Supervisory Board finalised the remuneration report compiled by the Remuneration Committee. The remuneration report is included on page 28 of the annual report as part of the report by the Supervisory Board. The Supervisory Board reviewed the remuneration policy in the course of the last financial year, partly based on the long-term bonus plan that was in effect until the end of the last financial year. Following preparation work by the Remuneration Committee, the Supervisory Board approved a new long-term bonus plan. The amended remuneration policy will be presented to the General Meeting for approval on 20 April 2011. The amended policy is explained in more detail in the remuneration report referred to on page 33 of the annual report.

The Board has satisfied itself that the Group has internal risk management and internal control systems, financial reporting manuals and procedures for drawing up such reports and an established monitoring and reporting system.

At its quarterly meetings, as usual, the Supervisory Board discussed the course of business and prospects of the Group as a whole and of the respective sectors and the individual operating companies, on the basis of written reports and accompanying presentations. This discussion covered the main risks involved in the business, the internal management and control systems, as well as the results from the Executive Board's assessment of these systems.

The implications of the matters addressed in these contexts at the meetings of the Supervisory Board are discussed elsewhere in the annual report, including on page 55 et seq.

The Supervisory Board considered whether the management and control systems needed changing following the developments at AM. The Board concluded that the events at AM are not a reason for changing these systems. As stated earlier in this report, the events at AM were caused above all by the extreme circumstances on the property markets and also by the fact that AM was not required to introduce BAM's management and control systems for three years following the takeover in 2006. BAM is, however, investigating whether certain aspects of the systems could be made more effective. It should be noted in this regard that an assessment of the opportunities on a largely long-term market such as the property market remains a highly subjective task. The Supervisory Board has noted that the Executive Board is convinced that the new management team at AM has a realistic view of the opportunities on the property market in the Netherlands and a healthy level of ambition in line with those opportunities. The Supervisory Board and the Executive Board will monitor events closely to ensure that this remains the case. The objectives set out in the During the financial year, the Supervisory Board again arranged to be regularly updated by both the Executive Board and the external auditor on the general course of business at the operating companies. These updates also focussed on the developments on the Group's markets. The BAM PPP management team gave a presentation at one of the Supervisory Board's meetings, outlining its vision of the future on the PPP market in the Group's home countries. The Supervisory Board shares the view of the Executive Board and the BAM PPP management team that the European PPP market offers a lot of opportunities for the Group. It is an advantage to have access to private funds, especially in times when the government has to economise and make choices as regards investments.

The Executive Board also updated the Supervisory Board on a regular basis regarding the situation concerning the construction of the metro in Cologne, where the municipal archive caved in at the beginning of 2009, causing the tragic deaths of two people as well as major damage and delays. During the annual visit to a number of the Group's operating companies over several days in September 2010, the Supervisory Board and the Executive Board exchanged views with the management teams of the British operating companies. The two boards and the management teams discussed the operating companies' markets and the management teams' expectations for the future. The Supervisory Board believes that the two British operating companies are well positioned to handle the economic crisis.

The Supervisory Board took cognisance of the reports by the external auditor and the 2009 management letter and discussed these documents with the external auditor and the Executive Board. The Supervisory Board also discussed the follow-up to the external auditor's findings with the Executive Board. Furthermore, the Supervisory Board assessed the relationship with the external auditor and prepared the proposal to the General Meeting to charge PricewaterhouseCoopers with the audit of the financial statements for the financial year 2010. The Supervisory Board took note of the annual assessment by the Audit Committee about the lack of an in-house audit position within the Group. Bearing in mind, for example, 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, it was decided to have the audit process carried out by an external auditor in conjunction with the employees from the central finance division and the controllers at the operating companies. This arrangement – which is governed by clear agreements – once again proved satisfactory in 2010. Taking everything into consideration, the Supervisory Board advised the Executive Board to continue with the current method of conducting the audit process. The Supervisory Board has taken note of the Executive Board's intention to investigate what further improvements can be made in risk management.

The Supervisory Board gave its approval to the change in the dividend on the outstanding Class F preference shares as of 1 January 2011.

The Supervisory Board held talks on various occasions with the Executive Board about the proposed sale of the 21.5 percent interest held by BAM in the dredging company Van Oord. The Supervisory Board agrees with the Executive Board that the offer made by MerweOord for BAM's interest is not acceptable to BAM. BAM and MerweOord subsequently agreed to look jointly for a potential buyer for BAM's interest in Van Oord. Mr Van Vonno – who is also a member of the Supervisory Board of Van

Oord at BAM's request – was not involved at any stage in the decisions taken by the BAM Supervisory Board regarding the proposed sale of BAM's interest in Van Oord. Mr Van Vonno will be stepping down as a member of the Van Oord Supervisory Board in 2011. The company will propose Mr De Vries as his replacement. The Supervisory Board approved a proposal to amend BAM's Articles of Association to bring them into line with the decision taken at the General Meeting on 21 April 2009 to apply the mitigated two-tier regime. The General Meeting on 21 April 2010 approved the proposed amendments. The Articles will be amended accordingly as soon as the procedure to continue use of the 'Royal' predicate is complete.

The Supervisory Board takes cognisance of an overview of the Group's investor relations activities on a regular basis. As regards contacts with shareholders, the Supervisory Board believes that contact should primarily take place in shareholders' meetings. The Board believes that a high level of shareholder attendance at those meetings is extremely important. The Board does believe, however, that contact between the company and shareholders outside of shareholders' meetings can be important – for both the company and the shareholders. The Supervisory Board will ensure that the company accepts shareholders' markets and the management teams' expectations for the future. The Supervisory Board believes that the two British operating companies are well positioned to handle the economic crisis.

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with shareholders, investors, analysts and the press. The Annual General Meeting was prepared and the events at the meeting were discussed after the meeting had taken place. The Supervisory Board was very pleased that the General Meeting went well and that a thorough, substantive discussion with the shareholders had taken place. The Supervisory Board is also very grateful to the shareholders for the support and trust that they placed in the company by voting in favour of the proposed rights issue. The Supervisory Board gave its approval to the use of electronic communication media for the General Meeting. Delegations from the Supervisory Board, consisting of different members on each occasion, again took part in two consultation meetings with the Central Works Council. The usual informal annual meeting of the Supervisory Board and the Executive Board with the Central Works Council was held in May 2010.

The Supervisory Board's rules and committees

The Supervisory Board has a set of rules, governing the composition, duties and procedures of the Board and its dealings with the Executive Board, the General Meeting and the Central Works Council. The rules of the Supervisory Board and those of the Supervisory Board committees mentioned below, as well as the composition of those committees, can be found on the company's website.

The Supervisory Board has three permanent committees, namely an Audit Committee, a Remuneration Committee and a Selection and Appointments Committee. It is the task of these committees to support and advise the Supervisory Board concerning the activities that are the committees' responsibility and in preparing 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 submitted reports of all their meetings to the Supervisory Board.

The Audit Committee consisted during the financial year of Messrs Abrahamsen (up to and including the General Meeting on 21 April 2010), Dekker, Scheffers (following the General Meeting on 21 April 2010) and Van Vonno, with Mr Dekker as Chairman. The composition of the Audit Committee is in line with the provisions of the Code. The Audit Committee supports the Supervisory Board in the performance of its tasks, especially as regards financial and accounting matters, and it drafts proposed decisions of the Supervisory Board in respect of matters covered by its remit. The Committee met four times during the last financial year in the presence (at least for part of the meeting) of the external auditor. The Audit Committee also discussed the latest developments regarding IFRS and the Group's internal control systems at an extra meeting. The Chairman and the Chief Financial Officer from the Executive Board were also invited to the Audit Committee's meetings.

The principal topics addressed at these meetings were the financial reporting on the 2009 annual figures; the 2010 quarterly and half-yearly figures; the 2009 management letter; the follow-up to the external auditor's recommendations; the risks and risk management and control systems, including those concerning project development; the dividend policy and the change in the dividend on Class F preference shares; and the Group's tax planning. The following topics were also addressed: the activities and fee of and the relationship with the external auditor; the audit plan for 2010; the 2011 operational plan; the ICT policy; the Group's funding and solvency; the ratios in the funding agreements; banking relationships; the movement of the operating capital and liquidity level; the losses within the Group that can be offset against tax; the financial and administrative organisation; and some effects of IFRS on financial reporting. The Audit Committee was closely involved in preparations for the decisions about the rights issue that was successfully completed in mid-2010.

Particular attention was paid during the financial year to the consequences of the economic crisis for the Group, especially as regards the amount of equity invested in property. Against that background, there was also a substantial focus on the course of business at AM during the financial year. The audit committee met with the external auditor on one occasion without the Executive Board being present, and reported to the Supervisory Board on the relationship with the external auditor. The Audit Committee finds the relationship to be a good one. The Audit Committee also spoke to the Executive Board about the advantages and disadvantages of having an in-house audit department. The Audit Committee proposed to the Supervisory Board that it should not recommend an internal audit department to the Executive Board at this time for the reasons given earlier in this report. The Executive Board will investigate what further improvements can be made in risk management, however.

The Remuneration Committee consists of Messrs Baar and Wiechers, with Mr Baar being the Chairman. The composition of the Remuneration Committee is in line with the Code. One of the tasks of the Remuneration Committee is to make proposals to the Supervisory Board with regard to company remuneration policy, the level of remuneration and the terms 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.

The Remuneration Committee met three times during the past financial year. The Chairman of the Executive Board was present at these meetings. The Committee members consulted with each other a number of times outside of the context of a formal meeting. The Committee submitted a proposal to the Supervisory Board relating to the remuneration of members of the Executive Board and to criteria for the variable remuneration in 2011. The Remuneration Committee also discussed the conditions pertaining to the remuneration of the management teams at the operating companies and the staff directors. The Remuneration Committee prepared a change to company remuneration policy for 2011 and subsequent years.

The Remuneration Committee also prepared the remuneration report. The Remuneration Committee did not use external advisers during the last financial year.

The Selection and Appointments Committee consists of Messrs Baar and Wiechers, with Mr Wiechers acting as Chairman. One of the tasks of the Selection and Appointments Committee is to make proposals to the Supervisory Board regarding selection criteria and appointment procedures, the size, composition, appointments and reappointments to and assessment of the performance of the Supervisory Board and the Executive Board. The Committee also monitors the Executive Board's policy on selection criteria and appointment procedures for senior management. The Selection and Appointments Committee met several times in the past financial year. The Committee members consulted with each other a number of times outside of the context of a formal meeting. On those occasions, the Committee members discussed the current and future size and composition of the Supervisory Board and the Executive Board.

The Committee held individual performance evaluation interviews with the members of the Executive Board in the context of assessing the Executive Board.

The Committee prepared the proposal to appoint Ms Mahieu, as well as Messrs Elverding and Wester, as members of the Supervisory Board. The Committee also prepared for Mr De Vries to succeed Mr Van Oosten as Chairman of the Executive Board as of 1 October 2010.

Corporate governance

The company's corporate governance structure and its compliance with that structure were discussed with the shareholders at the General Meeting on 21 April 2009. The Supervisory Board and the Executive Board reviewed the corporate governance structure during the financial year and decided that there is no reason to change it. The Supervisory Board and the Executive Board are convinced that Royal BAM Group's corporate governance remains well organised. Please refer to the corporate governance statement on page 43 of the annual report concerning the company's compliance with the Code.

External auditor

Both in its discussion of the 2009 annual figures and its discussion of the 2010 semi-annual figures, the Supervisory Board – as is usual – called on the external auditor to provide additional information. The Board noted that the external auditor had received the financial information on which the quarterly figures, the interim results, the results and the other interim financial reports were based and that he had been given the opportunity to respond to that information. The external auditor was present at the Annual General Meeting of Shareholders on 21 April 2010. As part of its consideration of the 2010 annual report and financial statements, the Supervisory Board assessed the relationship with the external auditor based on a report from the Executive Board and the Audit Committee. Given the Board's good experience with the external auditor and the external auditor's expertise with regard to the construction industry in general and the Group in particular, the Supervisory Board sees no reason to propose to the shareholders that the external auditor be changed. A proposal will therefore

be put to the shareholders' meeting on 20 April 2011 that PricewaterhouseCoopers Accountants N.V. be re-appointed as external auditor responsible for auditing the Group's 2011 financial statements.

Final comments

The Supervisory Board wishes to point out that the Dutch construction industry continued to feel the consequences of the economic crisis in 2010. The crisis once again had a substantial impact on the property and residential construction sectors in particular. Royal BAM Group was also faced with difficult economic circumstances in 2010, with substantial losses from the Group's property activities as a result. On the other hand, all of the other parts of the Group made a positive contribution to the Group's overall result in 2010.

The construction sector in the Group's markets is expected to face difficult market conditions in 2011.

Under difficult market conditions, the management and employees once again showed great commitment to the Group in the course of the last year. The Supervisory Board is very grateful and has every confidence – given the same commitment and effort – that Royal BAM Group will be able to meet the challenges of 2011.

Bunnik, Netherlands, 2 March 2011
Supervisory Board