



Corporate governance structure at Royal BAM Group

The Supervisory Board and the Executive Board are responsible for the company's corporate governance structure and for compliance with that structure. They are accountable for this to the Annual General Meeting and should provide sound reasons for any non-application of the principles and best practice provisions of the Dutch corporate governance code (hereafter: 'the Code'). Each substantial change in the corporate governance structure of the company and in the compliance of the company with this code will be submitted to the general meeting for discussion.

Executive Board

Apart from looking after the day-to-day management of the company, the Executive Board is guided by long term value creation. It is 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 Annual General Meeting. 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 company's Executive Board shall consist of at least two members. 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 each have their personal responsibilities. The Chairman (CEO) presides the Executive Board and is responsible for BAM International and the PPP activities as well as the majority of the corporate functions. The Chief Financial Officer (CFO) is charged with financial tasks and is responsible for the corporate functions finance, GRC, ICT and – together with the Chairman – investor relations. The Chief Operational Officer (COO) manages the operating companies that are entrusted to his supervision, as well as a number of corporate functions.

The Executive Board ensures proper provision of information to the Supervisory Board. In the integrated report, the Executive Board describes the principal risks related to the company's strategy, the organisation and operation of internal risk management. It also describes 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 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 are published on the company's website.

A mitigated two-tier regime applies to the company. Members of the Executive Board are appointed by the Annual General Meeting. The Supervisory Board has the right to make a (binding) proposal as regards nominees for appointment. However, the Annual General Meeting can render a proposal non-binding, in line with the company's Articles of Association, in which case the Annual General Meeting is then free to fill the vacant seat on the Executive Board as it deems fit, in accordance with the formalities stated in the company's Articles of Association. Decisions by the Annual General Meeting regarding candidates proposed by the Supervisory Board for membership of the Executive Board require a simple majority of the votes cast.

Decisions by the Annual General Meeting about candidates for membership of the Executive Board who are not proposed by the Supervisory Board require an absolute majority of the votes cast, but that majority must represent at least one third of the issued capital.

The Supervisory Board has the power to suspend members of the Executive Board. The Annual General Meeting can suspend or dismiss members of the Executive Board. Decisions to suspend or dismiss a member can only be taken by an absolute majority of votes, providing that majority represents at least one third of the issued capital, unless the proposal to suspend or dismiss is put forward by the Supervisory Board, in which case the decision can be taken by an absolute majority of the votes without the requirement for a quorum. The Supervisory Board appoints one of the



members of the Executive Board as Chairman and can appoint one of the members of the Executive Board as Vice-Chairman.

Pursuant to the Code, members of the Executive Board are appointed for a period of no more than 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. Members of the Executive Board can be re-appointed for a further period of four years. Information about the term of the agreements of members of the Executive Board is available in the remuneration report.

The main elements of the contracts with members of the Executive Board are published on the company's website in accordance with the Code. The company follows 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 respected. The Supervisory Board draws up a proposal – prepared by the Remuneration Committee – regarding the company's remuneration policy. This remuneration policy is submitted for adoption to the Annual General Meeting. The Supervisory Board also annually composes a remuneration report, prepared by the Remuneration Committee. The remuneration report confirms the manner in which the remuneration policy has been adhered to in practice during the financial year. It also contains details of the total remuneration of the members of the Executive Board, subdivided into the various elements, and a summary of the remuneration policy as adopted by the shareholders.

As part of the report by the Supervisory Board, the remuneration report is included in the integrated 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, based on a recommendation by the Remuneration Committee.

The variable part of the remuneration for members of the Executive Board is linked to predefined objectives that are assessable and that can be influenced, with a reasonable 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 remuneration of the members of the Executive Board. The Supervisory Board determines the level and structure of this remuneration on the basis of scenario analyses, taking into account pay differentials within the Group, and in doing so considers the results, share price performance and non-financial indicators which are relevant to the Group's long-term objectives. The risks to which variable remuneration may expose the enterprise are taken into account. In addition to the annual variable short-term component, the remuneration package of members of the Executive Board includes a remuneration plan that rewards long-term improvements.

In the information on variable remuneration to be stated in the remuneration report, the company strives for transparency. However, the company will not reveal information that it considers competitively sensitive. 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 member of the Executive Board 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. These matters have all been incorporated into the agreements with members of the Executive Board since the introduction of the Code.

The compensation to members of the Executive Board in case of dismissal does not exceed one year's base salary.

The company has a long-term benefit plan for members of the Executive Board and a group of maximum 15 senior executives in the form of a performance share plan. The Code's recommendations with regard to this plan are adhered to.



As a principle, the company does not provide any personal loans or guarantees to members of the Executive Board, managers or any other employees. The Group has the usual indemnity and insurance arrangements in relation to normal company business, and these arrangements cover members of the Supervisory Board, Executive Board, managers and other employees.

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 might lead to a conflict of interest on the part of a member 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 withdrawal of the Executive Board member concerned during participation in discussions and in relevant decisions and the Supervisory Board's approval procedure.

Supervisory Board

The duty of the Supervisory Board is to supervise the Executive Board's policies and the general affairs of the company and its affiliated enterprise. The role of the Supervisory Board is also to assist the Executive Board by providing advice. As the Executive Board, the Supervisory 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 Supervisory Board also takes into account corporate social responsibility issues in its assessments. The principles and best practice provisions relating to the Supervisory Board are adhered to.

In its periodic meetings with the Executive Board, the Supervisory Board discusses a number of subjects, including the general state of affairs (e.g. safety, 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 (half-yearly and annual reports and interim financial statements, balance sheets and income statements, cash flow statements, capital investments and warranties).

The agenda for Supervisory Board meetings also includes subjects such as major investments (both regarding acquisitions and disposals as well as fixed assets), management development, human resources, corporate social responsibility issues that are relevant for the company, the relationship with shareholders, the dividend proposal, interim statements and half-yearly reports, the independent auditor's report, the independent auditor's management letter and follow-up actions to that management letter, setting the operational plan with the operational and financial goals for the next financial year (set once a year) and approval of the strategy 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.

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 shall consist of at least five members. The Supervisory Board currently consists of six 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 members of the Supervisory Board are appointed by the Annual General Meeting on the recommendation of the Supervisory Board, which recommendation is being made on the basis of the profile. The Annual General Meeting and the Central Works Council are entitled to recommend candidates for inclusion in the proposal made by the Supervisory Board.

In case of vacancies in the Executive Board and Supervisory Board the Nomination Committee of the Supervisory Board will prepare a profile for the vacant position, taking into account the profile



for the Supervisory Board (which can be found on the company website). The profile for the vacant position will be discussed with the Supervisory Board as well as the Executive Board after which the services of an external executive search company will be retained to create a longlist. It is common practice that fifty per cent of this longlist should consist of qualified female candidates. Based on this longlist the Nomination Committee will create a shortlist of at least three candidates, which will be interviewed by the Nomination Committee. In addition the candidates will also meet with other functionaries, including but not limited to the CEO. After this process a final proposal will be submitted to the full Supervisory Board for recommendation to the Annual General Meeting.

The Annual General Meeting can reject candidates put forward by the Supervisory Board, in which case the Supervisory Board must draw up a new proposal. The Central 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 will make 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 Annual General Meeting may still reject it. The General Meeting may dismiss the entire Supervisory Board once the Works Council has had the opportunity to give its opinion. The General Meeting determines the Supervisory Board members' remuneration. In relation to the independence of Supervisory Board members, all of the current members of the Supervisory Board qualify as being independent in accordance with the meaning of the Code.

The Supervisory Board has created a profile, which is published on the company's website as an annex to the rules of the Supervisory Board. 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 capable of giving the Executive Board solicited and unsolicited advice.

Other, specific criteria applied by the Supervisory 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 Supervisory Board appoints one of its members as Chairman and another to be Vice-Chairman. The Supervisory Board is assisted by the Company Secretary. The company will be responsible for an introduction program for persons appointed to the Supervisory Board for the first time. This introduction program includes but is not limited to meetings with board members, senior managers and working visits to the Group's operating companies and through presentations by operating company managers to the Supervisory Board.

The rules with regard to such conflicts 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 does not issue any personal loans or guarantees to members of the Supervisory Board. The Group has taken out the usual professional indemnity insurance for, among others, members of the Supervisory Board.

The company has prepared rules regarding the ownership of and transactions in securities of other listed companies by members of the Supervisory Board and the Executive Board. These rules are included in BAM's Insider Dealing policy. A Disclosure Committee advises the Executive Board on the qualification of information, delay of publication of inside information and the monitoring of such delay. Periodic meetings are convened in order to monitor internal and external developments with regard to inside information

Supervisory Board Committees

The Supervisory Board has three permanent committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee. The rules and the composition of these committees can be found on the company's website. It is the task of the committees to support and advise the Supervisory Board concerning the items that are under the committees' responsibility and to prepare the Supervisory Board's decisions regarding those items. 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 on all their meetings to the Supervisory Board.

The Audit Committee's regular assessments include:

- The internal risk management and control systems;
- The provision of financial information by the company, including the process through which this information is generated and published;
- Recommendations by the independent auditor and the actions taken as a result thereof;
- The audit process and the audit plan;
- The relationship with and nomination of the independent auditor;
- The functioning, reports and plans of the internal audit function;
- Compliance;
- Material claims and proceedings;
- Taxation;
- Impairment review;
- Valuation of real estate;
- The application of ICT, including cyber security;
- Group financing;
- Performance of the internal audit function;
- The financial and administrative organisation.

The tasks of the Remuneration Committee include making proposals to the Supervisory Board with regard to:

- The company remuneration policy;
- The remuneration structure;
- The level of remuneration;
- The terms and conditions of engagement of members of the Executive Board;
- The remuneration of the members of the Supervisory Board.

The Remuneration Committee also consults with the Chairman of the Executive Board about the policy on terms and conditions of employment for operating company managers and executives of equivalent rank and drafts a remuneration report on the way in which remuneration policy has been implemented in practice.

The Nomination Committee makes 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 Executive Board;
- (Re-)appointments 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 and discusses management development and succession planning, especially in relation to senior management positions.



Shareholders

No depositary receipts for shares in the company have been issued with the company's cooperation. 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 and Class B and F preference shares (not issued at present). The ordinary shares are listed on Euronext in Amsterdam. Ordinary share options are also traded on the Amsterdam option exchange of Liffe.

The Supervisory Board and the Executive Board believe it to be important that as many shareholders as possible take part in the decision-making process in shareholders' meetings. Notices convening shareholders' meetings, agendas and documentation to be discussed are published no later than 42 days prior to the meeting and placed on the company's website. The website also includes 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 of Parliament 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 requires 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 in which they are unable to attend, so that the company can take notice of 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 informed of their option to give a proxy electronically. The company offers its shareholders the opportunity to give a proxy, with voting instructions, to an independent third party before the meeting takes place. In addition the company 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 Annual General Meeting 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 worth at least a third of the amount of the assets recognized on the consolidated balance sheet, the Executive Board will publicly announce its point of view 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 Annual General Meeting by an absolute majority of the votes cast 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 Annual 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) 1.0 per cent of the issued capital, or
- (ii) Shares worth €50 million

can place items on the agenda of the General Meeting if the company receives a written request to that effect ('written' can mean an electronic message), including reasons to substantiate the request, not later than sixty days before the day of the meeting.

In addition, shareholders who represent at least ten per cent of the company's issued capital are entitled to call a shareholders' meeting.

Each year the Annual General Meeting is asked 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 18 months. It is also limited in scope in respect of ordinary shares and Class F preference shares. In addition the General Meeting is requested – again 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.

Also each year the General Meeting is asked to authorise the Executive Board for a period of 18 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 authorization is put separately on the agenda. The company's policy on reserves and dividends and a proposal to pay a dividend are discussed as separate agenda items at the General Meeting.

A proposal for approval or authorisation by the General Meeting 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 on shareholders' meetings are provided to shareholders, as stipulated in the Code. Within 15 calendar days after each shareholders' meeting, the results of the votes per agenda item are published on the company's website.

Press and analysts

All press and analysts' meetings and conference calls in connection with the publication of the annual and half-year results and interim financial statements are open to everyone via the internet or by telephone. Shareholders' meetings are open to the press and via webcast. All dates and locations of roadshows, seminars and the like are published on the company's website.

Financial presentations given to third parties are published on the company's website in case there is a material difference between these and previously published presentations. For six weeks prior to the publication of each annual report and three weeks prior to the publication of each interim statement 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 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 and/or the Chief Financial Officer, with the assistance of the Investor Relations Manager or the Public Relations Manager, 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.

Anti-takeover measures

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 has the facility for issuing Class B preference shares. A call option has been issued to Stichting Aandelenbeheer BAM Groep (BAM



Group Stock Management Foundation) for Class B preference shares. The company gave this foundation the right of investigation.

Financial reporting and the role of the auditor

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 independent auditor will be present at the Annual General Meeting to answer questions from shareholders about his independent auditor's report on the financial statements.

The independent auditor attends the meetings of the Supervisory Board at which the financial statements and the half-yearly figures are discussed. The independent auditor reports the same information from his findings with respect to the financial statements to both the Executive Board and the Supervisory Board. The independent auditor is also present at all meetings of the Audit Committee, although not necessarily for the full meeting.

The independent auditor receives the financial information on which the annual and half-yearly figures and interim statements are based and is given the opportunity to respond to that information. The partner in the independent audit company who performs the required audit is allowed to audit the Group's financial statements for a maximum of five consecutive years.