

Integrated Report

# 2014



**bam**

Royal BAM Group nv



## Key figures

(x € million, unless otherwise stated)

	2014	2013	
	<b>Continuing operations</b>		
	Revenue	7,314	7,042
	Adjusted result before tax	62.2	75.2
	Result before tax	(122.4)	44.4
	Net result attributable to the shareholders of the Company	(108.2)	46.2
	<b>Earnings per share (in €1.-)</b>		
	- Continuing operations	(0.40)	0.15
	- Discontinued operations	-	0.04
	Dividends per ordinary share (in €1.-)		
		-	0.05
	Dividend payout (in %)		
		-	30
	Number of shares as at 31 December (x 1,000)		
		270,999	269,424
	Share closing price as at 31 December (in €1.-)		
		2.58	3.78
	Equity attributable to the shareholders of the Company		
		827.4	929.1
	Capital base		
		951.9	1,053.1
	Total assets		
		4,956.0	5,316.4
	Order book		
		10,268	10,021
	Net investment in property, plant and equipment		
		39.0	65.2
	Depreciation charges		
		80.8	85.9
	Amortisation charges		
		3.7	3.2
	Impairment charges		
		114.1	29.5
	Cash flow before dividend		
		90.5	164.8
	<b>Ratios</b>		
	- Adjusted result before tax from continuing operations as % of revenue	0.9	1.1
	- Net result attributable to the shareholders of the Company as % of revenue	-	0.7
	- Net result attributable to the shareholders of the Company as % of average equity	-	5.6
	<b>Solvency ratios</b>		
	- Equity attributable to the shareholders of the Company as % of total assets	16.7	17.5
	- Capital base as % of total assets	19.2	19.8
	<b>People</b>		
	Average number of employees (in FTE)	23,325	23,502
	Number of employees as at 31 December (in FTE)	23,137	23,329
	Training costs per employee (in €1.-)	579	604
	Female/male (in %)	14/86	14/86
	<b>Safety</b>		
	Incident Frequency (IF)	5.0	5.8
	Safety Awareness Audits (SAA)	74.2	73.3
	<b>CO<sub>2</sub> and energy</b>		
	CO <sub>2</sub> emissions (in kilotonnes)	242	272
	CO <sub>2</sub> emissions intensity (in tonnes per € million revenue)	33.0	38.6
	Energy (in terra joules)	3,410	3,730
	<b>Waste</b>		
	Waste (in million tonnes)	4.8	4.3
	Construction and office waste (in kilotonnes)	182	200
	Construction waste separation (in %)	33	23

### Adjusted result before tax

Result before tax excluding restructuring costs and other exceptional costs, impairment charges and pension one-off.

### Capital base

Equity attributable to the shareholders of the Company plus subordinated loan.

### Solvency

Capital base divided by total assets.

### Incident Frequency (IF)

The total number of industrial accidents leading to absence from work per million hours worked on construction sites.

## BAM at a glance

Royal BAM Group nv (BAM or the Group) is a European construction group that unites operating companies in five home markets with the administrative centre in the Netherlands and is listed at Euronext Amsterdam. With approximately 23,000 employees, BAM is active in the sectors Construction and mechanical and electrical services, Civil engineering, Property and Public Private Partnerships (PPP).

The Group ranks among the largest construction companies in Europe. BAM has top market positions in the Netherlands, Belgium, the United Kingdom, Ireland and Germany. One of BAM's prominent features is its widespread regional network of offices, meaning that the company is always close to its clients. BAM offers its clients various substantial packages of products and services in the home markets. The Group undertakes specialist construction and civil engineering projects in niche markets worldwide.

BAM's philosophy is to offer real value to its clients and work with them in close and lasting co-operation that provides outstanding performance in relation to the maintenance, innovation and expansion of built environments. BAM is recognised and acknowledged for the quality and reliability of its products and services as well as for the commitment, knowledge and experience of its employees.



### Front cover:

In Brussels **Interbuild** (in joint arrangement) is restructuring block A of Résidence Palace (now named Europa) for use by the European Council. The extension includes a large glass atrium surrounding a lantern shaped structure with meeting and press rooms on each floor varying in size and covering over 6,000 m<sup>2</sup>. The facade of the

extension is a patchwork of traditional wood-framed windows from different European countries. The original 1920s part of the former apartment building will be restored and also form part of the complex. Architects: Philippe Samyn and Partners, architects and engineers (lead and design partner) representing the joint venture, Studio Valle Progettazioni, architects, and Buro Happold Ltd., engineers.

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# 1. Message from the CEO

## Getting Back in shape

2014 was a challenging year for all of us at Royal BAM Group. Although our investment sectors (PPP and Property) delivered very good adjusted results, the overall Group adjusted result was held back by a weak year at the operational sectors (Construction and mechanical and electrical services and Civil engineering).

Following the major losses on the two civil engineering projects, we announced a comprehensive change programme, which is called 'Back in shape'. This programme will run until end-2015 and consists of three dimensions of change driving four deliverables.

First, the new simplified structure to make us more effective on the outside and efficient on the inside is getting in place. Second, new and improved processes are being implemented for better control and knowledge sharing. And third, we are strengthening our culture with a focus on collaboration and balancing risks and rewards. Our newly installed Management Board plays an important role in this. Our drive for a better culture, a simpler structure and sharper processes will enable us to capitalise on the great potential, in terms of knowledge, resources and scale, in our Group.

Our Back in shape programme focusses on four deliverables:

- Reducing our overheads by at least €100 million (run rate end 2015);
- Being better in control of projects;
- Improving our working capital by at least €300 million by year end 2015;
- Making annual divestments coming from property and streamlining our company.

The programme made a strong start in 2014. Although there is great support for these steps, for many of our employees it was, and for some it still is, an uncertain period. On the other hand, we realise more benefits of our potential when mobilised and that gives us the confidence into becoming stronger in operational and financial performance. And that in turn will create more value for our shareholders.

On our sustainability targets for safety, emissions reduction and waste management we achieved on average a 10 per cent better performance compared to last year.

Our 2014 Annual Report will be the first to be prepared in line with the Integrated Reporting Framework which provides insight on both financial and non-financial value creation.

The report has been externally verified and complies with GRI's G4 Guidelines, meeting the most extensive 'In Accordance' level 'Comprehensive'.

Sustainability and Corporate Social Responsibility (CSR) are key in our business because it improves transparency, stimulates innovation and enables us to bring our stakeholders together during all stages of the construction life cycle. Together with our supply chain partners we want to be distinctive in creating valuable solutions for our clients and society.



Among the many highlights of 2014, BAM was recognised by CDP as Leader in Climate Performance. This means that we are within the best listed companies in the world when it comes to climate change responsiveness, both in performance as well as in disclosure. BAM was also industry leader in the Dutch Transparency Benchmark, an annual study of the content and quality of sustainability reports of Dutch companies of the Ministry of Economic Affairs.

Our industry is going through massive change: most of it for the better, as construction becomes more focused on the (end)users of buildings and infrastructure, on long-term sustainability and cost-effectiveness enabled by applications of fast developing new technologies. We, at BAM, are embracing this exciting change. We believe that the key to this change requires a more people-focused, collaborative mind-set. It is at the heart of our mission for BAM to become recognised as one of Europe's leading, sustainable construction companies. Therefore, in 2015, it is our top priority to get back in shape and make BAM even a greater company to work for and with.

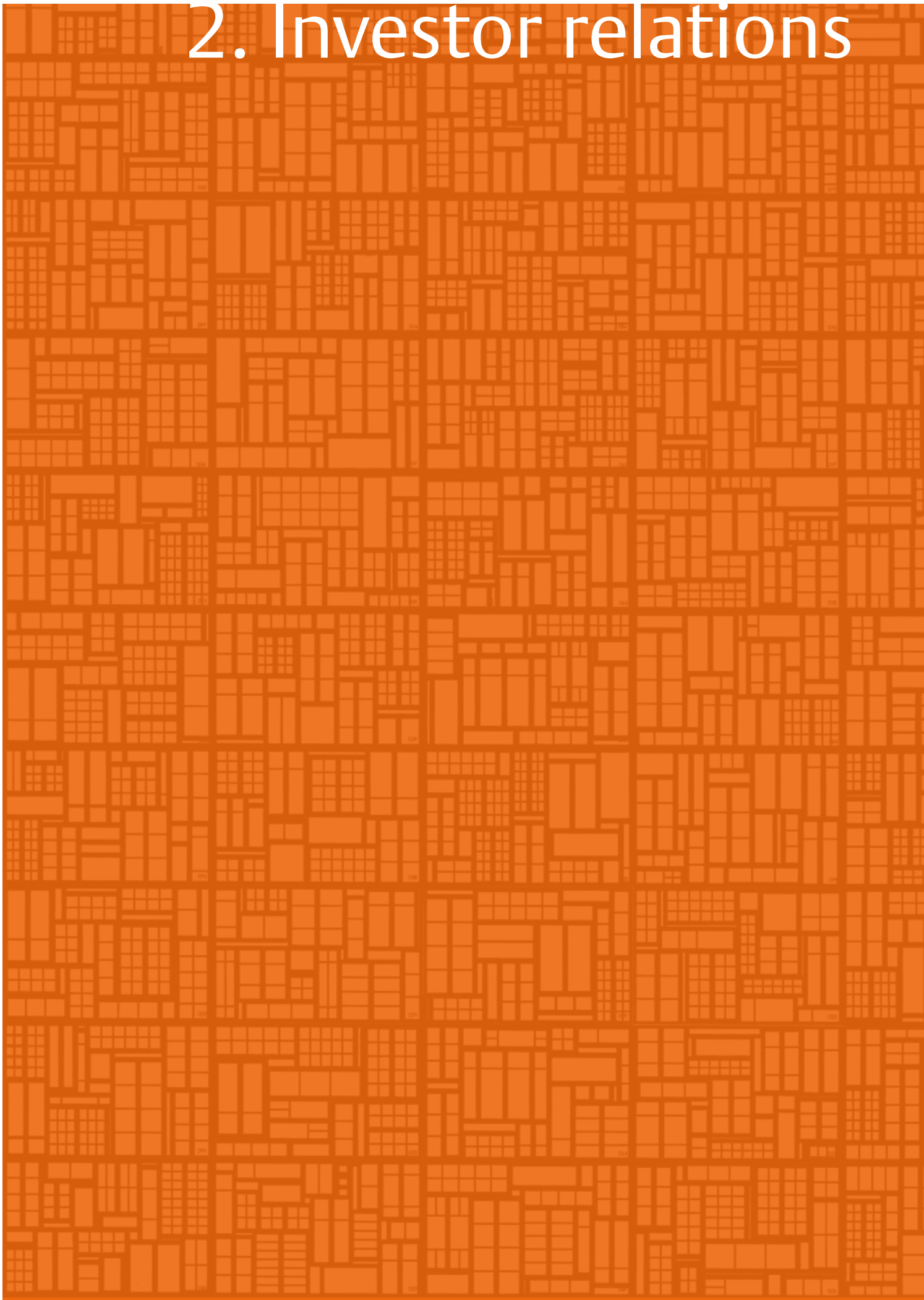
Also on behalf of Thessa Menssen and Erik Bax, I would like to thank all our people for their commitment to serve our clients under the challenging circumstances.

Looking ahead, for 2015 we see signs of recovery in our markets, although there are differences in pace per country and sector and overall conditions remain tough. We are on course to deliver our Back in shape targets. We expect the Group adjusted result before tax for the year 2015 to be higher than the level of 2014, with a larger contribution coming from the operational sectors.

Bunnik, the Netherlands, 20 February 2015

Rob van Wingerden,  
CEO  
Royal BAM Group

# 2. Investor relations



## 2.1 Royal BAM Group nv shares

### Stock exchange listing

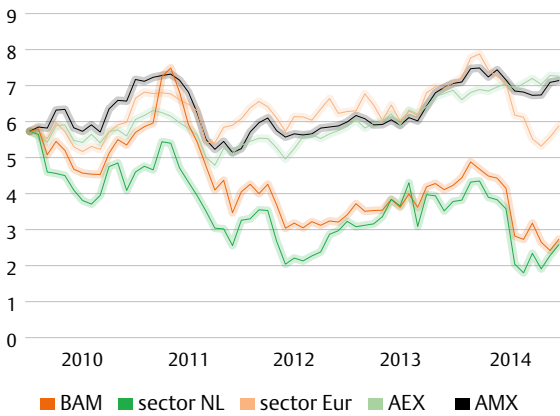
The shares of BAM have been listed on the Euronext Amsterdam stock exchange since 1959. BAM is listed on the AMX index (Midkap) as well as on the Euronext NEXT-150 Index. Royal BAM Group ordinary share options have been traded by Liffe, the Euronext derivatives exchange, since 2006.

The total stock exchange value (market capitalisation) of the Group was almost €0.7 billion at year-end 2014 (year-end 2013: just over €1 billion).

### Share price

The 2014 closing price for the ordinary share was €2.58, which was 31.9 per cent lower than the closing price for 2013 (€3.78). The share's performance was well below the AMX index (1.2 per cent increase). BAM's share price has fallen by about 55 per cent over the last five years. By way of comparison, the AEX and the AMX index rose by 26.6 per cent and 24.6 per cent in the same period.

> Graph 1 shows the history of the BAM ordinary share price over the past five years.



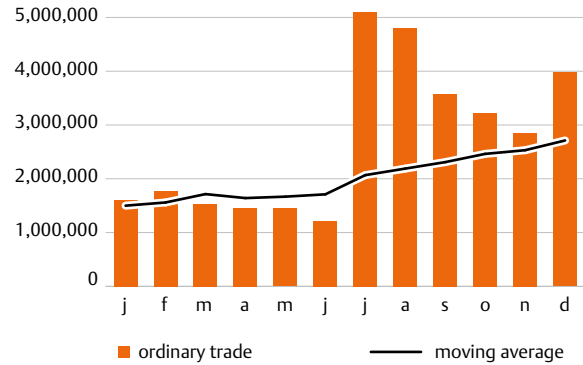
1 — Ordinary share price movement  
(in €)

### Volume of trade on NYSE Euronext Amsterdam

The liquidity of the Royal BAM Group ordinary share increased in 2014. The number of ordinary shares traded increased by about 90 percent to a total of 699 million in the financial year (2013: 367 million).

The average daily trade was 2,742,000 ordinary shares (2013: 1,439,200). The value of ordinary shares traded in 2014 rose by approximately 41 per cent to €1.875 million (2013: €1,331 million). The average daily trade in BAM shares in 2014 was €7.3 million (2013: €5.2 million).

> Graph 2 shows the development of the average number of ordinary shares traded in 2014 on Euronext Amsterdam.



2 — Number of traded ordinary shares in 2014  
(average per day - Euronext 2014)

### Projects and press timeline

BAM wins large contract in Switzerland for student accommodations

BAM wins contract for the renovation of tunnels near Heathrow Airport

BAM Team speed skater Jorrit Bergsma wins the gold medal in the 10,000 m. at the 2014 Winter Olympics.

BAM restores historic city gates in the city of Valkenburg

09

January

14

February

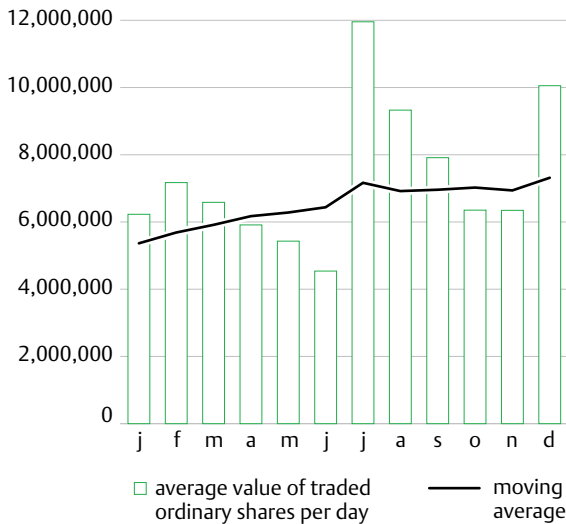
18

February

14

March

> Graph 3 shows the development of the average value of traded ordinary shares on Euronext Amsterdam in 2014.



### 3 Value of traded ordinary shares in 2014

(average per day - Euronext 2014)

If necessary, ING and Rabobank act as liquidity providers for the trade in ordinary shares.

## Movements in the number of outstanding shares

In 2014, the number of outstanding ordinary shares increased by 1,574,868 to 270,998,957, attributable to the payment of stock dividend. The movements in the number of outstanding shares in 2014 are shown in > Table 6. The average number of ordinary shares in 2014 was 270,394,898 (2013: 245,951,992).

According to the AFM register of substantial shareholdings, five institutional investors have real interests of 3 per cent or more. Changes may have occurred, however, within the disclosure thresholds.

> Table 4 shows the interests of 3 per cent or more according to the AFM register of substantial shareholdings.

## Dividend policy

### Dividend policy and proposed dividend for 2014

BAM strives to distribute between 30 per cent and 50 per cent of the net profit as dividend on the ordinary shares. Since BAM reported a negative net result for the year, there will be no proposal to the General Meeting to declare a dividend for 2014.

As a consequence the dividend return on the ordinary shares is 0 per cent (2013: 1.4 per cent).

## Investor relations

BAM attaches great importance to the provision of transparent and identical information to all investors. BAM's investor relations policy is geared to informing investors about the Group's strategy, objectives, performance and prospects in good time, fully and in clear and unambiguous terms. Business results will not be adequately reflected in the value of the shares unless there is high-quality communication with investors.

The explanatory comments organised by BAM upon the publication of the results (annual figures, half-yearly figures and interim statements) are accessible to anyone online (webcast).

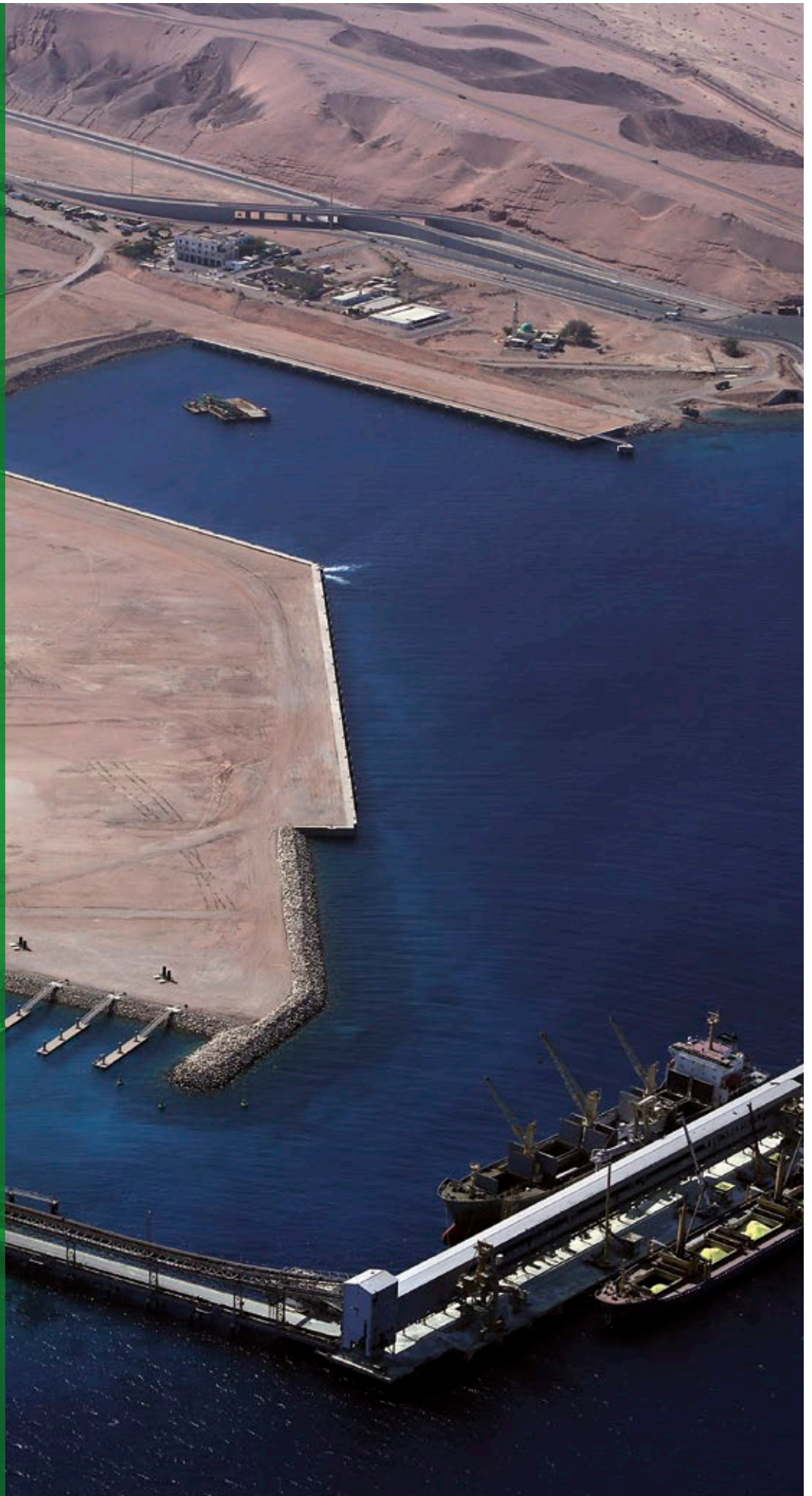
The press meetings for the annual and half-yearly figures are held in Dutch. The analysts meetings will be held in English. More information on this subject can be found on the company's website.

The significant interest from investors is also expressed in the numbers of contacts in the form of road shows, participation in seminars and presentations for investment clubs, amongst others. All data and locations of road shows, seminars, etc. will be published on the company's website.

For questions or more information concerning BAM, please visit the company's website at [www.bam.eu](http://www.bam.eu). Shareholders (or potential shareholders) and financial analysts can address any questions to the Investor Relations Manager of Royal BAM Group, Mr Joost van Galen, e-mail [ir@bamgroep.nl](mailto:ir@bamgroep.nl), telephone +31 (0)30 659 87 07.



New port in Aqaba, Jordan, for Aqaba Development Corporation (ADC). The BAM International-MAG joint venture was responsible for the design and construction of four new berths (in total approximately 800 metres of quay wall), revetment works, a breakwater, marine services, pontoons and a slipway. The project also included land reclamation and dredging works, as well as the construction of two intake pipes and one outfall pipe. **BAM International, BAM Infraconsult.**



#### 4 — Number of outstanding shares in 2014

	Ordinary	Total
Shares in issue as at 1 January 2014	269,424,089 100.0%	269,424,089 100.0%
Stock dividend shares issued	1,574,868	1,574,868
Shares in issue as at 31 December 2014	270,998,957 100.0%	270,998,957 100.0%

#### 5 — Interests of 3 per cent or more according to the register of substantial shareholdings kept by the Netherlands Authority for the Financial Markets (AFM)

	Interest in per cent issued share capital	Date of last notification	Interest above 3 per cent since *
A. van Herk	10.0	18 June 2012	October 2005
ING Groep N.V.	9.8	20 April 2012	February 1992
Delta Lloyd Deelneming Fonds N.V.	5.0	11 November 2014	April 2012
I.M. Fares	5.0	24 October 2014	July 2013
Zadig Gestion Luxembourg	3.0	4 November 2014	November 2014

\* According to the AFM Register of Substantial Holdings and Gross Short Positions.

BAM announces to expect project losses of approx. €75 million and announces major cost reduction and working capital improvement programmes

Financial close of PPP project Renovation Rijnstraat 8, The Hague

CEO Nico de Vries announces to step down, Rob van Wingerden will be his successor

First modest contract for BAM Denmark

BAM consortium achieves financial closing for Sleeswijk-Holstein University Hospital

07

July

15

July

21

August

25

August

30

September

## 6 Numbers of ordinary shares

(in € per share, unless otherwise indicated)

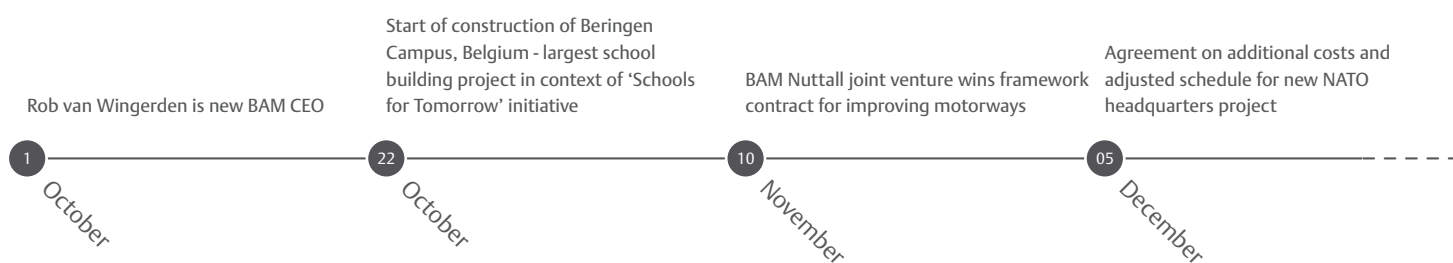
	2014	2013	2012 <sup>1</sup>	2011	2010
Number of ordinary shares ranking for dividend as at year-end	270,998,957	269,424,089	241,524,914	232,937,569	231,765,736
Average number of ordinary shares	270,394,899	245,951,992	238,193,212	232,377,783	204,183,583
Net result	(0.40)	0.19	(0.77)	0.54	0.08
Net result from continued operations	(0.40)	0.15	(1.04)	0.49	0.08
Average number of ordinary shares ranking for dividend (diluted)	270,394,899	245,951,992	238,193,212	232,665,153	204,624,298
Net result (diluted)	(0.40)	0.19	(0.77)	0.54	0.08
Net result from continued operations (diluted)	(0.40)	0.15	(1.04)	0.49	0.08
Cash flow	0.33	0.67	1.26	1.00	1.23
Equity attributable to shareholders	3.05	3.45	3.82	4.99	4.75
Dividend <sup>2</sup>	-	0.05	0.10	0.16	0.03
Payout (in %)	-	30	-	30	45
Dividend yield (in %) <sup>3</sup>	-	1.4	3.1	4.9	0.7
Highest closing price	4.50	4.73	3.97	5.76	6.19
Lowest closing price	1.65	2.99	1.94	2.17	3.62
Price on 31 December	2.58	3.78	3.23	3.26	4.60
Average daily trade (in number of shares)	2,742,000	1,439,200	1,198,900	1,338,500	2,010,000
Market capitalisation at year-end (x €1,000) <sup>4</sup>	698,093	1,019,321	779,401	759,376	1,070,302

<sup>1</sup> Comparative figures adjusted to IFRS 11 and IAS 19 (revised).

<sup>2</sup> No dividend for 2014.

<sup>3</sup> Based on share price at year-end.

<sup>4</sup> Based on total number of outstanding ordinary shares and financing preference shares.



Renewal of the runway (approximately 3 km) at Volkel Airbase for the Dutch Ministry of Defence.

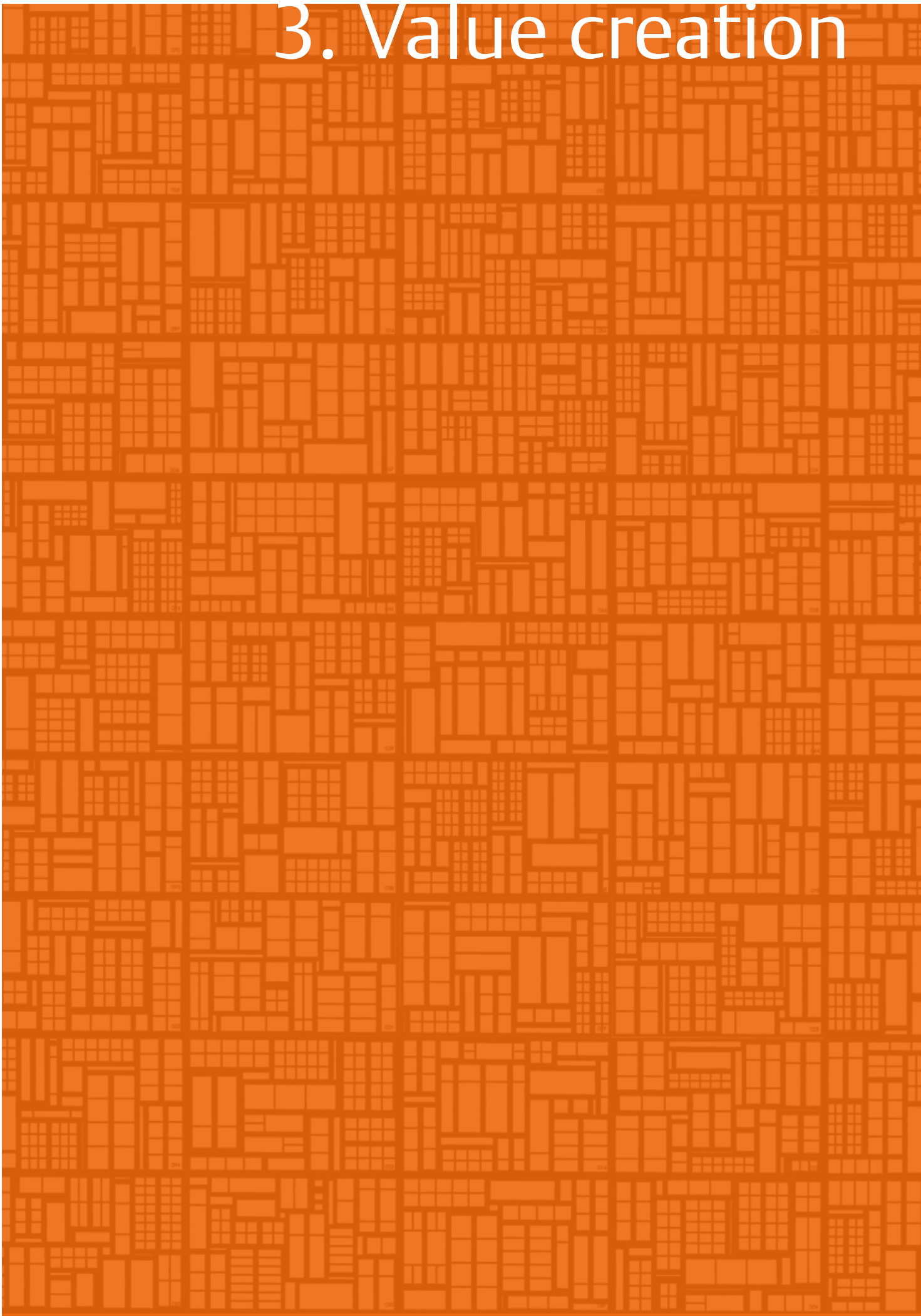
**BAM Infra.**



## 2.2 Key financial dates

22 April 2015	Annual General Meeting of Shareholders
18 May 2015	Interim management statement under Article 5:25e of the Dutch Financial Supervision Act
20 August 2015	Publication of half-year results 2015
5 November 2015	Interim management statement under Article 5:25e of the Dutch Financial Supervision Act
18 February 2016	Publication of annual results 2015
20 April 2016	Annual General Meeting of Shareholders
12 May 2016	Interim management statement under Article 5:25e of the Dutch Financial Supervision Act
18 August 2016	Publication of half-year results 2016
3 November 2016	Interim management statement under Article 5:25e of the Dutch Financial Supervision Act

# 3. Value creation



## 3.1 Stakeholder engagement and materiality

By 2020, BAM's vision is to be a '10+ business', i.e. a company with a Return on Capital Employed (ROCE) of at least 10 per cent and with a strong position in the European construction industry's top 10.

The '10+ status' reflects BAM's mission to create value for its providers of financial capital, clients, employees, suppliers, subcontractors and society at large by bringing together people, knowledge and resources at every stage of the construction process in order to create a sustainable built environment. This status reaffirms BAM's vision to occupy a position as one of the leading construction companies in Europe, with healthy profits and a strong balance sheet, that is active in the whole building process chain in the European home markets and outside Europe in selected growth markets.

### Capital employed

Non-current assets  
plus net working  
capital and cash and  
cash equivalents

### Return on capital employed (ROCE)

Rolling year EBIT  
divided by the average  
capital employed.

### BAM publishes its commitment to ISO 26000

In 2014 BAM published a self-declared commitment to ISO 26000. ISO 26000 provides guidance on how businesses and organisations can implement CSR in their organisation.

ISO 26000 provides guidance rather than requirements; consequently meeting the requirements cannot be certified unlike some other well-known ISO standards. Companies can declare their commitment to comply with the standard. An increasing number of clients are asking for this commitment.

BAM's self-declaration ISO 26000 is published on the NEN Publication Platform ISO 26000 (Dutch website).

## Stakeholder engagement

BAM recognises that real business benefits can only be achieved with the involvement of its stakeholders. During 2014 BAM met with its clients, main suppliers and other stakeholders in multi-stakeholder forums to further align BAM's policies with stakeholder demands.

The Group has defined its stakeholders as those groups, which significantly influence or are influenced by the economic, environmental and social performance of BAM. BAM has identified its stakeholders based on the risks and opportunities for its business performance, strategy execution and strategic objectives.

BAM continuously engages with its stakeholders to understand their priorities and concerns through benchmarking, sector meetings, client surveys as well as direct contracts. BAM's key stakeholder groups, and interactions with them, are:

### Providers of financial capital

Communication with investors, financial institutions and the financial community in general, usually takes place through meetings, project visits, road shows, seminars and presentations given by the Chief Executive Officer and the Investor Relations Manager at investment meetings and press releases. All dates and locations of road shows, seminars and other investor relations activities are published on the BAM website. The Group has also been responding to CDP's Investor Information Requests since 2008.

### Clients

BAM is in daily discussion with its clients and sustainability is an increasingly important topic in these discussions. In addition, BAM organises client meetings to share knowledge, best practice and innovation with its value chain. Some clients have developed their own sustainability benchmark, including ProRail, the government task organisation that takes care of maintenance and extensions of the Dutch railway network infrastructure, with its CO<sub>2</sub> Performance Ladder. Positioning on the ladder forms part of the tender evaluation process and positively affects BAM's ability to win contracts. It is therefore important that BAM keeps itself informed of and is able to respond proactively to these initiatives.

### Innovation timeline

Test using new type of ecological Xblocs

NS Coral construction meets Royal Dutch Hockey Federation (KNHB) and Dutch Olympic Committee\* - Dutch Sports Federation (NOC\*NSF) standards; New generation of artificial turf is stronger, more durable and cheaper than traditionally built fields

BAM Woningbouw launches BAM Homes Collection

20

January

18

February

24

March

### Employees

Its employees are BAM's most important asset. As part of BAM's performance management process, employees' personal learning and development plans are evaluated annually between manager and employee.

### Suppliers and subcontractors

BAM's procurement executives are in daily contact with suppliers and subcontractors to discuss responsible sourcing in relation to health and safety and environmental management. Supply chain partners are increasingly being involved at the early stages of the bidding process and helping to develop and plan BAM's projects through Lean planning meetings and optimising the efficiency of the build programme through the value chain. BAM involves its supply chain partners by investing in relationships.

### Society

By its very nature, BAM's construction and civil engineering works have an impact on local communities, occupiers and other users of buildings and infrastructure and society as a whole. Chapter 4.2 of this report describes BAM's results and gives several examples of its community engagement activities in 2014.

Through its delivery of projects BAM has ongoing contact with local government bodies regarding the issuing of permits, compliance with regulations and supervision of its activities. BAM is involved in many governmental initiatives including several Green Deals in the Netherlands. In the UK, BAM responded to Government consultations on the Carbon Reduction Commitment (CRC) and Energy Efficiency Scheme (EES), among others.

## Multi-stakeholder dialogue

In addition to its engagements with different stakeholders across its operating companies, the Group organises a yearly multi-stakeholder meeting (assisted by VBDO) to provide feedback on its sustainability strategy and performance. The stakeholders selected for the dialogue in July 2014 comprised thirty representatives of clients, financial institutions, suppliers, NGOs, knowledge institutes and service providers that are active with BAM. Other BAM executives and internal stakeholders from BAM's operating companies attended the meeting as well. All were invited to participate in preparation of the meeting by means of a survey questionnaire. The result of that survey determined the choice of material themes for the discussion.

Rob van Wingerden, on behalf of the Executive Board, invited participants to discuss three material themes in separate working groups:

1. Health and safety;
2. Emissions and energy;
3. (Perceived) product quality.

The feedback from the 2014 meeting indicated that BAM might:

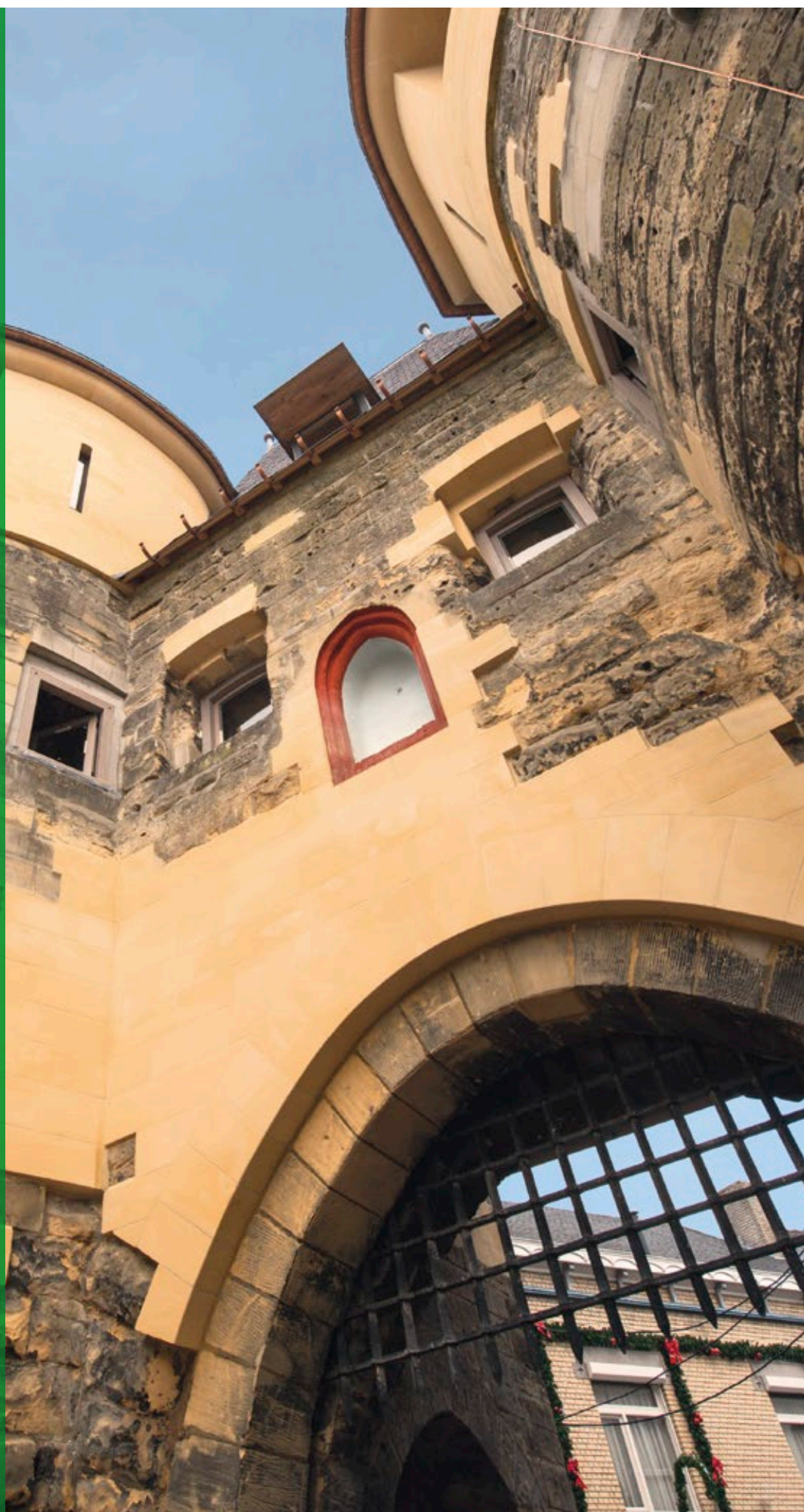
- Adopt measures to improve selectivity of clients and project environments, to become more successful in tendering and to become recognised as a leading business;
- Work on better and more pronounced communication of (sustainable) performance, to be better recognised and to take a leading role within the value chain (this was noted in particular by employees);
- Raise the profile of the benefits for customers and reduced life cycle costs on sustainable products (this was noted in particular by clients);
- Act in accordance with its reputation of being a connecting party within the industry, not only centralised, but also decentralised (this was noted in particular by suppliers);
- Adopt measures to improve safety, and also look outside the construction industry for ideas to improve (this was noted in particular by providers of financial capital);
- Come up with a definition of a healthy building, that contributes to human welfare (this was noted in particular by NGOs, for society at large).

In response to these recommendations, BAM has:

- Continued its efforts in the 'Making BAM a Safer Place' campaign, focusing on the three safety principles Respect, Comply and Intervene, which are based on participative ways of increasing safety;
- Established a BIM council that involves all operating companies to share and develop best practices in virtual construction, including Lean techniques;
- Increased its efforts and knowledge of life cycle costing in long term contracts that include energy performance, for which the social housing zero energy homes project 'De Stroomversnelling' is exemplary. Projects like these helped BAM win recognition by CDP in becoming a Climate Performance Leader;
- Formally introduced the Stage gate tender procedure (see page 43) to better manage its portfolio;
- Done a survey among over 800 supply chain partners to learn where working with BAM has contributed to value creation. A positive score was received on product innovation as well as production process innovation. By working with the supply chain, BAM should be able to bring even more supply chain innovations to its clients and end-users in the future.



Reconstruction of two  
mediaeval gates (Geulpoort  
and Grendelpoort) in  
Valkenburg aan de Geul,  
the Netherlands.  
**BAM Bouw en Vastgoed**  
(Schakel & Schrale).



**BAM signs green deal on environmental and social impact**

A coalition of thirteen large Dutch companies, including BAM, is taking steps to map their environmental and social impact, with the help of civil society organisations. This agreement was made on 13 February in a Green Deal with the Dutch government. As part of the Green Deal, companies will map their environmental and social impact, monetise these impacts and report on them in their annual reports. This creates a more complete picture of the company's performance. This transparent approach is a major step towards a green and sustainable economy, that values the wellbeing of people.

**BAM recognised as leader in Dutch benchmark for transparency**

For the fifth consecutive year, BAM has been awarded with a top 20 position on the Transparency Benchmark (Transparantie-benchmark) of the Dutch Ministry of Economic Affairs and has been declared one of the leaders by achieving a fourth place (2013: fifth). BAM was the highest scoring construction company. The Transparency Benchmark is an annual study of the quality of sustainability reporting among the 500 largest companies in the Netherlands. The Transparency Benchmark was established to improve sustainability reporting. The Benchmark's criteria have been adjusted in 2014 to fit in with new guidelines of the Global Reporting Initiative (GRI) and the Framework for Integrated Reporting by the Integrated Reporting Council (IIRC). The results of the Transparency Benchmark confirm that BAM describes relevant themes for society accurately and that the Group reports material information for its stakeholders transparently.

**Materiality**

In BAM's aim to create an integrated approach that concentrates on matters that are critical to achieving BAM's goals and managing its impact on society, the Group has conducted a materiality assessment. Material themes are those that substantively affect BAM's ability to create value over the short-, medium- and long-term.

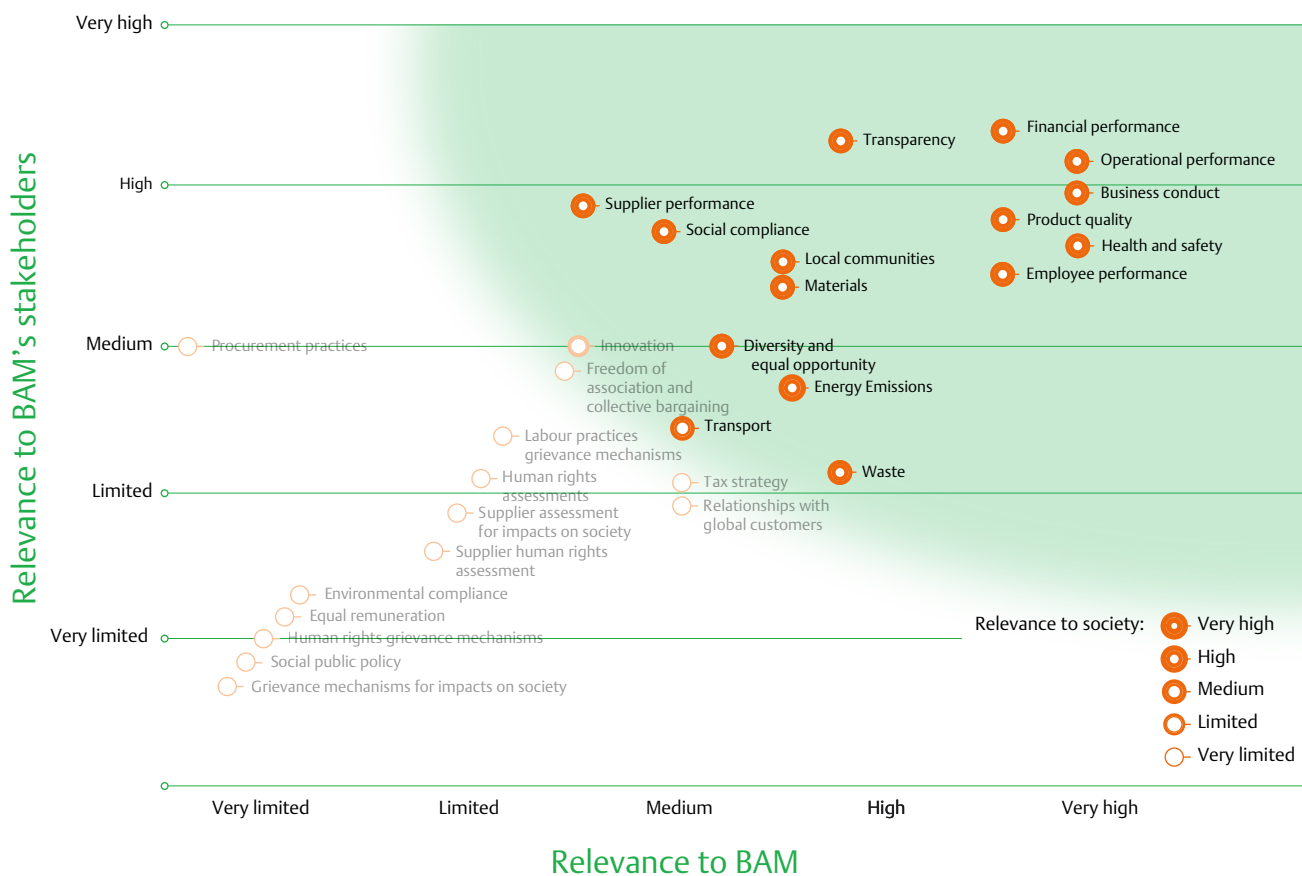
As a first step in the process of identifying material themes, BAM selected relevant matters from a long list of topics, based on their ability to affect financial, environmental and social value creation for BAM's stakeholders. This long list included aspects derived from the fourth edition of the Guidelines of GRI (Global Reporting Initiative), BAM's Group strategy, the results of research into stakeholders' interests and feedback from previous stakeholder dialogues and general meetings of shareholders.

The Executive Board then evaluated the importance of these relevant matters in terms of their known or potential effect on BAM's activities, products, services and relations, both within or outside of BAM, within the time-frame 2014-2020. 'Effect' within BAM was defined as 'impact on BAM's balance sheet'.

Stakeholders were asked to identify and prioritise the potential impact of these matters on themselves and on society. They were also asked to introduce and assess matters that were omitted from BAM's initial materiality assessment. No new topics were added.

BAM's materiality assessment does not have the same horizon, content and stakeholder scope as the company's risk assessment, as described in chapter 3.5 of this report. The materiality assessment has the horizon 2014-2020, whereas the risk assessment concerns the business cycle of three years. In addition, the material themes are evaluated on impact, not on risk. Also, all BAM's stakeholder groups were consulted for the materiality assessment, while the risk assessment is aimed at the impact on company's shareholders and financial institutions.

The Materiality Matrix displays the prioritisation of the matters based on their relative importance to BAM and to BAM's stakeholders. It should be noted that opinions of various stakeholders and appreciation in BAM's home markets may differ.



7 — Materiality Matrix

This report addresses BAM's performance in relation to the following topics that are positioned within the green area of the Materiality Matrix:

**Health and safety**

Health and safety forms an inherent part of process control, from project inception phase until end of each project. 'BAM borrows its employees from their families', is how BAM expresses its responsibility for everyone who works with and for BAM. There is nothing more important than everyone returning home safely. Occupational health and safety contributes to the satisfaction of the Group's employees and their relatives, BAM's subcontractors, its supply chain partners and others involved with BAM's construction sites. Safety also affects BAM's clients and BAM's reputation.

**Management approach:** A Group wide guideline for safety management provides BAM's operating companies with a framework

within which their safety management system must comply. BAM started an international safety campaign 'making BAM a safer place' to move towards an open safety culture, where BAM's employees actively call each other to account on unsafe behaviour. Three safety principles: Respect, Comply and Intervene underpin ten safety rules that encourage employees to hold each other to account on safety.

BAM entered into a partnership with Netherlands Organisation for Applied Scientific Research (TNO) to establish an innovative programme 'B-Alert' in order to research how behaviour and attitude relate to safety in the construction industry. The aim of the study is to improve employees' and their teams' resilience, assertiveness and ability to adapt to new or changing circumstances.

At the annual Safety Awareness Audit (SAA), BAM monitors the extent to which the safety management systems of operating companies comply with the guideline and the extent to which

Brabant Water and BAM Infratechniek partnership for the trenchless removal of obsolete water pipes

Maintenance-free integrated joint reduces noise pollution and vibration; test section on A4 motorway should result in extensive application in the Netherlands

BAM International wins the Gulf Construction Week Award for the i-BAM card system which stands for 'instant biometric android monitoring'

employees are aware of the safety risks inherent in their projects. The audits also highlight areas where the safety management system can be improved.

While the SAA score gives an indication of the extent to which risks and hazards are managed, the BAM Incident Frequency (IF BAM) can be seen as the result of effort. The IF is an indicator which is used to establish an organisation's actual safety performance. In the absence of an internationally recognised indicator, BAM has introduced its own definition, which the operating companies use to compare their performances. From 2015 onwards BAM's safety targets will extend focus on BAM's responsibility towards its value chain. Safety statistics will include accidents involving absence of BAM employees, hired employees, subcontractors and other third parties involved with BAM's activities.

When a fatal industrial accident occurs, involving a BAM employee or a subcontractor, the following actions take place:

1. The operating company informs the Executive Board and the Corporate Safety Officer (CSO) directly after the accident;
2. The first details of the accident are communicated within 24 hours of the accident;
3. No later than the day following the fatal accident, a message will be published on BAM's intranet;
4. If the accident occurred in Western Europe, the COO, assisted by the CSO, will pay a visit to the operating company within 15 days after the accident;
5. For accidents occurring outside Western Europe: video-conference; and
6. Three weeks after the accident a 'Safety Start' takes place in the country where the fatality occurred; A safety presentation/bulletin has been produced highlighting the lessons learned and who must have intervened. This has to be briefed out to all operatives.

BAM has yet to develop a management approach for health.

However, within ENCORD, Europe's forum for industry-led research, development and innovation in the construction industry, the Group has put on the agenda research and development regarding inhaling quartz dust and asbestos, diabetes and skin cancer.

> For BAM's performance, see page 64-65.

### Operational performance

Operational performance is key to realising the appropriate level of financial and non-financial results on construction projects.

**Management approach:** In 2014, BAM increased its efforts to improve the quality of its tender process in order to safeguard its current and future results arising from construction projects. BAM continued to cascade its internal risk management framework down through the Group. In addition, the evaluation of BAM's internal governance framework resulted in the update of Company Principles and Management Guidelines, including strengthening BAM's project selection and tendering process for large and high-risk projects. In connection with this development, peer reviews on project estimates are undertaken under the leadership of the Operational Audit Director.

> For BAM's performance, see page 58-61.

### Business conduct

BAM's reputation and licence to operate depend on responsible business conduct, by stimulating dialogue on dilemmas. Ensuring compliance with anti-corruption enhances efficiency by reducing transaction costs for BAM and for BAM's stakeholders. Furthermore, BAM believes that doing business honestly is vital to increasing competitiveness for BAM and for BAM's partners. Competitive behaviour contributes to innovation and mutual co-operation. It creates an environment where the best products will win and where BAM's stakeholders will get the best products for the best price.

**Management approach:** Chapter Business conduct on page 40 describes BAM's management measures related to business conduct as part of BAM's management approach related to specific risks.

> For BAM's performance, see page 66-69.

### Financial performance

A healthy financial performance provides BAM with the means to undertake transactions with its supply chain partners, which leads to the opportunity to develop new activities and to pay BAM's employees and shareholders.

**Management approach:** For the past two years BAM has been concentrating on improving its processes and strengthening its balance sheet. In 2013 BAM initiated balance sheet awareness programmes to improve the working capital position in each operating company and a property divestment programme targeting an annual reduction of €100 million in the period 2013 through 2015. Driven by significant disappointing results on a number of BAM's projects this year and last year and to enforce these actions, the Group has taken the following urgent and decisive steps called the Back in shape programme, with support from external consultants. The Back in shape programme comprises:

1. Cost reduction and restructuring programme to deliver at least €100 million annual saving by 2015 year-end;
2. Working capital programme to improve working capital by at least €300 million by 2015 year-end;
3. Divestment programme to realise value by divesting other assets in addition to the existing property divestment programme; and
4. Better project control.

> For BAM's performance, see page 49-61.

### (Perceived) product quality

To exceed clients' expectations, BAM needs to continuously improve the (perceived) performance of BAM's products. Product quality means that BAM does what it has promised to do, within the budget and on time. Product responsibility compliance, contract management and innovation are key value drivers.

**Management approach:** In order to comply with product responsibility, BAM makes sure that all projects, where its operating companies are responsible for design and construction, are certified. In other projects (PPP projects) BAM uses verification and validation methods. Each operating company has a Quality Manager who is responsible for the quality control of the operating company's processes. Quality Managers have companywide meetings where they discuss findings and evaluate their management systems. System

RAI Amtrium is the new, flexible and sustainable conference, meeting and office building on the northern side of Amsterdam RAI. To reinforce Amsterdam RAI's position as a leading sustainable exhibition and conference centre, RAI Amtrium incorporates the most sustainable techniques, such as natural means – e.g., thermal energy storage (TES) or solar panels – for the heating and cooling of facilities. Next to the Atrium on the office floors, the building will feature a vertical greenhouse across its height on the southern side where vegetables and spices can be grown for use in the restaurant. In this way the meeting, conference and office activities will be complemented by urban farming.

**BAM Bouw en Vastgoed.**





Right next to the port of Scheveningen, the Netherlands, **BAM Woningbouw** has built the 'de Reder' complex of different types of apartment, the developer of which is **AM**. The buyers of the uppermost storeys are assured of great sea views. The complex will consist of 52 apartments, nine city dwellings, a space for a supermarket, and an underground car park. The apartments all came with large outdoor areas, and many of the penthouses have a roof terrace and a balcony.

audits are conducted by third parties. On all levels, outcomes are assessed by the senior management of BAM's operating companies.

> For BAM's performance, see page 66.

### Employee performance

BAM increases its intellectual capital and the human capital of its stakeholders by investing in employee development. While the impact of employee development on wider society is minimal, within BAM, employee development contributes to employee engagement and lifelong learning.

**Management approach:** The Group's development approach is to encourage the employees to take ownership of their development with the manager / company adopting a supportive / facilitating role. The employee's personal development is captured in a personal Learning and Development Plan. These plans are evaluated annually between manager and employee. BAM offers employees various tools that can be used in their personal development, all accessible via the internal 'My BAM Career' site. Across the Group, BAM works with a number of universities externally and internally with the Group's training centres to ensure BAM continues to offer high quality training and development programmes. Employee development at Royal BAM Group is enhanced by the performance management process, in which the consequences of – amongst others – commercial goals are translated in terms of individual contributions (and targets). Continuous performance

management creates a learning loop for the individual and a learning environment for the entire company.

> For BAM's performance, see page 70.

### Transparency

The Group believes that by providing financial and non-financial information on the achievement of BAM's strategic goals, it can continuously improve the reporting process as well as its performance.

**Management approach:** The Group wishes that integrated reporting will enable BAM to report on the relationship between its financial and non-financial performance and will enable BAM to report transparently and externally about its value creation. BAM uses the GRI Sustainability Guidelines for its sustainability reporting to help promote comparability within the construction industry.

> For BAM's performance, see this report and in particular page 69-70.

### Emissions

Emissions that relate to the Group's energy usage, are relevant to BAM due to risks driven by changes in regulation, mainly in the case of the EU Emissions Trading System regarding the Group's asphalt plants. Buildings account for 30 per cent of EU CO<sub>2</sub> emissions<sup>1</sup>. The operation of a building accounts for 80 per cent of the total CO<sub>2</sub> emissions through the building's life cycle. Most of those existing today will still be standing in thirty years' time; the rate of new construction continues to remain low. In the field of energy and emissions, BAM can

<sup>1</sup> <http://ec.europa.eu/programmes/horizon2020/en> (2014)

create value by building energy efficient buildings and by renovating buildings to higher energy performance standards.

**Management approach:** BAM has calculated its carbon footprint in order to identify the main influences and therefore the key areas for potential reduction of emissions.

The Group has set targets for both absolute and relative reduction of emissions. BAM monitors and benchmarks progress on these targets on a quarterly basis for different activities within the company.

BAM focuses on reducing its direct CO<sub>2</sub> emissions by lowering energy use during the construction process.

The Group uses renewable energy.

By joining the Dutch Climate Coalition (Nederlandse Klimaat Coalitie), BAM has committed to: Having climate neutral operations in 2050 at the latest; Providing insights into its carbon footprint; Setting interim targets for climate neutrality; Becoming an ambassador of the Dutch Climate Coalition within the construction industry; If desired, playing a role in the 2015 World Climate Summit.

> For BAM's performance, see page 78-80.

### Waste

Waste production affects BAM's licence to operate and is an indicator of the efficiency of BAM's processes. Also, waste incurs costs due to the low value of residual material. The construction industry primarily produces waste, rather than effluents. Activities involved in the construction process generate approximately 25-30 per cent of total waste within the European Union. As a large construction company, the Group's waste production affects society. As approximately 80 per cent of materials are recycled, it concerns large amounts of materials that are to be reused.

**Management approach:** BAM has set targets for both waste reduction and recycling. The Group monitors and benchmarks progress on these targets on a quarterly basis for different activities within the company.

> For BAM's performance, see page 83-84.

### Energy

The Group's energy consumption contributes to a significant amount of its costs and is an indicator of the efficiency of its processes. As a large player in an industry with a relatively high energy consumption versus other industries, its energy usage has a great impact on society. Buildings account for 40 per cent of European Union (EU) final energy demand. The renovation of existing buildings represents more than 17 per cent of the primary energy saving potential of the EU up to 2050<sup>1</sup>. Through the Energy Agreement for Sustainable Growth and the Agreement for Energy Saving for Corporations (Convenant Energiebesparing corporatiesector), the Dutch government has set the following targets for the construction industry; From 2020 onwards, all newly built houses and buildings should be energy neutral; From 2050 onwards, all existing buildings should be energy neutral; In 2021, all 2.4 million houses owned by housing corporations should be retrofitted into an average energy label B standard.

**Management approach:** Through membership of the Dutch Construction and Infrastructure Federation (Bouwend Nederland) BAM

and industry partners have been preparing a programme to meet the goals set by the Dutch government.

Furthermore, BAM has set targets for both absolute and relative reduction in energy usage. BAM monitors and benchmarks progress on these targets on a quarterly basis for different activities within the company.

BAM innovates and works with value chain partners to identify possible reductions in both upstream and downstream manufacturing and operational processes.

> For BAM's performance, see page 76.

### Materials

Globally the construction industry accounts for 40-50 per cent of natural resource use and 25 per cent of all timber use. BAM has a continuous need for raw materials, water and energy. This means primary processes are affected by increasing volatility in raw material and energy prices. The products produced by the Group must also meet current and future demands, where the impact of changing laws and regulations, in particular, has proved to be very significant. BAM has identified opportunities for innovation based on changing client requests, particularly in relation to a greater focus on the recycling of materials and the use of sustainable materials, including timber sourced from sustainable forests.

**Management approach:** Firstly, BAM innovates to reduce material consumption during the design process;

The Group works with its supply chain partners to identify more sustainable alternatives both in the upstream and downstream of manufacturing and operational processes;

BAM focuses on improving the percentage of recycled materials used as well as renewable materials, by asking its main suppliers to provide an insight into the source of the materials;

To gain better understanding of waste production and reduction management each operating company submits quarterly reports on its waste streams and waste management.

> For BAM's performance, see page 86-88.

### Local communities

By its very nature, the Group's construction and renovation work has an impact on the local community, occupiers and other users of buildings and infrastructure and society as a whole. Community engagement affects the Group's licence to operate and allows BAM to build faster, which directly leads to results.

The Group's impact on its surroundings immediately affects its employees and local suppliers. And BAM's community engagement improves jobs and education in its environment, contributing to society as well. This requires a constant focus on everything BAM does to minimise the Group's negative impact and create value for local communities by implementing community engagement programmes. BAM considers that community engagement and involvement of less privileged employees are an opportunity to create value. This is known as 'Social Return' and BAM actively supports the implementation thereof. People who have been unemployed due to various causes, such as physical handicaps, unfinished educations or lack of

<sup>1</sup> <http://ec.europa.eu/programmes/horizon2020/en> (2014)

opportunity to be employed in or outside the industry for a longer period of time, are considered to benefit from Social Return initiatives.

**Management approach:** On many of its projects, BAM makes an inventory of local interests and, based on this, opts for the best approach to increase its licence to operate (which could be participation in local events). In addition, BAM participates in the Considerate Constructors Scheme in the United Kingdom and in Dutch Considerate Constructors (Bewuste Bouwers) in the Netherlands. BAM manages Social Return on a project basis and considers Social Return a part of its office operations, since in both cases it creates human capital and license to operate in local communities. Social Return may never lead to a reduction of safety for all involved, and therefore no compromises are made on required skills and trainings before job sites are open to people who are contracted under Social Return conditions.

> For BAM's performance, see page 71.

### Diversity and equal opportunity

BAM is committed to the principles of equal opportunity and diversity. BAM believes that diverse teams connect better to the wishes and expectations of BAM's clients and to society in all BAM markets. In line with BAM's vision on diversity BAM aims to attract people with different profiles and backgrounds in order to build teams that are 'fit for future challenges' and will contribute to achieving BAM's strategic goals. On top of that BAM truly believes that diverse teams perform better.

**Management approach:** Within its organisation BAM is supporting and developing female employees. BAM runs a Female Capital Programme, designed to promote women's progression to more senior positions.

Selection of staff and senior management is based on a range of considerations. Ensuring that senior management is populated with local residents can benefit the local community and BAM's ability to understand local markets better.

> For BAM's performance, see page 71.

### Social compliance

The influence of social compliance on the Group's reputation relates to the risk of losing work and the opportunity to win new work.

Non-compliance with laws and regulations is unacceptable. BAM's suppliers have to be compliant to be able to work for BAM and in doing so will have a good influence outside of BAM as well.

With ever increasing data collection to manage the built environment and to interact in society, BAM considers that privacy is a societal theme that will have an increasing impact on its operations. New technologies and innovations, which increase and improve structures, buildings, and user-interaction, lead to new forms of data collection. This requires data protection and therefore BAM has the responsibility to protect the privacy of all stakeholders.

**Management approach:** BAM's Code of Conduct describes the importance and conduct when it comes to compliance with laws and regulations. The Code of Conduct applies to all BAM employees and subcontractors and is distributed through BAM's website and

other channels. Adherence to the Code and follow up, including possible policy changes, are monitored through quarterly compliance reporting by BAM's compliance officers, who report to the Executive Board.

BAM collects and protects data about its employees and other stakeholders, following laws and regulations. BAM has addressed privacy in its Code of Conduct and will continue to address privacy in the future based on technological and societal developments.

> For BAM's performance, see page 66.

### Transport

Almost all of BAM's construction equipment and materials are transported to construction sites. Workers travel to BAM's sites, where the Group's end products are assembled. BAM's transport creates a nuisance for local communities and has environmental impact on society. BAM's transport affects the Group's license to operate, its emissions and causes safety risks for road users and people who live or work near its sites, including the general public. The efficiency of the Group's transportation systems also involves a large financial component.

**Management approach:** BAM monitors kilometres travelled within the Group on a quarterly basis and analyses corresponding energy usage.

BAM does not record transport by third parties.

Since 2013, the Group only leases new cars with an A or B energy label, others will be phased out. Although the number of car brands is limited for cost saving purposes, an exception for hybrid and electric cars is made to allow for a swift transition to more sustainable mobility. From a safety point of view, snow tires are mandatory, despite their possible lower fuel efficiency.

BAM also employs electric vehicles to reduce fuel consumption, CO<sub>2</sub> emissions and air pollution.

An e-learning programme supports the challenge to reduce fuel consumption by four per cent and insurance claims by five per cent.

> For BAM's performance, see page 76-80.

### Supplier performance

Labour practices of the Group's suppliers affect BAM's reputation and are associated with the risk of losing work. The Group's suppliers have to bring their practices at least to BAM standards to be able to work for the company and in doing so will have a good influence outside of the Group as well.

**Management approach:** To develop the Group's supply chain and incorporate its values, BAM seeks added value, long term, mutually beneficial relationships with partners who can help improve the Group's supply chain. The challenge is to select supply chain partners, products and services that really make a difference. Suppliers are assessed against five different themes (safety, quality, total cost, logistics and engineering and process). If the score is lower than required, BAM starts a dialogue to improve their performance. If they are not willing and / or able to improve their performance, they will be excluded from future work with BAM.

> For BAM's performance, see page 72-73.



*CSR responsibility and delegation*

The Executive Board defines the CSR Policy in consultation with the Director Corporate Social Responsibility and the management teams of the operating companies. Meetings with senior management are used to define sustainability issues and reach agreement on prioritising objectives, monitoring activities, and reporting results. Critical concerns are reported to the Executive Board at least in quarterly reports, or whenever more urgency is required. The Executive Board communicates to the Supervisory Board according planned reporting cycles, or whenever more urgency is required. Safety ambitions, the reduction of CO<sub>2</sub> emissions, and strict waste management, along with business integrity, apply to all BAM operating companies. In addition, each

operating company measures KPIs addressing issues of relevance to its own business. For example, increasing the number of women in the workforce, especially in senior roles, is a specific area of focus in the Netherlands. Each operating company has a management team member who has the responsibility for CSR. The operating companies report progress quarterly to the Executive Board and the Director CSR together with details of actions taken to support the Group's business objectives. They interpret BAM's objectives based on their unique operating conditions. CSR is part of how managers and employees do their day-to-day jobs. It is addressed, for example, at regular work discussions and performance reviews. In this way, implementing sustainability is shared across all levels of the Group, from BAM's Executive Board to its local champions.

## Stakeholder interview

### Dana Skelley

*Director of Asset Management, Transport for London (TfL)*

*'Industry partners should go into schools to show the value of the work we do'*

**TfL is responsible for the day-to-day to operation of the capital's public transport network, managing London's main roads and planning and building new and improved infrastructure. Every day around 24 million journeys are made across their network.**

*How do you see the construction industry in ten years' time?*

'My vision is that early involvement will help the industry to make the change. It will lead to much more collaboration. Better planning and front-end optioneering will encourage clients and contractors to engage for the benefit of our customers. Clients need to change as well to enable the industry to change. Also in years' time we will see more women in construction and the demographics of the industry should start to change for the better.'

*In what phase of the value chain do you believe BAM delivers the greatest added value?*

'Long term relationships are important rather than having the industry in a constant state of retendering. There is also

a sound business case for early contractor involvement with suppliers such as BAM. TfL is committed to build infrastructure that improves our cities and improves life for people in our cities.'

*How can BAM win over partners in the value chain to achieve an even more sustainable approach?*

'It is a question of treating your supply chain partners as real partners instead of unimportant add-ons and helping them to understand what the client's overarching requirements are and what they value.'

*In what respect can partners contribute to a more sustainable approach?*

'This is one of the areas I'm working with together with BAM by forming partnerships to develop our young engineers and apprentices get a breadth of experience by sharing them through our organisations.

The other thing I'm very keen on is working with our partners to encourage more women to join our industry. This year marks the centennial anniversary of the First World War and a significant moment in the

history of transport, when 100,000 women entered our industry to take on the responsibilities held by large numbers of men who enlisted for military service. TfL and its industry partners will use this opportunity, through the 100 Years of Women in Transport programme to celebrate the significant role that women have played in transport over the past 100 years. We will also reflect on the diversity of the current transport workforce and identify opportunities to enhance it through a variety of initiatives and activities. Ultimately this is about strengthening our industry so that it reflects London's demographics.

We find that many people in schools, like career advisors and teachers, have no idea of what our industry has to offer. So one of the things that we can do in partnership is to go into schools, talk to teachers and pupils and equip them with ways of understanding the value of the work we do.'

### 3.2 Strategy

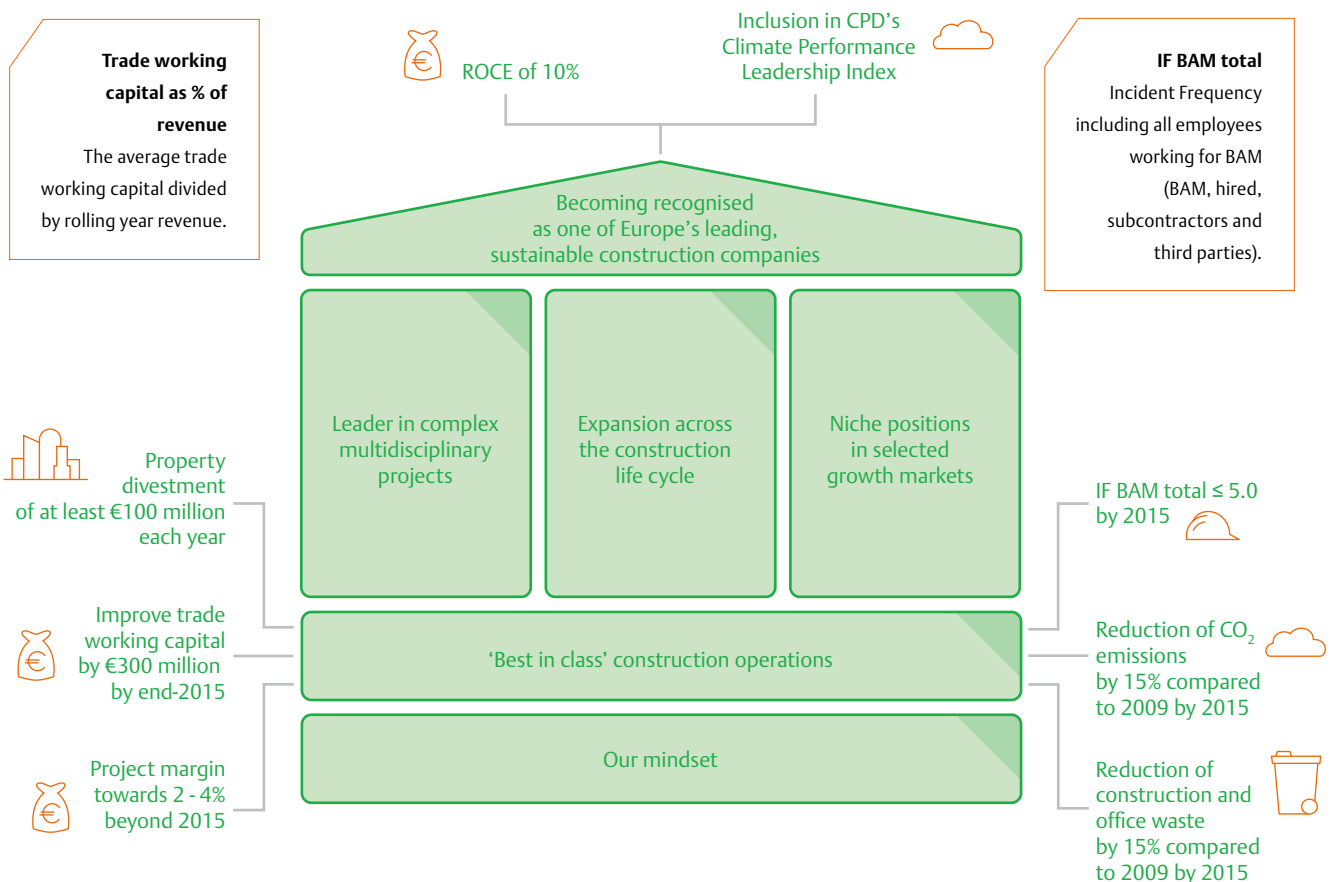
In 2012, BAM shared its Group strategy for the period 2013-2015. This agenda is built on sustainable performance by mobilising the talent and synergies across the company to enhance BAM's competitive position and ultimately create value for its stakeholders. This agenda has allowed for the expectation that BAM will be able to benefit from three global market developments in the long term:

1. Increasing urbanisation and demand for sustainable solutions are leading to more complex construction assignments;
2. Limited financial resources and cost optimisation are leading clients and users to focus on 'life cycle costing' and therefore to an increasing demand for service provision throughout the entire life of a project, from initiation and financing to management and maintenance;
3. Increasing demand in emerging economies for (major) complex infrastructure projects.

BAM's goal is to become recognised as one of Europe's leading, sustainable construction companies. In 2014 the Group strategy has been made actionable by introducing a number of (newly developed) performance indicators as well as by developing appropriate action plans. Consequently, a more solid approach in connection with performance measurement has been carried out throughout the Group.

#### Our mindset

First and foremost, BAM acknowledges that the foundation of creating value is based on engagement, alignment and empowerment throughout the Group. BAM's full potential is utilised by engaging operating companies to employ their capabilities and expertise for the Group. All levels of the Group and all operating companies are aligned to use human capital, intellectual capital, equipment and other means to provide high quality construction services. Employees are empowered to make their personal contribution to the process of value creation.



### 3.3 Towards sustainable performance

The following provides a brief description of the four strategic objectives and their underlying material themes and value drivers:

#### 'Best in class' construction operations

'Best in class' construction operations are recognised as crucial in managing BAM's project risks and delivering value to BAM's customers. Within this objective BAM distinguishes certain financial as well as non-financial material themes:

##### *Operational performance*

BAM strives for continuous improvement of its operational performance. 'Best in class' tender and project management drive operational performance by focusing on reducing lead time of projects through Lean and building information modelling (BIM) and by implementing sustainability and safety initiatives to reduce CO<sub>2</sub> emissions, construction and office waste and improve the safety of employees and partners in the value chain. Emissions, material waste and safety incidents are all considered a waste of capital.

##### *Financial performance*

Improvements in BAM's financial performance in terms of results are closely linked to operational performance and consequently follow the measures undertaken in the primary process. In addition, for BAM, financial performance also means focusing on opportunities to strengthen its balance sheet. Key programmes are the reduction of the Group's property development portfolio and optimisation of its working capital with the common goal to release significant amounts of cash and effectively increase ROCE.

##### *Employee performance*

Firstly, to improve employee performance, BAM must mobilise its potential by deploying its employees' present skills in the right way on current projects. Secondly, the company must give its employees the skills that it will need in the future through performance management.

##### *Supplier performance*

Also for its suppliers, BAM must properly deploy their current skills on existing projects. In addition, BAM must improve its suppliers' performance by providing them the skills that BAM will need in the future.

#### Leadership in complex multidisciplinary projects

*'Increasing urbanisation and demand for sustainable solutions are leading to more complex construction assignments.'*

BAM supports the strengths and expertise of its operating companies through better internal co-operation and by co-ordinating operating processes to stimulate the execution of multidisciplinary projects. Under this strategic objective 'blank spots' on its activity matrix (project market combinations) in its home markets are explored in order to be able to offer multidisciplinary services everywhere. In a geographical context BAM is extending its activities from Germany into Switzerland and Denmark and from Belgium into Luxembourg.

#### Expansion across the construction life cycle

*'Limited financial resources and cost optimisation are leading clients and end users to a focus on 'life cycle costing' and therefore to an increasing demand for service provision throughout the entire life of a project, from initiation and financing to management and maintenance.'*

BAM develops and sets up business units, or 'asset management service units', which will be equipped to run and maintain projects. Led by specialised management teams, they will gradually grow, firstly as part of PPP projects and through local acquisitions and local expansion. In addition, by innovating, BAM will introduce energy and water-efficient concepts to be used in non-residential and residential building projects and in civil and technical engineering projects.

#### Niche positions in selected growth markets

*'Increasing demand of emerging economies for (major) complex infrastructure projects.'*

BAM International, the operating company active outside BAM's European home markets, is key to achieving this objective. To maintain its firm position in the growth markets Middle East, Australia, Asia Pacific and Africa, BAM International strengthens its relationships with global customers in the oil and gas, mining and industrial sectors and continues to invest in state of the art equipment. Access to other markets is explored by contributing knowledge and experience.

### 3.4 How BAM works

#### Sectors

The unique diversity of countries and sectors in which the Group operates and of the relationships that BAM maintains with its clients and subcontractors enables BAM to continuously expand and increase its potential.

*Construction and mechanical and electrical services*  
 BAM is active in the Construction and mechanical and electrical services sector in all BAM's home markets, as well as in Switzerland and Denmark. In addition to carrying out non-residential construction work in all the home markets, BAM also carries out residential construction contracts (mainly in the Netherlands, Belgium, Germany and Ireland). BAM International also carries out non-residential construction projects in the Middle East and Indonesia in particular. BAM International operates from its headquarters in the Netherlands and from regional offices in Tanzania, Dubai, Panama, Indonesia and other locations. BAM's Construction and mechanical and electrical services sector employs approximately 7,500 staff.

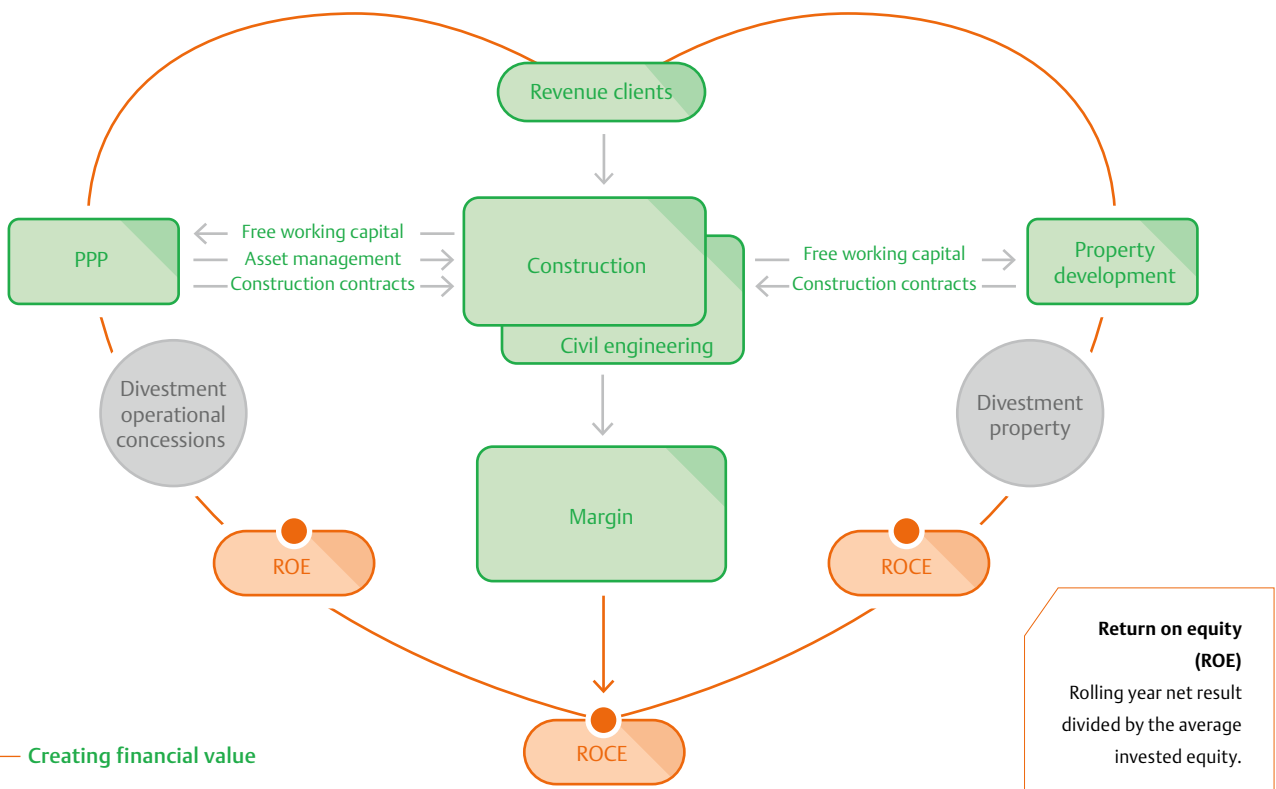
*Civil engineering*  
 BAM operates in the Civil engineering sector in all BAM's home markets. BAM International also carries out specialised civil engineering works worldwide. BAM's Civil engineering sector employs approximately 15,500 staff.

*Property*  
 BAM is active in property development in the Netherlands, the United Kingdom, Ireland and Belgium. Principally, construction of the project development activities is carried by BAM's construction operating companies in the respective home markets. BAM develops single family homes in the Netherlands with area and project developer AM. BAM's Property sector employs approximately 200 staff.

*Public Private Partnerships*  
 BAM PPP is responsible for BAM's presence in the European public private partnerships market: its results reflect the returns from investment activities only. Operating from offices in Bunnik, Birmingham, Brussels, Dublin, Frankfurt am Main and Glasgow, BAM PPP operates in the roads, rail, education, health care, judicial and general accommodation sectors and employs approximately 100 staff.

#### Creating financial value

BAM offers an extensive range of products and services in the operational sectors (Construction and mechanical and electrical services and Civil engineering) and investment sectors (Property and Public Private Partnerships). With the current product portfolio and expertise, presence in these sectors of BAM's five home markets and encouraging internal co-operation enables BAM to utilise free working capital from its operations to invest in selected property and PPP projects which again generates construction contracts. > Image 9 illustrates the financial interaction between the sectors including the relevant financial metrics to assess BAM's performance.



## Value chain

The Group's value chain management and subcontractor engagement provides the opportunity to bring value to BAM's clients from innovations and cross-fertilisation from the value chain. With Lean planning techniques, BAM can incorporate schedules of supply chain partners, allowing for a reduction in labour and equipment costs. Value chain management requires sharing BAM's Business Principles and policies on CSR including targets and BAM requires its major value chain partners to share information on their CO<sub>2</sub> emissions.

BAM's operating companies achieve most of their turnover in collaboration with their subcontractors and suppliers. More than 75 per cent of turnover is outsourced to supply chain partners. Projects may also be carried out in collaboration with other construction companies (as part of a joint venture).

Natural, human and financial capital are typically sourced locally in BAM's home markets. In the Netherlands 98 per cent of BAM's purchases were locally sourced in 2014, BAM expects comparable percentages in its other home countries. An exception to the rule is tropical timber (typically under FSC or PEFC labelling). BAM operates mainly in a business-to-business environment and in a business to government environment. Within all its European home countries BAM works for national and local governments. Typical supply chain partners are mechanical and electrical suppliers, often in conjunction with local labour suppliers as well as local small and medium enterprises.

## Key business activities

The construction industry provides services on a project by project basis. A project could comprise various stages:

### *Bid / develop*

In this stage the type and scope of a project is determined, including stakeholder analysis. Conceptual drawings are developed to visualise the desired outcome. A project may be bid at this stage on a design / build basis or after the design stage on a construction only basis.

### *Design*

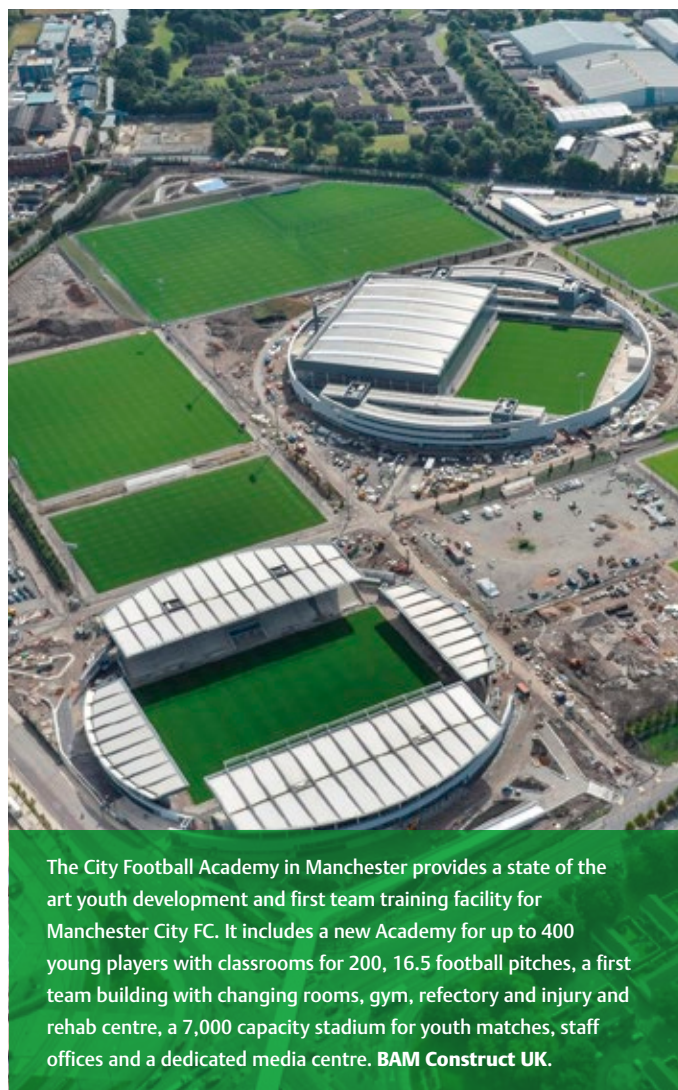
The main purpose is to develop the design of the project according to functional demands.

### *Engineer*

Details and work method of the construction and installation together with a project schedule, budget and resource estimate are determined.

### *Construct*

Once designed the project is built and commissioned to ensure it meets the project requirements, including budget and planning.



The City Football Academy in Manchester provides a state of the art youth development and first team training facility for Manchester City FC. It includes a new Academy for up to 400 young players with classrooms for 200, 16.5 football pitches, a first team building with changing rooms, gym, refectory and injury and rehab centre, a 7,000 capacity stadium for youth matches, staff offices and a dedicated media centre. **BAM Construct UK.**

### **BAM Woningbouw launches 'Wooncollectie'**

In 2014 BAM's Dutch operating company BAM Woningbouw launched an innovative concept which has a strong client focus in construction and renovation of homes. Customers have the possibility to choose to build their home in one of three architectural styles. The core of the concept is an optimised design and use of raw materials in both new construction and renovation of homes. Through total costs of ownership the concept provides a clear and transparent overview of initial investment and costs of operation. An investment plan is offered to the client within 24 hours of the application. This is used to determine whether the investment is feasible.

**BAM Infraconsult apply augmented reality at civil engineering projects**

For the Innovation Award 2013 BAM's Dutch consultancy company for civil engineering, BAM Infraconsult, handed in a project where a 3D model adds artificial information about the environment and its objects to the real world. Using this software enables everyone with a smartphone or tablet to look at the future state of a project. The technology that combines this virtual environment with the real-world environment is called Augmented Reality. BAM Infraconsult conducted research on the possibility of implementing Autodesk InfraWorks. This software package has promising capabilities for combining data from different Autodesk programs and translating it into augmented images.

*Maintain*

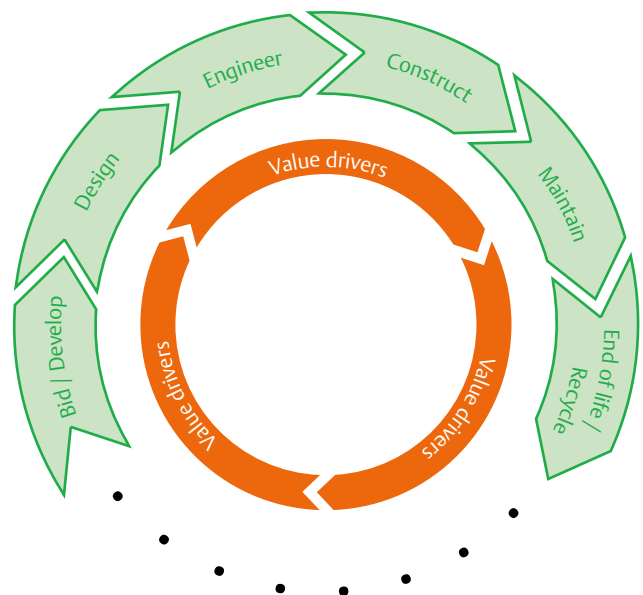
When the building or infrastructure development has been completed it is put into service. Facility management delivers life cycle services and ensures that the development is operated and maintained efficiently.

*End of life / recycle*

This is generally the starting point for a new development. Typically before reuse, the structure is assessed for future use as construction elements or raw material.

The earlier BAM gets involved in a development the greater its opportunity is to influence the sustainability of the development at a lower cost. Where BAM is the property developer or where BAM is part of a public private partnership, BAM has the greatest opportunity to maximise sustainability outcomes, as the company can set sustainability ambitions in the early concept stages. This allows life cycle costing to be taken into consideration at the early design stages, allowing for higher capital investment to be considered against lower maintenance and operational costs.

Innovative solutions are developed by BAM's operating companies during the search for sustainable solutions to meet its clients' needs. BAM also supports a number of organisations in the research of specific technology and process innovations. BAM is also part of a number of internal and industry leading forums sharing best practice on sustainability (see Stakeholder engagement, page 15-16).



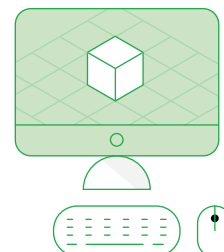
## See an opportunity

Customers do approach BAM and BAM identifies customers, in business to business, business to consumer and business to government relations. It all leads to the question: will BAM make a proposal to the client? Please refer to 'Stage gate tender procedure', page 43-44 for a detailed description of the supporting decision making process.



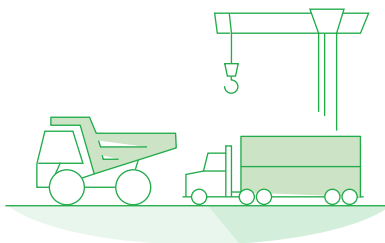
## Design

Some argue that Design is where Art meets Science. For BAM it means: the process of optimising resources to meet functional demands, a creative process considering laws of physics, economics and society.



## Engage with other stakeholders

BAM's bid needs to meet needs and demands of all relevant stakeholders to be sustainable and winning. Engagement provides the opportunity for better decision making by bringing together stakeholder demands and creating value for them.

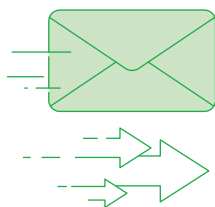


## Engage with suppliers

Suppliers are a special stakeholder category. Their knowledge, people and other resources provide 75 per cent of BAM's turnover which BAM brings as value to its clients. Working with BAM provides them the opportunity to increase their value through innovation.

## Propose to the client

Value is described, and to be judged by the client, mostly in terms of financial value and quality. Quality is often expressed in sustainability terms, which often relate to life cycle cost and other externalities.



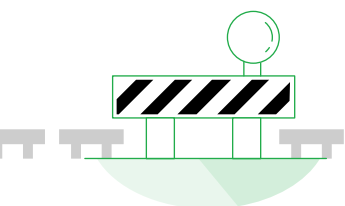
## The client accepts

The approval of the final contract is the conclusion of the bidding process, and the decision is made to continue the value creation process.



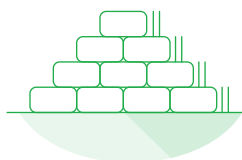
## Prepare the site

Society and local communities are impacted at the site that BAM prepares before building starts: Excavations deliver resources and landscaping can positively impact biodiversity.



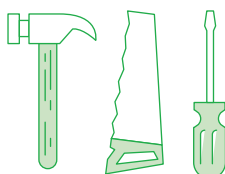
## Order materials

BAM's suppliers provide the materials that BAM orders, which creates jobs and stimulates supply chain innovations.



## Build

BAM's employees coordinate workers and subcontractors with BIM and Lean techniques to reduce all avoidable cost in assembling materials, to create maximum financial value for BAM's financial stakeholders.



## Maintain and deliver

- functionality to the client
- turnover to the suppliers
- knowledge to the employees
- shareholder value to the shareholders
- a better world to society



## 3.5 Risks and opportunities

### Risk management

Risk is inherent to any business venture and the risk to which the Group is exposed is not unusual or different from what is considered acceptable in the industry. The Group's risk management system is designed to identify and manage threats and opportunities. Effective risk management enables BAM to capitalise on opportunities in a carefully controlled environment.

Intensifying risk management is one of the main items on the Group strategy 2013-2015, as detailed on page 26. The agenda focuses both on process improvement and on enhancing the appropriate risk attitude and awareness among the operating companies.

The risk management system provides a platform for sharing knowledge and expertise among the operating companies in a structured manner, making risk management a key enabler in achieving the strategic objectives.

### Risk management framework

The Executive Board is responsible for risk management at the company and has created and implemented the Enterprise Risk Management Framework, supported by the Risk Management department. This framework, which is based on COSO (Committee of Sponsoring Organisations of the Treadway Commission), is integrated into the regular planning and control cycle and involves achieving the strategic objectives, the effectiveness and efficiency of business processes, the reliability of information provision (including financial information) and compliance with the relevant laws and regulations.

The first step in the risk management process is defining and planning the Group strategy. This process is conducted every three years in conjunction with all the operating companies and results in strategic objectives and implementation plans. The strategic objectives are assessed by the Executive Board and the Group's staff directors based on the BAM Risk Register, which contains 28 predefined risk areas, relevant to the environment in which BAM operates and to the risk appetite specified. The purpose of this assessment is to prioritise risk factors and the corresponding implementation and improvement goals.

The Group strategy and risk management framework are shared with the operating companies, which operate in the specific industries and geographic areas shown in the activity matrix. They adapt the Group strategy to their own specific activities and environment and subsequently assess their (derived) strategy based on the BAM Risk Register. This process helps to identify all relevant risks in the 28 risk areas and results in the prioritisation of risk areas and the corresponding implementation and improvement plans for each operating company.

The strategic plans and risk assessment for each operating company are shared across the entire Group, resulting in a platform where

best practices are shared and implementation and improvement plans are executed collectively by the operating companies where possible. Staff positions and networks of subject matter experts accelerate this process of acquiring and sharing knowledge and expertise through a consistent risk management language and approach.

The Executive Board receives progress updates on the implementation of the strategic goals and the related implementation and improvement plans through the quarterly reports and management meetings. This is also shared regularly with the Supervisory Board.

### General management measures

The Group uses a variety of general management measures as part of its risk management and monitoring system. The first of these are the Business Principles, which represent the Group's beliefs, values and expected behaviour. Along with the Code of Conduct, these principles form a key part of the internal environment in which risk management is conducted.

#### *Business Principles*

**People:** We offer added value to clients, employees, business partners and the community.

**1. Clients:** We always do our utmost to exceed our client's expectations. We work in partnership with our clients to deliver high-end projects within the timescale set, both safely and with respect for the environment. We encourage our clients to work with us to develop suitable sustainable solutions. We aim to be the preferred supplier for CO<sub>2</sub>-neutral solutions.

**Dilemma:** In a market where cost often takes precedence over value, especially at tender stage, incentives to reduce impacts such as value engineering and innovation are often implicitly induced and BAM's newly developed products are not considered as proven technologies and accordingly rejected. Yet, BAM staff is encouraged to maintain a sustainable relationship with clients, based on its Business Principles and the opportunity to work with them in the long term.

**2. Community:** We promote good communications with the local community. By its very nature, our construction and renovation work has an impact on local communities, occupiers and other users of buildings and infrastructure and society as a whole. We are proactive therefore in minimising the level of negative impact on the local environment and seek to make a positive contribution to local communities.

**Dilemma:** BAM often operates in communities that have not chosen the projects that BAM builds and often BAM is not responsible for the value the projects have for communities after completion. Especially outside Europe BAM's operations are often in areas where its licence to operate depends on community engagement and CSR, not on good intention or charity.



**3. Employees:** We believe in our employees. We aim to create a safe and inspiring environment for our employees to develop their skills and in turn enable them to contribute to the further development and growth of our organisation. The commitment to our employees is demonstrated by:

- Health and safety – Health and safety is the top priority of our company. We are committed to the continuous improvement of our performance in health and safety for all our employees and subcontractors and everyone involved with our activities, including the general public;
- Equality and diversity – We offer a challenging working environment where everyone feels valued and respected. We are committed to equal opportunity and we ensure that job applicants and employees do not face discrimination on the grounds of gender, marital status, race, skin colour, ethnic origin, religious belief, sexual orientation, disability, or age;
- Learning and development – We create a learning culture and provide opportunities for our employees to fully apply their knowledge and skills in the service of the company. We are committed to professional development and will help our employees to continue their development in the interests of the company and its objectives.

**Dilemma:** Despite economic pressures that result in job losses, BAM continues to invest in people by offering new and varying opportunities for work. Heavy competition drives innovation capabilities in BAM's projects and employees accordingly. Economic pressure may also result in using fewer safety measures, like barriers or other equipment to protect workers. BAM considers savings at the expense of safety unacceptable and qualifies reducing safety measures at the risk of employees as dangerous for all stakeholders and as unfair competition.

**4. Supply chain partners:** We procure responsibly. We treat our supply chain partners honestly and respectfully. We work with subcontractors and suppliers to ensure that they operate safely and in an environmentally-conscious way. Together with our preferred partners, we promote and develop sustainable solutions and best practice for the industry.

**Dilemma:** Low price bidding and the decisions taken to arrive at lowest price, because of economic pressures, do not necessarily provide value for clients. BAM focusses on long term partnerships that create intellectual capital for all in order to decrease total cost.

**Planet:** We recognise our responsibility to future generations.

**5. Energy:** We strive to reduce our impact on climate change. We will improve our energy efficiency, reduce our CO<sub>2</sub> emissions and work with our clients to develop CO<sub>2</sub>-neutral solutions.

**Dilemma:** Under current market conditions, CO<sub>2</sub> intensive markets like civil engineering outside Europe perform better than Construction, mechanical and electrical and the Dutch market. This has negative impact on climate change indicators, but does contribute to local communities, economies and social circumstances.

**6. Raw materials:** We are becoming more efficient in our use of materials. We believe in reducing our impact on the supply of natural raw materials used in our products. We will work with our clients and suppliers to use alternative materials and methods in order to optimise the use of raw materials. We also promote measures to recycle and restrict waste.

**Dilemma:** New and recycled materials tend to suffer from regulatory restriction for acceptance in construction, which favours traditional materials. True pricing, taking into account social and environmental cost gives transparency to the Group's product value, which BAM trusts will yield acceptance.

**7. Environment:** We will limit our environmental impact. We take all possible reasonable measures to ensure that our activities are conducted in a way that minimises the impact on the local environment. We promote environmentally-friendly operations and seek opportunities to promote biodiversity on our construction sites.

**Dilemma:** The value of bio diversity is generally appreciated, yet hardly quantified. Monetising, or otherwise comparing value needs further research for proper assessments that are in line with public perception. Bio diversity is rarely addressed in client specifications or Invitations to Tender.

**Profit:** Creating economic value.

**8. Innovation:** We innovate to identify balanced sustainable solutions. Innovation is essential for our development and to identify powerful sustainable solutions in the built environment. Together with our partners in the supply chain, from customers to subcontractors and suppliers, we will provide sustainable solutions in which economic, environmental and community interests are well balanced. This approach ensures that we use materials efficiently and provide good value to our customers.

**Dilemma:** Innovations typically provide unique solutions for which no equivalent exists. Public procurement often prohibits patented or BAM's unique solutions for fear of lack of competition, despite the sustainability.

**9. Prosperity:** We believe that sustainability results in economic value and we choose to create value by working on effective and profitable solutions for our shareholders that contribute to a sustainable future. We believe that by applying these Business Principles, we create value for our shareholders, clients, employees and for society as a whole.

**Dilemma:** Advantages of being a first-mover in the field of corporate social responsibility often seem to cause disadvantages in competition. Yet, as a first-mover BAM has the opportunity to organise the supply chain.

Tour Paradis, Liège. The 28-storey Finance tower is 118 metres high and situated near the iconic Guillemins TGV station. Architect: Jaspers-Eyers Architects and Bureau d'Architecture Greisch.

**BAM Belgium (Galère, Interbuild).**



### *Management guidelines*

A second general management measure is the guidelines and instructions the Group provides to the management of the operating companies, as well as feedback. This measure defines the levels of responsibility of the operating companies and sets requirements for the quality of vital management measures and include, among other things, limits for entering into risks and commitments related to investments and bidding on projects. The guidelines are assessed – and amended if necessary – based on changes in the risk appetite for achieving the objectives, the risk profile, or changes in the internal organisation.

In addition to the Executive Board's guidelines, there are more detailed instructions for establishing the control environment, external reporting, security policy, tax policy and treasury-related matters.

The Group's third general management tool is a system for budgeting, reporting and (internal) controls. The entire Group uses uniform guidelines and accounting policies, which serve as the basis for all financial, non-financial and management reporting. As part of the detailed quarterly reports, the operating companies report on changes in (projected) company revenues, financial results, working capital and liquidity, orderbook and sustainability.

Lastly, the Group manages several insurance policies relating to liability, design liability (i.e. professional indemnity), construction all risks (CAR) and equipment (including floating structures) and fire. A specialised department ensures that all relevant risks are included in the insurance agreements during construction (which are entered into at the head office) and that the liability insurance policies purchased provide sufficient cover. In addition, they also inform the operating companies of their claims history in order to be able to continue improving. The Group regularly consults professional insurance brokers on its insurance cover.

## Risk appetite

Risk appetite is defined as the level in which BAM is willing to accept risk in the ordinary course of business in order to achieve its objectives.

Based on its knowledge and experience in the home markets, BAM is willing to tender on complex multidisciplinary projects, which involves the controlled transfer of risk between the client and BAM. In order to spread risks, BAM considers tendering for large projects in conjunction with solid and solvent partners. In projects that exceed €300 million, BAM in principle bids together with partners. In entering into PPP investments, BAM aims to generate construction output for the operating companies. The company's intention is to sell these projects to investors after the construction

phase, as was achieved in the BAM PPP-PGGM joint venture. Since the risk profile is substantially based on volume (i.e. variable compensation), BAM generally only invests in projects based on contractual availability (i.e. fixed compensation).

Property development also generates construction output for the operating companies and BAM continues to invest in property development projects provided they are profitable and have a plausible and profitable exit strategy that has been defined in advance.

Outside its home markets, BAM intends to invest worldwide in niche areas, provided they are in line with the Group's Business Principles.

Based on this risk appetite, BAM expects to be able to achieve its objectives defined within the Back in shape programme.

## General risks and corresponding management measures

### *Construction contracts*

The majority of construction work is performed on a project basis, with projects varying in their nature, size, scope, complexity and duration. The industry as a whole shows a certain imbalance (i.e. asymmetric) between risks and results, meaning the upward potential of projects tends to be more limited than the downward potential. As a result, the Group must therefore have strong project organisation in place, operating close to the projects and within the markets.

Before bidding on any new project, the operating companies assess the qualitative and quantitative risk factors. Uncertainties may relate to financial and contractual aspects, safety, construction materials, plant and equipment, location (including site conditions and permits), the construction period and the work schedule as well as to clients, subcontractors and construction partners. A quantitative analysis is performed on the risk factors, based on empirical data. This analysis is used to make adjustments to the project schedule or construction methods in order to reduce project risk. The analysis may also result in adjustments to the risk premium in the contract price.

Bids for major projects or projects involving exceptional risk are submitted to the Executive Board for prior approval. During the execution, the project team periodically and systematically assesses the opportunities and risks attached to the project. If necessary, the project team implements measures to reduce newly identified risks, focusing mainly on the quality of the construction work to be completed, avoidance of construction faults and meeting the handover date. Project managers submit reports on

progress, the main opportunities and downside risks associated with the project, the quality and the financial aspects of the project to their regional office manager, who, in turn, reports at least on a monthly basis to the operating company managers. They, in turn, report to the Executive Board, through the information systems described above each quarter.

The success of projects BAM acquires depends largely on the quality of the employees and management. In order to attract, challenge and develop talented employees in a structured and effective manner, the Group has made human resources policies a key priority, as discussed on page 22 of this report.

In order to limit legal risk, BAM uses standard legal documents required for projects wherever possible. Where a non-standard contract is used, Royal BAM Group (in-house) lawyers will assess the contract beforehand. Standard contracts include amongst others clauses that provide that price increases in units of wages and materials may be charged on to the client during the construction period. Clients also have the option to buy off these risks.

In the construction industry, clients commonly demand guarantees by way of security that the project will be completed successfully. This guarantee may be provided by the parent company or, alternatively, by external parties such as banks and surety institutions. The Group has strict procedures in place to ensure that the contractual terms of the guarantees provided comply with the company's specific guidelines.

On an annual basis, the Group procures more than 75 per cent of its revenue from suppliers and subcontractors. These companies have a major impact on the projects, both in financial and in technical terms. The Group aims to build strong partnerships with its suppliers and subcontractors in order to ensure that the construction process runs as smoothly as possible and to achieve the optimum lowest possible costs and high quality of products. For co-operation and management of price risks to work well, suppliers need to be involved in the project at an early stage. This co-operation is set out in partnerships and framework contracts, which contain agreements about fees and conditions (such as delivery times, invoicing, risks and bonus discounts). Project-specific orders can then be placed under the framework contracts.

The comprehensive knowledge and extensive experience of its operating companies enable the Group to complete major projects successfully on its own. Nonetheless, it can be advantageous – including from the point of view of spreading the risks – to work in a joint venture when dealing with larger projects. In the Netherlands this usually involves establishing a general partnership (a legal form in which all parties are jointly and severally liable for mutual commitments connected with the performance of the project). The Group mitigates the risk arising from these activities

to its construction partners by entering into joint ventures only with solid and solvent partners. If the risk to which the partner is exposed is nevertheless assessed to be too high, the BAM operating company concerned demands other securities which can take the form of a bank guarantee or of the partner leaving sufficient cash invested in the joint venture.

Operating companies limit payment risk of projects as much as possible by agreeing on contractual payment schedules. This ensures that the client's payments are at least in balance with the progress cost of the work performed. For projects completed in emerging markets and developing countries, adequate security is agreed or export credit insurance is purchased prior to the start of the project in order to hedge political risk and payment risk. When entering into financing arrangements, BAM performs a credit check on clients. The Group also focuses in particular on the security provided by banks and the payment systems used by government bodies.

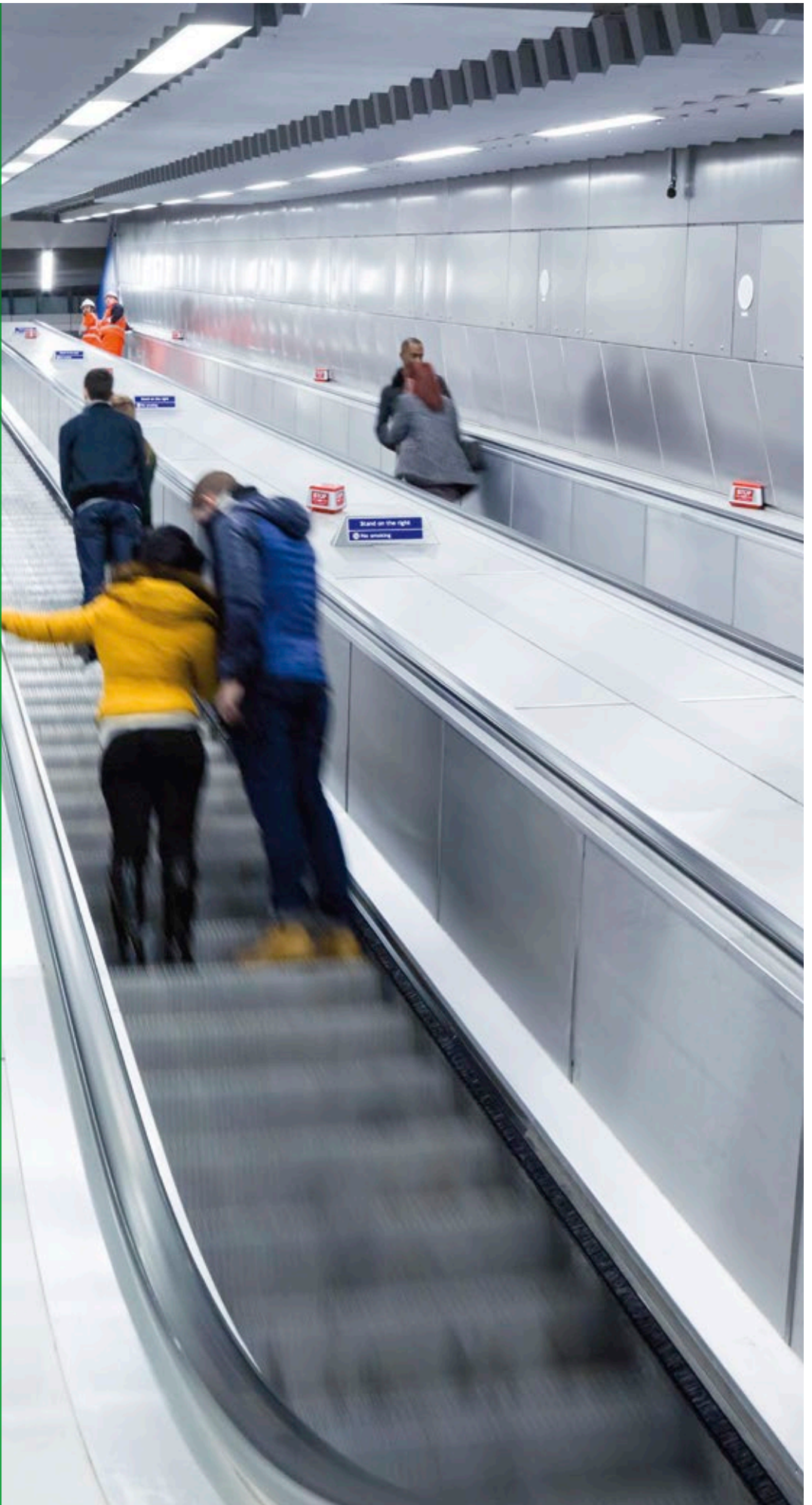
#### *Property*

If the Group intends to take on property development risk, this requires the prior consent of the Executive Board. The latter takes a decision regarding these risks, based on the project proposals from the operating company concerned and associated analyses performed by the Group's Property Investment Director. The general rule is that construction does not start until a substantial number of houses have been sold or, for non-residential, a large part of the project has been let or sold. However, the United Kingdom – where BAM only operates in the non-residential property sector – is an exception to this. Instead, the inventory risk is mitigated by implementing a system of phased project execution. The Dutch property portfolio still includes a number of residential construction projects from the past where there is an unconditional obligation to build.

#### *PPP*

Entering into PPP and concession contracts always requires the prior consent of the Executive Board. In its assessment of the risks attached to PPP and concession contracts, the Executive Board is assisted by the management of BAM PPP. This operating company optimises the utilisation of the know-how and experience available within the Group, both for acquiring new projects and for properly assessing the specific risks connected with concessions.

Upgrade of Tottenham Court Road tube station for Transport for London. **BAM Nuttall** (in joint venture).



Federal Ministry of Education and Research, Berlin. A major feature of the design and the construction of the building is sustainability (photovoltaic elements, use of recycled glass, development of special heating and cooling exchange system, LED lighting and an innovative energy network (smart grid)). Architects: Heinle, Wischer und Partner.

**BAM Deutschland (construction),  
BAM Immobilien-Dienstleistungen  
(facilities management).**



## Specific risks and corresponding management measures

Besides the general risks outlined above, several specific risk areas and measures have been identified in relation to the objectives of the updated strategy. The main risks and opportunities in these risk areas relate to changing market factors impacting the primary process. The identified improvement activities to manage risks and capitalise on opportunities will be further developed and aligned throughout the Group. Follow-up and feedback forms part of the regular management reporting cycle. These risk and opportunity areas are specified here.

### Market factors

**Risks:** The current market has been heavily affected by the economic crisis in Europe, resulting in intense competition for the shrinking number of projects available in the Group's home markets. This has created a buyer's market, where margins are down and design and contract risks are shifted increasingly to construction companies. With many property development projects being cancelled or deferred, the value of BAM's property portfolio has been under pressure.

The limited availability of capital constitutes a substantial risk across the entire value chain. As a result of tighter guidelines for banks under Basel III, banks are less willing to provide finance for property development, construction and PPP projects. In addition, the pre-financing of projects by customers has also been compromised (i.e. working capital).

**Management measures:** In order to deal with these market conditions, as well as to seize the opportunities they create, BAM has launched or enhanced a variety of initiatives based on the activity matrix and the 'Best in class' programme. The main initiatives are increasing BAM's market share in niche markets and other geographic areas; forward integration and a client-oriented approach; switching to complex/multidisciplinary projects; and providing alternative property development and financing methods. BAM also assesses and redefines predictive risk indicators (i.e. leading indicators) so as to be able to effectively compete in the rapidly changing environment.

*Specific market risks (e.g. financial risks), including interest rate risk, price risk, credit risk and liquidity risk are stated in section 3 (Financial risk management) of the financial statements in conjunction with the management measures implemented by the Group.*

### Primary process

**Risks:** The primary process constitutes the core of construction activities, which include tendering, procurement, contract management, project management and the corresponding value chain. The results of projects are determined mainly during the tender stage. During this stage, the changing contract types and conditions (contract management) constitute a risk, as well as an opportunity in terms of the potential for differentiation. Contract management is vital, both during the tender stage as well as during implementation.

Risks described above manifest themselves into fluctuations in the project result. The sector is known for having an asymmetrical risk profile – in which several successful projects are required in order to compensate for one being unsuccessful (project management).

**Management measures:** Based on the 'Best in class' programme, a variety of initiatives are being launched or further enhanced in order to address these risks and to capitalise on the associated opportunities.

These initiatives include promoting research networks that actively exchange knowledge and expertise; further applying Lean and BIM to integrated projects; more stringent project monitoring and performance management; and concept and process innovation related to sustainability and lean construction.

The company also increases contract knowledge and risk awareness of operational employees through education and training. Reviews of project related contracts are conducted by BAM (in-house) legal experts and contribute to awareness and continuous improvement. These are conducted both during the tender stage to assess contractual risks and after completion to capture lessons learnt.

### Employees, organisation and culture

**Risks:** Employees are BAM's most vital asset and by using their full potential the Group can respond more effectively to changes in the market.

Specific challenges in this process include, first of all, a change in leadership style and the competencies required. Secondly, new types of contracts make it necessary to further train employees in contract and risk management.

Thirdly, competencies such as sustainability, customer focus, establishing integrated partnerships, exchanging knowledge, 'Best in class' operations and diversity have become increasingly important in achieving BAM's strategic objectives. Finally, it is essential that BAM remains a preferred employer, in order to be able to continue to attract top talent.

**Management measures:** Various initiatives and activities of BAM's 'Best in class' strategy are aligned with these risks. First of all, BAM will continue to invest in further developing employees so they can contribute to achieving the strategic objectives; prepare a sufficient number of candidates for key positions and improve (inclusive) leadership.

Secondly, the company aims to foster an open culture of learning and exchanging knowledge in the form of training and education, building on the knowledge and expertise available.

Thirdly, BAM aims to increase the mobility of BAM employees in core businesses. This is facilitated by the international recruitment site, publishing all vacancies and career opportunities within the Group. Fourthly, BAM operates in the labour market by working with recruitment agencies, through advertising and by collaborating with various training institutes.

### Health and Safety

Health and Safety risks and opportunities and associated management measures are further shared under chapter Materiality on page 18-20.

## CSR

CSR risks and opportunities and associated management measures are further shared under chapter Materiality on page 18-25.

## Business conduct

The trust placed by clients, shareholders, lenders, construction partners and employees in the Group is vital in order to be able to ensure the company's continuity. The Group accordingly adheres to generally accepted standards and values and complies with local statutory and other rules and regulations, particularly with respect to the acquisition and performance of contracts. This principle is set out in the Group's Business Principles and Code of Conduct. All employees are required to act fairly, to honour agreements and to act with care towards clients and business partners, including suppliers and subcontractors. This is kept under constant review in order to make integrity a fundamental part of day-to-day activities.

The Executive Board has appointed a Central Compliance Officer, who promotes compliance with the Code of Conduct and provides advice on issues involving integrity. The operating companies, too, have their own compliance officers, to whom breaches of the Code of Conduct can and must be reported. In addition to the Code of Conduct, the Group has a whistleblower policy in place.

The Group believes it is important that employees can report any suspicions of wrongdoings within the Group and that they are able to report such matters without fear of reprisals.

Both the Code of Conduct and the whistleblower policy are easily accessible to employees. For example, they can be found on the Group's intranet site and on its website.

In 2013, the Code of Conduct was modernised and aligned to new regulations such as the UK Bribery Act. Based on this, a new training tool has been launched in 2014 to remind employees of the BAM values and standards on a regular basis.

## Reputation risk

BAM's reputation may be damaged if one or more of the risks described above occur. This means that reputation risk is not a separate, defined risk area, but rather the result of specific risks occurring.

## Outstanding claims and procedures

Companies operating in the construction industry are involved in discussions on the financial settlement of construction projects, including contract variations, the time of completion and the quality

level of the work. Most of these discussions are concluded to the satisfaction of all concerned. However, in some cases it is impossible to avoid a discussion ending in legal proceedings. BAM is also involved in a number of lawsuits. A settlement is usually agreed in the case of legal proceedings where a financial claim is made against the Group, unless the claim at hand is completely lacking in substance. Financial claims that the Group has pending against third parties are generally not capitalised unless it is reasonably certain that the amount in question will be paid. The Group takes great care to prevent such legal proceedings by implementing quality programmes and providing training for its employees. Some examples of major legal proceedings involving BAM are given briefly below.

In 2005, during the construction of a drilled tunnel for the SMART Noordtunnel project in Kuala Lumpur, engineering firm Wayss & Freytag Ingenieurbau was faced with ground conditions that varied from the information provided by the client. Wayss & Freytag Ingenieurbau terminated the contract in early 2006 as a result of the client's failure to fulfil its payment obligations and refusal to deal with Wayss & Freytag's claims for an extension of the construction period and reimbursement of costs. The client, in turn, also terminated the contract in January 2006. Wayss & Freytag Ingenieurbau lodged a claim against the client for more than €20 million as compensation for costs incurred. The client lodged provisional counterclaims amounting to €5 million. An independent dispute adjudicator, in the contractually prescribed procedure, has ruled that Wayss & Freytag Ingenieurbau was entitled to terminate the contract. This verdict has been confirmed by an arbitration. The client has attempted to set aside this arbitration award before the high court in Malaysia. In the first instance, the arbitration award was confirmed by the court. The client can still appeal from this verdict. Based on the information currently available, the Group considers the valuation of the claim to be adequate.

On 3 March 2009, during the construction of a section of the Cologne metro system, several adjacent buildings, including the building of the City Archives of the City of Cologne, collapsed. Two persons were killed as a result of this accident. Wayss & Freytag Ingenieurbau is a one-third partner in the consortium carrying out this project but was not directly involved in the work performed at the site of the accident. The customer has instituted a judicial inquiry (known as a Beweisverfahren) before the district court (the Landgericht in Cologne). As part of these proceedings, a number of specialists are investigating the cause of the accident, which is expected to take some time. Only when their investigation is complete will it be possible to determine whether the consortium is in any way responsible for the accident. The German Public Prosecution Service is also carrying out its own investigation to determine whether any criminal offences have been committed.

The damage to property is considerable and the parties involved have claimed under several different insurance policies. The Group is assuming, as matters currently stand, that the valuation of the claim is adequate.



Redevelopment of the  
Roeterseiland campus for  
the University of  
Amsterdam.  
**BAM Bouw en Vastgoed.**



Solliance (the alliance of TNO, TU/e, Holst Centre, ECN, imec and Forschungszentrum Julich for research and development in the field of thin film photovoltaic solar energy) has commissioned BAM Techniek to undertake all process-related installations in their new research building at the high tech Campus in Eindhoven, the Netherlands. **BAM Bouw en Vastgoed (BAM Techniek).**



GEO DRE

- Medical Gas Systems
- Pharmaceutical Piping
- High Purity Systems
- Validation

## Intensifying risk management

Further intensifying BAM's risk management is one of the main items in the Group strategy 2013-2015. It is one of the conditions for 'Best in class' operations. BAM intends to achieve the following objectives:

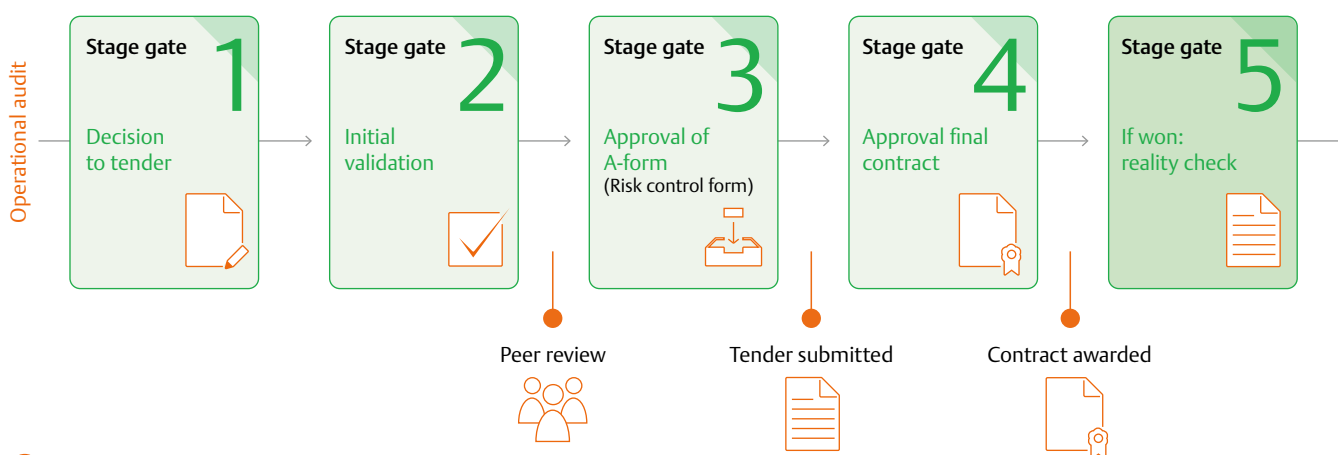
- Accurate and complete identification of key opportunities and threats at strategic, tactical and operational level;
- Strengthening the link of the strategic objectives between the Group and its operating companies;
- Avoiding surprises;
- Creating a shared risk management language;
- Supporting a learning and sharing environment.

The Group has a standardised evaluation method to identify and prioritise risks and improvement potential at operating companies and regions. There is a Group wide focus on risk management in the primary process, prompted by increasing complexity and growing competition. The potential for improvement relates to developing and sharing best practices on project selection, new business development, implementation and management. Supportive to the primary process, there is a focus on developing employees' relevant competencies and skills in this changing environment.

The Enterprise Risk Management framework has been further enhanced with the translation of the Group strategy 2013-2015 into strategic planning and associated dashboard for monitoring the initiatives. In addition the internal governance framework has been further developed, which led to updating and tightening the company principles and management guidelines. Important part of this has been further tightening the project selection and tendering process for large and risk full projects which require prior approval from the Executive Board.

Additionally, the Executive Board appointed an Operational Audit Director in 2013. Operational audits will ensure the effectiveness and efficiency of the primary business processes, as well as compliance with policies and procedures in this regard and make suggestions for improvement. Audits have been conducted during 2014 methodology on projects within the tender and pre-contractual phase with a sharing and learning approach using the peer review.

Lastly, BAM has the risk management philosophy included in its curriculum of BAM Business School, the in-house training institute. Key attention points are risk awareness and risk attitude.



During 2015 there will be strong focus on further strengthening project risk management with a five stage gate tender procedure with a stronger focus on the project intake phase. To facilitate the tender procedure, a tender desk is being instituted and the peer review function will be embedded in the various phases of this tender procedure.

In 2015 there will be further focus on embedding risk management in to the regular planning and control cycle, with attention for both process as well as mindset. This will be facilitated by the newly developed strategic dashboard to monitor the progress of the Group strategy and institutionalising compliance auditing. The following activities will be undertaken:

- As part of Enterprise Risk Management, understanding risk appetite and the practical application with selection to tender as part of the stage gate tender procedure;
- In addition, the earlier mentioned best practices related to the primary process will be further shaped within the project risk management frame work;
- The audit activities announced during the last year will be further developed. This will contribute to a uniform approach with a shared project management language across the Group. The focus for peer review will be on the tender and pre-contractual phase. The focus on operating audits is across all activities within the Group.

#### *Management letter from external auditor*

The external auditor investigated BAM's internal control environment as a routine part of its audit. This investigation focused mainly on the data-processing and reporting systems underlying the information contained in these financial statements.

Based on the ambition of BAM, its Group strategy and the current (market) developments the auditor puts specific attention to the following subjects:

- The impact of the Back in shape programme on culture, structure and processes;
- Project control and risk management of projects;
- Other internal control procedures;
- Security and continuity of ICT systems;
- Maturity of the sustainability reporting process and integration in the business.

Differences in approach and quality across the operating companies are inherent in BAM's model. The external auditor therefore forms a view of each operating company. The external auditor concludes that the quality of the internal control environment of the operating companies varies between normal and strong. None of the operating companies was assessed as being weak. However the external auditor recommends to further improve the uniformity of working procedures between the operating companies, further automation of control measures and

control of company tied cost. All of which being addressed by the Group's Back in shape programme.

The external auditor concludes that project control from a compliance perspective is classified as normal and management is further implementing measures to strengthen this. During last years BAM started to implement measures to improve risk- and project management with strengthening the tender procedure and setting up an Operational Audit function. The strengthened procedures regarding project selection and tendering in combination with the Operational Audit function fit with the strategic choices of BAM and the current (market) developments. To reach 'Best in class' project management with regard to the strategic choices and the current market circumstances, the external auditor advises to implement further improvements. One of the recommendations relates to further strengthening the operational effectiveness of the newly implemented approval process of tenders.

As part of the Back in shape programme this will be further strengthened with a five stage tender procedure. Stronger emphasis is put on earlier stages before actual tender submission to realise savings on tenders cost and to further reduce risk on acquiring loss making projects.

With regard to the internal control procedures for supporting functions like group sourcing, payables, cash management and human resources, the auditor concludes that the Executive Board can securely rely on the internal control and management measures although at some companies improvements can be made.

For the IT environment the external auditor recognises the opportunities that BAM is using to further optimise the overall IT governance with its Back in shape programme. Further standardised systems and procedures will result in further efficiency and an improved control environment

The external auditor concludes that BAM has taken important steps to integrate sustainability into its ways of working and reporting. The reporting process on Sustainability including safety are significantly improved. The external auditor concludes that the current stage of the maturity of the sustainability reporting process is not yet on the same level of the financial reporting process. The external auditor recommends further integration of reporting processes.

Construction of a five-storey underground car park (approximately 1,300 spaces), 23,000 m<sup>2</sup> of retail space, 19,000 m<sup>2</sup> of shopping arcade and 9,000 m<sup>2</sup> of hotel space for Corio Vastgoed Ontwikkeling at Hoog Catharijne shopping center in the heart of Utrecht, the Netherlands. BAM will also build sixty apartments (for a third party). To speed things up, the car park will be built upwards and downwards simultaneously from level -2. **BAM Bouw en Vastgoed (BAM Utiliteitsbouw, BAM Advies & Engineering, BAM Techniek), BAM Infra (BAM Civiel, BAM Speciale Technieken, BAM Milieu).**



Design and construction of A4 highway road-widening project near Leiden, the Netherlands, including construction aqueduct.

**BAM Infra** (in joint venture).



## Assessment of risk management and monitoring systems

The risk management and monitoring systems worked adequately during the year under review and no defects have been identified in relation to these systems and their operation that could have potential material implications in the financial year 2014 and the current financial year. The losses on a few major contracts, that were reported in the second quarter, are no exception to this. However, these events, besides changing market conditions, have led to the decision by the Executive Board to tighten project selection and tendering procedures and to further develop the Operational Audit function.

In the light of the measures taken, BAM can reasonably state that there are no indications that the risk management and monitoring systems will not function adequately during the financial year 2015. No other significant changes are planned for these systems, except the further enhancement of risk management, as detailed above. The Group cannot guarantee that no risks will occur and it does not mean that the risk management and monitoring systems require no further improvement.

The optimisation of internal risk management and monitoring systems remains a key focus for the Executive Board and it may result in the systems being improved or expanded. The aforementioned intensifying of risk management is one example.

# Stakeholder interview

## Erik Oostwegel

Chairman Executive Board Royal HaskoningDHV

*‘Creating the right mindset through joined campaigning at public and private levels’*

**Royal HaskoningDHV is an independent, international engineering and project management consultancy with more than 130 years of experience. With 7,000 professionals Royal HaskoningDHV delivers services in the fields of asset management, aviation, buildings, energy, industry, infrastructure, maritime, mining, strategy, transport, urban and rural planning, water management and water technology.**

*What do you think the construction industry will look like in ten years?*

‘I expect further integration of various players in the value chain leading to new and integrated service offerings, more focused on the management of the various (infrastructure) assets, more emphasis on sustainable life cycle and circular economy.’

*In which part of its value chain do you think BAM can have most positive impact on society in general?*

‘The most positive impact for BAM on society in general is in the part closest to its present core business, i.e. the actual high quality and efficient construction process. I strongly believe that to be a full-fledged player in the construction industry (as stated) teaming up with other parties will be most successful while sharing or mitigating risks.’

*When BAM is trying to be more sustainable, how can they get value chain partners to go along?*

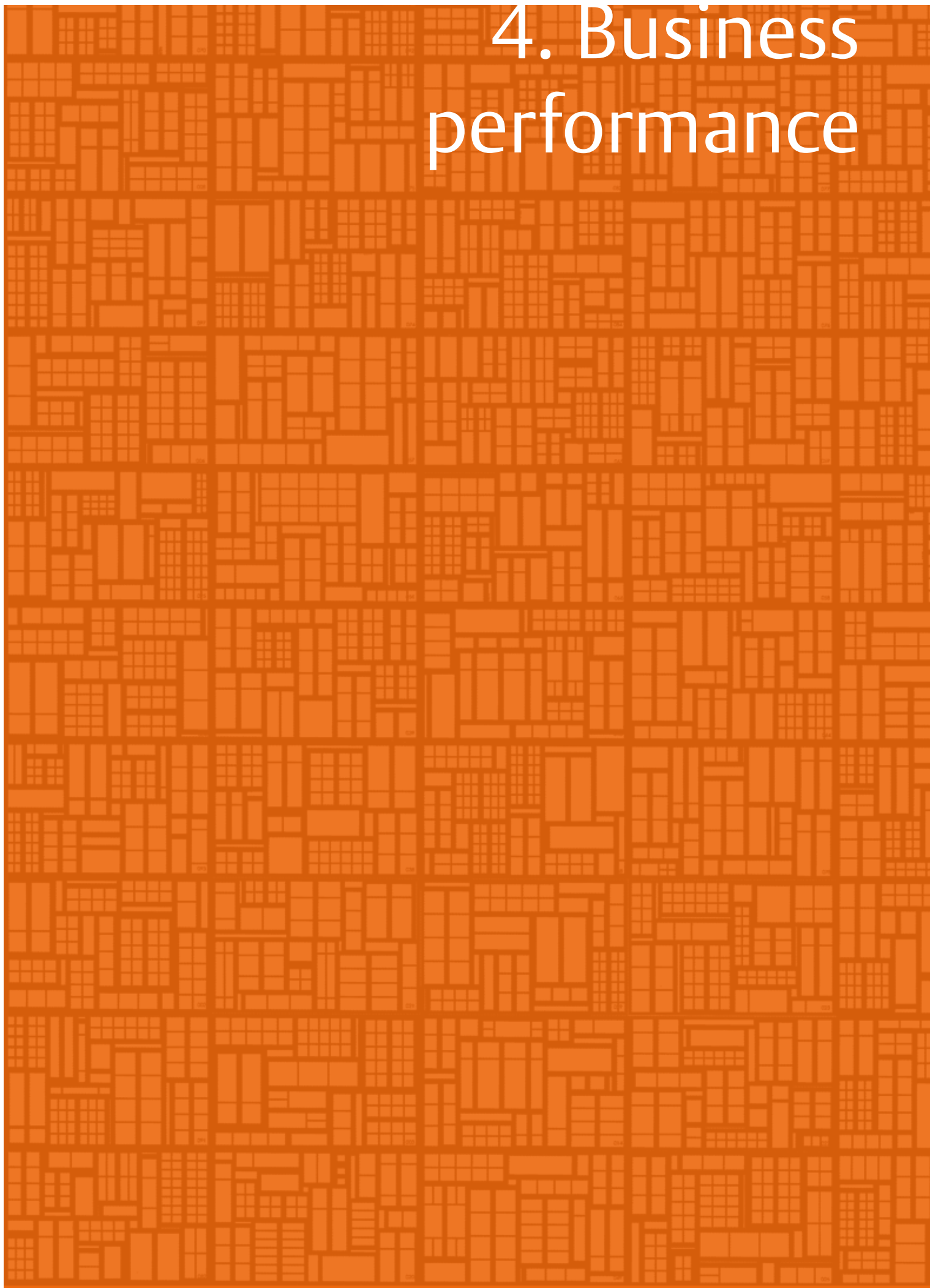
‘By seeking client support and selecting like-minded partners (they do exist!) in all links in the chain. Easier said than done ...

try to compete with long-lasting quality instead of just price.’

*In what way could partnerships contribute to this?*

‘In creating the right mindset through joined campaigning at public and private levels, teaming up in showing the benefits; working towards an accepted and recognised quality label.’





# 4. Business performance





## 4.1 Financial performance

### 13 — Ambition: Creating economic value

Targets	Performance in 2014	Progress
 <b>Improve trade working capital</b> Improve average trade working capital by €300 million by year-end 2015, measured by percentage of 4Q rolling revenue.	At year-end 2014 average trade working capital as percentage of 4Q rolling revenue is -6 per cent.	●
 <b>Continue divestment programme</b> BAM maintains its existing target for divestments of at least €100 million per year.	BAM has achieved divestments of property and other assets for a total of approximately €170 million in 2014.	●
 <b>Increase profitability</b> - BAM aims to get its results on projects into a 2 to 4 per cent range in the longer term. - BAM will achieve cost savings of at least €100 million as an annual run-rate by end-2015.	- On average, project margin realised in 2014 is 0.9 per cent, 0.2 per cent points down compared to 2013. - Cost profile of BAM improved in 2014 with €8 million due to the Back in shape programme.	● ●
 <b>Increase ROCE</b> BAM aims to be a company with a ROCE of at least 10 per cent.	ROCE for the year 2014 is negative (2013: +1.8 per cent).	●

3D visualisation of the roof garden of Two Pancras Square, King's Cross London.  
 BAM Construct UK.



Athlone Community College in Athlone, Co. Westmeath, Ireland. This new 1,000 pupil post-primary school includes general teaching accommodation, specialist classrooms/workshops, a physical education hall and ancillary areas, hard play courts and playing pitches. It is part of the Schools Bundle 3 Project, the third PPP project in the Irish Schools PPP Programme. This project consists of the design, build, finance and maintenance of eight schools (seven post-primary schools and one primary school) on seven sites providing approximately 5,700 pupil spaces in total.

**BAM PPP, BAM Contractors.**



The adjusted result before tax shows a mixed performance in 2014. BAM's operational sectors are underperforming as these continue to work through orders acquired under very difficult market conditions – especially in the Netherlands and the two civil engineering projects with major losses. This is partly compensated by strong results delivered by other projects and improved performance of the investment sectors.

## Management summary

- Revenue of €7,314 million, 3.9 per cent up compared to 2013;
- Adjusted result before tax of €62.2 million, 17.3 per cent down compared to 2013;
- Order book increased in the year with €247 million, or 2.4 percent, to €10,268 million;
- Gross property divestments totalling €160 million in 2014, significant above annual target of €100 million;
- Key elements of Back in shape programme started in 2014 to reduce cost base with €100 million annually and to improve working capital with €300 million by year-end 2015 are on track.

## 14 — Key financial results

(x €1 million, unless otherwise stated)

	2014	2013
Revenue	7,314	7,042
Adjusted result before tax	62.2	75.2
Margin, %	0.9	1.1
Result before tax	(122.4)	44.4
Net result attributable to the shareholders of the Company	(108.2)	46.2
Order book	10,268	10,021
Earnings per share	-	19 cents
Dividend proposal	-	5 cents

### Earnings per share

Net result attributable to shareholders of the Company divided by the weighted average number of common shares outstanding during the year.

## 15 — Result before tax

(x €1 million, unless otherwise stated)

	2014	2013
<b>Continuing operations</b>		
Adjusted result before tax, depreciation and amortisation charges	145.0	163.8
Depreciation and amortisation charges	(82.8)	(88.6)
<b>Adjusted result before tax</b>	<b>62.2</b>	<b>75.2</b>
Impairment charges	(115.9)	(30.0)
Restructuring and other exceptional costs	(68.7)	(25.4)
Pension one-off	-	24.6
<b>Result before tax</b>	<b>(122.4)</b>	<b>44.4</b>
Income tax	15.5	(5.8)
<b>Result for the year from continuing operations</b>	<b>(106.9)</b>	<b>38.6</b>
<b>Result for the year from discontinued operations</b>	<b>-</b>	<b>8.5</b>
Non-controlling interests	(1.2)	(0.9)
<b>Net result attributable to shareholders of the Company</b>	<b>(108.1)</b>	<b>46.2</b>

## Revenue

Revenue increased with €272 million, or 3.9 per cent, in 2014 including exchange rate effects of 1.5 per cent. In the operational sectors revenue declined on average with 1.2 per cent overcompensated by the substantial increase of 40.2 per cent in revenue of the investment sectors. Whilst the impact of the stringent tender and contract management procedures and the slow market recovery are reflected in the operational sectors, the rise in revenue in the year is principally attributable to the sector Property following the significant commercial property divestments and increased residential property sales in the Netherlands.

## Order book

As at 31 December 2014 the order book (orders in hand for the next five years) amounts to €10.3 billion representing an increase of €0,3 billion compared to the prior year.

The (net) order intake of the operational sectors amounts to €440 million whilst the investment sectors show a decline of €129 million attributable in full to the sector Property. Of the current order book position, €5.8 billion is expected to be carried out in 2015 and €4.4 billion in the years after. Approximately 79 per cent of the forecasted revenue for the year 2015 has been secured, which is consistent with 2013, both in relative and absolute terms. In addition, the Group has more than €2.7 billion in order book for the years after 2019, mainly comprising long-term maintenance contracts for PPP projects.

## Earnings per share

The number of outstanding common shares of BAM increased by 1.6 million in 2014 to 271.0 million shares as at 31 December 2014 principally due to the stock dividend. Earnings per share was negative (2013: 19 cents).

## Dividend

In line with the Group's dividend policy the company will not pay a dividend over the financial year 2014 following the net loss.

## 16 Financial position

(x €1 million, unless otherwise stated)

	2014	2013
Cash and cash equivalents	624	548
Borrowings	664	931
Net debt	40	383
Less: Non-recourse financing	(376)	(570)
Recourse net debt	(336)	(187)
Non-current assets	1,469	1,632
Net working capital	(223)	2
Shareholders' equity	827	929
Capital base	952	1,053
Total assets	4,956	5,316
Solvency, %	19.2	19.8

## Cash and cash equivalents

Cash and cash equivalents was €624 million as at 31 December 2014 (2013: €548 million), of which €163 million (2013: €132 million) concerns the Group's share of cash and cash equivalents in joint operations.

**Net debt**  
Long-term borrowings plus short-term borrowings less cash and cash equivalents.

## Borrowings

As at 31 December 2014 total borrowings amounted to €664 million (2013: €931 million) of which €376 million (2013: €570 million) concerned non-recourse debt. The decrease in 2014 is driven by non-recourse debt; both non-recourse loans associated with PPP projects and property development decreased in 2014 with €89 million and €110 million principally due to divestments in the year and consequential debt repayment.

The net debt position as at 31 December 2014 decreased with €343 million to €40 million and comprised non-recourse PPP and property loans of €376 million (2013: €570 million).

The Group had two credit facilities as at 31 December 2014: a subordinated loan with a nominal value of €125 million (2013: €125 million), which matures in July 2017, and a committed syndicated credit facility of €500 million (2013: €500 million), which matures in January 2016 for an amount of €57.5 and for an amount of €442.5 in January 2017. As at 31 December 2014 the committed syndicated credit facility was not used (2013: use €37 million).

## 17 Borrowings

(x €1 million, unless otherwise stated)

	2014	2013
<b>Non-recourse debt</b>		
PPP	206	295
Property	161	271
Other	9	4
	<u>376</u>	<u>570</u>
Subordinated loan	125	124
Committed syndicated credit facility	-	37
<b>Recourse debt</b>		
PPP	64	76
Property	77	81
Financial lease	22	43
	<u>288</u>	<u>361</u>
<b>Borrowings</b>	<b>664</b>	<b>931</b>

The recourse net debt, part of the recourse leverage ratio in BAM's financing arrangements, mainly comprising equity bridge loans for PPP projects and property loans on a recourse basis minus cash and cash equivalents, amounted to a cash-positive position of €336 million as at 31 December 2014, €149 million up compared to 2013.

### Non-current assets

On balance, non-current assets decreased in the year with €163 million.

As the annual depreciation was partly compensated by the net capital expenditures in the year, the carrying amount of property, plant and equipment decreased with €40 million to €316 million. The majority of the capital expenditures and disposals concerned the asset category plant and equipment and installations in the sector Civil engineering.

Intangible assets predominantly comprises goodwill with a carrying amount of €400 million, an increase of €7 million compared to 2013 allowing for the goodwill disposal in connection with the sale of Balteau (€4 million) and exchange rate differences. Goodwill is tested for impairment annually and did not result in an impairment this year. However, the sensitivity analyses indicated that for two Belgian cash-generating units, representing a goodwill amount of €33 million, a limited headroom remains when the discount rates were higher by 50 basis points.



Named in honour of its most famous alumnus – one of the world's greatest living artists – the new David Hockney Building at Bradford College replaces outdated facilities and brings several of the city centre faculties into one building. The eco-friendly campus design has a light and airy feel, and is sympathetic to the large-scale mill and warehouse buildings that characterise parts of Bradford, United Kingdom. Architect: Bond Bryan Architects. **BAM Construct UK.**

The Hague Central Station is both the start and end of the E-line or Erasmus line, the metro line that links Rotterdam and The Hague, the Netherlands. It is part of the larger rail project Randstadrail. The design and construction of the The Hague Start station Erasmusline (HSE) has been awarded to BAM. The station is designed by ZJA (Zwarts & Jansma Architects) in Amsterdam. The project includes (detail) design and construction of the substructure, superstructure and the roof of the HSE-station. The substructure also includes the construction of an architectural canopy and platform floors (both in steel). Work on the superstructure includes railway construction, the construction of traction and energy facilities, noise barriers and the fitting out of platforms. In addition, BAM is responsible for the mechanical and electrical installations and Randstadrail's management systems, elevators and escalators, emergency stairs, lighting and fencing.

**BAM Infra.**



Non-current PPP receivables decreased in 2014 to €304 million from €406 million principally due to the transfer of two projects to the BAM PPP / PGGM joint venture (€208 million) compensated by progress on the construction of current PPP projects (€216 million). In addition, an amount of €117 million (2013: €117 million) has been reclassified to assets held for sale in anticipation of the transfer of one associated PPP project to the joint venture with PGGM in 2015.

The carrying amounts of investments (accounted for using the equity method) and other financial assets decreased in the year with €40 million (from €135 million to €95 million) respectively €37 million (from €122 million to €85 million). The decrease in other financial assets includes impairments of €11 million.

### Net working capital

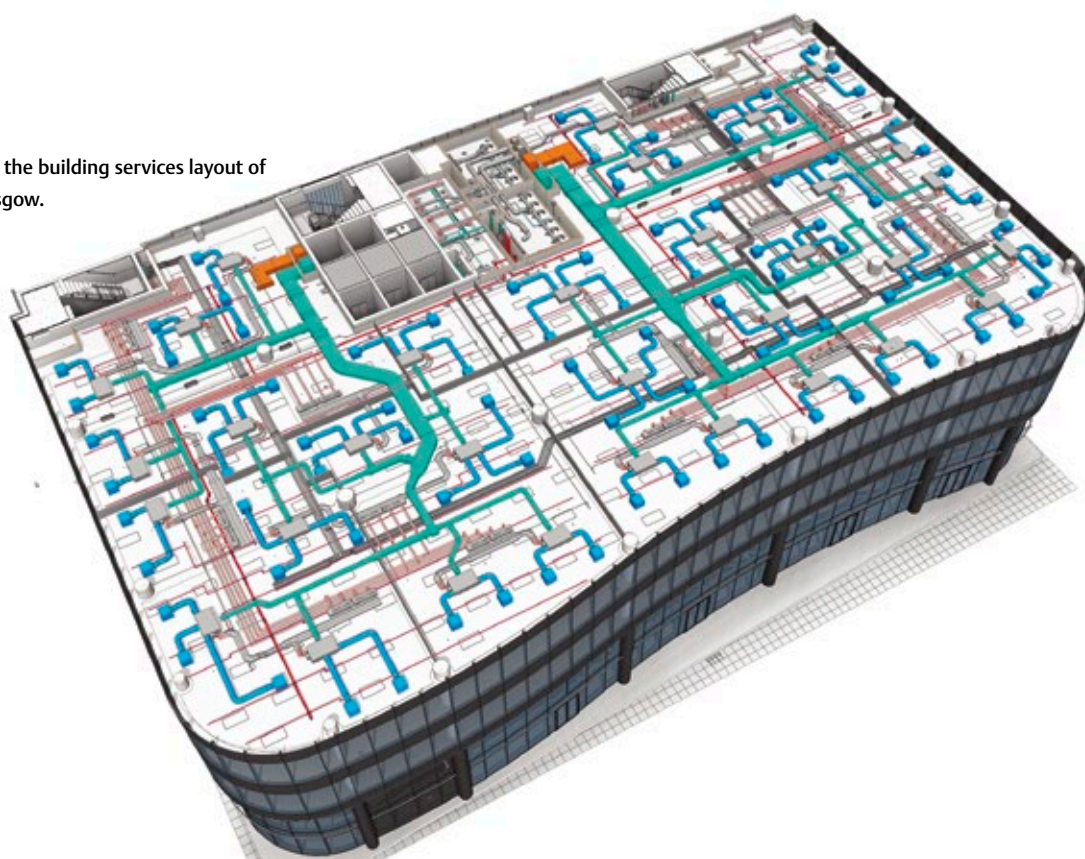
Net working capital (excluding cash and cash equivalents and current borrowings) as at 31 December 2014 amounted to minus €223 million (2013: €2 million). Gross investment in property development has been reduced with €205 million in 2014 to €823 million. Net investment in property development, taking into account associated borrowings, amounted to €592 million (2013: €676 million).

The significant improvement of net working capital in 2014 was mainly driven by the progress on the property divestment program and the impairment of €54 million on land and building rights offset by pre-financed projects reaching completion and a low book-to-bill ratio on major projects.

#### **AM Real Estate Development sells Capgemini head office; triple A Building Utrecht**

BAM's real estate developer AM Real Estate Development has sold the new Capgemini (consultancy and IT services) head office in Leidsche Rijn Centrum Noord, the Netherlands. The office building comprises 21,000 m<sup>2</sup> of lettable floor space and is being rented in its entirety by Capgemini. DTZ Zadelhoff realised this transaction in co-operation with their colleagues of 3stone Real Estate. Capgemini has been closely involved with the development of the new building from the very beginning. Its extensive floor area and its proximity to the railway station makes it ideal for the new way of working that Capgemini implemented several years ago. The main principles behind the development of the offices by AM Real Estate Development are the application of the new way of working and sustainability. As a result, the offices have been awarded the prestigious BREEAM-NL 'Very Good' design certificate. From the definitive design stage, BAM Utiliteitsbouw Utrecht region, BAM Advies & Engineering and BAM Techniek have been responsible for the engineering aspects and completed the buildings using BIM and lean construction techniques in just fourteen months.

REVIT section showing the building services layout of 110 Queen Street, Glasgow.  
BAM Construct UK.



At the balance sheet date the Group has a net pre-financed position on work in progress of €298 million (2013: €226 million). The outstanding net trade receivables as at 31 December 2014 remained fairly stable at €840 million (2013: €854 million).

### Shareholders' equity and capital base

Shareholders' equity significantly decreased by €102 million in 2014 to €827 million as at 31 December 2014. This decrease is principally due to the net loss for the year of €108 million. The dividend payment to shareholders and the exchange rate differences had a fairly limited effect.

Capital base includes the subordinated loan amounting to €125 million (2013: €124 million).

### Solvency

As at 31 December 2014 solvency is 19.2 per cent (2013: 19.8 per cent) determined by using the capital base. Recourse solvency, the ratio in accordance with the bank covenants, increased with 3.1 per cent to 28.1 per cent as at 31 December 2014 (2013: 25 per cent), which comfortably exceeds the required minimum of 15 per cent.

### Other significant movements in balance sheet items

#### *Post-employment benefits*

The net defined benefit liability amounts to €140 million as at 31 December 2014, an increase of €26 million compared to 2013 following the significant decline of the discount rate. The prior year balance allows for measures taken with respect to the Dutch defined benefit schemes resulting in a one-off gain of €24.6 million.

#### *Provisions*

Provisions, other than post-employment benefits, remained fairly stable at €187 million (2013: €204 million). The restructuring provision increased with €29 million to €57 million as at 31 December 2014. Additional restructuring provisions of €62 million, predominantly in connection with the Back in shape programme, were recognised in the year compensated by restructuring payments of €31 million.

#### *Deferred tax assets and liabilities*

The Group has a net deferred tax asset of €217 million (2013: €178 million) mainly driven by additional tax losses carry forward, predominantly in the Netherlands, and the deferred tax asset associated with the increased net defined benefit liability. The valuation as at 31 December 2014 allows for estimates of the level

and timing of future taxable profits for the upcoming nine years (the Netherlands) and for an indefinite period (Germany) including available tax planning opportunities.

#### *Assets and liabilities held for sale*

The assets and liabilities held for sale as at 31 December 2014 amount to €127 million (2013: €141 million) for the assets and €129 million (2013: €120 million) for the liabilities and are fully attributable to one PPP project (2013: four PPP projects) that is expected to be transferred to the joint venture with PGGM in 2015.





Developed by **AM** and built by **BAM Woningbouw**, the OpZuid apartment complex in Amsterdam is the first project in this area that has the look and feel of a residential building, thanks mostly to the large patios, which are truly unique. The three metre storey height is also a strong feature. This gives the 46 apartments a timeless feel.



## Sector results

### 18 — Construction and M&E services

*x €1 million, unless otherwise stated*

	2014	2013
Revenue	3,016	3,078
Adjusted result before tax	(5.5)	23.0
Margin, %	-	0.7
Order book	4,424	4,013

At Construction and M&E services revenue was down by €62 million (2 per cent). Revenue in the Netherlands was down by 13 per cent; most of this fall came in residential construction linked to low house sales to individuals in 2013 and ongoing reduced production for housing associations. This was partly offset by higher revenue in UK (mainly supported by exchange rate), Germany and Belgium.

The adjusted result of negative €5.5 million for the sector in 2014 was due to a loss in the Netherlands caused by executing lower quality order book and the under recovery of overheads. Compared to 2013 the result in the UK was lower due to thin margins and Belgium was ahead in 2014.

The order book rose by €396 million to €4,424 million at year end 2014. This was driven by the UK (including €127 million from currency movements), Germany and the Netherlands. The order book in Belgium was reduced by high production on one large project.

### 19 — Civil engineering

*x €1 million, unless otherwise stated*

	2014	2013
Revenue	3,949	3,970
Adjusted result before tax	14.2	61.4
Margin, %	0.4	1.5
Order book	5,129	5,090

In Civil engineering revenue for year 2014 slipped by 1 per cent to €3,949 million. Within this total, there were increases at the UK (up by €92 million, of which €71 million was currency effect) and Ireland reflecting BAM's strong market position. Lower revenue was recorded in Belgium and the Netherlands. At BAM International revenue was lower due to order phasing.

The adjusted result of €14.2 million for 2014 was lower compared to €61.4 million in 2013 because of the losses on the two projects,

which also led to losses for the year in the UK and in Germany. There was a small positive adjusted result in the Netherlands, and larger profits in Ireland and Belgium.

The total order book for the Civil engineering sector grew by 1 per cent to €5.1 billion. The order book in the Netherlands was down because of a low book-to-bill ratio on major projects. The UK order book was lower due to order phasing. Offsetting this, orders in Belgium rose especially due to PPP.

### 20 — Property

*x €1 million, unless otherwise stated*

	2014	2013
Revenue	477	381
Adjusted result before tax	19.6	(15.1)
Margin, %	4.1	-
Order book	859	983

In Property, BAM recorded a strong adjusted result for full year 2014 of €19.6 million, up from an adjusted result of negative €15.1 million in 2013. Both residential and non-residential contributed to the improvement, driven by three factors:

First, there were significantly higher book profits on sales of commercial properties in Belgium, UK and the Netherlands in 2014, as markets picked up from the subdued levels of 2013.

Second, the adjusted result for 2013 had included operational losses related to non-prime offices in the UK and mainly retail property in the Netherlands, which were absent in 2014.

Third, BAM's Dutch residential home business generated a modest profit in 2014 after a loss in 2013. This was due to full recovery of overheads after restructuring in earlier years and increasing house sales.

BAM sold 1,877 homes from its own development projects in the Netherlands in 2014, up by 38 per cent from 1,365 in 2013. A large part of these sales were in the stronger areas in and around major Dutch cities, and of the more affordable type. The percentage of homes sold to private buyers increased from 55 to 70 per cent. Revenue in 2014 also benefited from a higher proportion of homes sold from inventory, especially in the last quarter. Overall, revenue from Dutch house sales increased by 72 per cent in 2014.

During 2014, the Dutch residential market developed increasingly along a 'twin track'. The 'strong track' applies to the areas in and around the major cities and to smaller and more affordable houses and apartments, where volumes and prices rose. Conversely, the 'weak track' is evident in some regional areas.

The trend towards affordable homes is driven by the tightening of credit availability as criteria for loan-to-value and loan-to-income are tightened and interest deductibility reduces. These factors more than offset the benefit of low interest rates. This twin track development led to a total non-cash impairment charge of €93.2 million in Q4, representing about 15 per cent of the value of the Dutch land portfolio on 18 per cent (by number) of the positions.

Total investment in the stock of property declined from €1,028 million at the end of 2013 to €823 million at the end of 2014. These investments are financed in part by recourse and non-recourse project-related property loans. As at 31 December 2014, the recourse property loans stood at €57 million (2013: €71 million) and the non recourse property loans at €161 million (2013: €271 million).

## 21 PPP

x €1 million, unless otherwise stated

	2014	2013
Revenue	258	288
Adjusted result before tax	38.6	14.4
Order book	548	547
Average invested equity	104	125
Return on equity	37.1%	11.5%

The sector PPP had an excellent year, with a particularly strong fourth quarter. The adjusted result for 2014 of €38.6 million was up from €14.4 million in 2013.

The 2014 result was driven by asset management profits on transfers of older projects to the joint venture with PGGM, notably in the fourth quarter. Going forward, the focus will be on divesting newly completed projects.

The success of the joint venture is reflected by PGGM's decision in 2014 to increase its commitment, with a further increase in February 2015. The total committed funding for the joint venture is now €600 million.

In addition to the result from asset management, PPP generated a result from its growing portfolio.

PPP won six accommodation and infrastructure projects in 2014, a hit rate of 50 per cent. These represent approximately €1 billion of construction revenues for the operational sectors in the coming years. The pipeline of active bids is healthy.

PPP changed its policy in 2009 to focus on availability-based projects which have a better risk profile than volume-based projects. At the start of 2014, the PPP portfolio included three

volume-based Irish road concessions dating from before 2009. One of these concessions was transferred to the PGGM joint venture in the fourth quarter. The other two were impaired by a total of €21 million, reflecting the development of the Irish economy.

As at 31 December 2014 the number of PPP projects in the portfolio was 41, of which BAM PPP retains interest in 37; for the remaining projects only asset management services are provided by BAM PPP.

Three projects reached financial close in 2014:

- Rijnstraat 8-building (VR8), The Hague, Netherlands
- University Hospital Schleswig-Holstein (UHSH), Germany
- Schools Bundle 4 (SB4), Ireland

BAM PPP's projects are spread across BAM's European markets with revenue based mainly on the availability criterion. Investments in volume based projects have been reduced or impaired in 2014. The ratio of accommodation to civil engineering projects is also balanced, although civil engineering projects are often greater in size.

The joint venture with PGGM made good progress during 2014, with the last five existing projects being transferred to the partnership and investment in two new projects. The joint venture provides BAM PPP with the twin benefits of a strong position from which to pursue further projects and a stable platform within which equity can be made available for new investments.

### Strategy

BAM PPP harnesses the strengths, experience and expertise within the Group, coordinating the provision of lifecycle solutions for the benefit of public-sector clients. The company focuses on BAM's European home markets where the Group has proven construction and maintenance skills and expertise.

Its strategy aims to grow the portfolio to provide short-term construction revenue, long-term facility management and lifecycle revenue, equity investment returns and asset management income.

### Market

The PPP markets continue to offer an attractive supply of bidding opportunities for the period up to end-2016. Competition continues to be intense and is demonstrated by the increased number of competitors at the prequalification stage. The bidding opportunities are spread reasonably evenly across all of our markets with the exception of the UK. The availability of long-term debt has improved in the year and is currently not an area of concern.

### Portfolio financial performance

At year-end 2014, shareholders' equity invested by BAM PPP totalled €59 million (2013: €108 million), of which BAM PPP invested €67 million and transferred for €116 million to the joint venture with PGGM in 2014. BAM PPP does not invest in projects until their structural completion, with the shareholders' equity part being financed with a bridging loan.

Committed equity is €147 million, all by the joint venture. The invested and committed equity totaled €206 million. New projects will mainly be undertaken by the joint venture.

The future asset flow is based on the expected inflow of cash from the concessions portfolio for the shareholders' equity (dividend and repayment). The discounted value of this future cash inflow is the Director's valuation and totals €222 million (2013: €319 million).

A comparison of the Directors' valuation and the discounted value of the invested and committed equity results in an unrealised value of the portfolio of €78 million (2013: €94 million).

### Business development

The current portfolio provides BAM PPP with returns on equity investments and in addition, as at year-end 2014, to an order book of construction revenue of €868 million and facility management and lifecycle revenue for BAM sister companies of €3.5 billion. BAM PPP has in the pipeline 20 active bids, providing potential equity investments of €262 million, potential construction revenue of €2.6 billion and potential facility management revenue (excluding lifecycle) of €1.9 billion.

### Directors' valuation

The Directors' valuation is intended to illustrate movements in the value of the PPP portfolio during the year taking account of the impact of intervening transactions, through the application of a consistent methodology. The valuation is based on the forecast returns of the projects, based on current projections and may differ significantly from the book value of the investments shown in the accounts. Cash flows accruing from projects are calculated on the basis of financial models, based on contractual terms with clients and have been approved by external lenders. The valuation is calculated using the widely acknowledged discounted cash flow basis, discounting all future cash flows to BAM PPP at an appropriate discount rate. All future cash flows are converted into Euros. All projects that have reached financial close are taken into account; projects for which BAM PPP is the preferred bidder have been excluded.

### Discount rates

BAM PPP applies discount rates based on the company's knowledge of the market, the agreed transfer mechanism with PGGM, through the joint venture, and the use of a simple project phase analysis.

A higher discount rate is applied from financial close through to construction completion before stepping it down once into operations due to the reduced risk and greater certainty of future cash flows. BAM PPP believes this approach is preferable to using an adjusted market risk free rate approach as we have the benefit of up-to-date market information based on our discussions and agreement with PGGM.

### 22 — Portfolio financial performance 2014

*x €1 million, unless otherwise stated*

		Nominal	Discounted
Invested equity		59	
Committed equity		147	
Total invested and committed equity	(a)	206	144
Future equity cash flows	(b)	676	222
Implied forecast unrealised value in the portfolio	(b) - (a)		78

### 23 — Directors' valuation 2014

*x €1 million, unless otherwise stated*

Valuation as at December 2013	319
Dividends and distributions received since December 2013	(9)
Divestments since December 2013	(100)
Impairment	(46)
Exchange rate movements	4
Rebased December 2013 valuation	168
Valuation at December 2014	222
Increase / (decrease) in portfolio valuation	54
New projects added	35
Revaluation 2014 <sup>1</sup>	19
Increase / (decrease) in portfolio valuation	54

<sup>1</sup> The revaluation 2014 consists of a combination of factors including:

- The discount unwind (over time, the discounted value increases given that the future value is a year closer);
- The impact of changes in discount rates applied as projects move into operations;
- Operational performance gains as a result of factors such as the impact of macro-economic changes, higher inflation, better performance, successful asset management, changes in demand and revisions to costs.

### Sensitivities

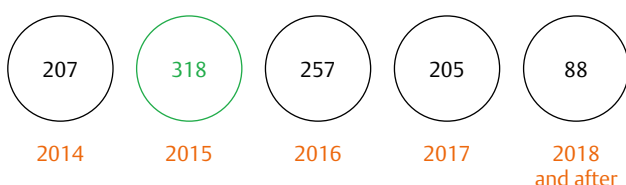
The table below shows the sensitivity of the Directors' valuation if all the project discount rates applied are changed simultaneously by plus or minus 1% and 2%.

## 24 — Sensitivity of the Directors' valuation

Discount rate adjustment	Portfolio valuation (€ million)	Difference in valuation (€ million)
+2%	188	(34)
+1%	204	(18)
0%	222	-
-1%	243	21
-2%	267	45

## 25 — Construction revenue secured through PPP-projects

(in € million)



## Acquisitions and divestments

There were no material acquisitions in 2014.

BAM sold Walloon subsidiary Balteau sa to CMI Groupe Seraing, Belgium, on 18 July 2014. Balteau specialises in designing and constructing electromechanical installations for purifying, treating and pumping water. The company was founded in 1978 and was since 2006 a subsidiary of BAM. Balteau realised approximately €30 million revenue annually and employs more than hundred people. The net result in connection with divestment amounts to €1.6 million.

BAM saw insufficient opportunities for further development of Balteau's activities in the Walloon market and considered the added value of this specialization for the Group limited. The transaction was in line with the streamlining of the organisation structure as earlier announced.

# Stakeholder interview

## Mr Herman Mulder

*'In the beginning there was no path,  
until someone started walking'*

*Executive Fellow of the Duisenberg School of Finance, Independent Member of the Dutch NCP, Chairman of the Board of True Price, former Director-General ABN AMRO Bank, Group Risk Management, former Chairman of the Board of the Global Reporting Initiative (GRI).*

*How do you see the construction industry in ten years' time?*

'The fact is that the private sector is increasingly regulated by governments and scrutinised in the public domain in a world of injustice, scarcity and conflicts. There is also a growing realisation that reality is driven by perception: public honesty and integrated reporting are important for trust and branding. The future, including that of the construction sector, is linked to new business models and instruments, where innovation is the essence. Examples that come to mind are approaches to the integrated value chain, the circular economy, the sharing economy and true price / value, where the hidden social and ecological costs are also visible. Nothing is impossible, particularly when it is inevitable.

To the construction sector I would say this: keep ahead of developments and be proactive.'

*In what phase of the value chain do you believe BAM delivers the greatest added value?*

'That is clear: as the project manager of integrated projects aimed at social and technological renewal. As a business, you can only fulfil that role if you have sufficient equity. And I mean that across the board – not just financially, but also in relation to all other assets.'

*How can BAM win over partners in the value chain to achieve an even more sustainable approach?*

'Look at yourself as the architect, not just by offering an architectural solution, but also

when it concerns the solution to future social needs. That demands a different approach to a purely technical Delft mentality. You just have to start. In the beginning there was no path, until someone started walking.'

*In what respect can partners contribute to a more sustainable approach?*

'That is a condicio sine qua non. Joint sustainability objectives can only be achieved if every stakeholder enters into real partnerships with each other. The private sector must be enabled, steered and controlled to conduct its business in the interest of the public agenda, at both national and international level. Moreover, the public sector should be a role model for sustainable development in its procurement, contracting and investment activities.'





The Borders Railway will re-establish passenger railway services for the first time in over 40 years from Edinburgh through Midlothian to Tweedbank in the Scottish Borders. The new line includes 30 miles of new passenger railway with ten stops, seven new stations and 160 bridges or crossings. It is the largest domestic railway to be built in the UK for more than 100 years and is expected to deliver major economic and social development opportunities – connecting people to jobs, housing, leisure and other facilities. BAM has been involved with the Borders Rail Project since 2008 and has been developing the design and the programme with the client in an ECI process. Having delivered early enabling works with ground investigation and mine remediation works, BAM is now the main contractor for the scheme.

**BAM Nuttall, BAM Rail,  
BAM Contractors.**



## 4.2 Social performance

26 — Ambition: Offering added value to clients, employees, business partners and the community

Targets	Performance in 2014	Progress
<b>Fully incorporate safety in daily activities</b>  - To achieve an Incident Frequency IF BAM total of ≤ 5.0 for 2015.  - To have all BAM operating companies OHSAS 18001 certified by 1 January 2015.  - To achieve an SAA score of 74.0 in 2014	- IF BAM of 5.0  - 94 per cent of BAM was operating in verified compliance with OHSAS 18001 by the end of 2014. - SAA of 74.2	●  ●  ●
 <b>Achieve a higher level of gender diversity in BAM's top management</b> To have five females appointed at BAM's senior management level by the end of 2014	BAM has appointed one woman in the Supervisory Board and has women appointed at the levels of CFO, Director ICT, Director Human Resources, Director Human Resources of BAM Infra Netherlands and Financial Director of Interbuild.	●

### IF BAM total

Incident Frequency including all employees working for BAM (BAM, hired, subcontractors and third parties).

### IF BAM

Incident Frequency for BAM site employees.



**BAM Contractors awarded for outstanding safety performance**

BAM’s operating company in Ireland, BAM Contractors, led the way at the 2014 National Irish Safety Organisation (NISO) Awards with BAM Building picking up a Distinction Award and BAM Civil winning the Construction Civil Engineering Award. The NISO Awards recognise how organisations manage health and safety at work. The Awards were presented by MEP Mairead McGuinness who said ‘the awards mark the achievement of people who day-to-day carry out what are in many ways mundane tasks in detecting risks, training personnel, enforcing and monitoring good practices and inculcating rather than dictating a safety ethos in the workplace.’ This year’s event marked the 16th year in a row that BAM Contractors achieved an award from NISO.

**BAM International awarded Gulf Construction Week Award for i-BAM**

On 10 December 2014 at the annual Gulf Construction Week awards ceremony, BAM’s operating company BAM International won the HSE Initiative of the year award for the i-BAM android device. 150 initiatives entered the competition and BAM won very convincingly. Fergal Kelly, HSE Manager of the Middle East/Gulf States, accepted the award. BAM International has made improvements to its HSE performance in the Gulf region thanks to the i-BAM, which stands for ‘instant biometric android monitoring’. Since the introduction of the card system, the number of incidents has shown a continuous decrease.

**Serious accident**

An industrial accident that leads to the person involved being admitted to hospital for more than 24 hours or results in electrocution, amputation or fracture with lost time.

**Where BAM can improve**

*Despite BAM’s continuing effort to improve safety on its projects, the company deeply regrets the sad loss of two BAM employees and three subcontractor employees in 2014 as results of industrial accidents. Also in February 2015 BAM had to regret the sad loss of a subcontractor employee. BAM is aiming for zero accidents, regardless of the severity of the accidents or the numbers of hours worked.*

**Health and safety**

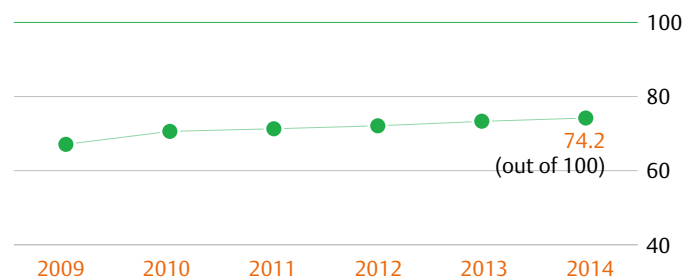
Royal BAM Group feels responsible for all people involved in or affected by the activities of the Group. This includes BAM’s employees, clients, designers, partners, suppliers, subcontractors, buyers and the general public.

*Safety*

In order to effectively monitor its safety performance, BAM records statistics of the following groups:

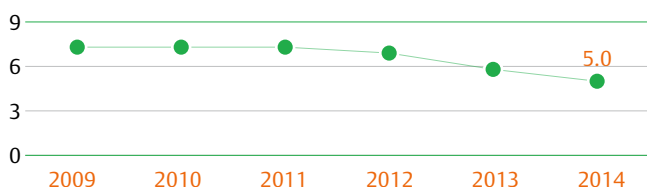
- BAM employees (all employees with an employment contract with the company);
- Hired employees (all employees from the leasing sector, who work for a BAM company, excluding hired BAM employees);
- Subcontractors (all employees of the subcontractor and the employees of their subcontractors, employees hired by subcontractors and self-employed persons);
- Consortium / joint venture (all BAM employees, leasing employees, self-employed persons and employees of subcontractors and their subcontractors which are working for BAM);
- Other / third parties (principal, supervisor, inspector, supplier, visitor and so forth).

As part of the SAA each operating company is awarded a score on a scale from 0 to 100. The SAA audit report includes recommendations for further improvement. The average of all the audit results provides a picture of safety performance within BAM as a whole. Safety awareness in 2014, as measured through the SAA, has increased to 74.2 (2013: 73.3), which exceeds the 2014 target of 74.0.





The IF for BAM is determined by the total number of industrial accidents leading to absence from work, divided by the total number of hours worked on construction sites. In 2014 the IF decreased to 5.0 (2013: 5.8), which is significantly below the 2014 target of 6.0. The number of fatal and serious accidents decreased from 219 in 2013 to 205 in 2014.

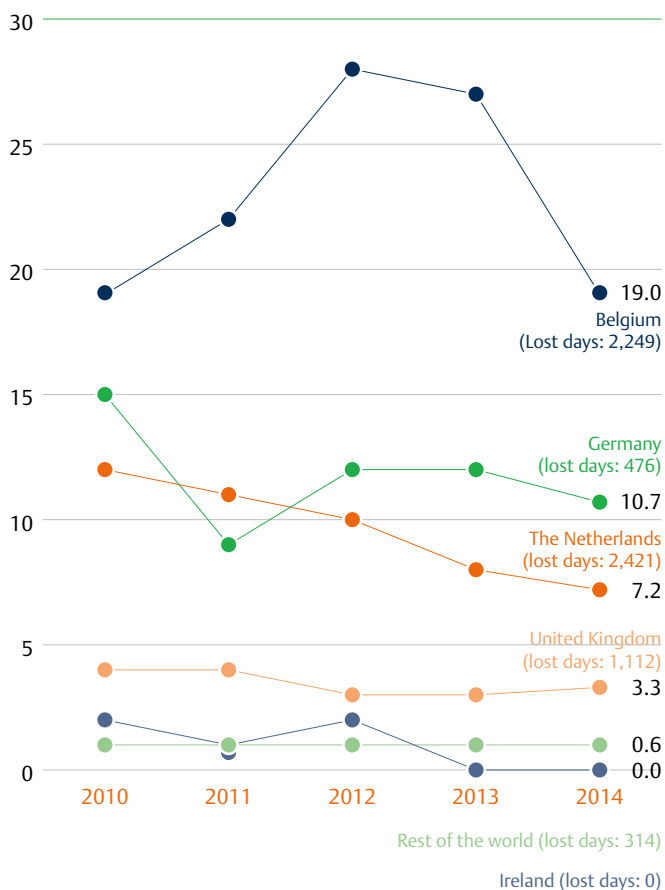


28 — Group Incident Frequency (IF)



It stands to reason that managers' attitude and behaviour are crucial for better safety results. Therefore in 2014 BAM continued the 'Making BAM a Safer Place' campaign, that started in 2013. On 21 October 2014 the global BAM Safety Day took place, which paid attention to the top five safety risks, that are the main causes of many serious accidents, some of which are fatal. They are: working at heights; working with moving equipment; lifting and hoisting operations; electric installations, cables or pipes that are live or situated in unknown or unexpected locations; working near risk zones, such as water and traffic. In 2014 BAM and TNO have done more work towards employee resilience through the 'B-Alert' programme. Approximately 10 workshops have resulted in enhanced resilience of staff of the participating Dutch operating companies. BAM also continued with implementation of the programmes Hein® in the Netherlands and Beyond Zero and Zero Harm in Ireland and the United Kingdom to encourage and strengthen a culture of openness.

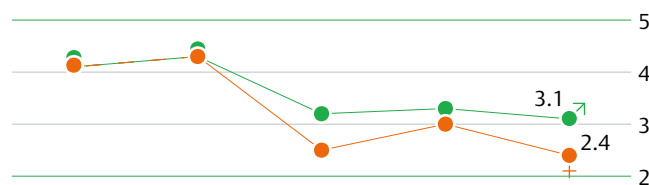
Furthermore, it is apparent that fewer accidents take place when clients include safety in requirements for contract selection and contract execution. In the Netherlands in 2014, BAM, together with other large construction companies and clients, committed to making industry-wide agreements to improve safety by signing a Governance Code. By doing so, they aim to improve the industry's safety culture and performance, strengthen the supply chain and promote standardisation, education and knowledge exchange. BAM also endorsed the Zero Accidents Network, that focusses on management commitment of the participating companies. Furthermore in 2014, BAM chaired the Health & Safety working group of ENCORD, that worked on sharing and learning, standardisation of safety indicators and research and development. BAM also revised its General Terms and Conditions for Purchasing and Subcontracting to include safety performance management of subcontractors.



29 — Incident Frequency (IF) by country



Health



30 — Absenteeism (number of sick days as a percentage of total number of available days)



## Business conduct

During 2014, a total of 72 cases of alleged irregularities were reported in the Netherlands. A breach of the Code of Conduct was established in 20 of these 72 cases (2013: 26 out of 39; 2012: 11 out of 25). These involved, for instance, conflict of interest, health and safety, improper use of company property and confidential data. Appropriate disciplinary measures were taken against the employees concerned. In 2014, no complaints were received in respect of trading shares, human rights, labour unions or sustainability.

During 2014 Dutch media paid attention to one particular incident, where the head of a department at a BAM-subsiary was involved in a conflict of interest. Also in this particular case all BAM-procedures were applied directly and correctly, well before it was mentioned in the media. As a consequence the manager involved lost his position at BAM.

In 2014 no legal actions were taken for anti-competitive behaviour, anti-trust and monopoly practices. In addition, there have been no known instances of corruption or of non-compliance with laws and regulations.

### *Covenant with Building Woodworkers International (BWI)*

In 2006, BAM and Building and Woodworkers International (BWI), signed a framework agreement to promote and protect employee rights. By signing the agreement BAM agrees to recognise and respect:

- The fundamental principles of human rights as defined in the Universal Declaration of Human Rights;
- The ILO Declaration on Fundamental Principles and Rights at Work;
- The ILO Conventions in force;
- The ILO Tripartite Declaration of Principle concerning Multinational Enterprises and Social Policy;
- The OECD Guidelines for Multinational Enterprises.

Within the agreement BAM also endorses the need for fair negotiations with national trade unions and acknowledge that corruption, bribery and anti-competitive behaviour is not acceptable. BAM is committed to achieving social justice and sustainable development in its activities with its trading partners, subcontractors and suppliers. In that regard, BAM and BWI will work together to ensure that the following social criteria are effectively applied:

- A ban on forced labour;
- The right to equality and diversity in terms of ethnicity, race, gender, religion, political affiliation, nationality or other distinguishing characteristics;
- A ban on child labour;
- A safe and healthy working environment;
- The right to establish and join trade union organisations;
- The right of employees to receive fair pay and respect for the minimum wage;

### **Highways Agency announces winners of its supply chain awards**

BAM Nuttall, BAM's civil engineering company in the United Kingdom, has won the Highways Agency Supply Chain Award in the Health and Safety category, which is awarded to suppliers that show industry leading commitment to improving organisation and workforce health and safety. On 15 January formally it was awarded to the BAM Nuttall Morgan Sindall joint venture for their work to completely eliminate the need for workers to cross a live carriageway on the M62 junction 25 to 30 smart motorway scheme.

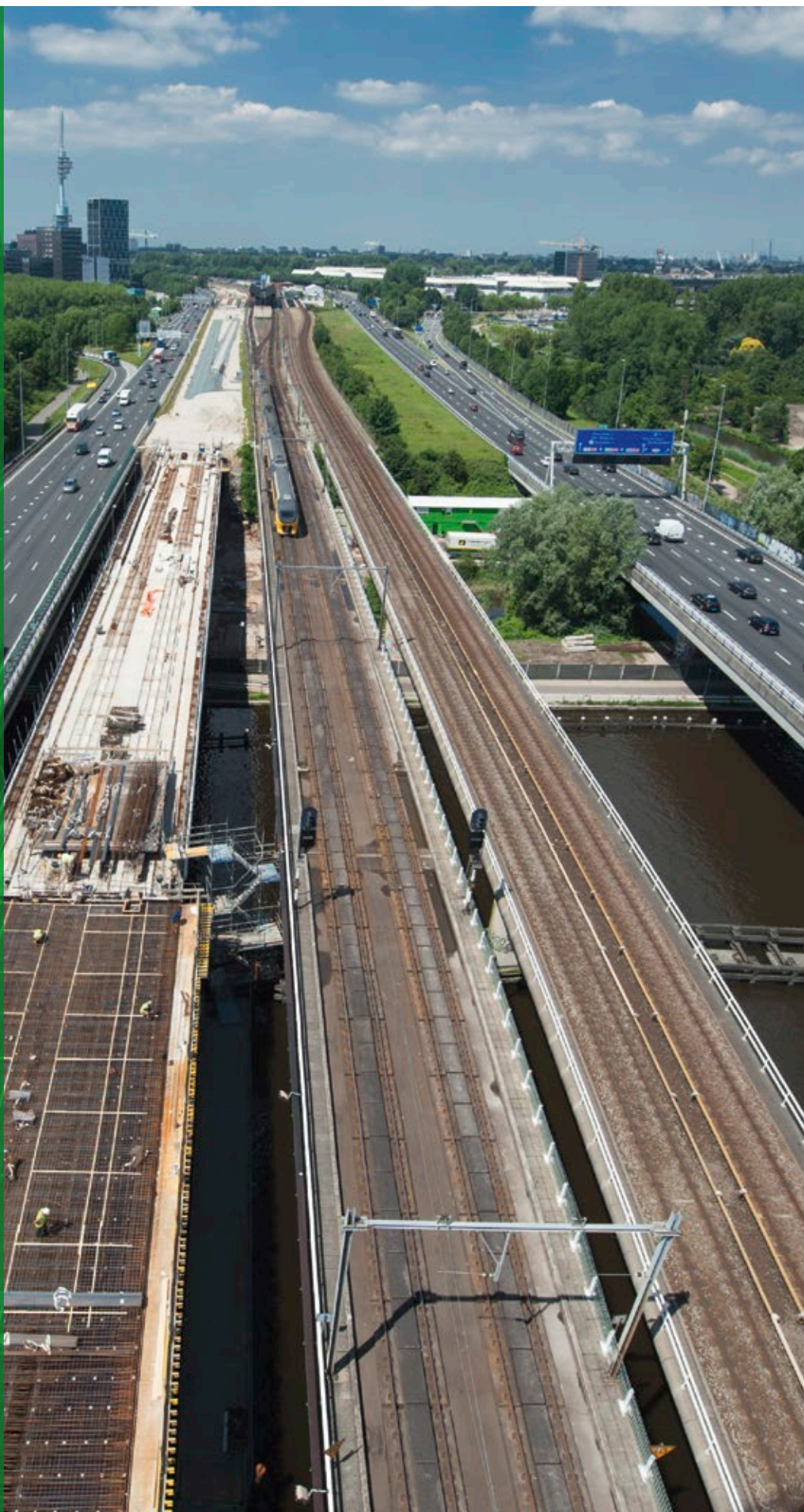
### **BAM Wegen Oost certified on Social Return performance ladder**

On Tuesday 21 January BAM's regional operating company BAM Wegen Oost received certification on Social Return Performance Ladder or PSO (Prestatieladder Sociale Ondernemen). PSO is a tool to provide insight into a company's effort in the field of Social Return. Companies with PSO recognition contribute more than average to the employment of vulnerable groups. One of the purposes of PSO is to create permanent jobs for people from vulnerable groups.

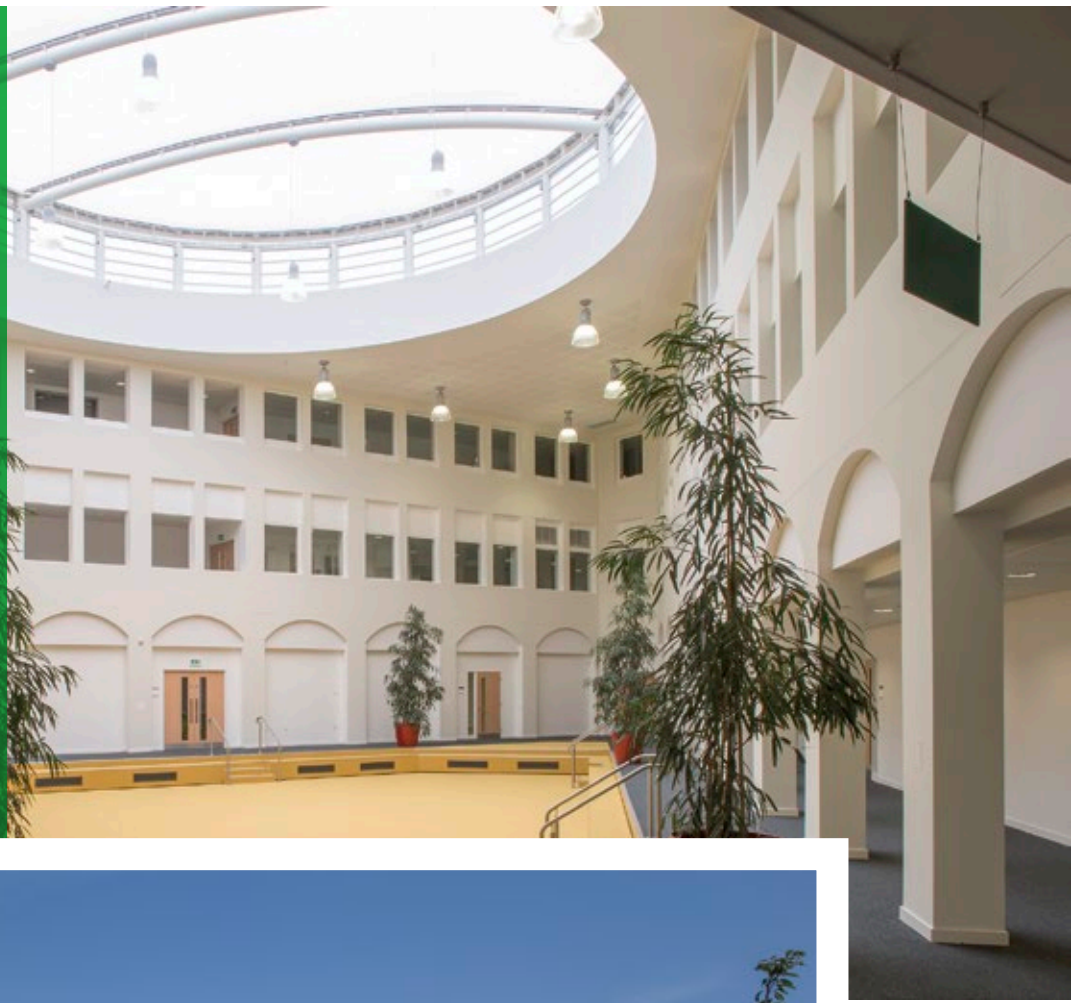
### **OVSAAAL first project to achieve level 4 on ProRail safety ladder**

The OVSAAAL project in Amsterdam, the Netherlands, was the first to achieve a level 4 performance on the ProRail safety ladder. Approximately 25 staff members and approximately 25 construction site workers were interviewed. BAM's low accident figures reflect all the effort, time, and energy that each BAM employee puts into safety. Level 4 indicates that the way in which the Group behaves on sites provides a major contribution to this achievement. Every day this requires attention, which has been formally confirmed by external professionals from DNV Business Assurance. In line with BAM's safety philosophy: OVSAAAL borrows people from their homes.

The rise in the number of passengers in the Amsterdam and Flevoland region means that Dutch railways are getting busier. The OV SAAL project of ProRail is designed to improve public transport on the Schiphol-Amsterdam-Almere-Lelystad route. **BAM Infra** is responsible for design and construction of the eastern part of the southern route.



Design and construction of the  
700-pupil, multi-faith secondary  
Nishkam High School in Birmingham,  
United Kingdom.  
**BAM Construct UK.**

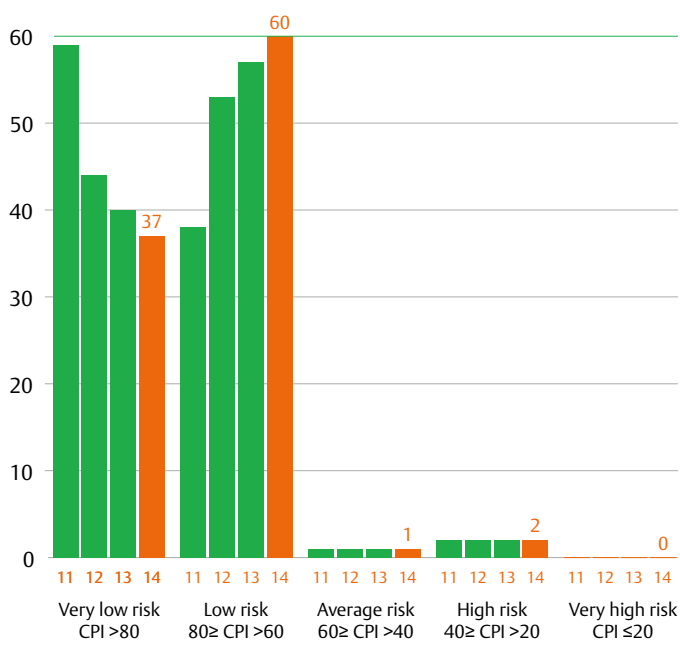


- The right to suitable working conditions (working hours, facilities, learning and development, health and safety).

Regular meetings are held with management representatives from BAM and trade union organisations, including BWI, to monitor implementation of the agreement. BWI has visited construction projects in South Africa, Dubai, Tanzania and more recently in Jordan to monitor BAM’s performance. On 12 June 2014, a delegation of BWI and trade union organisations FNVBouw and CNV visited the BAM project site of Hazza Bin Zayed Stadium in Al Ain, United Arab Emirates. No anomalies were detected in any of the areas that have been challenged by the BWI. A report, issued by FNVBouw confirmed this and stated that, among other things: there is an extensive safety programme on site; employment is freely chosen; there is no discrimination in employment; child labour is not used; working conditions are decent; safety representatives are chosen; and the employment relationship is established. Sub-subcontractors are ought to comply with labour conditions as BAM enforces them on subcontractors. Another visit, to the project site of Nieuw Hoog Catherijne in Utrecht, the Netherlands, has been planned for 2015.

*Corruption index*

The Corruption Perception Index (CPI) is calculated annually by Transparency International, that focuses on strict implementation of the UN Convention against Corruption. The CPI classifies countries according to their perceived level of corruption on a scale from 0 to 100. BAM achieves the majority of its turnover in countries with a corruption index higher than 60, i.e. in countries with a low to very low risk of corruption.



31 — Revenue according to Corruption Perception index country

(in %)



**Transparency**

*Tax strategy*

BAM pursues a tax strategy that is principled, transparent and timely to support the Group’s overall business strategy and objectives. The tax strategy is in line with BAM’s Code of Conduct. The Group has established principles governing its tax strategy and the suitability of these were reviewed and approved by the Executive Board.

These principles include the following key points:

- A tax strategy that is aligned with the Group’s business strategy and genuine commercial activity and conforms to BAM’s Code of Conduct;
- Commitment to ensure full compliance with all statutory obligations for taxes in all countries where BAM is active;
- Management of tax affairs in a proactive manner that seeks to ensure that BAM’s operations are in accordance with the law;
- Maintenance of documented tax risk management policies and -procedures and completion of thorough risk assessments before entering into tax planning initiatives;
- Periodic review of processes to ensure controls remain effective and no material departures from acceptable practice have taken place;
- Sustaining good and open relations with tax authorities and commitment to prompt disclosure and transparency enabling them to gain a more complete understanding of BAM’s systems and processes.

Within this governance framework, the conduct of the Group’s tax affairs and the management of tax risk are delegated to the Group’s tax department with support and assistance from the Group and local financial departments. In accordance with BAM’s tax strategy, transactions between companies within the Group are conducted on an arm’s length basis. Transfer pricing between operating companies is based on fair market terms and the commercial nature of the transactions.

*Country by country reporting*

Corporate income tax, taxes on wages, social security contributions, and VAT are also considered relevant taxes in relation to the turnover that BAM makes in the areas where it works. These taxes provide good comparability in the Netherlands, the rest of Europe, and the rest of the world for BAM. Under these categories BAM’s taxes amount to 807.2 million. Relative to BAM’s turnover, the share of taxes paid deviates most from the share of turnover in the Netherlands. Here BAM’s share of taxes is relatively high compared to turnover.

32 — Taxes paid in 2014

	Taxes	% Turnover	%
Netherlands	349.9	48.9%	36.3%
Rest of Europe	377.2	46.7%	57.7%
Rest of the world	35.1	4.3%	6.0%
Total	807.2	100%	100%

In 2014 the rounded ratios for annual total compensation of BAM's highest paid individual to the average annual total compensation for all employees remain at the same level as in 2013, except for Ireland. In Ireland the ratio decreased from seven to six, which means that the average salary increased more than the salary increase of the highest paid individual. The ratio of percentage increase decreased in the Netherlands, Germany and Ireland and increased in the United Kingdom and Belgium.

33 — Annual total compensation by country

(in ratio of the annual total compensation for the organisation's highest-paid individual to the average annual total compensation for all employees (excluding the highest-paid individual))

	2014		2013	
	ratio of percentage increase	ratio	ratio	ratio
Netherlands	-3%	13	13	13
United Kingdom	0%	7	7	7
Belgium	6%	7	7	7
Germany	-2%	7	7	7
Ireland	-9%	6	7	7

Employee performance

Its employees are BAM's most important asset. A reduction in jobs as part of the Back in shape programme appears to contradict this. BAM is aware of this apparent contradiction yet it is important to safeguard BAM's performance from an economic point of view. BAM supports sustainable employee development with its endeavours to help employees involved find suitable new work. This is laid down in a social plan.

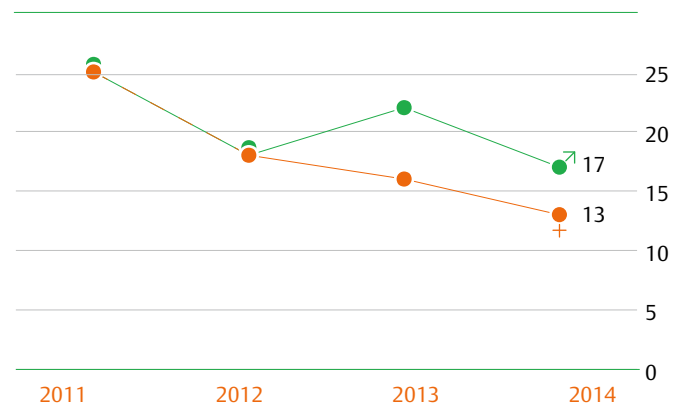
Employees who have been made redundant have an additional option. The social plan offers:

1. Outplacement (help with going from work to work, employee receives compensation);
2. Immediate termination of employment contract (employee receives compensation).

BAM's social side is clearly visible in the plan, particularly in the safety net scheme: if, for instance, someone has chosen the outplacement path and receives a new six-month employment

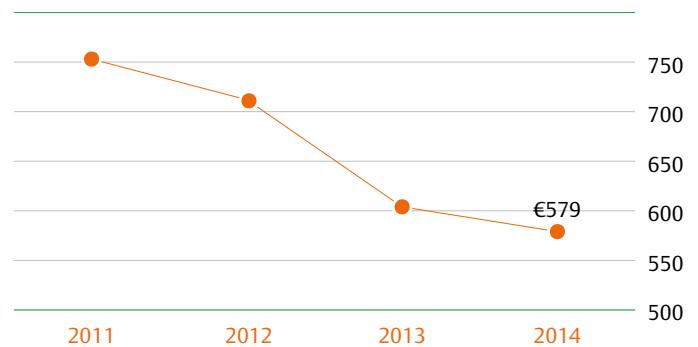
contract, and this contract is not extended due to reasons beyond the responsibilities of the employee involved, he or she can fall back on BAM's mobility process. The safety net means that one initially receives help with finding a new job, and if one is not successful, he or she will get financial compensation. The duration of this safety net scheme is maximum 24 months.

The active aspect signifies a pro-active attitude, both of the employer and the employee, and this element was lacking in the former social plan. This aspect is mainly expressed in the work-to-work programme for both parties, which entails assisting employees whose positions have become redundant towards a new challenge. For this BAM has established BAM Link, BAM's mobility centre, where people are assigned a personal mobility advisor who helps finding another job, whether at BAM or outside the organisation. BAM is focusing on this process more than before, which is a huge investment in terms of time, money and energy. An active approach of the employee who has been made redundant is always rewarded.



Average hours of training per employee

34 — (in hrs)



Average training cost per employee

35 — (in €1,-)



## Diversity and equal opportunity

One of BAM's goals was to have five females appointed at its senior management level by the end of 2014. By 2014 BAM has appointed one woman in the Supervisory Board and has women appointed at the levels of CFO, Director ICT, Director Human Resources, Director Human Resources of BAM Infra Netherlands and Financial Director of Interbuild.

### 36 — Employees per employee category by gender in 2014

(in %)

	Senior management	Middle management	Operational staff
2014	4%	8%	16%
2013	96%	92%	84%

### 37 — Employees by age group

(in %)

Age group	2014	2013
<20	1%	1%
20-29	14%	14%
30-39	25%	25%
40-49	28%	28%
50-59	24%	24%
60 ≥	8%	8%

For all home countries, the percentage of female employees increased or remained at the same level.

### 38 — Female employees by region

(in % of total employees)

	2014	2013
Netherlands	11%	11%
United Kingdom	22%	21%
Belgium	11%	10%
Germany	21%	20%
Ireland	24%	17%
Rest of the world	4%	4%

### 39 — Employees per gender by employment type

(in %)

	2014	2013	2014	2013
Full-time	96%	96%	56%	56%
Part-time	4%	4%	44%	44%

### 40 — Employees per employment contract by gender in 2014

(in %)

	permanent contract	temporary contract
2014	13%	1%
2013	75%	11%
Total	88%	12%

## Local communities

In 2014, local community engagement programmes, that measure and manage the impacts of a building project on the local environment, were implemented at 43 per cent of BAM's operations. These were initiatives as part of existing programmes, such as the Considerate Constructors Scheme (CCS), Bewuste Bouwers and Making TIME for Communities, as well as unique initiatives of Engagement Managers on projects and site specific sponsoring or charity work.

#### Considerate Constructors Scheme

CCS fosters good communication with the local community and promotes professionalism on building sites. Both BAM Construct UK and BAM Nuttall in the United Kingdom are associate members of the CCS. Construction sites registered under the CCS scheme are monitored to ensure that they comply with the 'Code of Considerate Practice' developed to promote good practice, going beyond legal requirements.

#### Bewuste Bouwers

Based on the success of the UK Scheme, BAM was one of the companies that introduced the scheme 'Bewuste Bouwers' in the Netherlands in 2009. After five years of participation, Bewuste Bouwers decided to involve BAM in further roll-out of the scheme. During 2014, 82 sites were registered under the scheme in the Netherlands (2013: 82).

#### Making TIME for Communities

BAM Construct UK continued its commitment to targeting the social issues highlighted in the 'Making TIME for Communities' strategy. In 2014, its community programmes were again award winning, with a BiTC National Big Tick Award for education.

BAM Construct UK uses the London Benchmarking Model to quantitatively measure its community investment. In 2014 BAM Construct UK estimated that 90 per cent of all community engagement activities were monitored and given a monetary value. In 2014, €824,933 was invested in to the communities surrounding BAM Construct UK’s projects, which benefitted 17,326 people.

By means of a survey amongst its A-list suppliers, BAM attempted to measure its impact on suppliers’ performance on relevant themes. For example, suppliers were asked to what extent their work with and for BAM has led to increased safety or decreased energy usage. BAM will use the results to bring focus in its value creation process with its supply chain.

### Supplier performance


BAM uses a tool to measure supplier performance. During project preparation, implementation and follow-up, the tool assesses suppliers against the themes safety, quality, total cost, logistics and engineering and process. Operating companies have the opportunity to add any specific criteria. On a scale of 1 to 4, each supplier has to score at least 3 for each criterion. In 2014 a total of 5,372 supplier performance assessments were carried out.

In 2014 BAM approached approximately 1,600 of its largest suppliers in the Netherlands to request and assist them to calculate their emissions and propose reduction measures.

#### Impact on suppliers

Suppliers are one of BAM’s five key stakeholder groups. They provide value to BAM through their position in the supply chain. Reversely, working for BAM should provide value to the suppliers. In theory, in a sustainable relationship, working for BAM should lead to a positive impact on the suppliers by BAM.

#### 41 — BAM’s impact on its suppliers

		Negative impact	Neutral	Positive impact
1	Safety 	5%	47%	48%
2	Application of process innovations	8%	46%	46%
3	Emissions	3%	54%	43%
4	Labour conditions	4%	57%	39%
5	Application of product innovations	4%	59%	37%
6	Energy	3%	62%	35%
7	Job creation	12%	57%	31%
8	Financial performance	18%	54%	28%
9	Local communities	3%	71%	26%
10	Waste	7%	75%	18%



Office building EVS, Liege, BAM Belgium (BAM Galère).



### **BAM leading circular construction partner in Amsterdam**

On 6 March 2014, BAM and six other parties in the construction supply chain, signed a letter of intent with the municipality of Amsterdam to make supply chains more sustainable. The parties will cooperate on closing the raw material loops in demolition, refurbishment and new construction projects. This initiative fits in with the efforts of the municipality and BAM to create a 'circular economy' in which they minimise consumption of raw materials and energy.

## Stakeholder interview

### Howard Richings

*Head of Estates Management, Royal National Lifeboat Institution*

*'The value of early involvement is getting it right the first time'*

**The RNLI is the charity that saves lives at sea. They provide, on call, a 24-hour lifeboat search and rescue service around the UK and Ireland, a seasonal lifeguard service to over 200 beaches and provide training and advice internationally in a commitment to reduce lives lost through drowning. With their lifeboats, lifeguards, safety advice and flood rescue, they are committed to saving lives globally.**

*How do you see the construction industry in ten years' time?*

'It is easier to look back and see what has changed over the last 40 years that I have been involved in the construction industry. I don't see major changes in the type of maritime work that we undertake, however there does seem to be a tendency in the construction industry for both contractors and designers to grow into even larger groups. I don't believe this that can continue and I think it will become uncompetitive. In time these larger groups will break up and we will see a number of smaller companies coming back into play again.'

*In what phase of the value chain do you believe BAM delivers the greatest added value?*

'Early involvement, so that we make sure that if we set a project up that the whole team – namely the designer, the contractor and the client – are involved right from the beginning. This is exactly how BAM delivers its projects for us. The value to us with involving the contractor as early as possible is getting it right first time and minimising any unnecessary changes.'

*How can BAM win over partners in the value chain to achieve an even more sustainable approach?*

'In overall terms being a sustainable business should result in the most economical way of doing something. This simple philosophy has yet to translate into individual construction or civil engineering projects but I suspect that in the future the application of life costs will demonstrate that we need to be sustainable. Worldwide there is a growing shortage of raw materials and recycling is becoming more important than ever. RNLI is fully committed to

operating in a sustainable manner although we probably incur small additional costs as a result. So long as we can show that the project being undertaken by our contractors offers the best value, that's fine.'

*In what respect can partners contribute to a more sustainable approach?*





'Well, partnerships certainly help. The work we do with BAM is based on the development of a partnership we put together in the early 2000's with two contractors, two designers and our principal subcontractors. We developed that partnership over a five year period and now it is just the way that we operate. If you relate it back to sustainability, partnerships make it easier to convince all parties – from the designer to the contractors – that a sustainable approach is the right thing to do.'

LEAB stands for low energy asphalt concrete. Using LEAB, BAM offers an innovative technology that contributes positively to the natural and living environment. LEAB is sustainable asphalt that lasts as long as conventional asphalt concrete and is just as resistant to road damage, but results in a cleaner living environment. The LEAB-mixture is made at a lower temperature (100 instead of 160 degrees centigrade), resulting in 30% - 40% energy saving and 30% reduction of CO<sub>2</sub> emissions. In addition, the mixture consists of 60% recycled asphalt that is, in turn, fully recyclable. Up to now 250,000 tonnes of LEAB have been applied in more than 150 infrastructure projects, of which 118,000 tonnes in 2014. **BAM Infra (BAM Wegen).**



## 4.3 Environmental performance

### 42 — Ambition: Recognising the responsibility to future generations

Targets	Performance in 2014	Progress
<p><b>Fully incorporate CSR in daily activities</b></p> <p> - To reduce BAM's total CO<sub>2</sub> emissions by 15 per cent by 2015 (based on its 2009 emissions), taking into account the turnover and type of the projects.</p>	- BAM reduced CO <sub>2</sub> emissions from 277 kilotonnes in 2009 to 242 kilotonnes in 2014, a reduction of 13 per cent.	●
<p> - To be included in the CDP Climate Performance Leadership Index by achieving performance band A.</p>	- In 2014 BAM was included in the CDP Climate Performance Leadership Index by achieving performance band A.	●
<p> - To reduce BAM's total construction and office waste by 15 per cent by 2015 (based on its 2009 volume), taking into account the turnover and nature of the projects.</p>	- BAM reduced construction and office waste from 574 kilotonnes in 2009 to 182 kilotonnes in 2014, a reduction of 68 per cent.	●
<p> - To increase BAM's separation rate of construction waste by 25 per cent by 2015 (compared to 2009 volumes) taking into account the turnover and nature of the projects.</p>	- BAM's separation rate of construction waste increased from 18 per cent in 2009 to 33 per cent in 2014, an increase of 83 per cent.	●

#### **BAM Nuttall boxing clever with a boost for birdlife**

BAM Nuttall recycled unwanted wood into bird boxes for local wildlife. The wood was originally used as shelving and panelling inside containers but once the job was finished the shelves were no longer needed. Normally it would have been processed and recycled but BAM Nuttall employees decided that some should be used to benefit people and wildlife closer to home. Some of the bird boxes were sold to raise much needed funds for the Wildlife Trust and others were used on Wildlife Trust nature reserves to quickly boost the number of bird nesting sites.

#### **BAM Utiliteitsbouw completes hydrogen station**

On 3 September 2014 the Dutch State Secretary for Infrastructure and Environment, conducted the official opening of the hydrogen filling station in Rhooen, south of Rotterdam, the Netherlands. The hydrogen filling station is part of a collaborative project between the Netherlands, Denmark, Sweden and France and is one of the first places in the Netherlands where hydrogen refueling is possible. This contributes to further development of hydrogen vehicles. Hydrogen-electric driving contributes to significant reductions in CO<sub>2</sub> emissions and thus makes an important contribution to sustainable mobility.

**BAM Deutschland joins EU research into energy-efficient buildings**

BAM's German operating company BAM Deutschland participates in the European Research Project eeEmbedded. The ambition of this project is to advance the collaboration between the different actors in the realisation of sustainable buildings. The European "DIRECTIVE 2010/31/EU" on the energy performance of buildings with the objective that new developments are 'nearly zero energy buildings' by 2020.

The potential of energy neutral neighbourhood developments as well as the requests for sustainable design and evaluation according to established sustainability certification systems, have introduced a more holistic and integrated approach. A Virtual Design Laboratory (VDL) will be developed to support collaborative working.

**BAM builds Tesla superchargers**

BAM Infratechniek Mobiliteit is building charging sites for electric cars and is preferred installation partner for Tesla Motors in the Netherlands.

At the end of 2013, BAM started the installation of superchargers in the Netherlands. The superchargers of Tesla make it possible for drivers to very quickly charge their cars: in approximately 35 minutes to up to 80 per cent.

Overall, BAM has built four public sites for Tesla, each of them with eight chargers and two private sites. The public sites in the Netherlands are used very often. For example, during the opening of Oosterhout, the station was for a short period the world's most used site. A number of other sites are planned for 2015.

**Where BAM can improve**

*In general BAM emits greenhouse gasses through the nature of its business. Production of asphalt is one of BAM's carbon intensive activities. BAM can further improve the emissions from its asphalt plants by producing more low energy asphalt (LEAB), which currently awaits wider market acceptance, especially from governmental clients.*

*In a circular economy, 100 per cent of the materials is reused. In 2014 BAM managed to reuse 88.6 per cent of its waste as construction materials, an increase of 2.1 per cent compared to 2013. There is an opportunity to find more useful purposes than landfill or incineration for 11.4 per cent of BAM's waste.*

**Energy**

BAM's total energy consumption in 2014 was 3,410 TJ (2013: 3,730 TJ). The energy intensity, based on TJ per million euro turnover, in 2014 was 0.47 TJ / million €.

BAM believes that several energy efficiency measures, such as the use of renewable electricity, the installation of movement activated light switches and the use of low energy lamps, positively affect the energy intensity figure for its buildings. In 2014 BAM used 122 kWh per square metre in its buildings in the Netherlands (2013: 132 kWh).

**Transport**

The total current car fleet of BAM in the Netherlands consists of 91.3 per cent A or B labels, compared to 88.2 per cent in 2013. BAM also employs electric vehicles to reduce fuel consumption, CO<sub>2</sub> emissions and air pollution. In 2014 more than 880,000 kilometres were driven with the Group's full EV's and plug in hybrid cars.

**Sustainability timeline**

Residential Tower '100 Hoog' (AM and BAM Woningbouw) winner of FSC Chain Award 2013

BAM signs Green Deal on 'Cooperating on Transparency of Natural and Social Capital' to make impact on nature and the wellbeing of people visible

Directorate-General for Public Works and Water Management (Rijkswaterstaat) approves application of LEAB as an equivalent alternative to conventional asphalt mixtures; breakthrough for Low Energy Asphalt Concrete in the Netherlands and abroad

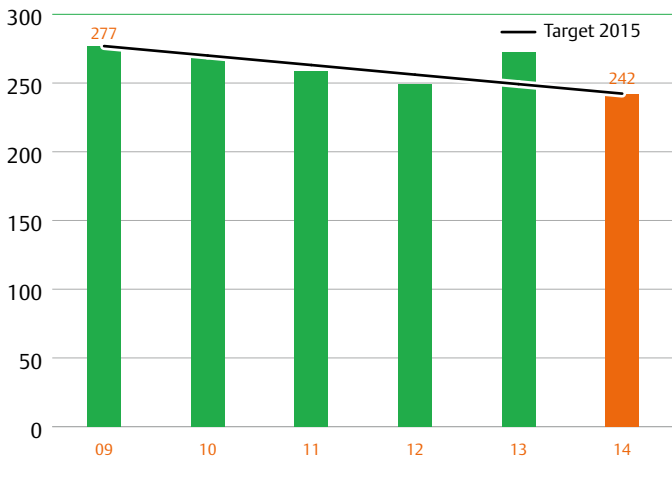
Onshore civil works of the second line of the Holcim cement plant in Tuban, East Java, Indonesia. The second line comprised the same number and similar structures that BAM completed for the first line, which were almost ninety reinforced concrete structures, varying from large support buildings (up to 120 metres high) for the process equipment to electrical stations and six concrete silos. **BAM International.**



### Emissions

BAM's carbon footprint in 2014 was calculated on the basis of energy consumption of all operating companies worldwide as a consequence of direct and indirect CO<sub>2</sub> emissions from business activities. The Group's 2015 reduction target is 15 per cent compared to 2009. In 2014 BAM emitted 242 kilotonnes CO<sub>2</sub> (2013: 272 kilotonnes). In absolute terms, BAM's carbon footprint fell by 11 per cent compared to 2013 (272 kilotonnes CO<sub>2</sub>) and by 13 per cent compared to 2009 (277 kilotonnes CO<sub>2</sub>). The CO<sub>2</sub> intensity, based on CO<sub>2</sub> emissions per turnover, decreased by 1 per cent to 33.0 tonnes CO<sub>2</sub> per million euro (2009: 33.3 tonnes CO<sub>2</sub> / million €).

The CO<sub>2</sub> emissions intensity of BAM's office buildings in the Netherlands is 13.7 kilograms CO<sub>2</sub> per square metre (2013: 17.3).

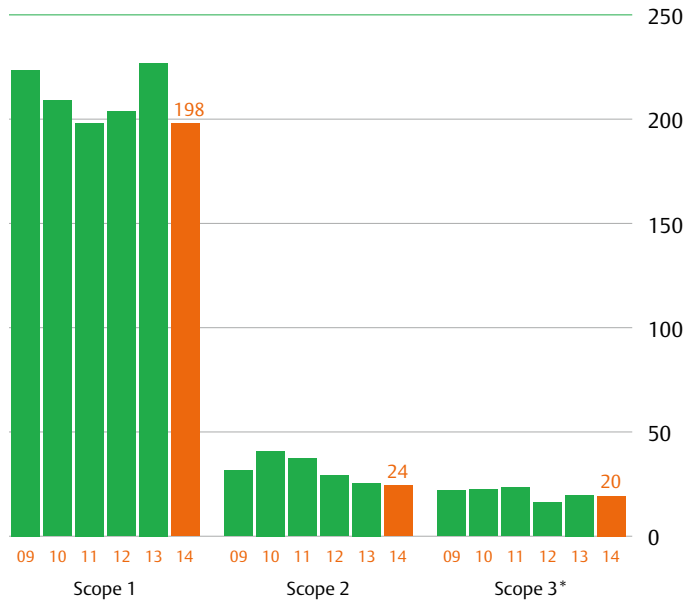


43 — Total absolute CO<sub>2</sub> emissions  
(in kilotonnes)

The Greenhouse Gas Protocol differentiates between three scopes, namely emissions directly resulting from a company's own activities (scope 1), indirect emissions from purchased electricity, heating and cooling (scope 2) and indirect emissions in the value chain (scope 3). Scope 1 CO<sub>2</sub> emissions are responsible for 82 per cent of BAM's total CO<sub>2</sub> emissions.

#### BAM Nuttall signs charter marking start of flood defence works

BAM Nuttall has signed a charter and is committed to delivering excellent outcomes for people, communities and the environment in its work for the Environment Agency, on flood and coastal erosion projects, over four years. The Framework partnership has started work on the 2014 Recovery Programme, which has been set up to restore flood risk assets damaged across the country by the winter floods. Quality infrastructure is vital to our day-to-day activities and UK Government has prioritised spending on flood defences and has already committed to spending £2.4 billion over this Framework period. These defences protected around 1.4 million properties during extreme weather in 2014. The charter was signed on behalf of the BAM Nuttall - Mott MacDonald joint venture team. BAM Nuttall is committed to a series of collaborative and sustainable targets covering people, customers and approach.



\* Employee air travel;

44 — CO<sub>2</sub> emissions per scope 1, 2 and 3  
(in kilotonnes)

BAM Techniek and YARD ENERGY Group develop Netterden-Azewijn Wind Park

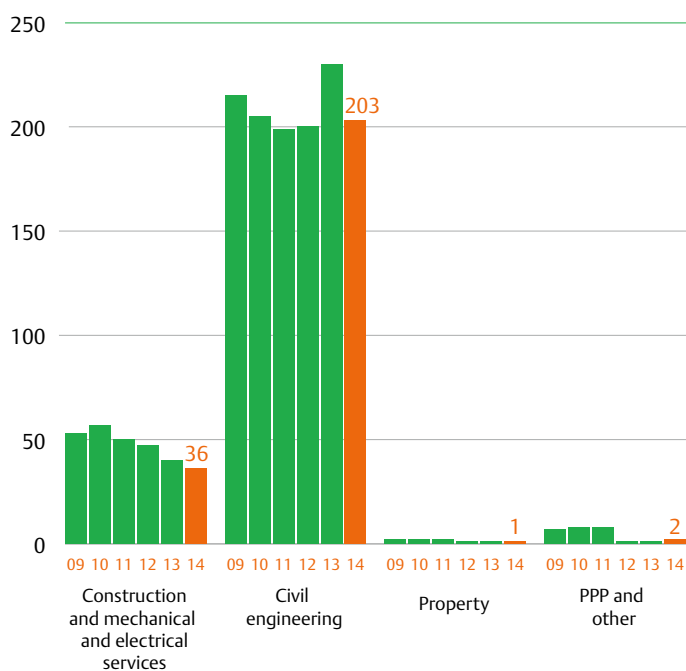
BAM awarded with Dutch quality mark Safe and Energy Efficient Driving

Apenheul Primate Park signs contract with seventeen preferred suppliers; sustainable agreements in the area of engineering, maintenance and construction

BAM's carbon footprint and its carbon intensity depend largely on the type, the phase and the location of projects in the reporting year. In 2014, the Civil engineering sector accounted for 84 per cent of BAM's total CO<sub>2</sub> emissions. The energy requirement per million euro turnover of civil works is much higher than of Construction and mechanical and electrical services. In 2014 the turnover in euro of the Civil engineering sector was 54 per cent, compared to 47 per cent in 2009. In other words: in 2014 BAM generated more turnover with energy intensive projects. Nevertheless, BAM managed to reduce both its absolute (-13 per cent) and relative emissions (-1 per cent) compared to 2009.

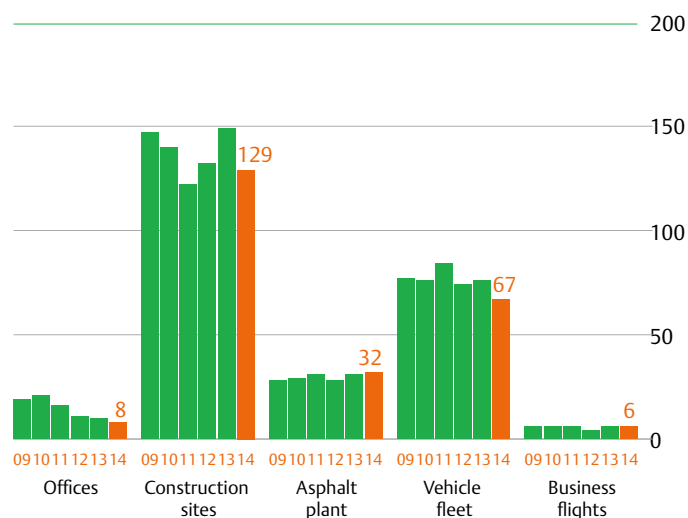
The vehicle fleet attributed to 28 per cent of total emissions, and decreased by 14 per cent compared to 2013. This reduction in fuel consumption is the result of a reduction of leased vehicles, an increase of fuel efficient cars and continuation of programmes for fuel efficient driving. Other things that contribute to changes in BAM's carbon footprint are:

- Continuous improvement of the reporting process and reporting methods since 2009;
- Weather conditions (relatively mild in 2014);
- Other emission reduction initiatives.

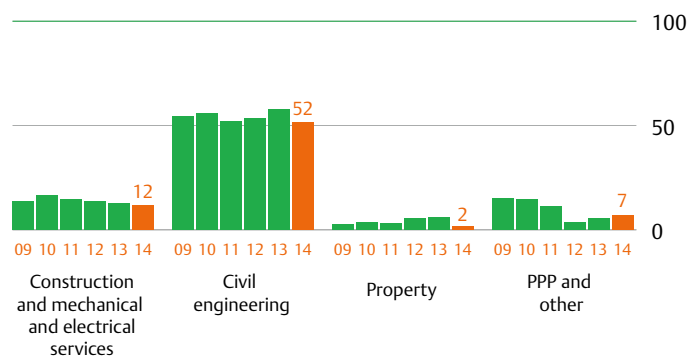


45 — CO<sub>2</sub> emissions per sector  
(in kilotonnes)

Within the Civil engineering sector, BAM's activities outside its home countries have the highest energy intensity. The decrease of BAM's absolute emissions was mostly a result of the completion of energy intensive projects outside BAM's home countries. There has also been a significant decline of emissions at BAM's vehicle fleet.



46 — CO<sub>2</sub> emissions per source  
(in kilotonnes)



47 — CO<sub>2</sub> emissions intensity per sector  
(in tonnes per €1 million revenue)

Sustainable asphalt test on Dutch A4 motorway section

BAM combination realises new sustainable Tivoli district in Brussels

Dutch State Secretary for Infrastructure and the Environment officially opens hydrogen filling station constructed by BAM near Rotterdam

### **BAM Woningbouw completes prototypes for zero energy house**

BAM's Dutch operating company BAM Woningbouw completed the first two prototypes for an industrially renovated energy-neutral house, partly through Building Information Modeling (BIM). These prototypes are part of 'de Stroomversnelling', a programme that aims to renovate 111,000 dwellings into comfortable, energy neutral dwellings with equal costs of living. This initiative is closed between six housing corporations and the construction companies BAM, VolkerWessels, Ballast Nedam and Dura Vermeer. The renovation is carried out based on a full-electric and proper insulated house, where the gas installation is removed from the dwelling. All required electricity is generated with solar panels on the roof. This ensures that the total yearly electricity generation transcends the electricity consumption. The financial savings through green energy generation are returned to the corporation. Tenants pay an all-in rental price and costs of living for tenants remain at the level before renovation.



The largest impact on climate change of BAM's activities in Construction and mechanical and electrical services sector occurs in the use phase of its products. In 2014, 16 per cent of BAM's revenue, approximately €1.2 billion, came from projects that have been registered with third-party green building or sustainable construction rating organisations, such as the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) standards, the UK's Building Research Establishment Environmental Assessment Method (BREEAM), Germany's Passivhaus standards and other objective and third-party standards or BAM's green building products.

For its actions to reduce CO<sub>2</sub> emissions and mitigate the business risks of climate change, BAM has been awarded with a position on the A List: The CDP Climate Performance Leadership Index 2014. The index has been produced at the request of 767 investors who represent more than a third of the world's invested capital by CDP, the international NGO that drives sustainable economies. Information provided by nearly 2000 listed companies has been independently assessed against CDP's scoring methodology and ranked accordingly. BAM has been awarded an A grade for its climate performance, earning a position on this global ranking of corporate efforts to mitigate climate change. Since 2012 BAM has been one of the leaders regarding transparency on impact on climate change. Only some of these companies also show improved climate performance. In 2014 BAM was among the best performing companies.

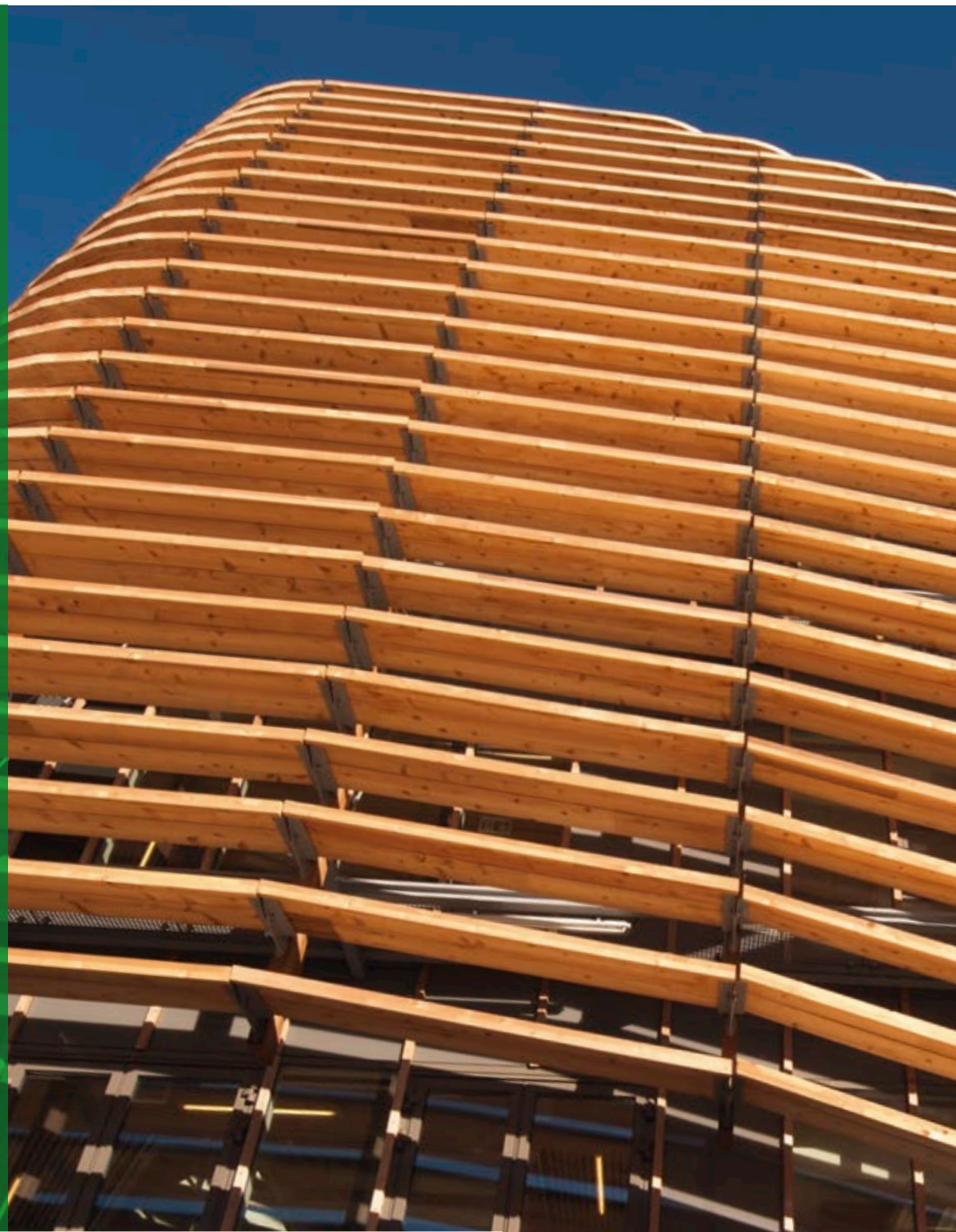




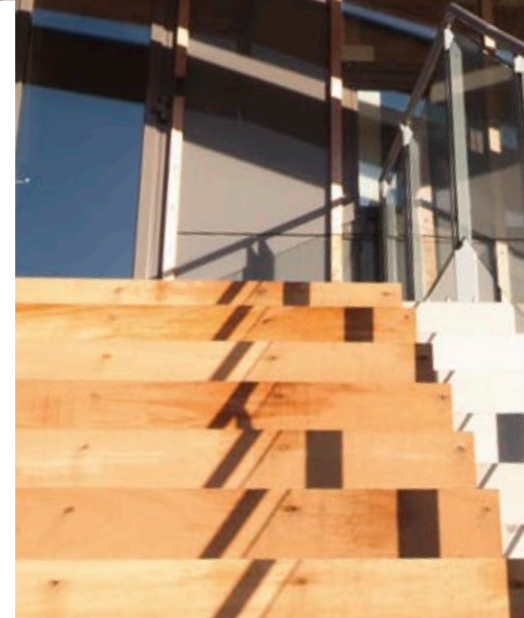


Swimming pool at the Windesheim University of applied sciences, Zwolle, the Netherlands. **BAM Bouw en Vastgoed.**

Extension to the WaterCampus Leeuwarden, the physical core of the Dutch water technology sector. WaterCampus stimulates co-operation between (inter)national businesses, knowledge institutes and governments within the water technology sector, in order to create synergy for world class innovation, education and entrepreneurship. Architects: GEAR. **BAM Bouw en Vastgoed.**



Meindert van Dijk Fotografie



## Waste

BAM's waste consists of excavation, demolition, construction and office waste. BAM focusses on construction and office waste as indicators of operational performance, since these outputs are based on the Group's own doings. All construction and office waste is initially brought to BAM's sites and offices on its behalf; in contrast to excavation and demolition waste. Excavation and demolition waste are initially at sites before BAM takes on a project and therefore less relevant as indicator of operational performance or sustainability; it is merely a part of BAM's business model to efficiently take it from sites.

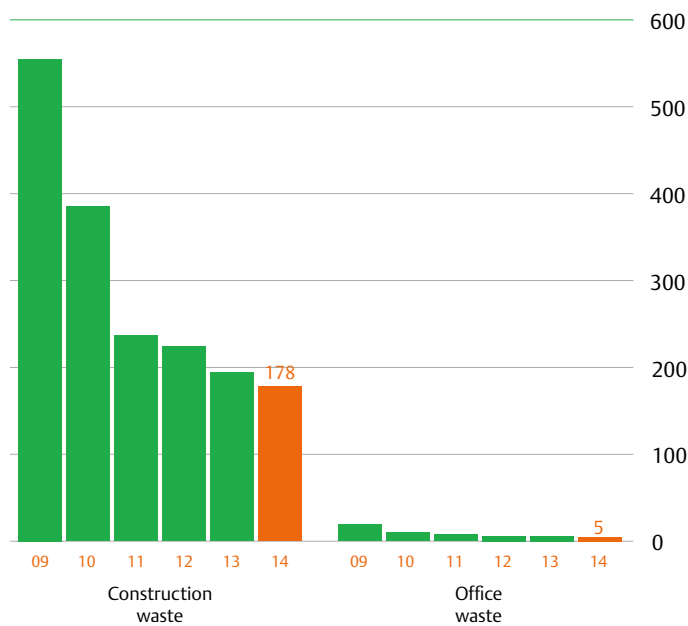
Much like CO<sub>2</sub> emissions, trends in removed waste depend heavily on the phase and type of a project. This can give rise to major differences among civil engineering companies in particular. It is, however, still challenging to understand the relationship between BAM's turnover, the type of activities and the level of waste produced.

The Group's construction and office waste reduced by 9 per cent compared to 2013, from 200 kilotonnes to 182 kilotonnes and 68 per cent from 2009 (574 kilotonnes). This exceeds BAM's 2009 ambition of 15 per cent reduction.

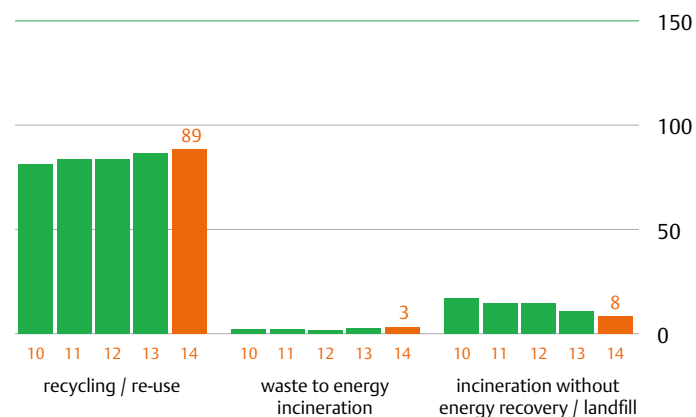
A large contribution to this year's reduction of the volume of construction waste is due to application of more accurate conversion factors in the United Kingdom. Waste & Resources Action Programme (WRAP) published updated waste volume to mass conversion factors, which causes a significantly lower calculated weight figure.

Efficiency in BAM's production process is further gained from prefabrication, which reduces the amount of waste produced at construction sites.

To promote appropriate recycling, BAM has the objective to improve the separation of construction waste. In 2014, 33 per cent of the Group's construction waste in the Netherlands was separated, compared with 18 per cent in 2009 (83 per cent improvement). Construction and demolition waste separation has increased from 47 per cent in 2009 to 80 per cent in 2014, when construction debris as a potential construction material is considered a separated waste stream. The removal of mixed construction and demolition waste shows a year on year decline. BAM's efforts to separate construction waste on site have resulted in improved performance. In 2014, large volumes of timber, metals and cardboard were separately diverted. A proactive approach of project managers to separate these materials have resulted in a significant increase of the separation rate.



48 Waste production per source (in kilotonnes)



49 Waste production per destination category (in %)



CDP recognises BAM as front runner for efforts made against climate change

Major overhaul stimulates interaction among residents of the city of Tilburg's Zorgvlied district

New computational method provides insight into social benefits of LEAB (Low Energy Asphalt Concrete)

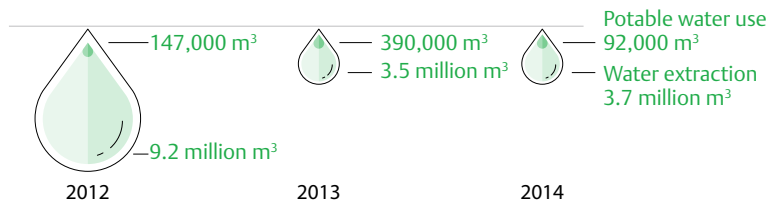
**BAM hits CDP Global Water Report 2014**

The availability of water poses a strategic risk to a large and growing number of companies. Competition for scarce water resources is leading to business disruption, brand damage and the loss of the license to operate. A lack of water, or insufficient water of the right quality, can cut or even halt production. An inability to access water can constrain corporate growth. This is of growing concern to institutional investors as evidenced by investors’ support for CDP’s water program, for which CDP asks companies to respond to its water questionnaire since 2013. CDP’s Global Water Report presents the analysis of responses from companies. BAM was listed in the Report in 2013 as well as in 2014.

*Water*

In 2014, BAM consumed 92,000 m<sup>3</sup> potable water in the Netherlands (2013: 390,000 m<sup>3</sup>; 2012: 147,000 m<sup>3</sup>), of which 75 per cent was consumed at construction sites and 25 per cent at BAM offices. In 2013, water consumption at construction sites was strongly influenced by tunnel drilling operations. The water consumption in the Netherlands is equal to 10 m<sup>3</sup> / fte per year (2013: 40 m<sup>3</sup> / fte; 2012: 14 m<sup>3</sup> / fte, 2011: 11 m<sup>3</sup> / fte).

In addition, BAM estimated water use for construction drainage in the Netherlands. After removal from site, the water is either brought back into the soil or aquifer, discharged in surface water or discharged in a sewer system. In 2014 in the Netherlands BAM extracted 3.7 million m<sup>3</sup> water for construction drainage (2013: 3.5 million m<sup>3</sup>; 2012: 9.2 million m<sup>3</sup>).



50 — Water usage in the Netherlands

**Modulogreen first green facade with C2C certification**

In 2014 BAM’s operating company Mostert De Winter received cradle-to-cradle (C2C) certification for its green facade Modulogreen. C2C products are designed so that, after their useful life, they provide nourishment for something new. Either as ‘biological nutrients’ that safely re-enter the environment or as ‘technical nutrients’ that circulate within closed-loop industrial cycles, without being ‘downcycled’ into low-grade uses (as most recyclables now are). The Modulogreen wall panel system has been redesigned to comply with the Cradle to Cradle requirements. It is now in line with new market conditions, which require innovative, sustainable solutions with low life cycle costs. The Modulogreen wall panel system is the first green wall system that is C2C certified.

CONNECT110NS in the heart of Glasgow's premier commercial and retail district comprises approximately 13,000 sq m of prime office space over eight floors with approximately 1,750 sq m of retail space on the ground floor. It is located at the junction of Queen Street in the financial district and Ingram Street – the so-called 'style mile'. In September 2014, CONNECT110NS was sold to Deutsche Asset & Wealth Management (Deutsche AWM) for some £70 million. Parts of the building have already been let – to a major law firm and an international accountancy practice – well ahead of completion. BAM will continue to partner with Deutsche AWM to manage the building until it is finished and fully occupied. The project is an exemplar for the use of Building Information Modelling (BIM). The BAM team is using 3D Revit to integrate architectural, structural and MEP design, to detect clashes in the model. Ultimately, 6D BIM will help with facilities management of the building, using the rich data collected in the model.

**BAM Construct UK.**



## Materials

Since 2011 BAM has identified the quantities of materials used in its construction projects in the Netherlands. Based on statistical analysis of the financial data, the Group has identified the main categories of procured materials, as shown in > table Material consumption in the Netherlands. Due to the nature of these used materials, most materials can be recycled. Based on this statistical analysis and supplier data BAM believes that the recycled percentages are corresponding with the figures shown in this table. In cases where BAM applies recycled materials, nearly all materials are processed before they can be reused for construction. Therefore BAM chooses to report all materials to be recycled instead of partly reused.

### 51 — Material consumption in the Netherlands



#### Consumption

Resource		2011	2012	2013	2014
Concrete and mortar	m <sup>3</sup>	829,000	658,000	558,000	536,000
Timber	m <sup>3</sup>	28,000	28,000	23,000	28,000
Asphalt	t	1,500,000	1,300,000	1,400,000	1,500,000
Bricks	nr	42,000,000	40,800,000	30,400,000	17,000,000
Steel	t	-	61,000	67,000	79,000
Limestone	m <sup>3</sup>	-	-	14,000	11,400

#### Recycled content

Resource		2011	2012	2013	2014
Concrete and mortar		2 - 5%	11%	11%	10%
Timber		2 - 5%	2%	2%	2%
Asphalt		39 - 41%	41%	39%	42%
Bricks		0%	0%	0%	0%
Steel		-	60%	66%	64%
Limestone		-	-	19%	19%

BAM is the only major construction member of the Ellen MacArthur Foundation's CE100 programme. The Group actively works with clients to develop business models for 'circular buildings', including the Brummen Town Hall project in the Netherlands, that was completed in 2013.

BAM also has a strategic partnership with Autodesk and is actively involved in developing BIM applications to help manage the lifecycle of buildings.

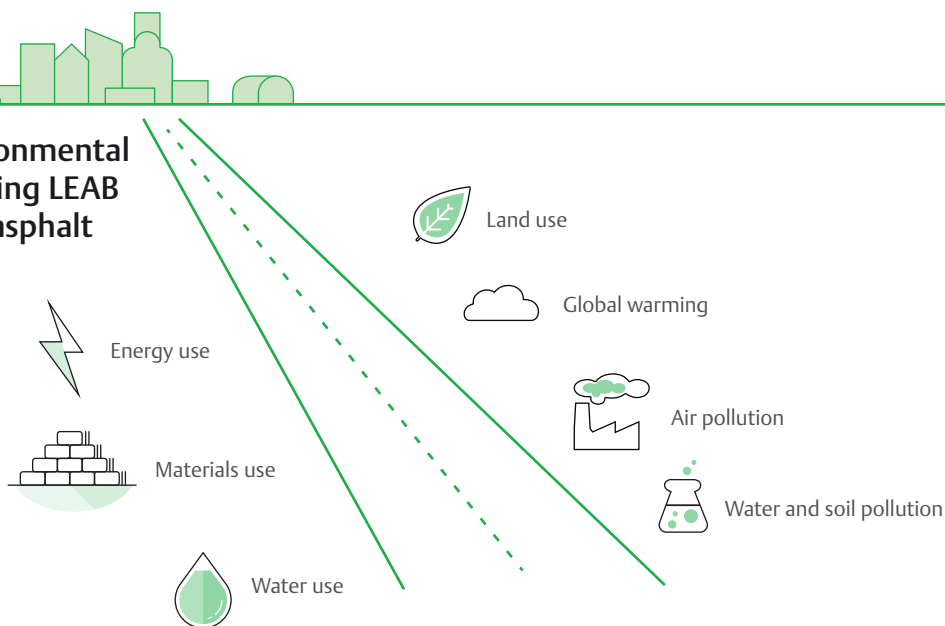
BAM's experience getting to grips with the Circular Economy in 2014 involved:

- Working with WRAP in the United Kingdom, to collaborate on a project to develop resource efficient (circular) business models. The aim is to implement these in BAM's own developments, beginning with two commercial properties being built in the United Kingdom during 2015 / 2016.
- Working with the Royal Society of Arts to implement their Great Recovery Project's 'Tear Down, Design Up' approach for buildings. This will involve analysis and virtual tear down of key demolition / strip out projects, to enable lessons to be learnt around designing for circularity measures in future projects.
- Standards / Committee involvement:
  - The committee for the Designing Out Waste standard BS: 8895-1;
  - The development committee for a Circular Economy standard with the British Standards Institute (BSI);
  - The Ellen MacArthur Foundation CE100 programme;
  - The UK Contractors Group (UKCG) Circular Economy, Materials and Carbon group (chair of the Carbon group).

Asphalt production is typically natural resource and energy intensive. In 1998, BAM started with the development of Low Energy Asphalt Beton (LEAB), an innovative type of asphalt that uses less energy, less scarce natural resources and has lower CO<sub>2</sub> emissions than conventional asphalt. In order to investigate the potential of this new type of asphalt to create value for society, BAM commissioned a True Price study. The study indicated that placing LEAB instead of conventional Stone Mastic (Matrix) Asphalt (STAB) creates an estimated €257,000 less negative impact on the environment per kilometre of highway. This equals the monetised environmental externalities (often referred to as 'environmental cost') of energy use of about 120 Dutch households per year. To calculate the True Price, the main environmental impacts of asphalt production were measured and translated into societal costs. The results show that the production, use and end-of-life treatment of LEAB asphalt is associated with 30 per cent lower environmental costs than conventional asphalt. Coincidentally this equals the reduction in energy and CO<sub>2</sub> reduction, but is built up of other factors. This makes LEAB an undeniable proposition for amongst others government procurers, since it has the same quality, an equal or lower market price and a better environmental performance than conventional asphalt.

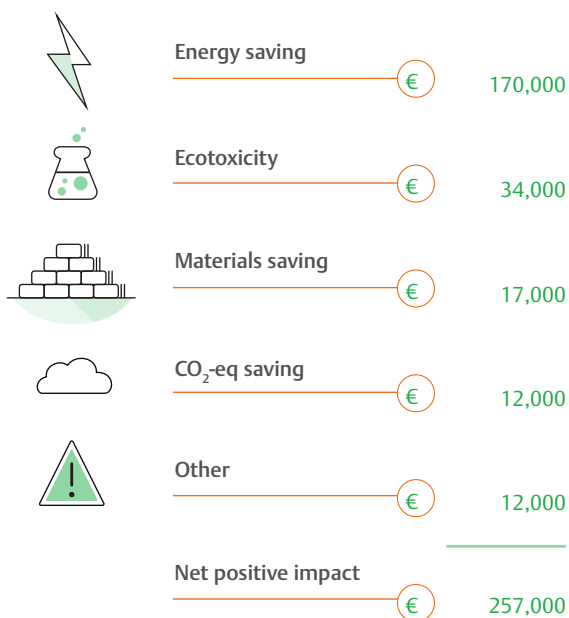
The study provided BAM insight into the size of environmental impacts occurring in the asphalt production chain, and made those impacts comparable. As shown in figure 53, energy use, material use and ecotoxicity are the largest remaining environmental externalities for LEAB. True Price methods support better decision making. The results help BAM to steer future innovations and prove that sustainable innovations, such as LEAB, can create value to society without causing additional financial costs.

1 — Measure the environmental impacts of producing LEAB and conventional asphalt



2 — Calculate costs of each impact to society

52 — How was this calculated?



**LE2AP project on track to achieve 80% recycled asphalt**

In March 2014 a first progress report of the LE2AP (Low Energy and Emission Asphalt Pavements) project was sent to the European Commission, in which project developments are described. First steps include dry milling and decomposition of reclaimed asphalt, necessary to achieve one of the project aims to build a 1-kilometre pilot stretch with a surface layer that consists of at least 80% recycled asphalt. The project team received positive feedback on the report from the European Commission and will continue to achieve project objectives. In 2014 a representative of the European Commission visited BAM to assess the progress of the project. The LE2AP project team explained the details of the pilot project. Part of assessment was a visit to the laboratory of BAM Wegen where the auditor could see the first results on small scale. Final part of the programme was a plant visit in Moerdijk, the Netherlands, where the first results are visible on full scale. After this visit the LE2AP project team received a report with the assessment results from the European Commission.

Equals the yearly environmental cost of energy use for 119 households

53 — Using LEAB instead of STAB creates a positive environmental impact of €257,000 per kilometre highway.

Notes:

- Only production, transport and end-of-life treatment is taken into account, not the placement and use phase
- 7,500 ton asphalt per km highway (width: 30m, asphalt density: 2,500 kg/m<sup>3</sup>, thickness lower/middle layer: 40/60 mm)
- Average electricity and gas use of a Dutch household: resp. 3,340 kWh/yr en 1,525m<sup>3</sup>/yr (RVO, 2014)
- Compared LEAB “bin base 30/45 60% PR limestone” to STAB “(50%) Natural Gas Average”

**EU Environmental Policy recognise BAM contribution**

Citing the article on 'Reducing the environmental impact of concrete and asphalt: a scenario approach' the European Commission picked up BAM's effort to reduce the environmental impact of asphalt. The magazine published an article titled 'Concrete and asphalt's green credentials could be improved through changes to production'. The article also refers to LE2AP (Low Energy and Emission Asphalt Pavements). BAM Wegen developed this new sustainable asphalt mix with 80% reclaimed asphalt pavement, a noise reduction of 7 dB and with production at 80 degrees Celcius.

**BAM Wegen sells license for sustainable LEAB-technology to German manufacturer of asphalt plants**

In 2014, BAM Wegen sold Lintec a license to incorporate LEAB technology in the manufacturing of its mobile asphalt plants. Lintec wants to manufacture asphalt plants for the production of LEAB in order to respond to the growing international interest in the sustainable production technology. The license for production of LEAB has a term of five years and applies only for the European market.

**Innovative BAM LEAB asphalt now accepted in proposals**

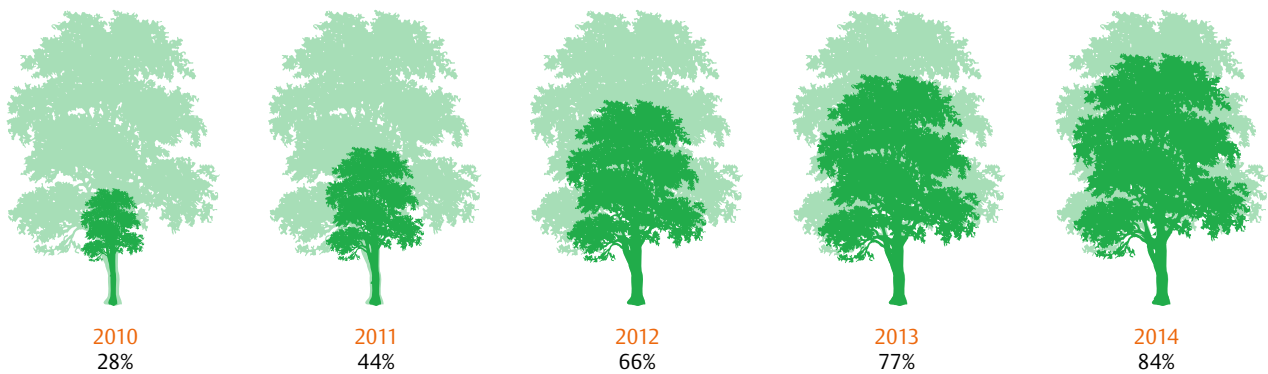
Dutch Road- and Waterways Agency Rijkswaterstaat has announced to accept the application of LEAB as equivalent alternative to conventional asphalt mixes and base material. For BAM's operating company BAM Wegen this is a major breakthrough to offer sustainable asphalt mixes in its projects.

*Sustainable timber*

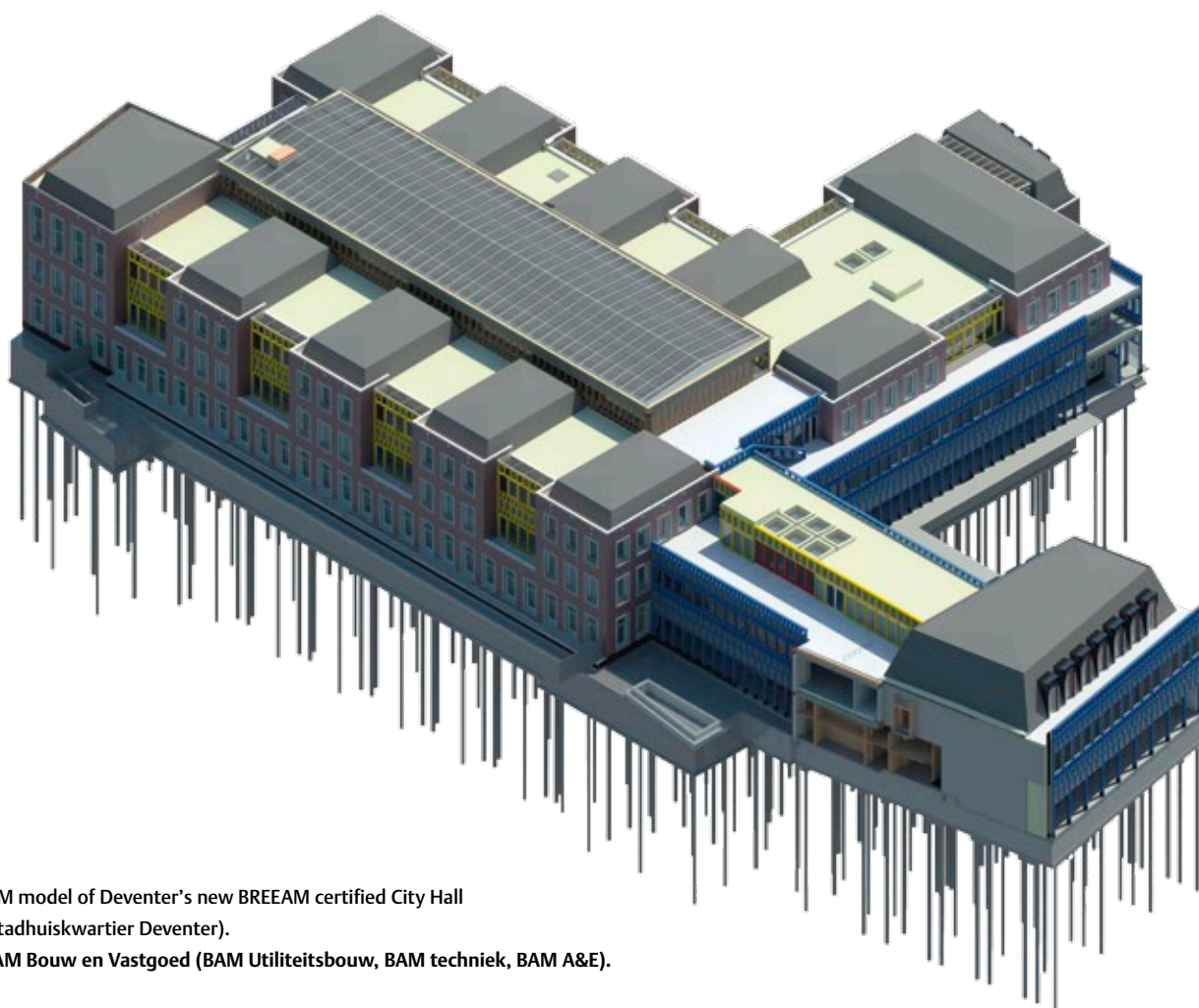
In 2007, BAM signed a covenant with FSC Netherlands committing to using only certified timber – to support forest conservation and biodiversity. BAM's experience is that it is difficult for some suppliers to provide information on the amount of non-FSC certified timber in products which are not entirely made from timber (e.g. doors and window frames). Working with FSC Netherlands, BAM's suppliers have been encouraged to improve the measurement and reporting of certified timber and during 2011 BAM developed a simplified system to record supplier data.

BAM requests information from its suppliers twice a year. BAM asks its suppliers to report on categories of timber which represents an estimated 85 per cent of all timber usage in the Netherlands for all construction works performed directly by BAM. The data used in this analysis therefore does not include any timber consumption for subcontracted projects. BAM approached its top 45 Dutch timber product suppliers to report the amount of certified timber used in products supplied to BAM during 2014. Twenty-six suppliers provided information on the quantities of certified and non-certified timber they delivered. They represent 77 per cent of the purchased value of timber. Based on these data BAM estimates that the percentage certified wood in timber sourced with these 26 suppliers is 95 per cent. Of this 95 per cent, 11 per cent was PEFC and 84 per cent was FSC. This compares to 77 per cent FSC in 2013, 66 per cent FSC in 2012, 44 per cent in 2011, 28 per cent in 2010 and 17 per cent in 2009.

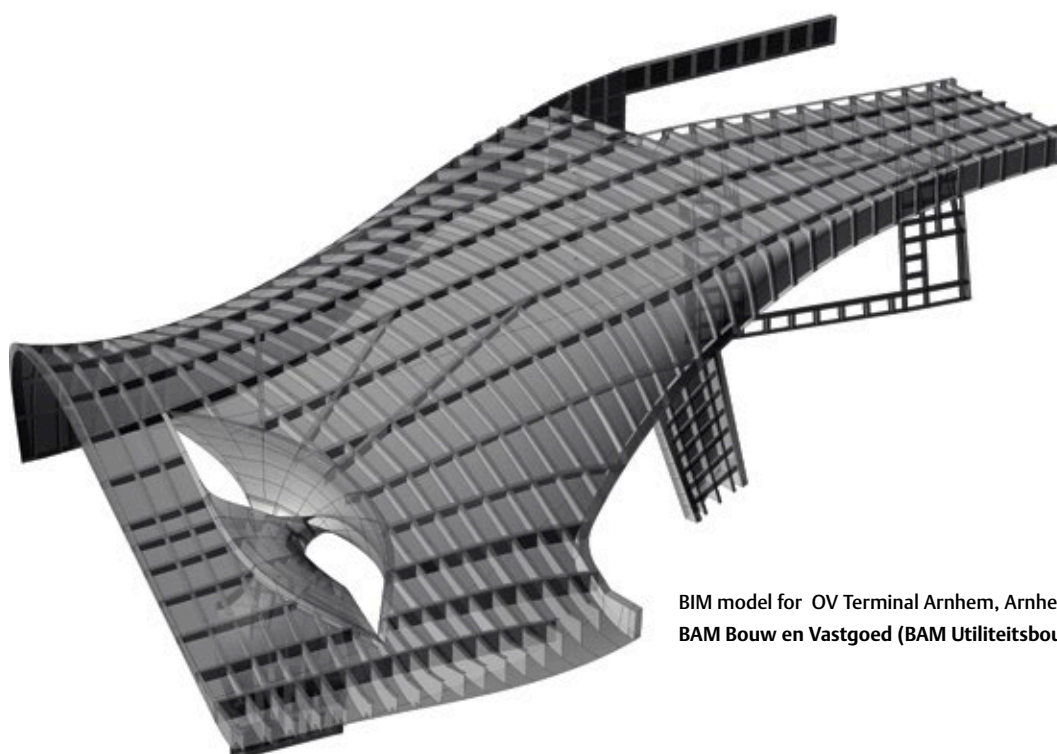
In the United Kingdom, the source of certified sustainable timber from both FSC and PEFC sources is recorded in BAM's on-line data monitoring system BAM SMART. In 2014, 99 per cent of timber in the UK was from verified legal and sustainable source, of which 85 per cent was delivered with full FSC or PEFC Chain of Custody certification or reused from other sites.







BIM model of Deventer's new BREEAM certified City Hall (Stadhuiskwartier Deventer).  
BAM Bouw en Vastgoed (BAM Utiliteitsbouw, BAM techniek, BAM A&E).



BIM model for OV Terminal Arnhem, Arnhem, the Netherlands.  
BAM Bouw en Vastgoed (BAM Utiliteitsbouw, BAM Techniek, BAM A&E).

One of the most eye-catching features of Delft's new train station and municipal offices is the large 7,700 m<sup>2</sup> vaulted ceiling of the entrance hall with a map of Delft, the Netherlands, as it was in 1877.

Architect: Mecanoo.

**BAM Bouw en Vastgoed.**



## 4.4 Outlook



Euroconstruct's forecasts (December 2014) of construction volumes in 2015 indicate a cautious positive trend in all BAM's home countries for the Construction and mechanical and electrical services sector. The prospect of the Civil engineering sector is more mixed; most home countries expected revenues are growing, however there is uncertainty about government expenditure in Belgium. Overall, BAM does expect an ongoing recovery in the home markets, however all at a different pace.

BAM started the financial year 2015 with an order book of €10.3 billion (2014: €10.0 billion), of which €5.8 billion will be carried out in the coming year. This means that approximately 79 per cent of the turnover for 2015 is already in hand (2014: 77 per cent). The quality of the order book improved since to the implementation of BAM's stage gate tendering procedure which was part of the Back in shape programme.

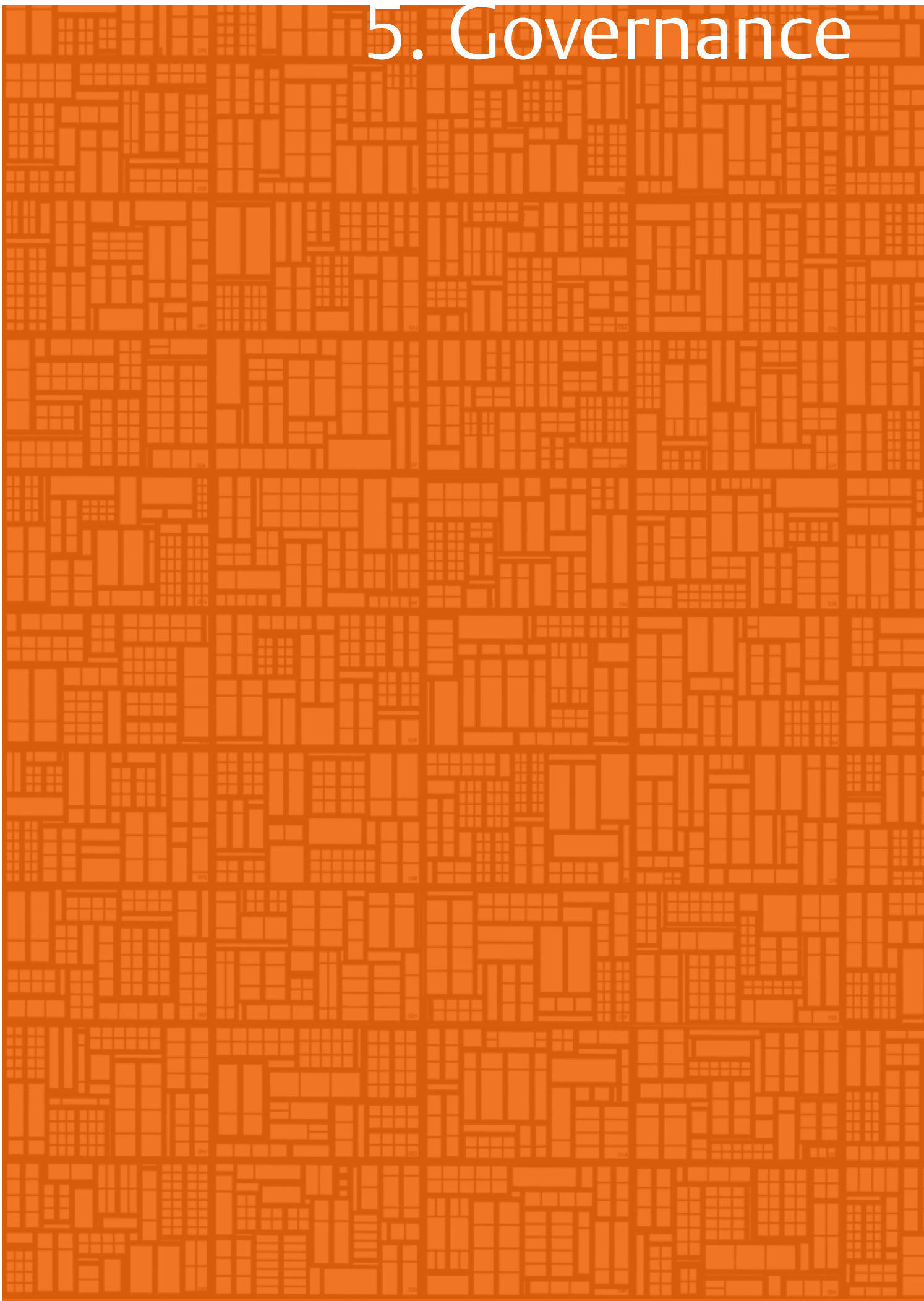
The PPP markets continue to offer good opportunities to secure revenues for BAM's Construction and mechanical and electrical services as well as the Civil engineering sector in all our home markets, however the market in the United Kingdom is expected to be slow in 2015. BAM PPP is currently working on 20 active bids across the home countries and planned to be submitted in 2015. BAM will continue to transfer PPP contracts to the PGGM joint venture in the coming year.

In the longer run BAM re-confirms the three market developments: increasing urbanization, focus on life cycle costing and an increasing demand for complex infrastructure projects, underpinning the group strategy. In October 2014 BAM reconfirmed its strategy for 2013-2015 and emphasised the successful delivery of the Back in shape programme by end 2015. The strategy will be renewed for the period 2016-2018 by the end of 2015.

Bunnik, the Netherlands,  
20 February 2015

Executive Board

# 5. Governance



## 5.1 Corporate governance

### 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 aspects of this corporate governance structure are set out in the annual report each year and are published on the company's website. The Supervisory Board and the Executive Board subscribe to the principles and best practice provisions of the Dutch corporate governance code (hereafter: 'the Code'). A more detailed explanation is given below of how the company complies with the Dutch corporate governance code. The full text of the Code can be found at [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl).

#### *Executive Board*

The Supervisory Board and the Executive Board share the principle 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. 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 principle are supported.

The company's Executive Board shall consist of at least two members. Until 1 May 2014 the Executive Board consisted of four members. On 24 April 2014 the General Meeting of shareholders appointed Mr E.J. Bax as a member of the Executive Board, effective 1 May 2014. Per this date the Executive Board therefore consisted of five members.

Following the decision of Mr N.J. de Vries to retire and therefore lay down his responsibilities as CEO and chairman of the Executive Board per 1 October 2014 and Mr M.J. Rogers stepping down from the Executive Board in order to pursue his career elsewhere per the same date, the Supervisory Board has evaluated the optimum size of the Executive Board. In order to create a smaller, more agile Executive Board with strong involvement of senior management via the newly created management board, the Supervisory Board in the current circumstances opted for an Executive Board consisting of three persons, which is the composition of the Executive Board as per aforementioned date.

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) chairs the Executive Board and is responsible for the majority of the staff functions. The Chief Financial Officer (CFO)

is specifically charged with financial tasks and is responsible for the staff functions finance, risk management, insurance, ICT and – together with the chairman – for investor relations. The Chief Operational Officer (COO) manages the operating companies that are entrusted to his supervision.

The Executive Board ensures proper provision of information to the Supervisory Board. In the Annual Report, the Executive Board describes the principal risks related to the company's strategy, the organisation and operation of internal risk management and control systems in relation to the principal risks during the financial year and any significant shortcomings in the internal risk management and control systems that were identified during the financial year, any significant changes that were made and any significant improvements that are planned.

The Group has implemented general risk management measures by means of standards and values that have been made explicit, internal procedures and instructions and a system of budgeting, reporting as well as internal (and external) control. Besides general risk management measures, the Group has also implemented specific measures focused primarily on risks relating to market, reputation, safety, projects, currency, credit, debtors, interest and liquidity positions. These risks are discussed in greater detail on page 35 and page 39 of this report, along with the risk management measures that the Group has taken. The risk section in this report contains a statement by the Executive Board on the risks of financial reporting, as referred to in provision II.1.5 of the Code.

The 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 company also operates a code of conduct and a whistle-blowers' scheme, both of which are published on the company's website. The code of conduct has been updated in the course of 2014.

A mitigated two-tier regime applies to the company. Members of the Executive Board are appointed by the General Meeting. The Supervisory Board has the right to make a (binding) proposal as regards nominees for appointment. However, the General Meeting can render a proposal non-binding, in line with best practice provision IV.1.1 of the Code, in which case the 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 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 General Meeting about candidates for membership of the Executive Board who are not proposed by the Supervisory Board require a simple majority of the votes cast, but that majority must represent at least one third of the issued capital. The General Meeting can suspend or dismiss members of the Executive Board.

The Supervisory Board has the power to suspend members of the Executive Board. Decisions to suspend or dismiss a member of the Executive Board can only be taken by an absolute majority of the 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 approval to the General Meeting of Shareholders. The Supervisory Board also annually composes a remuneration report, once again 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 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, 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 to achieve a proper balance between transparency on the one hand and not revealing information that may help competitors on the other hand. In cases where the variable remuneration is awarded on the basis of inaccurate (financial) data, the Supervisory Board can adjust the variable remuneration accordingly and the company is entitled to reclaim (any part of) the variable remuneration paid to a 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 payment to members of the Executive Board if they are dismissed is a maximum of one year's base salary.

The company has a long-term benefit plan for members of the Executive Board in the form of a benefit component consisting of 'phantom shares'. This plan will be evaluated by the Remuneration Committee in the beginning of 2015 as part of a broader review of the total remuneration package. As a consequence amendments may be proposed to the Supervisory Board and subsequently the General Meeting. If the company decides to introduce a share or option plan or amend the current long-term benefit plan, the Code's recommendations will be 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

King Willem-Alexander  
Bridge, Breda, the  
Netherlands.  
**BAM Infra.**



arrangements cover members of the Executive Board, managers and other employees.

The Code's principles and best practice provisions relating to conflicts of interest are adhered to. 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 statements, balance sheet and income statement, cash and cash equivalents, capital investment 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, the relationship with shareholders, the dividend proposal, interim statements and half-yearly reports, the auditor's report, the external 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 strategic agenda and the related parameter conditions (every third year).

At least once a year, the Supervisory Board discusses the strategy and the principal risks connected to the business, the Executive Board's assessment of the organisation and operation of the internal risk management and control systems, as well as any significant changes to those systems. A statement that these discussions took place is included in the report by the Supervisory Board. The Supervisory Board is subject to a set of rules laying down the details of how it operates and its relationship with the Executive Board, the shareholders and the Central Works Council. The Supervisory Board's rules can be found on the company's website.

The Supervisory Board 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 General Meeting on the recommendation of the Supervisory Board, which recommendation is being made on the basis of the profile. The General Meeting and the Works Council are entitled to recommend candidates for inclusion in the proposal made by the Supervisory Board.

The General Meeting can reject candidates put forward by the Supervisory Board, in which case the Supervisory Board must draw up a new proposal. 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 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 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, as detailed in best practice provision III.2.1, 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 was discussed with the shareholders at the Annual General Meeting on 21 April 2009. In 2014 a proposal for an update of the profile was made following the new Dutch law on Management and Supervision. It has been discussed with the works council and will be discussed with the General Meeting in the 2015. The current profile is available for shareholders to examine at the company's office and it is also published on the company's website. The composition of the Supervisory Board must be balanced and in line with this profile.



The members of the Supervisory Board must have the experience needed to perform well in a large multinational construction company. Each member must be capable of assessing the main aspects of the overall policy and of behaving in a critical and independent manner with regard to the other members of the Supervisory Board and the members of the Executive Board. The members of the Supervisory Board must carry out the tasks of the Supervisory Board as specified by law and by the company's Articles of Association and they must be 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. Among the members of the Supervisory Board is a financial expert with experience in both the financial and accounting disciplines in a large legal entity. The company will be responsible for an introduction programme for persons appointed to the Supervisory Board for the first time as referred to in provision III.3.3. This provision is also fulfilled by arranging working visits to the Group's operating companies and through presentations by operating company managers to the Supervisory Board. Principles and best practice provisions relating to conflicts of interest are adhered to. 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 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 the BAM rules on ownership of and transactions in shares. In order to comply with these rules, a so-called 'stop list' has been compiled, containing the names of listed competitors, suppliers and customers who operate in the same or in an associated sector as the company. Possession of and executing transactions in securities of these companies is prohibited for members of the Supervisory Board and Executive Board. The list will be reviewed and – if prudent – amended annually by the Supervisory Board. 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, amongst others, members of the Supervisory Board.

#### *Supervisory Board Committees*

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

The Audit Committee's assessments include:

- The process of the internal risk management and control systems;
- The provision of financial information by the company, including the financial statements, the half-yearly figures and the interim statements and the process through which this information is generated;
- Compliance with recommendations and the follow-up to comments by the external auditor;
- The audit process and the audit plan;
- The relationship with the external auditor;
- The process through which the company monitors compliance with laws and regulations and with its code of conduct;
- Policy in respect of tax planning;
- The impairment review;
- The valuation of real estate;
- The application of ICT;
- Group financing;
- Performance of the internal audit function;
- The financial and administrative organisation.

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

Geotechnical specialist BAM Ritchies is reinforcing the tunnels at Haymarket Station in Edinburgh, Scotland to make sure they can support a major new complex of offices, cafes, bars and restaurants, apartments and an underground car park.  
**BAM Nuttall (BAM Ritchies).**



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

- Selection criteria and appointment procedures with regard to members of the Supervisory Board and members of the Executive Board;
- The size and composition of the Supervisory Board and the Executive Board and a profile of the Supervisory Board;
- Assessment of the performance of individual members of the Supervisory Board and members of the Executive Board;
- (Re-)appointment of members of the Supervisory Board and members of the Executive Board;
- An Executive Board member's acceptance of membership of the Supervisory Board of another listed company;
- Possible conflicts of interest arising in connection with the acceptance of other positions by members of the Supervisory Board.

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

#### *Shareholders*

The company adheres to the principles and best practice provisions in chapter IV of the Code with regard to the shareholders and the General Meeting of Shareholders. Principle IV.2 and the subsequent best-practice provisions concern the issue of depositary receipts for shares. No depositary receipts for shares in the company have been issued with the company's co-operation. Royal BAM Group does not have any provisions limiting voting rights. One vote may be cast for every share held. The company's capital consists of ordinary shares and Class B and F preference shares (not issued at present). The ordinary shares are listed on NYSE Euronext in Amsterdam. Ordinary share options are also traded on the Amsterdam option exchange of NYSE Liffe.

The Supervisory Board and the Executive Board believe it to be very important that as many shareholders as possible take part in the decision-making process in shareholders' meetings. 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 advised 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 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 recognised 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 General Meeting by a simple 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 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 10 per cent of the company's issued capital are entitled to call a shareholders' meeting.

Each year the 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 eighteen months. It is also limited in scope in respect of ordinary shares and Class F preference shares to 10 per cent of the issued capital, plus an additional 10 per cent, which additional 10 per cent may be used exclusively for mergers and acquisitions by the company or its operating companies. 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 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 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 fifteen calendar days after each shareholders' meeting, the results of the votes per agenda item are published on the company's website. As regards the provision of information as stated in Principle IV.3 of the Code, the Supervisory Board and the Executive Board endorse the importance of providing transparent and equal information. The company endeavours to do so, subject to exceptions under the law.

#### *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 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 Director, will speak to investors, analysts or the press. These directors and officers are fully up to date regarding all relevant information – whether or not it is already known on the market – and they ensure that the information is provided in a clear and unambiguous manner. Should any price-sensitive information be provided by mistake during any contact with shareholders, investors, analysts or the press, a press release will be issued immediately.

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

#### *Anti-takeover measures*

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

As regards the protective provisions against undesirable developments that might affect the independence, continuity and /or identity of the Group, the company has the facility for issuing Class B preference shares.

A call option was issued to Stichting Aandelenbeheer BAM Groep (BAM Group Stock Management Foundation) in 1993 for Class B preference shares. The company gave this foundation the right of investigation in 2008. More information relating to protective measures is provided on page 229-230 of the Annual Report.

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

The principles and best practice provisions relating to financial reporting are adhered to. 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. The external auditor will be present at the Annual General Meeting to answer questions from shareholders about the financial statements.

The Audit Committee assesses the functioning of the internal audit and management systems each year. Within the Royal BAM Group internal audit has been established by means of an operational audit function. The main risks the company faces are related to the project business it is involved in. In order to mitigate these project related risks at an early stage, operational audit is an important and powerful tool. The operational audit function within BAM was established in 2013 and was further developed during 2014. Further reinforcement will take place in 2015.

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 his findings in respect of the financial statements to both 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 interim statements. The external auditor may also attend other meetings of the Audit Committee, subject to asking the chairman of the Audit Committee for permission to attend in advance.

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

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

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

The BAM consortium BAM Alliance is building NATO's new headquarters in Brussels. The project will deliver new, more efficient and environmentally sustainable office and conference space for Allies and NATO staff.



The Federal Motorway 9 (Bundesautobahn 9 or A9) is connecting Berlin and Munich via Leipzig and Nuremberg. This PPP project is the first successful implementation of an availability model contract in Germany. The extension to six lanes over a length of 19 kilometers was realized in a public-private partnership in cooperation between the DEGES (German Unity motorway planning and construction department), the Free State of Thuringia and Via Gateway Thüringen. Partners in this PPP joint venture are VINCI Concessions (50 percent) and BAM PPP (50 percent). Via Gateway Thüringen awarded the construction activities to a joint venture consisting of VINCI subsidiary EUROVIA and BAM subsidiary Wayss & Freytag Ingenieurbau. Via Gateway Thüringen operates the section of the A9 over a length of 46.5 kilometers for 20 years. **BAM PPP, Wayss & Freytag Ingenieurbau.**



## 5.2 Report of the Supervisory Board to shareholders

The year under review has been one of substantial change. As a result of the continuing economic crisis and the subsequent deflated construction industry in Europe the company has taken rigorous measures in order to be able to face further headwind and ensure that it is ready for future growth. This program, known under the name Back in shape has been developed in 2014 and execution has started expeditiously in the second half of 2014.

The year 2014 has also been the year in which Mr N.J. de Vries has announced his retirement after a 38 year career at Royal BAM Group. His successor Rob van Wingerden has, supported by the Supervisory Board taken on the job of bringing BAM 'back in shape' which should lead to substantial recurring cost savings, reduction of working capital, divestments and actions to improve project control.

In the past year the Supervisory Board has further increased its time and attention to the matters that have affected BAM's performance; the continuing economic crisis, the struggling construction industry in most of BAM's home markets, the need for a substantially lower cost and working capital base as well as improved control mechanisms in the primary business processes. Also the changes made in the management of the company, both in the Executive Board and in layers below have had the full attention of the Supervisory Board. As a consequence of the Back in shape programme, a new operating model (see below) has been designed, agreed upon and is currently being implemented. In 2015 the focus of the Supervisory Board will be on the implementation of the Back in shape programme, which should deliver its expected targets by the end of the year. This year will also see a review of the strategic agenda.

The above topics and other work performed by the Supervisory Board are addressed in more detail in this report.

### The Supervisory Board's activities

#### *Strategy and operational plan*

In the Group strategy 2013 – 2015, which was formulated in 2012, the central focus is on achieving operational improvement and targeted growth initiatives in services, multidisciplinary projects and international niche markets, all geared towards positioning BAM as the 'best in class' construction company.

In 2015 this strategy will be reviewed, taking into account the continuing economic crisis, developments in the construction industry and market and the new operating model that has been developed in 2014. As part of the Back in shape programme, it has been discussed whether the current strategy should be reviewed earlier than anticipated. The Supervisory Board believes that this was not necessary as it still believes the Group strategy 2013 -2015 to be a realistic strategy, with well-chosen objectives. The measures

taken as part of the Back in shape programme are carefully selected and will also support any possible revised strategy.

In 2014 the Supervisory Board discussed with the Executive Board a number of times the progress of implementation of the strategy, the key indicators required to follow the progress of implementation and the status of the process of implementation. The Supervisory Board has also approved the 2015 Operational Plan, which sets out the Group's financial targets, the strategy aimed at achieving these targets and the parameters used for this strategy. At the request of the Supervisory Board, the Executive Board gave more details about the sensitivity of the Operational Plan.

#### *Losses on major projects*

In 2014 the company was again confronted with losses on two large projects. These were communicated to the market on 7 July 2014, which also marked the beginning of the Back in shape programme. A material part of this programme is geared towards improved project control. A uniform tender process with stage gate tendering controls will form the backbone of this control mechanism. In addition the Operational Audit function will be further reinforced and a new authorisation schedule for approving projects as well as the set-up of so-called tender boards will contribute to achieving this goal. This will also be supported by the new operating model with a reduced number of operating companies and stronger involvement of the managing directors of the operating companies via the Management Board which has been established as part of the Back in shape programme.

Both in the Supervisory Board and in the Audit Committee, detailed discussions were held with the Executive Board on the need for improved project control. In addition, a number of very large projects in the tender stage have been presented to the Supervisory Board in extraordinary meetings, allowing critical input and approval. The projects presented in these meetings were reviewed in detail.

The Supervisory Board has taken note of and consented to the additional measures mentioned above, which the Executive Board decided to execute in order to limit the consequences of these unfavourable developments and to prevent such developments in the future where possible.

#### *Financial position*

During the financial year, the Supervisory Board and the Executive Board regularly discussed the Group's financial position and the way in which the Group should be financed. The Supervisory Board also exchanged views on several occasions with the Executive Board regarding the operating capital, 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.

There has been a great deal of discussion regarding the continued negative development of the cash flow and the opportunities that the Group has to reverse this trend. Construction companies are increasingly confronted with decreasing pre-financing by clients, with the effect that companies themselves are expected to have adequate cash and cash equivalents to carry out projects. Based on the stress scenarios prepared by the Executive Board, discussions were held regarding the Group's balance sheet position and the opportunities to improve the cash flow and the operating capital. One of the goals of the Back in shape programme is to reduce working capital with €300 million by the end of 2015. The Supervisory Board is pleased to note that in 2014 the Group remained well within the agreed financing covenants.

#### *Risk profile*

The Supervisory Board's regular meetings included a discussion on the course of business and prospects for both the Group as a whole and for the respective sectors and individual operating companies, on the basis of written reports and accompanying presentations. These discussions covered the main risks involved in the business, the internal management and control systems and 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 Report, including on page 32 and onwards.

The Supervisory 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, as well as an established monitoring and reporting system. In this context, the Supervisory Board has established that the Executive Board has improved its ability to monitor the operational activities of the Group's operations. The establishment of a new operating model, leading to the reduction from 25 to 10 operating companies in two business lines, the establishment of a Management Board as well as two business boards, which leads to a stronger involvement of the top management of the operating companies for the performance of the entire Group and the more frequent meeting schedule of the Executive Board, which meets once per week, all contribute to heightened transparency and awareness in an efficient and effective BAM organisation with uniform systems and procedures. Troublesome projects are being monitored even closer with regular updates on operational and financial progress.

What not has been changed is the quarterly extensive discussions between the Executive Board and the individual operating company's management team on the financial results and forecast. This ensures that the way the figures should be interpreted is understood, as are the challenges that the individual operating companies are facing. The Supervisory Board has noted with approval that, in the framework of a further intensified risk management, over the course of the financial year the Executive

Board tightened even further the internal procedure for obtaining the approval of the Executive Board before operating companies submit tenders for large and high-risk projects. This goal will be supported further by the results of the 'in control' measures as part of the Back in shape programme (see above). With this position there will be even greater focus on the supervision of the effectiveness and efficiency of the primary business processes in particular, on the compliance with policy guidelines and procedures and on the effectiveness of the risk management measures taken, as well as possible areas for improvement.

Over the past years, the risk management of the Group has been strengthened. With the support of the central risk management position at Group level, a uniform evaluation method has been introduced, which has been embedded in the existing managerial measures implemented by the operating companies. Incorporating the above into the existing reporting system implements in practice the efforts to further intensify the management and control of operational risk. The Supervisory Board obtained information from the Corporate risk manager and the director of operational audit about their activities and the progress that has been made. Both functions will be reinforced as part of the Back in shape programme in order to further support the goal to reduce risks and improve control in the project business.

The financial audit process is carried out by an independent audit firm that is assisted by the executive officers of the Group and by the Group systems deployed. Also during 2014, the collaboration – stipulated in clearly-defined arrangements – between the external accountancy firm and the BAM employees involved in this work proceeded satisfactorily.

#### *CSR*

The Supervisory Board discussed the importance of CSR for the Group with the Executive Board and agreed with the list of CSR factors identified by the Executive Board as being most relevant for BAM. One of these aspects concerns integrity. This was further underlined by the introduction of a new group-wide Code of Conduct in 2014, which was supported by sufficient management attention and individual e-learning tools. The Supervisory Board supports the decision of the Executive Board to keep this topic high on the agenda.

The Supervisory Board was pleased to note that even under the current distressed market circumstances, the Group continues to be very active in CSR and is a pioneer in this field in the construction industry. The Board noted again the importance of getting the other partners in the construction supply chain involved in this development too.

In the past year, the Group's efforts in the field of CSR again included a regular focus on the progress being made by the Group



BAM Woningbouw is transforming (design, build, maintain) a former office building Elisbatehof 1 in Leiderdorp, the Netherlands, into an apartment building with 33 social housing apartments and 20 care apartments for client Rijnhart Wonen.

**BAM Bouw en Vastgoed.**



DHL Distribution Hub at Manchester Airport, United Kingdom (37,000 square foot warehouse for MAG Developments, let to logistics company DHL). Other improvement works at Manchester Airport include replacing the flooring in Terminals 2 and 3, resurfacing the runway viewing platform and constructing a new retail unit.

**BAM Construct UK.**



in safety matters and on the proposed steps for achieving further improvements in this field. Although once again safety performance improved last year (from 5.8 (IF) in 2013 to 5.0 (IF) in 2014) we regrettably had to record five fatal incidents on the Group's projects. The Supervisory Board has requested the Executive Board to obtain detailed information on the cause of fatal and serious accidents. This information was discussed extensively in the Supervisory Board meetings in which safety every time is the first item on the agenda. Together with the Executive Board, the Supervisory Board considers the achievement of a higher safety level to be an important challenge for the Group. The Supervisory Board fully supports and encourages the Executive Board's approach to further increase management's dedication to safety.

#### *Other activities*

Each of the Supervisory Board's meetings 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 they face, each report being based on the operational plan for the relevant financial year. Other matters discussed in 2014 included the Annual Report and financial statements for 2013, the half-yearly reports and interim statements for 2014, the reserve and dividend policy and the dividend proposal

for 2013, corporate governance, the various effects of International Financial Reporting Standards (IFRS) on the Group's financial reports, the Group's existing protection of hostile takeover, management development and the quality of management, and the most important claims as well as legal proceedings involving parts of the Group.

During the financial year, the Supervisory Board was regularly updated by the Executive Board on the general course of business at the operating companies. These updates also focused on the developments in the Group's markets. The Supervisory Board also received regular reports on the state of affairs regarding certain major projects that parts of the Group were involved in, and was also informed about certain proposed bids made by BAM International in respect of major projects.

During the annual visit to a number of the Group's operating companies over several days in September 2014, the Supervisory Board and the Executive Board exchanged views with the management teams of the Belgian operating companies. The directors gave a presentation on their companies, their markets and the challenges they currently face. The Supervisory Board also met with a number of employees from the levels beneath the management team. The Supervisory Board is of the opinion that

these operating companies are well positioned in their highly competitive markets. During this visit, the Supervisory Board was also informed by the Managing Director of the Belgian operation regarding the state of affairs at the Belgian operating companies and in their markets.

In 2014 a delegation of the Supervisory Board met with the Central Works Council on several occasions in order to discuss the position of the employees in general and more specifically the consequences of the reorganisations as part of the Back in shape programme. In addition the annual meeting of the Supervisory Board and the Executive Board with the Central Works Council was held on 14 May 2014.

#### *Performance of the Supervisory Board*

The performance of the Supervisory Board and its individual members are assessed periodically using a written questionnaire sent to survey the members of the Supervisory Board, supplemented by discussions between the chairman and each Board member. This assessment was carried out for the past financial year as well. The results of this assessment were first discussed by the Supervisory Board without the Executive Board being present and were then shared with the chairman of the Executive Board. In 2015 the Supervisory Board intends to evaluate the functioning of the board as a body as well as of its individual members with the assistance of external support.

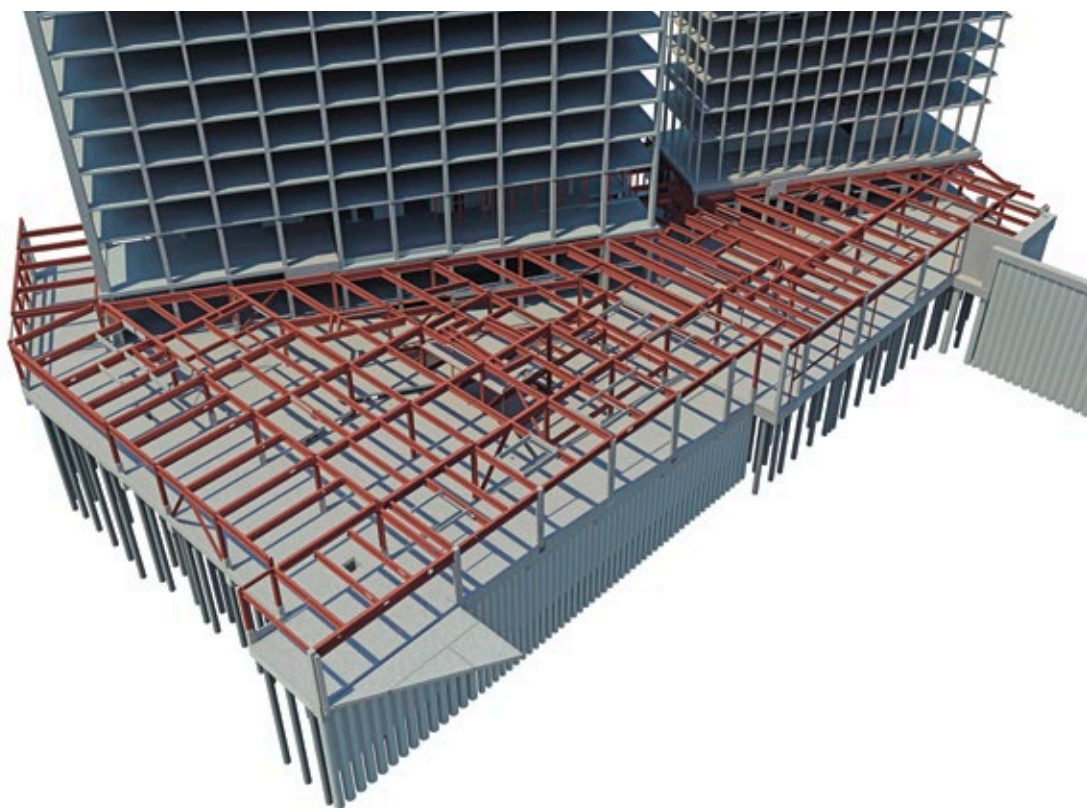
The Supervisory Board is of the opinion that the individual members of the Board, as well as the Board as a whole, are functioning properly. The timely provision of management information has been improved over the year. The Supervisory Board members also held great importance to regular contact with the senior management of the operating companies, staff

departments and the external auditor. To this extend the Supervisory Board intensified its interaction with the senior management.

The assessment by the Supervisory Board of the performance of the Executive Board and of its individual members has been made based on interviews with each member of the Executive Board that were carried out by the Remuneration Committee. The results were discussed by the Supervisory Board without the Executive Board being present.

The Supervisory Board acknowledges that in 2014 the Executive Board again had to perform in difficult economic conditions. Given these circumstances, the Executive Board saw itself forced to take drastic measures, leading to the implementation of the Back in shape programme. As a consequence a number of restructuring measures with far-reaching implications have been taken. However painful these measures may be for the employees concerned, these are unavoidable with regard to ensuring the continuity of the business and the company. Following the retirement of Mr N.J. de Vries as CEO and the fact that Mr M.J. Rogers stepped down from the Board in order to continue his career outside the company, the Supervisory Board has evaluated the optimum size of the Executive Board. In order to create a smaller, more agile Executive Board with strong involvement of senior management via the newly created Management Board, the Supervisory Board felt that under the current circumstances an Executive Board consisting of three persons would be best suited. Under the leadership of Mr R.P. van Wingerden, the Executive Board, which consists further of CFO Mrs T. Menssen and COO Mr E.J. Bax, who joined the company in May 2014 from CRH, the Supervisory Board believes that the Executive Board acted effectively in the past financial year and is taking the right measures to prepare BAM for the future.

3D REVIT model of the steel framework of University of Surrey, School of Veterinary Medicine.  
BAM Construct UK.



### *Remuneration*

The Supervisory Board has compiled the Remuneration report prepared by the Remuneration Committee. The Remuneration report is included on page 116-125 of the report as part of the Report by the Supervisory Board. In order to assure future effectiveness, the total remuneration package for senior management, including the executive board, will be evaluated in 2015 with external support. In addition to the fixed remuneration and annual variable benefit component, there is room in the remuneration package for the members of the Executive Board for a remuneration component that rewards long-term improvement. A long-term benefit plan has been chosen that rewards the Executive Board members for positive development of the BAM share price compared to alternative investments by shareholders in comparable enterprises. This long-term benefit plan was approved by the General Meeting on and is explained in more detail on page 120-122 of the report.

### *Meetings*

In the year under review, the Supervisory Board met on twelve occasions in the presence of the Executive Board. Seven of these meetings were regular meetings. The other meetings were held to discuss a number of specific issues, like the approval of large, high value projects, unexpected project losses leading to the press release of 7 July 2014, changes in the composition of the Executive Board and the introduction of the 'Back in Shape' program. The Supervisory Board also met regularly without the Executive Board being present. The meetings held without the Executive Board were primarily devoted to the composition, preferred size and way of operating of the executive board. Further attention was given to such matters as internal deliberations about decisions that the company had to take in this financial year as well as the remuneration of the executive board, including the determination of the variable portion of that remuneration. There were also discussions about the Supervisory Board's own performance (both as a whole and of the individual members) and that of the Board's individual committees. Matters discussed here included the composition of and profile of the Supervisory Board, the decision-making process, the quality of the supervisory process and of the supervision itself and the relationship with the Executive Board.

## The Supervisory Board's 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 the 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 to prepare the Supervisory Board's decisions regarding those activities. The Supervisory Board as a whole remains responsible for the way in which it performs its tasks and for the preparatory work carried out by the committees.

The committees submitted reports on all their meetings to the Supervisory Board.

### *The Audit Committee*

In the financial year the Audit Committee was composed of Messrs Noy, Scheffers and Wester, with Mr Scheffers acting as chairman.

The composition of the Audit Committee is in line with the provisions of the Dutch corporate governance 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 over the past financial year. The external auditor was present at all of these meetings. The chairman and the Chief Financial Officer of the Executive Board also attended all the Audit Committee's meetings.

The principal topics addressed at these Audit Committee meetings were the financial reporting of the 2013 annual figures; the 2014 half-yearly figures including the major project losses the interim statements; the 2013 management letter and the 2014 interim 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 Group's tax planning. The following topics were also addressed: the activities and fee of and the relationship with the external auditor, as well as the audit plan for 2014; the 2015 operational plan; the Group's funding and solvency; the ratios in the funding agreements. In addition the impairment review; banking relationships; the valuation of real estate; the movement of the working capital and liquidity level were reviewed. Also the losses within the Group that can be offset against tax; the financial and administrative organisation, as well as material legal proceedings; the operational audit function and mandatory auditor rotation were discussed. Other topics included pensions; central IT governance policy and reporting on compliance issues. In 2014 special attention was also given to the consequences which the economic crisis is having on the Group, including the opportunities to reduce the operating capital and the capital invested in property development projects which were discussed with the Executive Board.

Finishing and interior works at De Rotterdam building for the municipality of Rotterdam, the Netherlands and for hotel NHOW Rotterdam (278 rooms).  
**BAM Bouw en Vastgoed.**

New hospital Erasmus MC (the medical centre of Rotterdam University; 185,000 m<sup>2</sup>).  
Architects: EGM Architecten. The BAM Utiliteitsbouw-Ballast Nedam joint venture has commissioned BAM Techniek and ULC Groep for all of the mechanical and electrical installations works.  
**BAM Bouw en Vastgoed (BAM Utiliteitsbouw (in joint venture), BAM Techniek).**



Interflow (subsidiary of BAM Bouw en Vastgoed) has developed the Flex OK concept for operating rooms with feature unique wall and ceiling systems and the air conditioning and can be realised in a 25 percent shorter construction time.

**BAM Bouw en Vastgoed.**



The Audit Committee was briefed by the external auditor on relevant developments in the audit profession. The Audit Committee exchanged views with the CEO and CFO about the consequences of the entry into force of the amended Management and Supervision (Public and Private Companies) Act ('Wet op het Accountantsberoep') for the Group, particularly the mandatory change of independent audit firm and the required changes for the independent auditor's report. The Audit Committee had a leading role in the tender procedure for and the selection of the new external auditor, to be appointed for the financial years 2016, 2017 and 2018.

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 believes that the relationship with the external auditor is sound. The Audit Committee also spoke to the Executive Board about risk management and was pleased to find that the Group is further intensifying risk management, including the further reinforcement of the operational audit function. As part of the Back in shape programme the in-control measures have been reviewed and improved. A stage gate tendering process is being implemented, leading to clear checks and balances at specific moments during the tendering process. In addition the use of peer reviews for large, risky projects will be developed, all of which has been discussed with the Audit Committee.

Following its changed composition the Supervisory Board has evaluated the composition of its committees. As a result of this evaluation as per 1 January 2015 the Audit Committee will be composed of Mr Scheffers (chairman), Mr Wester and Mr Hansen.

#### *Remuneration Committee*

In the financial year, the Remuneration Committee was composed of Mrs Mahieu and Mr Elverding, with Mrs Mahieu being the chairwoman. The composition of the Remuneration Committee is in line with the provisions of the Dutch corporate governance 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 submitted a proposal to the Supervisory Board relating to the remuneration of members of the Executive Board and criteria for the variable remuneration in 2015. In addition, The Remuneration Committee also proposed a remuneration report on the way the remuneration policy has been implemented in practice. Early 2015 the Remuneration Committee will evaluate the current remuneration package as a result of which it may be possible that proposals for amendment of this plan may be submitted for approval to the Supervisory Board and, subsequently, the general meeting.

In the financial year, the Committee also consulted the chairman of the Executive Board about the policy on terms and conditions of employment for directors of operating companies and executive officers of equivalent rank.

The Remuneration Committee did not use the services of an external independent remuneration adviser during the financial year.

The Remuneration Committee met two 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 the context of a formal meeting. The Committee held individual performance evaluation interviews with the members of the Executive Board as part of the assessment of the Executive Board.

As a consequence of the evaluation of the composition of the Supervisory Board committees as described above, the Remuneration Committee will per 1 January 2015 be composed of Mrs Mahieu (chairwoman), Mr Elverding and Mr Noy.

#### *Selection and Appointment Committee*

During the financial year, the Selection and Appointment Committee was composed of Messrs Elverding and Scheffers, with Mr Elverding being the 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, and regarding 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 five times in the past financial year. Besides the regular activities and duties as described above, the committee spent considerable time on the preparatory activities regarding the changes in the Executive Board. To this respect several meetings and discussions were held with individual members of the Executive Board, both regarding the stepping down of Messrs De Vries and Rogers and regarding the future composition of the Executive Board. In addition the members of the committee initiated meetings with a large number of senior management of operating companies and corporate staff in order to receive feedback and input on the situation and preferred way forward. Finally, the committee was closely involved in the appointment of senior management members of the newly formed operating companies after the reduction from 25 to 10.

Per 1 January 2015 the Selection and Appointment Committee will be composed of Mr Elverding (chairman), Mrs Mahieu and Mr Noy.

## Composition of the Supervisory Board

During the financial year, the Supervisory Board was composed of six members. There were no mandatory re-appointments.

The Management and Supervision (Public and Private Companies) Act came into force on 1 January 2013. Amongst other changes, this Act introduces provisions relating to a more balanced participation of women and men in the management of companies. The company itself and a number of major operating companies are classed as companies governed by these provisions. The Act stipulates that participation can be said to be well-balanced if at least 30 per cent of the seats on the Supervisory Board and Executive Board (and on the boards of major operating companies) are occupied by men and at least 30 per cent by women and that companies should strive to achieve this well-balanced participation.

The six-person Supervisory Board has one female member and the (since 1 October 2014) three-person Executive Board has one female member. As such the Group complies with above law as far as the Executive Board is concerned but has not yet reached the desired target figure in the Supervisory Board. It is the intention of the Supervisory Board to use diversity as one of the main criteria in case of vacancies in the Supervisory Board in the future. Both the Supervisory Board and the Executive Board agree with the importance of having balanced participation in the Group's managerial bodies. In order to further emphasise this, the current profile of the Supervisory Board, which was discussed with the shareholders in the General Meeting on 21 April 2009 in the context of the amendments to the Dutch Corporate Governance Code made in late 2008, has been reviewed. In order to align with the abovementioned legislation, it was decided to update the profile in order to better reflect the strive for a more balanced composition. A proposal was drafted and discussed with the Central Works Council. It will be discussed with the shareholders at the General Meeting on 22 May 2015 after it will be formally adopted by the Supervisory Board.

More details about the profile can be found in the section on corporate governance on page 93-102 of the report.

The retirement schedule for the members of the Supervisory Board is shown on page 129 of the Report and is also published on the company's website. In accordance with the Dutch Corporate Governance Code (hereafter: 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 naturally be submitted to the shareholders on each occasion.

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 Code's requirements with regard to independence have been met.

None of the Supervisory Board members has more than five memberships of Supervisory Boards at Dutch listed companies or other large institutions, this being in line with the Code. Where a Supervisory Board member does fulfil more than five 'demanding' supervisory positions as referred to in the Management and Supervision (Public and Private Companies) Act, this is permitted by this Act's transitional arrangement.

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 per cent of the shares in the company.

## Composition of the Executive Board

On 23 April 2014 the General Meeting appointed Mr E.J. Bax as a new member of the Executive Board per 1 May 2014. As a consequence the number of members of the Executive Board increased from four to five.

On 21 August 2014 the market was informed about the decision of Mr N.J. de Vries to retire from the company and lay down his duties as CEO and chairman of the Executive Board per 1 October 2014. As per the same date Mr M.J. Rogers stepped down from the Executive Board in order to pursue his career elsewhere.

As a result of the review the Supervisory Board performed on the performance and preferred composition and size of the Executive Board this body was composed of three members as per 1 October 2014, consisting of Mr R.P. van Wingerden as CEO and chairman, Mrs T. Menssen as CFO and Mr E.J. Bax as COO. The internal allocation of responsibilities in this new composition was discussed and agreed upon with the Supervisory Board.

Members of the Executive Board are appointed for a period of four years. They retire at the end of the first General Meeting to be held in the fourth year after the year in which they were appointed. The remuneration of the members of the Executive Board is stated on page 123-124 of the report.


None of the members of the Executive Board holds more than two 'demanding' supervisory positions as referred to in the Management and Supervision (Public and Private Companies) Act. No position of chair of a supervisory body is held. The above is in line with the Management and Supervision (Public and Private Companies) Act and the Code.

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




In Amsterdam BAM  
Infratechnik Telecom  
equipped more than 30  
bus and trams stops with  
WiFi and 4G antennas.  
**BAM Infra.**

zone  
5715



Mulderpoortstation

3



## Shareholders and investor relations

The Annual General Meeting was prepared and the events at the meeting were discussed afterwards. The Supervisory Board was very pleased that the General Meeting went well and that a thorough, substantive discussion with the shareholders present had again taken place.

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 this contact should primarily take place in shareholders' meetings. The Supervisory Board believes that a high level of shareholder attendance at those meetings is extremely important and 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' requests for talks in those cases where talks are considered important. The company itself can also take the initiative and request talks with a shareholder. The company has a general policy on bilateral contacts with shareholders, investors, analysts and the press. This policy is published on the company's website.

In the year under review, the Supervisory Board has discussed the dividend policy and dividend proposal for the financial year 2013. As for previous years, the decision was made to propose to the General Meeting an optional dividend for 2013.

## External auditor

Both in its discussion of the 2013 full year figures and its discussion of the 2014 half-yearly figures, the Supervisory Board – as 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 interim statements, the half-yearly figures, the annual figures and the other interim Financial reports were based and that he had been given the opportunity to respond to that information.

The Supervisory Board also took cognisance of the reports by the external auditor 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.

The external auditor attended the General Meeting of 23 April 2014 and was available to answer any questions.

As part of its consideration of the 2014 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 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 for the financial year 2015. As will be further elaborated on below, at the General Meeting on 22 April 2015, also a proposal for the appointment of the external auditor for the financial years 2016, 2017 and 2018 will be submitted.

With regard to the financial year 2015, it is therefore proposed to the General Meeting of 22 April 2015 that PricewaterhouseCoopers Accountants N.V. be reappointed as external auditor responsible for auditing the Group's 2015 financial statements.

On 1 January 2016 stock listed companies will be obliged to change its external auditor regularly. In order to comply with this legal obligation, a tender procedure has been held in the second half of 2014. A Selection Committee has been established, consisting of members of the Executive Board, Audit Committee and senior managers. The Selection Committee has identified potential candidates, developed a sound tender process, invited the identified candidates to participate and has subsequently reviewed the submitted bids. A number of meetings have been held with the candidates, in which specific attention was given to audit approach, knowledge of the construction industry in the BAM home markets and the composition of the audit teams. The status of the tender procedure and the interim findings of the Selection Committee have been shared with the full Audit Committee and full Supervisory Board regularly. Based on the results of the tender procedure, both the Executive Board and the Audit Committee have provided an advice to the Supervisory Board early 2015. Based on this advice, the Supervisory Board has nominated Ernst & Young Accountants LLP for appointment by the General Meeting on 22 April 2015 as external auditor for the financial years 2016, 2017 and 2018.

## Corporate governance

The company's corporate governance structure and its compliance with that structure were discussed with the shareholders in 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 is well organised. Please refer to the corporate governance statement from page 93 on of the Annual Report concerning the company's compliance with the Code.

The Supervisory Board has applied its collective mind to the preparation and presentation of this report and acknowledges its responsibility to ensure its integrity. The Supervisory Board believes that this report is presented in accordance with the International Integrating Reporting Framework.

## Final comments

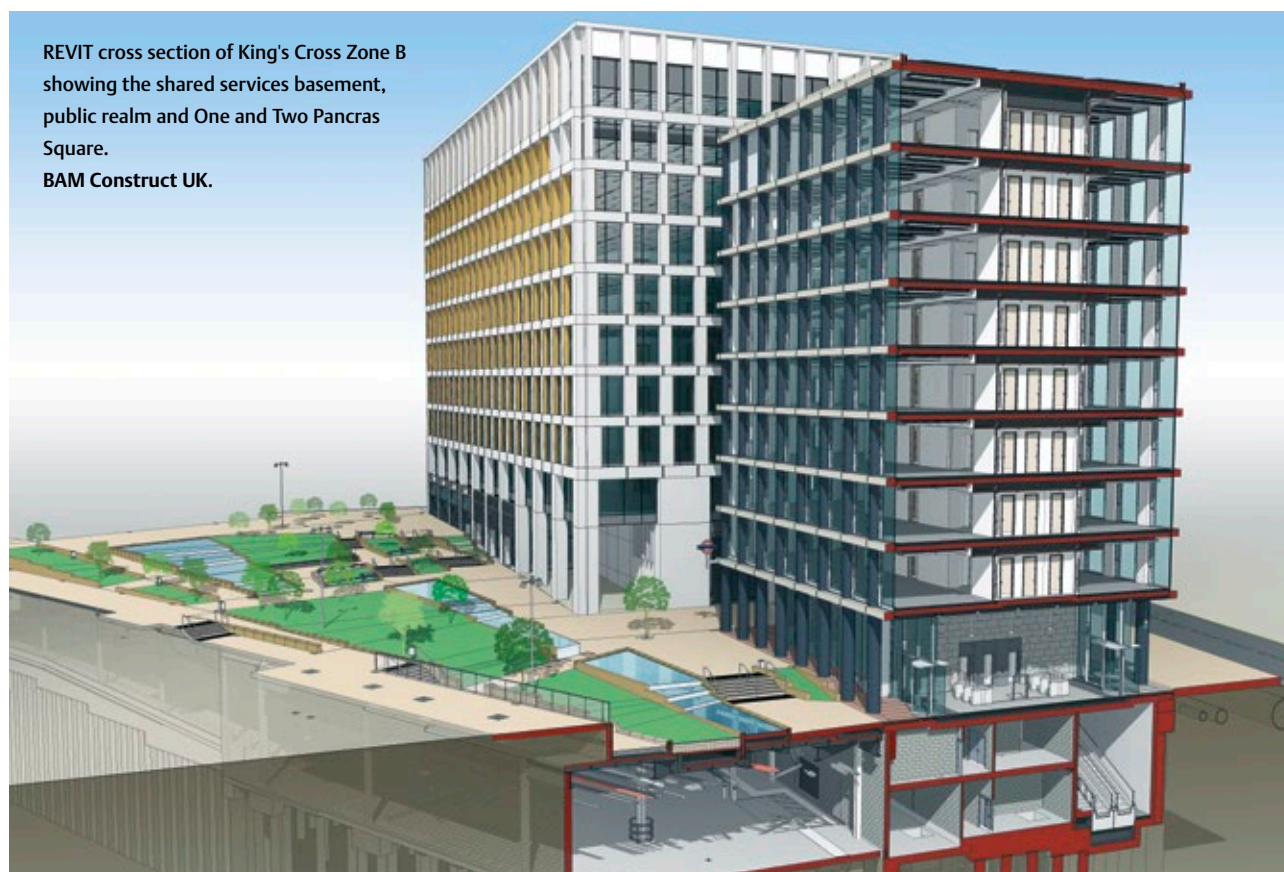
The 2014 financial statements, duly prepared by the Executive Board, will be submitted to the General Meeting for approval. The financial statements have been audited by the external auditor, PricewaterhouseCoopers Accountants N.V.; the unqualified auditor's report is included on page 219-228 of the 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, the report by the Supervisory Board 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 Dutch Civil Code.

Looking back on the financial year 2014, it may be stated that the construction sector again felt the consequences of the economic

crisis in all the Group's home markets. Royal BAM Group was also faced with persistent difficult economic conditions during the past financial year.

As stated in the beginning of this report, the year under review has been one of substantial change. With the departure of Messrs De Vries and Rogers, the company has lost two long term and valued colleagues and executives. The Supervisory Board wishes to thank each of them for the dedication and contribution to the company. Especially Mr De Vries, who took over the helm at the height of the economic crisis in 2010, had to guide the company through difficult circumstances. His perseverance and in-depth knowledge of the company and the construction market have helped steer the company through these extremely difficult times.

It is expected that the market conditions in the construction sector in the Group's home countries will continue to remain difficult in 2015. However, the significant changes currently being implemented in the company as a result of the Back in shape programme will help the company through this crisis and will leave it better prepared for more buoyant times. The Supervisory Board acknowledges that this change will have an impact on the employees; those who will lose their jobs as a result thereof and those who will have to work hard to ensure the proper execution of the programme. It is therefore with the utmost gratitude that the Supervisory Board wishes to thank all involved for their dedication and loyalty.



## 5.3 Remuneration report

The following remuneration report from the Supervisory Board describes how the remuneration policy has been put into practice during the past financial year. The report includes summaries of information concerning remuneration received in 2014 and also contains a summary of the remuneration policy for the coming financial year and subsequent years.

### Remuneration

The Remuneration Committee is a permanent committee of the Supervisory Board and shall consist of at least two members of the Supervisory Board. The Remuneration Committee is subject to rules established by the Supervisory Board. At the end of the year under review it consisted of Mrs Mahieu (chairwoman) and Mr Elverding and met two times during the past financial year. The composition of the Remuneration Committee is in line with the provisions of the Dutch corporate governance code. The Committee members consulted with each other a number of times outside the context of a formal meeting.

As a consequence of the evaluation of the composition of the Supervisory Board committees as described in the Report of the Supervisory Board, the Remuneration Committee will per 1 January 2015 be composed of Mrs Mahieu (chairwoman), Mr Elverding and Mr Noy.

The Remuneration Committee did not use the services of external remuneration advisers during the financial year. The salary and the terms of employment were not modified in 2014.

#### *Gross salary of members of the Executive Board*

During the year under review the members of the Executive Board felt it not to be appropriate to propose any amendments to the remuneration structure as explained in greater detail in the remuneration policy. The fixed salaries of the members of the Executive were not indexed in 2014.

A summary of the remuneration of the individual members of the Executive Board can be found in > Tables 55 and 58. No other compensation was awarded to members of the Executive Board in the financial year other than the compensation indicated in > Tables 55 and 58.

#### *Annual variable remuneration and long-term remuneration for the members of the Executive Board*

The members of the Executive Board were awarded no variable remuneration for 2014 in relation to the financial objectives. The individual non-financial objective for the members of the Executive Board consisted of a joint sustainable enterprise objective. This objective was to further reduce the number of safety incidents, to implement and realise the Group strategy and to enhance teamwork amongst the individual members of the Executive Board.

**BAM International** is responsible for the design and construction of the new Terminal 3 complex including associated works at the Julius Nyerere International Airport in Dar es Salaam, Tanzania. Client is Tanzania Airports Authority. BAM International is executing the project in a joint venture with UK sister company BAM Nuttall. BAM Advies & Engineering is involved as one of the design-partners.



Due to the company's below-par financial performance, the Supervisory Board decided this year, in consultation with the Executive Board, to refrain from paying out variable remuneration based on this component also.

The conditional phantom share awards stated in > Tables 56, 57 and 58 were given to the members of the Executive Board under the long-term benefit plan.

The company has not awarded any options or shares to members of the Executive Board, members of operating company management teams or employees. The remuneration of the Executive Board members is not affected by a change of control at the company. No loans were issued to members of the Executive Board.

The Supervisory Board did not see any reason during the financial year to use its extraordinary powers to adjust or reclaim variable or long-term remuneration that had already been awarded.

#### *Remuneration of the Supervisory Board members*

The annual remuneration for the members of the Supervisory Board, in accordance with the policy adopted at the shareholders' meeting on 7 May 2008, is €50,000 for the chairman, €45,000 for the vice-chairman and €40,000 for the other members of the Board, with an additional remuneration of €5,000 for each member who is on one or more Committees set up by the Supervisory

Board. The chairman and the other members of the Supervisory Board receive an annual fixed expenses allowance of €3,280 and €1,640 respectively. The remuneration and fixed expenses allowance are on quarterly basis.

The company has not awarded any options or shares to members of the Supervisory Board.

The remuneration of the Supervisory Board members is not affected by the company's results, nor by any change of control at the company. No loans were issued to members of the Supervisory Board.



## Remuneration policy

The Supervisory Board draws up the company's remuneration policy based on advice from its Remuneration Committee. The General Meeting formally adopts the remuneration policy. Once the remuneration policy has been adopted, the Supervisory Board determines the remuneration for the individual members of the Executive Board, again on the basis of recommendations by its Remuneration Committee. The Remuneration Committee's regulations are published on BAM's website. The members of the Executive Board received remuneration in the past financial year in line with the remuneration policy adopted by the General Meeting on 8 May 2007, which was amended by the General Meeting on 20 April 2011 when a new long-term benefit plan was introduced.

### *Design principles*

The remuneration policy is geared to attract and retain qualified people and motivating them to achieve Royal BAM Group's objectives. Particular emphasis is placed on experience with the Group's (international) activities and the necessary management qualities.

The policy is also aimed to safeguard profitable growth of the value of the enterprise, to motivate individuals and to increase the attractiveness of the company to highly qualified executives, including those from other industries, so as to interest them in Royal BAM Group as an employer. The remuneration level and structure are based partly on the development of results, as well as other developments that are relevant to the company, including non-financial indicators which are relevant for the company's long-term objectives.

In order to achieve these design principles, remuneration is set at a competitive level for the relevant national general remuneration market for directors and other senior managers of large companies. In the case of members of the Executive Board, the equivalent remuneration possibilities in their country of residence are also taken into account. The Supervisory Board will regularly review the remuneration package to ensure that it complies with the assumptions underlying the remuneration policy. The remuneration policy will also be evaluated regularly; changes in the policy will be put forward for adoption at the General Meeting.

### *Remuneration package*

The total remuneration of the members of the Executive Board of the Group consists of an annual salary (Mr Bax receives a 'financial compensation' due to the different nature of his contract), variable remuneration, a remuneration plan that gives long-term rewards for improvements, a pension and other secondary conditions. It was decided to use the median of the aforementioned remuneration market for this total remuneration. The company does not distribute shares to members of the Executive Board or to

anyone else working in the Group, nor is anyone given any entitlements to shares (i.e. share options). The company does not have any remuneration rules that are related to a change of control at the company. The way in which the remuneration package is made up – a fixed salary and limited short and long-term variable remuneration elements – provides a payment ceiling. Each year, using scenarios prepared by the Remuneration Committee, the Supervisory Board analyses the level of this ceiling and the set-up and interrelationship of the elements in the remuneration package, taking into account the relevant remuneration market and the remuneration ratios within the Group.

### *Gross salary*

The Supervisory Board determines the development of the member's salary. The annual evaluation and change in the annual salary generally take place on 1 January of each year. The evaluation considers personal performance, the results of the past year, the extent to which the Board member's current salary is below the standard salary and general changes in the market.

### *Variable remuneration*

Each member of the Executive Board is eligible for annual variable remuneration, with the level depending on the achievement in the year concerned of targets agreed beforehand between the Supervisory Board and the Executive Board that support the execution of the Group strategy. A responsible balance is struck between short-term and long-term focus. The variable remuneration actually achieved is determined by the Supervisory Board based on the advice of the Remuneration Committee, at which moment also an assessment is made of the possible results of the variable remuneration elements and their consequences for the total remuneration of members of the Executive Board.

The maximum annual variable remuneration is 60 per cent of the fixed part of the Board member's annual salary, a percentage which the Supervisory Board considers at this point to be properly proportionate to the fixed element of the remuneration package. When this percentage was set, it has been designed to be in line with the relevant remuneration market and the levels of variable remuneration appropriate for senior officials of the Group.



Upgrading of a 38 km stretch of the N33 motorway, which connects Assen and Zuidbroek in the north-east of the Netherlands, under a design, build, finance and maintain concession. The road-widening project was accomplished in only 16 months, almost one year ahead of schedule.  
**BAM PPP PGGM Infrastructure Coöperatie, BAM Infra.**



The annual variable remuneration depends on the achievement of previously set, measurable targets which are assessable and which can be influenced. The portion of the variable remuneration that is related to financial targets is a maximum of 40 per cent of the fixed part of the Board member's annual salary. The annual result (30 per cent) and the cash flow (10 per cent) are the two determining targets in this regard. If these targets are achieved, the variable remuneration will be 40 per cent and proportionately less if this is not the case. If the annual result is a great deal less than the budgeted figure, there will also be no pay-out on the cash flow target.

A maximum of 20 per cent of the annual salary is related to non-financial targets that are derived from the Group strategy. The Group strategy defines, among other things, objectives that stimulate long-term value creation for the shareholders, such as further growth in specific market segments, corporate social responsibility, product development, risk management (including safety), staff development and knowledge management. These topics will be formulated and evaluated in assessable terms as far as possible. The annual variable remuneration consists of a cash payment and is paid out in the following year.

In cases where the variable remuneration is awarded on the basis of inaccurate (financial) data, the Supervisory Board has the right to 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.

In the case of new awards of variable remuneration to members of the Executive Board, based on quantified performance criteria, the Supervisory Board has the right to amend the awards in relation to the level of previous years if it considers that this would lead to an unreasonable outcome.

The Supervisory Board also has the power to amend the existing conditional awards of variable remuneration with quantifiable performance criteria if, in its opinion, applying the award without amendment would have an unreasonable and unintended outcome. These matters have been incorporated into the employment and management agreements of Executive Board.

#### *Long-term benefit*

A remuneration element that gives long-term rewards for improvements has also been incorporated in the remuneration policy for members of the Executive Board.

This long-term benefit plan is based on remuneration in the form of conditionally awarded phantom shares. These conditionally awarded phantom shares include a dividend right, to which the same conditions apply as to the phantom shares which have been

awarded unconditionally. These dividend rights are reinvested. Three years after the conditional award, the phantom shares become unconditional, if the targeted performance level is achieved. The unconditional phantom shares are then subject to a transfer restriction for another two years. The cash equivalent will only be paid out at the end of this lock-up period. A long-term benefit therefore remains locked for five years. The award consists of phantom shares, i.e. no shares or options are issued.

The amount of the unconditional long-term benefit depends on the extent to which the target performance level is achieved. The target performance is the development in the value of BAM shares (i.e. improved share price plus dividend) as compared to the average development in the value of shares in the following companies which are similar to BAM: Balfour Beatty, Ballast Nedam, Bilfinger, Heijmans and Skanska.

Performance is assessed over a three year period (referred to as the 'performance period'), starting on 1 January of the year in which the long-term benefit is awarded. The development in the share value (TSR, i.e. Total Shareholder's Return) of both BAM and the peer group (i.e. an average) is recorded at the end of each quarter in the performance period. The development is then calculated based on the average of all end of quarter TSRs recorded during the performance period. Consequently, BAM's TSR is not absolute, but relative, as it involves comparison with a peer group.

The Supervisory Board may decide in due course that future performance should not be linked to the Total Shareholder's Return alone, but also to other criteria such as sustainability as soon as those criteria are sufficiently measurable. The Supervisory Board can also opt to change the peer group's composition if it decides that one of the peer operating companies is no longer comparable to BAM. Any companies to be added to the peer group must be deemed comparable to BAM by the Supervisory Board.

The phantom shares awarded conditionally to the Executive Board members are taxed when they become unconditional (i.e. three years after the award). The Executive Board members have to pay the tax themselves. The company will not provide any loans, nor can a long-term benefit be paid out in part or in full for the purposes of paying the tax due on the long-term benefit. The long-term benefit is not paid out until two years after it becomes unconditional.

In practice, each Executive Board member is awarded a conditional long-term benefit (i.e. a number of conditional phantom shares) every year on the sixth day after the General Meeting. The number of conditional phantom shares awarded is equal to 50 per cent of the member's fixed annual salary divided by the average closing price of BAM shares over the five trading days preceding the award date.



The conditionally awarded long-term benefit (i.e. the conditional phantom shares) becomes unconditional three years after the date of the conditional award.

The number of phantom shares awarded unconditionally depends on the extent to which BAM's Total Shareholder's Return exceeds the peer group Total Shareholder's Return (as a percentage) for the performance period.

If BAM outperforms the peer group by the percentages indicated, the corresponding awards as shown in the graduated scale below will apply:

< 0 per cent:	0 per cent award
0-5 per cent:	35 per cent award
5-10 per cent:	45 per cent award
10-15 per cent:	55 per cent award
15-20 per cent:	65 per cent award
20-25 per cent:	75 per cent award
25-30 per cent:	85 per cent award
> 30 per cent:	100 per cent award

(i.e. the percentage indicated of the number of phantom shares conditionally awarded three years previously).

The number of phantom shares awarded is now unconditional, but a subsequent transfer restriction applies for a two year period known as the 'lock-up period'. During the lock up period, the long-term benefit amount depends only on the development of the value of BAM shares (i.e. share price plus dividend) and is therefore no longer affected by the peer group's performance.

The company will pay out on the phantom shares that have become unconditional on the first working day after the lock-up period (i.e. five years after the conditional award). This pay-out is in cash and represents the value per phantom share that is equal to the average price of the BAM share during the five trading days preceding the date of the pay-out.

The cash amount per long-term benefit paid to an Executive Board member will never exceed one and a half times the fixed salary of the Executive Board member on the day of the pay-out.

The authority to implement the long-term benefit plan is vested in the Supervisory Board. The Supervisory Board has the right to change or terminate the scheme at any time. If the Supervisory Board decides to terminate or make material changes to the long-term benefit plan, the next General Meeting will be asked to adopt a resolution to that effect. In exceptional circumstances and in accordance with the requirements of reasonableness and fairness, the Supervisory Board can decide to make a long-term benefit unconditional or lift the transfer restriction. In exceptional circumstances (e.g. divisions, mergers, changes in company

control), the Supervisory Board is authorised to withdraw conditional and unconditional long-term benefits in exchange for a cash payment at market value.

If BAM's capital structure changes, the Supervisory Board will adjust the long-term benefits accordingly (both before and after they become unconditional), such that the market value of the long-term benefits after modification is as close as possible to the market value before modification.

The Supervisory Board is authorised to change the number of phantom shares to be awarded conditionally or unconditionally, if the Supervisory Board determines that not doing so would lead to unreasonable results, including with respect to the remuneration policy adopted by the General Meeting.

The Supervisory Board's has the authority to adjust the long-term benefit plan, in case this has been awarded on the basis of inaccurate financial data. Only Executive Board members are eligible for the long-term benefit plan. A long-term benefit only becomes unconditional for an Executive Board member if that member is an Executive Board member on the date when the long-term benefit becomes unconditional. If the person concerned is no longer an Executive Board member as of that date due to no fault of his / her own, he / she is entitled to the long-term benefit pro rata. The long-term benefits of former Executive Board members in this situation are also subject to a two-year lock-up period. Former Executive Board members who are no longer members because of other reasons as of the date when the long-term benefits become unconditional will lose their right to long-term benefits which are still conditional. However, they do retain their right to long-term benefits that are unconditional, subject to the two-year lock-up period.

The Supervisory Board can decide that Executive Board members appointed after the conditional award date and before 31 December of the award year will receive part of the long-term benefit awarded to Executive Board members in the year concerned.

At the request of the Supervisory Board, the company's external auditor will check the calculations carried out and conclusions reached in connection with the long-term benefit plan, in which case the external auditor's assessment will be binding.

#### *Pension*

With respect to pensions, the sector regulations will be adopted wherever possible, with surplus schemes based on defined contributions and contributions from the participants. Members of the Executive Board are subject to the new pension scheme and transitional arrangements with effect from 1 January 2006, as applicable from that date within the Group for all comparable

employees following the introduction of the Act of Parliament concerning early retirement, pre-pension and life-course savings schemes (wet VPL). The costs of trend-based indexation of underlying pension rights have been included in the pension contributions with effect from 2009. The company does not have any early retirement schemes. Due to the nature of the agreement of assignment no pension arrangements were made with regard to Mr Bax, who instead will receive a contribution for his personal pension arrangements.

#### *Other secondary conditions of employment*

As for all the other employees, the Group has a competitive package of secondary conditions of employment for the members of the Executive Board. This package includes such matters as healthcare and disability insurance, personal accident insurance, a car scheme, reimbursement of personal expenses and directors' liability insurance. The Group does not give loans, warrants and the like to members of the Executive Board or to other employees, except for the arrangements set out below.

Current and former members of the Supervisory Board and current and former members of the Executive Board are covered by the indemnity, under the Articles of Association, against claims made against them in respect of actions or omissions after 1 January 2005 in the performance of the duties of their position, unless said actions or omissions constituted wilful, deliberately reckless or seriously culpable conduct and / or consisted of traffic offences. This facility also applies to all employees and former employees of BAM. The company has taken out directors' and officers' liability insurance under standard market terms and conditions for the members of the Supervisory Board, the members of the Executive Board, the members of the operating company management teams and all other directors and officers in BAM.

#### *Period of appointment and contracts of employment*

Members of the Executive Board are appointed for a period of four years. The employment agreements of Mr R.P. van Wingerden and Mrs T. Menssen and the agreement of assignment of Mr E.J. Bax have been entered into for a period of four years. The members of the Executive Board have a notice period of six months for the company and three months for the members. The company regards a notice period of three months as suitable for a member of the executive board.

The relationship between the members of the Executive Board and the company changed as of 1 January 2013 with the introduction of the Management and Supervision (Public and Private Companies) Act (Wet bestuur en toezicht). As such, the employment relationship between new members of the Executive Board and the company will not be classified as a contract of employment. As of the above-mentioned date new Executive Board members are being appointed by means of an agreement of assignment. This is

the case for Mr Bax with whom an agreement of assignment has been negotiated. If the company terminates the contract of a Board member, the maximum severance payment will be one year's base salary. If this maximum of one year's salary would be manifestly unreasonable for a Board member who is dismissed during his or her first term of appointment, such Board member will be eligible for severance pay not exceeding twice the annual salary.

Both Mr N.J. de Vries and Mr M.J. Rogers relinquished their position as a member of the Executive Board per 1 October 2014. They will stay employed by the Company until 31 March 2015 respectively 28 Februari 2015. Mr Rogers will receive a severance payment of one year's base salary in accordance with the Dutch Corporate Governance Code.

The company has no other remuneration rules, beyond the remuneration package mentioned above, in relation to payments on the departure of members of the Executive Board or members of the Supervisory Board, nor are there any other rights to one-time payments.

#### *Securities rules*

The company has rules relating to the possession of and trading in securities. These rules are published on the company's website and also include regulations for members of the Executive Board and the Supervisory Board relating to the possession of and trading in securities other than those issued by the company. To this effect the Supervisory Board has established a so-called 'stop-list', meaning that it shall be prohibited to execute transactions in the securities of the companies included in this list. This list shall apply for the members of the Executive Board and the Supervisory Board. This prohibition does not apply to securities that are included in investment funds nor to securities that are being administered by an independent financial firm.

## Remuneration policy for 2015 and subsequent years

Early 2015 the Remuneration Committee will evaluate the current short term and long term benefit plan as a result of which it may be possible that proposals for amendment of this plan may be submitted for approval to the Supervisory Board and, subsequently, the general meeting.

Bunnik, the Netherlands,  
20 February 2015

Supervisory Board

## Executive Board remuneration

### 55 — Fixed annual salary, annual variable remuneration, pension premiums and other benefits

(x €1,000)

	Gross salary		Other short-term benefits 2014		Post-employment benefits		Other benefits 2014		Crisis levy 2014	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
R.P. van Wingerden <sup>1</sup>	508	470	-	-	64	59	8	49	54	61
T. Menssen	470	470	-	-	30	30	8	8	48	51
E.J. Bax <sup>2</sup>	313	-	-	-	52	-	5	-	34	-
M.J. Rogers <sup>3,4,5</sup>	532	509	-	-	106	102	24	71	-	-
J. Ruis <sup>6</sup>	-	153	-	-	-	55	-	17	-	12
N.J. de Vries <sup>7</sup>	620	620	-	-	133	133	8	63	73	90

<sup>1</sup> Appointed as Chairman of the Executive Board with effect from 1 October 2014.

<sup>2</sup> Appointed as a member of the Executive Board with effect from 1 May 2014.

<sup>3</sup> Mr Rogers has relinquished his Executive Board responsibilities with effect from 1 October 2014.

<sup>4</sup> In addition to the remuneration in 2014 as disclosed in the table above, gross salary and other emoluments for the period 1 January 2015 through 28 February 2015 amounting to £251 thousand and a severance payment of £428 thousand corresponding with one year's base salary have been accrued for by the Company in 2014. Phantom shares for Mr Rogers are forfeited for an amount of €78 thousand.

<sup>5</sup> Gross (annual) salary for 2014 is based on £428 thousand (2013: £428 thousand). Exchange rate of the euro against the pound sterling (£) used is 1.24 (2013: 1.19).

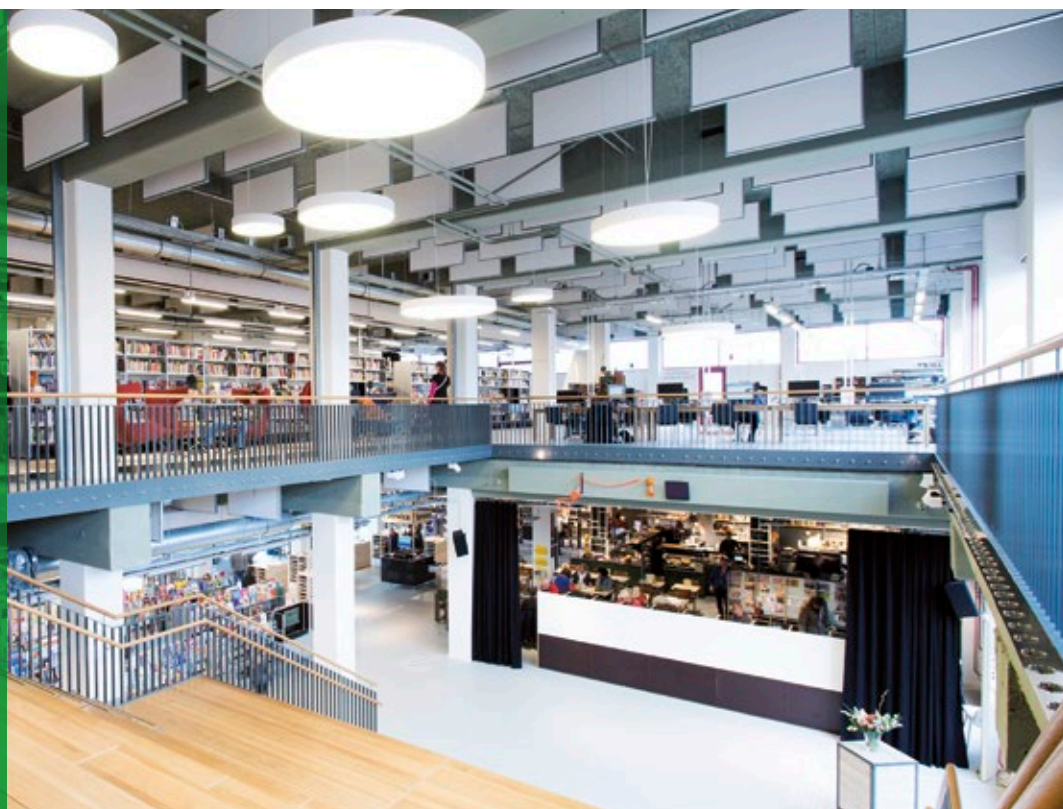
<sup>6</sup> J. Ruis has retired from the Executive Board with effect from 24 April 2013.

<sup>7</sup> Mr De Vries stepped down from the Executive Board with effect from 1 October 2014.

In addition to the remuneration in 2014 as disclosed in the table above, gross salary and other emoluments for the period 1 January 2015 through 31 March 2015 amounting to €227 thousand have been accrued for by the Company in 2014.

Phantom shares for Mr De Vries are forfeited for an amount of €13 thousand.

Refurbishment of the former municipal office of Gouda to house the library and Regional Archives, Gouda, the Netherlands. **BAM Bouw en Vastgoed (BAM Gebouwservices).**



## Long-term remuneration plan

### 56 — Conditional phantom shares plan 2012-2015<sup>1</sup>

(value in €)

	At the award date		Year-end 2014		TSR- performance	graduated scale
	number	value	number	value <sup>2</sup>		
R.P. van Wingerden	84,559	230,000	88,030	79,368	0.3%	35%
T. Menssen	-	-	-	-	0.3%	35%
E.J. Bax	-	-	-	-	0.3%	35%

<sup>1</sup> Award on 4 May 2012; award becomes unconditional on 4 May 2015; lock-up period up to and including 4 May 2017

<sup>2</sup> Potential value based on the closing share price of BAM at year-end 2014 (€2.576) and on the number of conditional phantom shares that become unconditional three years after the award.

The TSR performance is based on the quarterly average for 2014. The ultimate TSR performance is based on the quarterly average for the year 2012, 2013 and 2014.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

### 57 — Conditional phantom shares plan 2013-2016<sup>1</sup>

(value in €)

	At the award date		Year-end 2014		TSR- performance	graduated scale
	number	value	number	value <sup>2</sup>		
R.P. van Wingerden	69,272	235,000	70,259	-	-0.9%	0%
T. Menssen	69,272	235,000	70,259	-	-0.9%	0%
E.J. Bax	-	-	-	-	-0.9%	0%

<sup>1</sup> Award on 3 May 2013; award becomes unconditional on 3 May 2016; lock-up period up to and including 3 May 2018

<sup>2</sup> Potential value based on the closing share price of BAM at year-end 2014 (€2.576) and on the number of conditional phantom shares that become unconditional three years after the award.

The TSR performance is based on the quarterly average for 2014. The ultimate TSR performance is based on the quarterly average for the year 2013, 2014 and 2015.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

### 58 — Conditional phantom shares plan 2014-2017<sup>1</sup>

(value in €)

	At the award date		Year-end 2014		TSR- performance	graduated scale
	number	value	number	value <sup>2</sup>		
R.P. van Wingerden	60,072	235,000	60,072	-	-0.8%	0%
T. Menssen	60,072	235,000	60,072	-	-0.8%	0%
E.J. Bax	60,072	235,000	54,064	-	-0.8%	0%

<sup>1</sup> Award on 1 May 2014; award becomes unconditional on 1 May 2017; lock-up period up to and including 4 May 2019

<sup>2</sup> Potential value based on the closing share price of BAM at year-end 2014 (€2.576) and on the number of conditional phantom shares that become unconditional three years after the award.

The TSR performance is based on the quarterly average for 2014. The ultimate TSR performance is based on the quarterly average for the year 2014, 2015 and 2016.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

59 — Contracts of employment / appointments of members of the Executive Board

	Year employed	Date of appointment	Period of appointment	Notice period for company	Notice period for director	Severance payment
R.P. van Wingerden	1988	7 May 2008	4 years	6 months	3 months	1 year's salary
T. Menssen	2012	1 October 2012 <sup>1</sup>	4 years	6 months	3 months	1 year's salary
E.J. Bax	2014	1 May 2014 <sup>1</sup>	4 years	6 months	3 months	1 year's salary

<sup>1</sup> First appointment.

## 5.4 Declaration in accordance with the Dutch Financial Supervision Act

The members of the Executive Board as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision confirm that to the best of their knowledge:

- The 2014 financial statements included in this Report give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- The management report included in this Report gives a true and fair view of the position of the company and the undertakings included in the consolidation taken as a whole as at 31 December 2014, and of the development and performance of the business for the financial year then ended;
- The management report includes a description of the general risks and uncertainties that the company faces.

Somerstown Community Hub, Portsmouth, United Kingdom. The three storey hub includes a community centre, a youth centre, a primary care trust and dental surgery as well as the local housing office, an indoor sports hall and a café. The Hub has obtained a BREEAM Excellent certificate.

**BAM Construct UK**  
(BAM Design,  
BAM Construction).



## 5.5 Decision on Article 10 of the Takeover Directive

The following information and explanations relate to the provisions of the Decree of 5 April 2006 implementing Article 10 of Directive number 2004/25/EC of the European Parliament and the Council of the European Union dated 21 April 2004.

### *Capital structure*

> Table 4 may be used as a reference for the company's capital structure. No rights apart from those arising under statute are attached to the shares into which the company's capital is divided, apart from the scheme specified in Article 32 of the Articles of Association concerning the application of the profit in relation to Class B and Class F preference shares.

A brief summary of Article 32 of the Articles of Association is provided below. From the profit realised in any financial year, an amount will first be distributed, where possible, on the Class B cumulative preference shares, calculated by applying the percentage stated below to the amount that must be paid up on those shares as at the start of the financial year for which the distribution is made. The percentage referred to above will be equal to the average of the Euribor rates for money market loans with a maturity of twelve months – weighted according to the number of days for which these rates prevailed – during the financial year for which the distribution is made, plus one percentage point. Euribor refers to the Euro Interbank Offered Rate as determined and published by the European Central Bank.

Subsequently, if possible, a dividend will be distributed on each financing preference share of a certain series and sub-series, with due consideration of the provisions of Article 32(6) of the Articles of Association, equal to an amount calculated by applying a percentage to the nominal amount of the financing preference share concerned at the start of that financial year, plus the amount of share premium paid in on the financing preference share issued in the series and sub-series concerned at the time of initial issue of the financing preference shares of that series and sub-series, less the amount paid out on each financing preference share concerned and charged to the share premium reserve formed at the time of issue of the financing preference shares of that series and sub-series prior to that financial year. If and to the extent that a distribution has been made on the financing preference shares concerned in the course of the year and charged to the share premium reserve formed at the time of issue of the financing preference shares of the series and sub-series concerned, or partial repayment has been made on such shares, the amount of the distribution will be reduced pro rata over the period concerned according to the amount of the distribution charged to the share premium reserve and / or the repayment with respect to the amount referred to in the preceding sentence.

The calculation of the dividend percentage for the financing preference shares of a certain series will be made for each of the

series of financing preference shares referred to below, in the manner set forth for the series concerned.

### *Series FP1 to FP4*

The dividend percentage will be calculated by taking the arithmetic mean of the yield to maturity on euro government loans issued by the Kingdom of the Netherlands with a remaining term matching as closely as possible the term of the series concerned, as published in the Euronext Prices Lists, plus two percentage points.

### *Series FP5 to FP8*

The dividend percentage will be equal to the average of the Euribor rates for money market loans with a maturity of 12 months – weighted according to the number of days for which these rates prevailed – during the financial year for which the distribution is made, plus two percentage points.

The above percentages may be increased or reduced by an amount of no more than three hundred basis points.

The above percentages apply for the following periods: series FP1 and FP5: five years; series FP2 and FP6: six years; series FP3 and FP7: seven years and series FP4 and FP8: eight years. After a period expires, the percentage will be modified in accordance with the rules laid down in Article 32 paragraph 6(c) of the Articles of Association.

The Supervisory Board shall determine, on the basis of a proposal by the Executive Board, what part of the profit remaining after application of the above provisions will be added to the reserves. The part of the profit that remains thereafter is at the disposal of the General Meeting, subject to the provision that no further dividends will be distributed on the preference shares and with due consideration of the other provisions of Article 32 of the Articles of Association.

Please note that, as at the balance sheet date, neither preference shares B nor preference shares F have been issued.

### *Limits on the transfer of shares*

The company has no limitation, under the Articles of Association or by contract, on the transfer of shares or depositary receipts issued with the company's co-operation, apart from the restriction on the transfer of preference shares contained in the Articles of Association. Article 13 of the company's Articles of Association stipulates that approval is required from the company's Executive Board for the transfer of Class B and Class F preference shares. The scheme is included in order to offer the company the facility – because of the specific purpose of issuing these shares, namely the acquisition of finance or achieving protection – of offering the holders of these shares an alternative in the event that they wish to dispose of their shares.

As regards the Class B preference shares, the company and Stichting Aandelenbeheer BAM Groep (BAM Group Stock Management Foundation) have agreed that the company will not proceed to issue these shares or to grant any rights to purchase them to anyone other than the said foundation without the foundation's permission. The foundation will not dispose of or encumber any Class B preference shares, nor renounce the voting rights relating to them, without permission from the company. Please refer to pages 229 onward of the Report with regard to the reasons behind protecting the company and the manner in which this is done.

#### *Substantial interests*

The company is aware of the following interests in its equity, which are now reported under the provisions concerning the reporting of controlling interests under the Disclosure of the Financial Supervision Act. See > Table 5.

#### *Special control rights*

The shares into which the company's equity is divided are not subject to any special control rights.

#### *Employee share plan or employee option plan*

The company does not have any employee share or employee option plans.

#### *Voting rights*

Each share in the company provides entitlement to the casting of one vote at shareholders' meetings. There are no restrictions on the exercising of voting rights. The company's Articles of Association contain the usual provisions in relation to intimation for the purpose of being acknowledged as a proxy at shareholders' meetings. Where the company's Articles of Association mention holders of depositary receipts or depositary receipt holders, whether named or bearer, this is understood to mean holders of depositary receipts issued with the company's co-operation and also individuals who, under the terms of Articles 88 or 89, Book 2 of the Dutch Civil Code, have the rights accorded to holders of depositary receipts for shares issued with the company's co-operation.

#### *Shareholders' agreements*

The company is not aware of any agreements involving one of the company's shareholders and which might provide reasons for:

- (i) restricting the transfer of shares or of depositary receipts issued with the company's co-operation, or
- (ii) restricting the voting rights.

#### *Appointment and dismissal of members of the Supervisory Board and members of the Executive Board*

The company is obliged by law to operate a mitigated two-tier structure. The General Meeting appoints the members of the Supervisory Board, based on a recommendation from the

Supervisory Board. The General Meeting also appoints the members of the Executive Board, with the Supervisory Board having the right of recommendation. The section headed 'Corporate governance' on page 93 onwards of the report by the Executive Board provides a more detailed explanation of the appointment and dismissal of members of the Supervisory Board and members of the Executive Board.

#### *Powers of the Executive Board*

The company is managed by an Executive Board. The Executive Board's powers are those arising from legislation and regulations. A more detailed description of the Executive Board's duties can be found on page 93 onwards of the Executive Board's report, in the section headed 'Corporate governance'. The Executive Board was authorised by the General Meeting held on 23 April 2014 to issue ordinary shares and Class F preference shares and / or to grant options to purchase these shares, subject to approval from the Supervisory Board. This authorisation is limited in duration to eighteen months. It is also limited in scope to 10 per cent of the issued capital, plus an additional 10 per cent, which additional 10 per cent may be used exclusively for mergers and acquisitions by the company or by operating companies. The General Meeting held on 23 April 2014 granted authority to 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 and subject to the approval of the Supervisory Board. In principle, the General Meeting is asked to grant these authorisations every year. Resolutions to amend the Articles of Association, or to dissolve the company may only be passed by the General Meeting on the basis of a proposal put forward by the Executive Board and approved by the Supervisory Board.

#### *Change of control provisions in important agreements*

The Group's most important financial rules state that in the event of a change of control (including in the event that more than 50 per cent of the shares in BAM are deemed to be held by one party), the banks may terminate further financing and the Group can be obliged to repay outstanding loans under these arrangements and to extend the capital base provided for outstanding bank guarantees. A change of control clause is not unusual in important collaboration agreements over a longer period, where the parties include parts of the Group. Partly because of the total size of the Group, these clauses are not considered significant within the meaning of the Decree on Article 10 of the Takeover Directive.

#### *Change of control clauses in contracts of employment*

No agreement has been concluded with directors or employees of the company providing for a severance payment on termination of employment resulting from a public bid for the company.

## 5.6 Supervisory Board and Executive Board

### Biographies of the Supervisory Board members



**P.A.F.W. Elverding (1948), chairman**

Mr Elverding graduated from the University of Amsterdam. After completing his law degree in 1972, Mr Elverding began his career in the health care sector. He then went on to work at Akzo Chemie Nederland and De Bijenkorf in various human resources positions. In 1981, he joined the management team of De Bijenkorf, assuming responsibility for human

resources. In 1985, Mr Elverding joined DSM, serving in various management positions in different parts of the DSM Group with responsibility for human resources and general affairs. He was appointed to the DSM Executive Board in 1995 and became chairman of the Executive Board in 1999. Mr Elverding retired in 2007. Mr Elverding is a Dutch national. He does not own any shares in the Company's capital.

*Other offices:* chairman of the Supervisory Board of Q-Park; vice-chairman of the Supervisory Board at SHV Holdings; member of the Supervisory Board of Royal FrieslandCampina; member of the Board of Stichting Instituut GAK.

Mr Elverding was appointed to the Supervisory Board in 2011 and in November 2011 as chairman of the Supervisory Board.



**H.S. Scheffers (1948), vice-chairman**

Mr Scheffers was trained as a chartered accountant. He was employed from 1974 until 1993 at Koninklijke Bunge, where he successively held the positions of internal auditor, european controller and President Northern Europe. He was subsequently employed as an Executive Board member at LeasePlan Corporation from 1993 until 1999. He joined SHV Holdings in 1999,

where he was CFO on the Executive Board until he retired in 2007. Mr Scheffers is a Dutch national. He does not own any shares in the Company's capital.

*Other offices:* chairman of the Supervisory Board of Aalberts Industries; vice-chairman of the Supervisory Board of Flint Holding; member of the Supervisory Board of Heineken; member of the Supervisory Board of Royal Friesland Campina; member of the Board of Directors of Stichting Administratiekantoor Aandelen KAS BANK.

Mr Scheffers was appointed to the Supervisory Board in 2009, reappointed in 2013 and in November 2011 appointed as vice-chairman of the Supervisory Board.



**J.-P. Hansen (1948)**

Baron Hansen graduated from Luik University as an electromechanical civil engineer. After two years working for the Belgian government, he continued his career in the electricity and gas sector. From 1992 to 1999 and again from 2005 to 2010 Mr Hansen was CEO of Electrabel. From 1999 to 2004 he was chairman of the Executive Board of Electrabel. He held the

position of member of the Executive Board of GDF SUEZ until February 2013. Currently Mr Hansen is advisor and chairman of the Energy Policy Committee of GDF Suez. Mr Hansen is a Belgian national and holds no shares in the capital of the company. *Other offices:* member of the Boards of CMB (Compagnie Maritime Belge), Groep De Boeck and Ifri (Institut français des relations internationales); government commissioner responsible for the restructuring of NMBS.

Mr Hansen was appointed to the Supervisory Board in 2013.



**Mrs C.M.C. Mahieu (1959)**

Mrs Mahieu studied Economics at the University of Amsterdam, where she graduated in 1984. She began her career at Royal Dutch Shell, where she held various management positions dealing with human resources, communication and corporate strategy. After several years as a consultant, Mrs Mahieu joined Royal Philips Electronics as Senior Vice-President Corporate Human

Resources in 2003. She took up her current position as Executive Vice President and Global Head of Human Resources at Aegon in September 2010. She is also a member of Aegon's Group Management Committee. Mrs Mahieu is a Dutch national. She does not own any shares in the Company's capital.

*Other offices:* Supervisory Board member of Duisenburg School of Finance.

Mrs Mahieu was appointed to the Supervisory Board in 2011.





#### H.L.J. Noy (1951)

Mr Noy completed his studies at Eindhoven University of Technology at the end of 1974. Mr Noy worked for ARCADIS throughout his entire career. Starting in 1975, he occupied various positions within the company, which at that time still operated under the name Heidemij. From 1989 to 1994, he was a member of the Management board of the consultancy

department of the Dutch division, the last two years as chairman of the Board. In 1994, Mr Noy was appointed as a member of the Executive Board and in 2000 as CEO and chairman of the Executive Board of ARCADIS until he stepped down in May 2012. Mr Noy is a Dutch national and does not own any shares in the Company's capital.

*Other offices:* chairman of the Supervisory Board of Fugro; member of the Board of Stichting Administratiekantoor TKH Group; member of the Board of Stichting ING Aandelen; extraordinary member of the Dutch Safety Board.

Mr Noy was appointed to the Supervisory Board in 2012.



#### K.S. Wester (1946)

Mr Wester studied civil engineering at Delft University of Technology. After graduating in 1969, he worked briefly for Fugro as a geotechnical engineer, after having performed military service. He then commenced employment at Costain Blankevoort and later at Ballast Nedam, working in the United Kingdom, the United Arab Emirates and Kuwait. In 1981, he

returned to Fugro, where he held various management positions before being appointed to the Fugro Executive Board as a member under the Articles of Association in 1996 and going on to become chairman of the Executive Board in 2005 (a position he held until his retirement in 2012). Mr Wester is a Dutch national and does not own any shares in the company.

*Other offices:* chairman of the Supervisory Board ACTA, chairman of the Supervisory Board of Iv-Groep; member of the Supervisory Board of Novek.

Mr Wester was appointed to the Supervisory Board in 2011.

## 60 — Retirement schedule for the Supervisory Board

As of January 2015	Year of appointment	Year of re-appointment	Year of retirement	Current term <sup>1</sup>
P.A.F.W. Elverding	2011	2015	2023	1
H.S. Scheffers	2009	2013	2021	2
J.-P. Hansen	2013	2017	2025	1
C.M.C. Mahieu	2011	2015	2023	1
H.L.J. Noy	2012	2016	2024	1
K.S. Wester	2011	2015	2023	1

<sup>1</sup> Members of the Supervisory Board are appointed / reappointed for a maximum of four years.

## Biographies of the Executive Board



**Rob (R.P.) van Wingerden (1961), CEO**

Mr Van Wingerden graduated as a civil engineer from Delft University of Technology in 1988. He joined the Group as a project surveyor in 1988 and subsequently worked in a variety of (project) management roles for operating companies in the Netherlands and elsewhere (including Taiwan and Hong Kong). He completed his MBA cum laude at

Twente School of Management in 1994. During this period he attended the Advanced Management Program at Harvard Business School in Boston. He was appointed Director of HBG Bouw en Vastgoed in 2000, became Director at BAM Utiliteitsbouw in 2002 and was appointed chairman of the Board of BAM Woningbouw in 2005. Mr Van Wingerden has been a member of the Executive Board of Royal BAM Group since 2008. In October 2014 he was promoted to the position of CEO and chairman of the Executive Board. He is a Dutch national and does not hold any shares in the company's capital.

*Other offices:* member of the Board of Governors of the Dutch Construction and Infrastructure Federation (Bouwend Nederland); member of the independent construction industry platform Vernieuwing Bouw; member of the Supervisory Board of Royal Saan; member of the Board of Nationaal Renovatie Platform, member of the Executive Committee of Universiteitsfonds Delft.



**Erik (E.J.) Bax (1957), COO**

Mr Bax studied 'Engineering, Building & Construction' at the institute of technology in Tilburg and secured an MBA at Erasmus University Rotterdam and Georgia State University in Atlanta, USA. He joined the international leader for production and distribution of building materials CRH in 1984 and undertook various operational and commercial positions at different

business units of CRH. He then fulfilled a number of positions in CRH's senior management, including managing director Europe Building Products from 2003 and managing director Europe Distribution from 2007. In 2010, Mr Bax was appointed managing director CRH Europe Products & Distribution. Mr Bax has been a member of the Executive Board of Royal BAM Group since May 2014 and COO since October 2014. He is a Dutch national and does not hold any shares in the company's capital.



**Thessa Menssen (1967), CFO**

Mrs Menssen graduated from the University of Technology Eindhoven in 1990 with a degree in mechanical engineering. She then received a master's degree in Business Administration from the Technical University of Twente. In 1992 Mrs Menssen joined Unilever, she held various management positions until 2006. In 2006 Mrs Menssen was appointed member of the

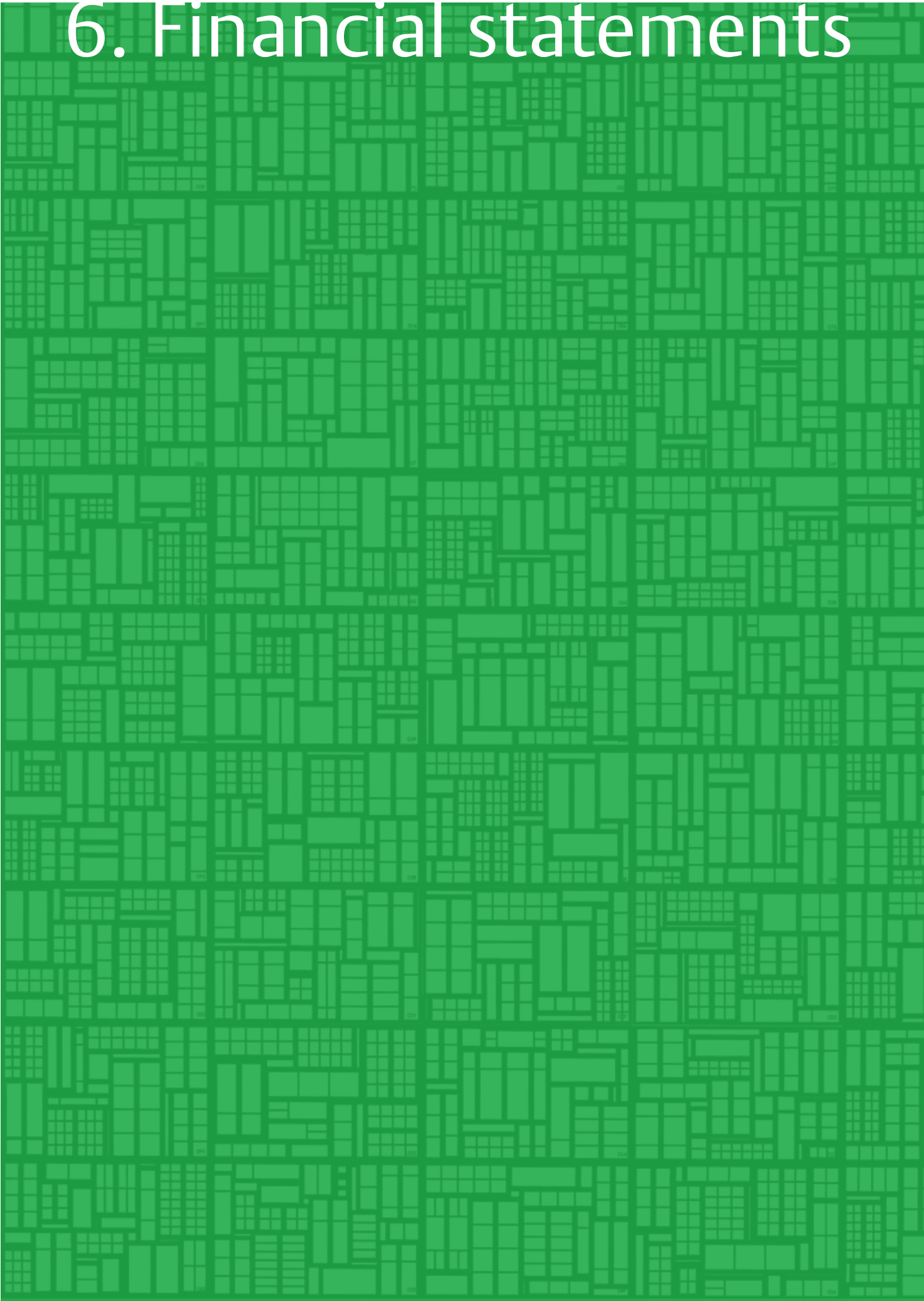
executive board of Havenbedrijf Rotterdam (Rotterdam Port Authority), first as CFO and from 2010 as COO. Mrs Menssen has been member of the Executive Board of Royal BAM since October 2012 and CFO since January 2013. She is a Dutch national and does not hold any shares in the company's capital.

*Other offices:* member of the Supervisory Board of PostNL; member of the Supervisory Board of Vitens; member of the Supervisory Board of the Rotterdam Philharmonic Orchestra; member of the Monitoring Committee of Talent naar de Top.

Apartments Regent's Park,  
Amersfoort, the  
Netherlands.  
**BAM Bouw en Vastgoed**  
(Heilijgers).



# 6. Financial statements



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## Consolidated income statement

(x €1,000)

	Notes	2014	2013
<b>Continuing operations</b>			
Revenue	5	7,314,020	7,041,598
Raw materials and consumables used		(1,400,664)	(1,380,176)
Subcontracted work and other external charges		(4,081,952)	(3,829,991)
Employee benefit expenses	24	(1,490,561)	(1,409,406)
Depreciation and amortisation charges	7,8	(82,802)	(88,596)
Impairment charges	25	(67,618)	(42,026)
Other operating expenses		(295,674)	(275,425)
Exchange rate differences		525	(87)
		<u>(7,418,746)</u>	<u>(7,025,707)</u>
Operating result		<u>(104,726)</u>	15,891
Finance income	28	45,969	45,255
Finance expense	28	<u>(33,900)</u>	<u>(41,900)</u>
		12,069	3,355
Share of result of investments	10	18,457	13,110
Share of impairment charges in investments	10,25	<u>(48,240)</u>	<u>12,026</u>
		<u>(29,783)</u>	25,136
Result before tax		<u>(122,440)</u>	44,382
Income tax	29	<u>15,499</u>	<u>(5,778)</u>
Result for the year from continuing operations		<u>(106,941)</u>	<u>38,604</u>
<b>Discontinued operations</b>			
Result for the year from discontinued operations	35	-	8,526
Net result		<u>(106,941)</u>	<u>47,130</u>
Attributable to:			
Shareholders of the Company		(108,172)	46,157
Non-controlling interests		<u>1,231</u>	<u>973</u>
		<u>(106,941)</u>	<u>47,130</u>
<b>Earnings per share</b>			
(x €1.-)			
<b>Basic</b>			
Continuing operations	30	(0.40)	0.15
Discontinued operations		-	0.04
		<u>(0.40)</u>	<u>0.19</u>
<b>Diluted</b>			
Continuing operations	30	(0.40)	0.15
Discontinued operations		-	0.04
		<u>(0.40)</u>	<u>0.19</u>

The notes on pages 139 to 209 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

(x €1,000)

	Notes	2014	2013
<b>Net result</b>		<b>(106,941)</b>	47,130
<i>Items that may be subsequently reclassified to the income statement, net of tax</i>			
Cash flow hedges	19	(7,926)	45,647
Cash flow hedges of investments in joint ventures		45,548	9,589
Exchange rate differences		25,292	(11,584)
<i>Items that will not be reclassified to the income statement, net of tax</i>			
Remeasurements of post-employment benefit obligations	20	<u>(49,463)</u>	<u>37,801</u>
<b>Other comprehensive income</b>		<b>13,451</b>	81,453
<b>Total comprehensive income</b>		<b><u>(93,490)</u></b>	<b><u>128,583</u></b>
<b>Attributable to:</b>			
Shareholders of the Company		(94,146)	127,232
Non-controlling interests		<u>656</u>	<u>1,351</u>
		<b><u>(93,490)</u></b>	<b><u>128,583</u></b>
<b>Total comprehensive income attributable to the shareholders of the Company arises from:</b>			
Continuing operations		(94,146)	118,706
Discontinued operations		<u>-</u>	<u>8,526</u>
		<b><u>(94,146)</u></b>	<b><u>127,232</u></b>

## Consolidated statement of financial position as at 31 December

(x €1,000)

	Notes	2014	2013
<b>Non-current assets</b>			
Property, plant and equipment	7	315,780	356,424
Intangible assets	8	409,250	403,283
PPP receivables	9	303,978	406,476
Investments	10	94,607	134,866
Other financial assets	11	84,885	121,567
Derivative financial instruments	19	229	1,313
Employee benefits	20	17,786	7,528
Deferred tax assets	22	<u>242,492</u>	<u>200,268</u>
		<b>1,469,007</b>	<b>1,631,725</b>
<b>Current assets</b>			
Inventories	12	843,123	1,049,451
Trade and other receivables	13	1,878,677	1,937,222
Income tax receivable		10,428	7,021
Derivative financial instruments	19	3,376	1,996
Cash and cash equivalents	14	<u>624,330</u>	<u>548,277</u>
		<b>3,359,934</b>	<b>3,543,967</b>
Assets held for sale	35	<u>127,043</u>	<u>140,737</u>
<b>Total assets</b>		<b><u>4,955,984</u></b>	<b><u>5,316,429</u></b>
<b>Equity attributable to the shareholders of the Company</b>			
Share capital	15	839,311	833,268
Reserves	16	(397,450)	(411,476)
Retained earnings		<u>385,533</u>	<u>507,322</u>
		827,394	929,114
Non-controlling interests		<u>3,322</u>	<u>3,549</u>
<b>Total equity</b>		<b>830,716</b>	<b>932,663</b>
<b>Non-current liabilities</b>			
Borrowings	18	538,792	706,502
Derivative financial instruments	19	47,712	43,159
Employee benefits	20	187,207	148,774
Provisions	21	114,638	103,087
Deferred tax liabilities	22	<u>25,906</u>	<u>22,636</u>
		<b>914,255</b>	<b>1,024,158</b>
<b>Current liabilities</b>			
Borrowings	18	125,333	224,809
Trade and other payables	23	2,853,406	2,889,914
Derivative financial instruments	19	8,269	2,093
Provisions	21	72,112	100,439
Income tax payable		<u>23,127</u>	<u>22,215</u>
		<b>3,082,247</b>	<b>3,239,470</b>
Liabilities held for sale	35	<u>128,766</u>	<u>120,138</u>
		<b>3,211,013</b>	<b>3,359,608</b>
<b>Total equity and liabilities</b>		<b><u>4,955,984</u></b>	<b><u>5,316,429</u></b>
<b>Capital base</b>	17	<b>951,894</b>	<b>1,053,114</b>

The notes on pages 139 to 209 are an integral part of these consolidated financial statements.



## Consolidated statement of changes in equity

(x € 1,000)

	Notes	Attributable to the shareholders of the Company			Non-controlling interests	Total equity	
		Share capital	Reserves	Retained earnings			Total
<b>As at 1 January 2013</b>		735,401	(492,551)	485,768	728,618	3,585	732,203
Cash flow hedges	19	-	54,824	-	54,824	412	55,236
Remeasurements of post-employment benefit obligations	20	-	37,801	-	37,801	-	37,801
Exchange rate differences		-	(11,550)	-	(11,550)	(34)	(11,584)
Other comprehensive income, net of tax		-	81,075	-	81,075	378	81,453
Net result		-	-	46,157	46,157	973	47,130
<b>Total comprehensive income</b>		-	81,075	46,157	127,232	1,351	128,583
Issuance of ordinary shares	15	84,534	-	-	84,534	151	84,685
Dividends	31	14,331	-	(24,153)	(9,822)	(597)	(10,419)
Other movements		(998)	-	(450)	(1,448)	(941)	(2,389)
		97,867	-	(24,603)	73,264	(1,387)	71,877
<b>As at 31 December 2013</b>		<b>833,268</b>	<b>(411,476)</b>	<b>507,322</b>	<b>929,114</b>	<b>3,549</b>	<b>932,663</b>
Cash flow hedges	19	-	37,972	-	37,972	(350)	37,622
Remeasurements of post-employment benefit obligations	20	-	(49,157)	-	(49,157)	(306)	(49,463)
Exchange rate differences		-	25,211	-	25,211	81	25,292
Other comprehensive income, net of tax		-	14,026	-	14,026	(575)	13,451
Net result		-	-	(108,172)	(108,172)	1,231	(106,941)
<b>Total comprehensive income</b>		-	14,026	(108,172)	(94,146)	656	(93,490)
Issuance of ordinary shares		-	-	-	-	24	24
Dividends	31	6,043	-	(13,471)	(7,428)	(907)	(8,335)
Other movements		-	-	(146)	(146)	-	(146)
		6,043	-	(13,617)	(7,574)	(883)	(8,457)
<b>As at 31 December 2014</b>		<b>839,311</b>	<b>(397,450)</b>	<b>385,533</b>	<b>827,394</b>	<b>3,322</b>	<b>830,716</b>

## Consolidated statement of cash flows

(x € 1,000)

	Notes	2014	2013
Net result		(106,941)	47,130
Adjustments for:			
- Income tax	29	(15,499)	5,778
- Depreciation of property, plant and equipment	7	79,586	85,430
- Amortisation of intangible assets	8	3,216	3,166
- Impairment of property, plant and equipment	7,25	1,200	500
- Impairment of non-current receivables	11,25	11,446	5,622
- Impairment of intangible assets	8	511	-
- Impairment of inventories	12,25	54,461	35,904
- Share of impairment charges in investments	10,25	48,240	(12,026)
- Result on sale of subsidiaries		(1,238)	-
- Result for the year from discontinued operations	35	-	(8,526)
- Result on sale of PPP projects	35	(24,500)	(8,800)
- Result on sale of property, plant and equipment		(5,502)	(2,864)
- Share of result of investments	10	(18,457)	(13,110)
- Finance income	28	(45,969)	(45,255)
- Finance expense	28	33,900	41,900
Changes in provisions	20,21	(11,738)	(82,974)
Changes in working capital (excluding cash and cash equivalents)		<u>189,516</u>	<u>(148,017)</u>
<b>Cash flow from operations</b>		<b>192,232</b>	<b>(96,142)</b>
Interest paid		(47,002)	(58,503)
Income tax paid		<u>(10,280)</u>	<u>(6,364)</u>
<b>Net cash flow from ordinary operations</b>		<b>134,950</b>	<b>(161,009)</b>
Investments in PPP receivables	9	(248,693)	(262,892)
Repayments of PPP receivables	9	<u>33,046</u>	<u>126,412</u>
<b>Net cash flow from operating activities</b>		<b><u>(80,697)</u></b>	<b><u>(297,489)</u></b>
Acquisition of subsidiaries, net of cash acquired		(689)	(1,677)
Purchases of property, plant and equipment	7	(56,336)	(90,777)
Proceeds from sale of property, plant and equipment	7	21,943	28,395
Purchases of intangible assets	8	(2,945)	(3,705)
Proceeds from disposal of intangible assets	8	-	243
Investments in non-current receivables	11	(72,572)	(8,210)
Repayments of non-current receivables	11	42,199	19,247
Investments in other financial assets	10,11	(9,011)	(13,788)
Proceeds from disposal of other financial assets	10,11	19,806	8,469
Proceeds from sale of PPP projects	35	108,900	49,000
Proceeds from sale of subsidiaries		10,234	-
Interest received		46,169	45,138
Dividends received from investments accounted for using the equity method	10	<u>11,470</u>	<u>13,022</u>
<b>Net cash flow from investing activities</b>		<b><u>119,168</u></b>	<b><u>45,357</u></b>
Proceeds from issuance of ordinary shares	15	-	84,534
Proceeds from borrowings	18	318,391	464,597
Repayments of borrowings	18	(275,302)	(277,493)
Dividends paid to shareholders of the Company	31	(7,428)	(9,822)
Dividends paid to non-controlling interests		(907)	(597)
Other financing activities		<u>-</u>	<u>151</u>
<b>Net cash flow from financing activities</b>		<b><u>34,754</u></b>	<b><u>261,370</u></b>
<b>Change in cash and cash equivalents</b>		<b>73,225</b>	<b>9,238</b>
Cash and cash equivalents at beginning of year	14	548,131	552,417
Change in cash and cash equivalents in assets and liabilities held for sale	35	(5,722)	(9,995)
Exchange rate differences on cash and cash equivalents		<u>8,696</u>	<u>(3,529)</u>
<b>Net cash position at end of year</b>	14	<b><u>624,330</u></b>	<b><u>548,131</u></b>

The notes on pages 139 to 209 are an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### 1. General information

Royal BAM Group nv ('the Company' or 'BAM'), its subsidiaries (together, 'the Group') and its share in joint operations offers its clients a substantial package of products and services in the sectors Construction and mechanical and electrical services, Civil engineering, Property and Public Private Partnerships ('PPP'). The Group is mainly active in the Netherlands, Belgium, the United Kingdom, Ireland and Germany. The Group is also involved in specialist construction and civil engineering projects in niche markets worldwide.

The Company is a public limited company, which is listed on the NYSE Euronext Amsterdam, with its registered seat and head office in Bunnik, the Netherlands.

On 20 February 2015 the Executive Board authorised the financial statements for issue. The financial statements as presented in this report are subject to the adoption by the Annual General Meeting of shareholders on 22 April 2015.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are available in Dutch and English. The Dutch version prevails.

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code, as far as applicable. As the financial data of the Company are included in the consolidated financial statements, the income statement in the company financial statements is presented in condensed form in accordance with section 402, Book 2 of the Netherlands Civil Code.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### 2.1.1 Changes in accounting policies and disclosures

##### *(a) Application of new and revised standards*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units ('CGUs) which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting.

The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the consolidated financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

*(b) New standards and interpretations in issue but not yet effective*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess the full impact of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 2.2 Consolidation

### *(a) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

### *(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### *(c) Disposal of subsidiaries*

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date

when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

*(d) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement, where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(e) Joint arrangements*

Investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations.

Joint ventures are joint arrangements whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint venture. The parties to the arrangement have agreed contractually that control is shared and decisions regarding relevant activities require unanimous consent of the parties which have joint control of the joint venture.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint operations are joint arrangements whereby the Group and other parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint operation. The Group recognises its share in the joint operations' individual revenues and expenses, assets and liabilities and combines it on a line-by-line basis with corresponding items in the Group's financial statements.

## 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board. The Executive Board considers the business from a sector perspective and identifies Construction and mechanical and electrical services, Civil engineering, Property and PPP as operating segments.

## 2.4 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'euro' (€), which is the Group's presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within 'exchange rate differences', except when deferred in other comprehensive income as qualifying cash flow hedges.

### (c) Group companies

The results and financial position of the group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting currency translation differences are recognised separately in equity through comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### (d) Exchange rates

The following exchange rates of the euro against the pound sterling (£) have been used in the preparation of these financial statements:

	2014	2013
<b>Year-end closing exchange rate</b>		
Pound sterling	0.78247	0.83479
<b>Average exchange rate</b>		
Pound sterling	0.80502	0.84027

## 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land improvements	10%-25%
Buildings	2%-10%
Equipment and installations	10%-25%
IT equipment	10%-25%
Furniture and fixtures	10%-25%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating expenses' in the income statement.

## 2.6 Intangible assets

### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs that is expected to benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### (b) Non-integrated software

Non-integrated software is stated at cost less accumulated amortisation and impairment losses.

Amortisation on non-integrated software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (between 4 and 10 years).

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.



*(c) Other*

Other intangible assets relate to market positions, including (brand) names and the management of acquired subsidiaries and are stated at cost less accumulated amortisation and impairment losses. Amortisation on other intangible assets is calculated over their estimated useful lives.

The assets' useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

## 2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## 2.8 Assets and liabilities held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and the fair value less costs to sell. Depreciation or amortisation of an asset ceases when it is classified as held for sale. Equity accounting ceases for an investment in a joint venture or associate when it is classified as held for sale.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Results from discontinued operations that are clearly identifiable as part of the component disposed of and that will not be recognised subsequent to the disposal are presented separately as a single amount in the income statement. Results and cash flows from discontinued operations are reclassified for prior periods and presented in the financial statements so that the results and cash flows from discontinued operations relate to all operations that have been discontinued as of the balance sheet date for the latest period presented.

## 2.9 Financial assets

### 2.9.1 Classification

The Group classifies its financial assets in the categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(a) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'PPP receivables', 'other financial assets', 'trade receivables – net', 'retentions' and 'cash and cash equivalents' in the balance sheet.

*(b) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current.

## 2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'finance income / expense' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'finance income' when the Group's right to receive payments is established.

## 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## 2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

## 2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates the derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction ('cash flow hedge').

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 19. Movements on the hedging reserve in other comprehensive income are shown in note 16. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

The effective portion of changes in the fair value of cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance income / expense'.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance income / expense'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'finance income / expense'.

## 2.13 Inventories

Land, building rights and property developments are recorded at the lower of cost and net realisable value. The Group capitalises interest on finance raised to facilitate the development of specific projects once development commences and until practical completion, based on the total actual finance cost incurred on the borrowings during the period. When properties are acquired for future redevelopment, interest on borrowings is recognised in the income statement until redevelopment commences.

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2.14 Construction contracts

A construction contract is defined as a contract specifically negotiated for the construction of an asset. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract. Amounts recovered in respect of pre-contract costs that have been written off are deferred and amortised over the life of the contract.

## 2.15 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## 2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within 'borrowings' in current liabilities.

## 2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

## 2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

## 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income respectively directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.21 Employee benefits

### *(a) Pension obligations*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service costs of defined benefit plans are recognised immediately in the income statement, as part of 'employee benefit expenses', and reflect the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the income statement.

For defined contribution plans, the Group pays contributions to administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### *(b) Other post-employment obligations*

Other post-employment obligations comprise jubilee benefits, temporary leaves and similar arrangements and have a non-current nature. These obligations are stated at present value.

### *(c) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those

benefits; and (b) when the entity recognises costs for a restructuring and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

*(d) Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonus plans and profit sharing. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*(e) Share based payments*

The members of the Executive Board receive a variable remuneration in the form of a pre-determined number of conditionally granted phantom shares. These shares contain a dividend right, to which the same conditions apply as to the phantom shares and are re-invested.

Phantom shares become unconditional three years after the date of grant, while the percentage of phantom shares that become unconditional depends on the Group's performance. The Group's performance is defined as the realised value growth of the BAM share in comparison with the average realised value growth of several companies which are comparable to BAM (the peer group) in the three-year performance period. The (average) realised value growth, or Total Shareholders Return (TSR), consists of share price performance plus (re-invested) dividend.

Upon vesting date, unconditional phantom shares are locked up for another two years. Cash distribution takes place at the end of the lock-up period.

The fair value of the variable remuneration granted to Executive Board members based on phantom shares, which is paid in cash, is recognised as cost with a corresponding credit entry of liabilities for the period until the date on which the Executive Board members are unconditionally entitled to payment. The valuation of the liability is re-assessed on every reporting date and on the settlement date. Any changes in the fair value of the liability are recognised in the income statement within 'personnel expenses'.

## 2.22 Provisions

Provisions for warranties, restructuring costs, rental guarantees and associates and joint ventures are recognised when: (a) the Group has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions are recognised when a detailed formal plan has been approved, and the restructuring has either commenced or has been announced publicly. Restructuring provisions comprise lease termination penalties and employee termination payments. Future operating losses are not recognised.

If the Group's share in losses exceeds the carrying amount of the investment (including separately presented goodwill and other uninsured receivables), further losses will not be recognised, unless the Group has provided securities to the associate or joint venture or associate, committed to liabilities or payment on behalf of the associate and joint venture. In that case, the excess will be provided for.

## 2.23 Revenue recognition

### *(a) Construction contracts*

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- total contract revenue can be measured reliably;
- it is probable that the economic benefits associated with the contract will flow to the Group;
- both the contract costs to complete and the stage of contract completion at the end of the reporting period can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by dividing the actual costs by the total forecasted costs. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

### *(b) Property development*

Sale of property development are recognised in respect of contracts exchanged during the year, provided that no material conditions remain outstanding on the balance sheet date and all conditions are fully satisfied by the date on which the contract is signed. Rental income from incidental operations in connection with property development is recognised in the income statement on an accruals basis.

Known and expected losses are recognised as an expense immediately on completing a development once such losses are foreseen. The profit on disposal of property developments is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the reporting period including additions in the period and any residual commitments.

When the buyer is able to specify the major structural elements of the design of property development before construction begins and / or specify major structural changes once construction is in progress (whether it exercises that ability or not), revenue is recognised in accordance with construction contracts.

When the Group transfers control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses to the buyer, revenue is recognised in accordance with 'construction contracts'. This may be the case in house-building projects as from the moment that the land and buildings, if any, have been legally transferred to the buyer.

### *(c) Service concession arrangements*



Revenue in connection with service concession arrangements comprises construction and exploitation activities. Revenue from construction activities is recognised in conformity with the revenue recognition principles of construction contracts. Revenue from exploitation activities depends on the availability of the underlying asset (PPP receivables). Due to the nature of the contractual arrangements the projected cash flows can be estimated with a high degree of certainty.

In case the concession payments depend on the availability of the underlying asset, revenue consists of:

- the fair value of the contractually agreed upon services rendered; and
- the interest income related to the capital expenditure in the project.

Revenue is recognised in the period in which the related services are rendered. Interest is recognised in the income statement within 'finance income' in the period to which it relates.

#### *d) Services and other*

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales of goods are recognised upon delivery to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

When the outcome of a transaction cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Other revenue includes, among other items, rental income under an operational lease and (sub)lease of property, plant and / or equipment. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

## 2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

## 2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and / or equipment. Leases of property, plant and / or equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in 'borrowings'. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the

liability for each period. The property, plant and / or equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

## 2.26 Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be reviewed.

Government grants that are receivable as a compensation for expenses or losses already incurred are recognised in the income statement in the period in which they become receivable.

## 2.27 Research and development

Research and development costs, which predominantly relate to projects, are considered to be part of contract costs. Other research and development costs are charged to the income statement as incurred.

## 2.28 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. There are material items of income and expense that have been shown separately due to the significance of their nature or amount.

## 2.29 Statement of cash flows

The statement of cash flows is prepared using the indirect method. The net cash position in the statement of cash flows consists of cash and cash equivalents, net of bank overdrafts.

Cash flows in foreign exchange currencies are converted using the average exchange rate. Exchange rate differences on the net cash position are separately presented in the statement of cash flows. Payments in connection with interest and income tax are included in the cash flow from operations. Cash flows in connection with PPP receivables are included in the cash flow from operating activities. Paid dividend is included in cash flows from financing activities. The purchase price of acquisitions of subsidiaries are included in the cash flow from investing activities as far as payments have taken place. Cash and cash equivalents in the subsidiaries are deducted from the purchase price.

Non-cash transactions are not included in the statement of cash flows.

### 3. Financial risk management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. These risks are not exceptional or different in nature from those that are customary in the industry. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by group treasury under policies approved by the Executive Board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group companies. The Executive Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

##### *(a) Market risk*

###### *(i) Foreign exchange risk*

A substantial part of the Group's activities takes place in the United Kingdom and, to a limited extent, in other non-euro countries. The Group's results and shareholders' equity are therefore affected by foreign exchange rates. Generally, the Group is active in the above mentioned markets through local subsidiaries. The exchange risk is therefore limited, because transactions are denominated largely in the functional currencies of the subsidiaries. The associated translation risk is not hedged.

A limited number of group companies are active in markets where contracts are denominated in a different currency than their functional currency. Group policy is that costs and revenues from these projects are mainly expressed in the same currency, thus limiting foreign exchange risks. The Group hedges the residual exchange risk on a project-by-project basis, using forward exchange contracts. This involves hedging of unconditional project related exchange risks in excess of €1 million as soon as these occur. The Group reports these hedges by means of hedge accounting. Additional exchange risks in the tender stage and arising from contractual amendments are assessed on a case-by-case basis.

Procedures have been established for proper recording of hedge transactions. Systems are in place to ensure the regular performance and analysis of the requisite hedge effectiveness measurements for hedge accounting.

With regard to financial instruments, the Group predominantly faces an exchange rate risk for current account balances in British pound sterling. This risk is covered by forward exchange contracts. The residual effect of the exchange rate risk with regard to financial instruments in pound sterling and other currencies on the Group's result and equity, is limited.

###### *(ii) Interest rate risk*

The Group's interest rate risk is associated with interest-bearing receivables and cash and cash equivalents, on the one hand and interest-bearing borrowings, on the other. If the interest is variable, it presents the Group with a cash flow interest rate risk. If the interest rate is fixed, there is a fair value interest rate risk.

The Group mitigates the cash flow interest rate risk to the extent possible through the use of interest rate swaps, under which interest liabilities based on a variable rate are converted into fixed rates. The Group does not use interest rate swaps under which fixed-rate interest liabilities are converted into variable rates in order to hedge the fair value interest rate risk.

The analysis of the cash flow interest rate risk takes into account cash and cash equivalents, the debt position and the usual fluctuations in the Group's working capital requirements. In addition, alternatives are being studied and hedges are being considered. Under Group policy, cash flow interest rate risks with regard to long-term borrowings (mainly subordinated and PPP loans) are largely hedged by interest swaps. As a result, the Group is not entirely insensitive to movements in interest rates. At year-end 2014, 80 per cent (2013: 71 per cent) of the interest on the Group's net debt position was fixed. The part not covered consists almost entirely of project financing and current account positions.

If the interest rates (Euribor and Libor) had been an average of 100 basis points higher or lower during 2014, the Group's net result after tax (assuming that all other variables remained equal) would have been approximately €0.1 million lower or approximately €1.5 million higher (2013: approximately €1 million lower or €2.5 million higher). If the interest rates (Euribor and Libor) had been an average of 100 basis points higher or lower during 2014, the Group's fair value cash flow hedge reserves in Group equity (assuming that all other variables remained equal) would have been approximately €25 million higher or approximately €25 million lower (2013: approximately €36 million higher or €36 million lower).

### (iii) Price risk

The price risk run by the Group relates to the procurement of land and materials and subcontracting of work and consists of the difference between the market price at the point of tendering or offering on a contract and the market price at the time of actual performance.

The Group's policy is to agree a price indexation reimbursement clause with the customer at the point of tendering or offering on major projects. The Group also endeavours to manage the price risk by using framework contracts, suppliers' quotations and high-value sources of information. If the Group is awarded a project and no price indexation reimbursement clause is agreed with the customer, the costs of land and materials, as well as the costs for subcontractors, are fixed at an early stage by establishing prices and conditions in advance with the main suppliers and subcontractors.

While it is impossible to exclude the impact of price fluctuations altogether, the Group takes the view that its current policy reflects the optimum economic balance between decisiveness and predictability. The Group occasionally uses financial instruments to hedge the (residual) price risks.

### (b) Credit risk

The Group has credit risks with regard to financial assets including 'PPP receivables', 'other financial assets', 'derivative financial instruments', 'trade receivables – net', 'retentions' and 'cash and cash equivalents'.

'PPP receivables' and a substantial part of the 'trade receivables – net' consist of contracts with governments or government bodies. Therefore, credit risk inherent in these contracts is limited. Furthermore, a significant part of 'trade receivables – net' is based on contracts involving prepayments or payments proportionate to progress of the work, which limits the credit risks, in principle, to the balances outstanding.

The credit risk arising from 'PPP receivables' and 'trade receivables – net' is monitored by the relevant subsidiaries. Clients' creditworthiness is analysed in advance and then monitored during the performance of the project. This involves taking account of the client's financial position, previous collaborations and other factors. Group policy is designed to mitigate these credit risks through the use of various instruments, including retaining ownership until payment has been received, prepayments and the use of bank guarantees.

The Group's 'cash and cash equivalents' are held in various banks. The Group limits the associated credit risk as a result of the Group's policy to work only with respectable banks and financial institutions. This involves 'cash and cash equivalents' in excess of €10 million being held at banks and financial institutions with a minimum rating of 'A'. The Group's policy aims to minimise any concentration of credit risks involving 'cash and cash equivalents'.

The carrying amounts of the financial assets exposed to a credit risk is as follows:

	Notes	2014	2013
<b>Non-current assets</b>			
PPP receivables	9	303,978	406,476
Other financial assets	11	82,320	117,540
Derivative financial instruments	19	229	1,313
<b>Current assets</b>			
Trade receivables – net	13	840,436	854,069
Retentions	13	94,002	106,750
PPP receivables	13	3,948	4,907
Other financial assets	11	6,039	10,351
Derivative financial instruments	19	3,376	1,996
Cash and cash equivalents	14	<u>624,330</u>	<u>548,277</u>
		<u>1,958,658</u>	<u>2,051,679</u>

Other financial assets predominantly concern loans granted to associates and joint ventures active in the sector Property. These loans are in general not past due at the balance sheet date. Triggering events for impairments are identified based on the financial position of these associates and joint ventures, which also include the value of the underlying property development positions. For a part of these loans property developments positions are held as securities generally subordinated to the providers of the external financing.

Impairments are included in ‘other financial assets’ and ‘trade receivables – net’ (notes 11 and 13). None of the other assets were overdue at year-end 2014 or subject to impairment. The maximum credit risk relating financial instruments equals the carrying amount of the financial instrument concerned.

*(c) Liquidity risk*

Liquidity risks may occur if the procurement and performance of new projects stagnate and less payments (and prepayments) are received, or if investments in land or property development would have a significant effect on the available financing resources and / or operational cash flows.

The size of individual transactions can cause relatively large short-term fluctuations in the liquidity position. The Group has sufficient credit and current account facilities to manage these fluctuations.

Partly to manage liquidity risks, subsidiaries prepare monthly detailed cash flow projections for the ensuing twelve months. The analysis of the liquidity risk takes into account the amount of cash and cash equivalents, credit facilities and the usual fluctuations in the Group’s working capital requirements. This provides the Group with sufficient opportunities to use its available liquidities and credit facilities as flexible as possible and to indicate any shortfalls in a timely manner.

The first possible expected contractual cash outflows from financial liabilities and derivative financial instruments as at the end of the year and settled on a net basis, consist of (contractual) repayments and (estimated) interest payments. The composition of the expected contractual cash flows is as follows:

	Carrying amount	Contractual cash flows	< 1 year	1 – 5 years	> 5 years
<b>2014</b>					
Subordinated loan	124,500	145,054	7,763	137,291	-
Non-recourse PPP loans	205,985	304,683	141,319	35,748	127,616
Non-recourse project financing	160,578	170,608	66,631	103,111	866
Other non-recourse financing	9,351	10,403	1,299	4,357	4,747
Recourse PPP loans	63,760	69,291	26,447	36,171	6,673
Recourse project financing	70,695	74,301	33,269	40,796	236
Other recourse loans	6,937	8,305	944	3,556	3,805
Financial lease liabilities	22,319	23,069	9,539	13,242	288
Derivatives (forward exchange contracts)	(3,605)	(388,848)	(270,802)	(118,046)	-
Derivatives (forward exchange contracts)	11,821	384,607	271,078	113,529	-
Derivatives (interest rate swaps)	44,160	65,391	12,557	28,486	24,348
Other current liabilities	820,637	820,637	820,637	-	-
	<u>1,537,138</u>	<u>1,691,942</u>	<u>1,121,507</u>	<u>400,828</u>	<u>169,607</u>
<b>2013</b>					
Subordinated loan	124,000	145,685	5,910	139,775	-
Committed syndicated credit facility	36,917	41,858	892	40,966	-
Non-recourse PPP loans	294,763	462,648	14,150	35,098	413,400
Non-recourse project financing	271,448	275,928	162,435	72,852	40,641
Other non-recourse financing	4,256	4,292	1,205	2,184	903
Recourse PPP loans	75,826	92,488	41,069	19,110	32,309
Recourse project financing	80,974	81,621	13,775	57,156	10,690
Financial lease liabilities	42,981	45,205	11,151	31,681	2,373
Derivatives (forward exchange contracts)	(3,212)	(407,549)	(324,480)	(83,069)	-
Derivatives (forward exchange contracts)	3,118	408,859	323,889	84,970	-
Derivatives (interest rate swaps)	42,036	75,238	15,155	39,222	20,861
Bank overdrafts	146	146	146	-	-
Other current liabilities	885,586	885,586	885,586	-	-
	<u>1,858,839</u>	<u>2,112,005</u>	<u>1,150,883</u>	<u>439,945</u>	<u>521,177</u>

The expected cash outflows are offset by the cash inflows from operations and (re-)financing. In addition, the Group has syndicated and bilateral credit facilities of €500 million (2013: €500 million) respectively €165 million (2013: €165 million) available.

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's aim is for a financing structure that ensures continuing operations and minimises cost of equity. For this, flexibility and access to the financial markets are important conditions. As usual within the industry, the Group monitors its financing structure using a solvency ratio, among other factors.

Solvency is calculated as the capital base divided by total assets. The Group's capital base consists of equity attributable to the shareholders of the Company and the subordinated loan (notes 17 and 18). At year-end 2014, the solvency ratio was 19.2 per cent (2013: 19.8 per cent).

### 3.3 Financial instruments by categories

The Group has three categories of financial instruments. A significant number of these are inherent to the Group's business activities and are presented in various other balance sheet items. The following summary indicates the values for which financial instruments are included for each relevant balance sheet item:

	Notes	Financial instruments				Total
		Loans and receivables	Fair value through profit or loss	Hedging	Non-financial instruments	
<b>2014</b>						
PPP receivables	9	303,978	-	-	-	303,978
Other financial assets	11	82,320	2,565	-	-	84,885
Derivative financial instruments	19	-	-	3,605	-	3,605
Trade and other receivables	13	946,508	-	-	932,169	1,878,677
Cash and cash equivalents	14	624,330	-	-	-	624,330
Borrowings	18	664,125	-	-	-	664,125
Derivative financial instruments	19	-	-	55,981	-	55,981
Trade and other payables	23	<u>820,637</u>	<u>-</u>	<u>-</u>	<u>2,032,769</u>	<u>2,853,406</u>
		<u>3,441,898</u>	<u>2,565</u>	<u>59,586</u>	<u>2,964,938</u>	<u>6,468,987</u>
<b>2013</b>						
PPP receivables	9	406,476	-	-	-	406,476
Other financial assets	11	117,540	2,804	-	1,223	121,567
Derivative financial instruments	19	-	-	3,309	-	3,309
Trade and other receivables	13	977,104	-	-	960,118	1,937,222
Cash and cash equivalents	14	548,277	-	-	-	548,277
Borrowings	18	931,165	-	-	146	931,311
Derivative financial instruments	19	-	-	45,251	-	45,251
Trade and other payables	23	<u>885,586</u>	<u>-</u>	<u>-</u>	<u>2,004,328</u>	<u>2,889,914</u>
		<u>3,866,148</u>	<u>2,804</u>	<u>48,560</u>	<u>2,965,815</u>	<u>6,883,327</u>

Of the total balance sheet position of €6.5 billion at year-end 2014 (2013: €6.9 billion), 53 per cent (2013: 57 per cent) qualifies as financial instruments.

### 3.4 Fair value estimation

The fair value of financial instruments not quoted in an active market is measured using valuation techniques. The Group uses various techniques and makes assumptions based on market conditions on balance sheet date. The valuation also includes (changes in) the credit risk of the counter party and the credit risk of the Group in conformity with IFRS 13.

One of these techniques is the calculation of the net present value of the expected cash flows (discounted cash flow projections). The fair value of the interest rate swaps is calculated as the net present value of the expected future cash flows. The fair value of the forward exchange contracts is measured based on the 'forward' currency exchange rates on balance sheet date. In addition, valuations from bankers are requested for interest rate swaps.

Financial instruments valued at fair value consist of only interest rate swaps and foreign exchange contracts. In line with the current accounting policies the derivatives are classified as 'level 2'.

On balance sheet date the fair value of the liability arising from the long-term remuneration ('LTR') plan for the Executive Board members is determined (note 36). Valuation factors include the share prices of BAM and those of the peer group at valuation date, anticipated volatility as well as anticipated dividends of the shares and the risk-free interest rate, based on the five-year German bond interest. Anticipated volatility is estimated based on the historically average volatility of the share prices of BAM and those of the peer group. Excluded from the determination of fair value are services and non-market related conditions.

It is assumed that the nominal value (less estimated adjustments) of 'borrowings' (current part), 'trade and other receivables' and 'trade and other payables' approximate to their fair value.

### 3.5 Offsetting financial assets and liabilities

A master netting agreement is applicable to a part of 'cash and cash equivalents'. At 31 December 2014 a positive balance of €708 million has been offset against a negative balance of €377 million (2013: €542 million offset against €305 million).

## 4. Critical accounting judgements and key sources of estimation uncertainties

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical judgements including those involving estimations assumptions concerning the future, that the Group has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements are addressed below.

### *(a) Contract revenue and costs*

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and costs are recognised over the period of the contract by reference to the stage of completion using the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

In determining the stage of completion the Group has efficient, co-ordinated systems for cost estimating, forecasting and revenue and costs reporting. The system also requires a consistent judgment (forecast) of the final outcome of the project, including variance analyses of divergences compared with earlier assessment dates. Estimates are an inherent part of this assessment and actual future outcome may deviate from the estimated outcome, specifically for major and complex construction contracts. However, historical experience has also shown that estimates are, on the whole, sufficiently reliable.



*(b) Income tax*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Estimates are an inherent part of this process and they may differ from the actual future outcome.

*(c) Pension obligations*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds (AA) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 20.

*(d) Impairment of land and building rights and property development*

The valuation of land and building rights and property development is based on the outcome of the related calculations of the land's net realizable value. These calculations are based on assumptions relating to the future market developments, decisions of governmental bodies, interest rates and future cost and price increases. In most cases the Group uses external valuations to determine the net realisable value. Partly because estimates relate to projects with a duration varying from one year to more than thirty years, significant changes in these assumptions might result in an impairment.

*(e) Impairment of goodwill*

Goodwill is tested annually for impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are determined using discounted cash flow projections and require estimates in connection with the future development of revenues, profit before tax margins and the determination of appropriate discount rates. An impairment may arise in case the actual future cash flows are less than expected.

## 5. Segment information

The segment information reported to the Executive Board is measured in a manner consistent with that of in the financial statements.

### Revenue and results

	Construction and M&E services	Civil engineering	Property	PPP	Other including eliminations <sup>1</sup>	Total
<b>2014</b>						
Construction contracts	2,715,380	3,761,839	249,828	235,766	-	6,962,813
Property development	-	8,921	215,138	-	-	224,059
Service concession arrangements	60,201	-	-	21,725	-	81,926
Services and other	17,990	12,055	12,264	-	2,913	45,222
Revenue from external customers	2,793,571	3,782,815	477,230	257,491	2,913	7,314,020
Sector revenue	222,600	165,989	-	-	(388,589)	-
<b>Revenue</b>	<b>3,016,171</b>	<b>3,948,804</b>	<b>477,230</b>	<b>257,491</b>	<b>(385,676)</b>	<b>7,314,020</b>
Operating result	(36,326)	(23,239)	(54,734)	23,481	(13,908)	(104,726)
Finance result	6,030	4,107	(6,493)	13,918	(5,493)	12,069
Share of result of investments	21	4,626	(14,504)	(19,820)	(106)	(29,783)
<b>Result before tax</b>	<b>(30,275)</b>	<b>(14,506)</b>	<b>(75,731)</b>	<b>17,579</b>	<b>(19,507)</b>	<b>(122,440)</b>
Income tax						15,499
Result for the year from discontinued operations						-
<b>Net result</b>						<b>(106,941)</b>
<b>2013</b>						
Construction contracts	2,700,564	3,734,218	168,126	254,034	-	6,856,942
Property development	-	-	44,401	-	-	44,401
Service concession arrangements	43,347	-	-	33,580	-	76,927
Services and other	22,782	13,439	23,855	-	3,252	63,328
Revenue from external customers	2,766,693	3,747,657	236,382	287,614	3,252	7,041,598
Sector revenue	311,439	222,462	-	-	(533,901)	-
<b>Revenue</b>	<b>3,078,132</b>	<b>3,970,119</b>	<b>236,382</b>	<b>287,614</b>	<b>(530,649)</b>	<b>7,041,598</b>
Operating result	3,994	49,024	(60,684)	1,447	22,110	15,891
Finance result	3,147	2,441	(8,164)	11,778	(5,847)	3,355
Share of result of investments	21	596	23,419	1,197	(97)	25,136
<b>Result before tax</b>	<b>7,162</b>	<b>52,061</b>	<b>(45,429)</b>	<b>14,422</b>	<b>16,166</b>	<b>44,382</b>
Income tax						(5,778)
Result for the year from discontinued operations						8,526
<b>Net result</b>						<b>47,130</b>

<sup>1</sup> Including non-operating segments

## Balance sheet disclosures

	Construction and M&E services	Civil engineering	Property	PPP	Other including eliminations <sup>1</sup>	Total
<b>2014</b>						
Assets	1,460,675	2,312,193	1,041,893	604,631	(558,015)	4,861,377
Investments	<u>1,927</u>	<u>9,979</u>	<u>73,888</u>	<u>7,144</u>	<u>1,669</u>	<u>94,607</u>
<b>Total assets</b>	1,462,602	2,322,172	1,115,781	611,775	(556,346)	<b><u>4,955,984</u></b>
Liabilities	1,125,462	1,812,914	1,315,086	482,908	(611,102)	4,125,268
Total equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>830,716</u>	<u>830,716</u>
<b>Total equity and liabilities</b>	1,125,462	1,812,914	1,315,086	482,908	219,614	<b><u>4,955,984</u></b>
<b>2013</b>						
Assets	1,415,090	2,432,632	1,223,545	668,228	(557,932)	5,181,563
Investments	<u>604</u>	<u>10,130</u>	<u>117,208</u>	<u>5,611</u>	<u>1,313</u>	<u>134,866</u>
<b>Total assets</b>	1,415,694	2,442,762	1,340,753	673,839	(556,619)	<b><u>5,316,429</u></b>
Liabilities	1,068,032	1,877,573	1,488,043	606,233	(656,115)	4,383,766
Total equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>932,663</u>	<u>932,663</u>
<b>Total equity and liabilities</b>	1,068,032	1,877,573	1,488,043	606,233	276,548	<b><u>5,316,429</u></b>

<sup>1</sup> Including non-operating segments

## Other disclosures

	Construction and M&E services	Civil engineering	Property	PPP	Other including eliminations <sup>1</sup>	Total
<b>2014</b>						
Additions to property, plant and equipment and intangible assets	14,540	40,968	652	8	3,113	59,281
Depreciation and amortisation charges	17,399	60,256	1,308	51	3,787	82,801
Impairment charges	1,000	511	66,107	-	-	67,618
Share of impairment charges in investments	-	-	27,247	20,993	-	48,240
Average number of FTE	7,396	15,383	155	103	288	23,325
Number of FTE at year-end	7,214	15,382	146	98	296	23,137
<b>2013</b>						
Additions to property, plant and equipment and intangible assets	13,079	78,052	1,723	14	1,614	94,482
Depreciation and amortisation charges	18,146	65,443	1,283	61	3,663	88,596
Impairment charges	-	-	42,026	-	-	42,026
Share of impairment charges in investments	-	-	(12,026)	-	-	(12,026)
Average number of FTE	7,612	15,350	211	107	222	23,502
Number of FTE at year-end	7,502	15,276	193	110	248	23,329

<sup>1</sup> Including non-operating segments

## Revenues from external customers by country, based on the location of the projects

	Construction and M&E services	Civil engineering	Property	PPP	Other including eliminations	Total
<b>2014</b>						
Netherlands	1,164,625	1,271,872	322,429	119,513	(226,639)	2,651,800
United Kingdom	1,041,935	1,113,928	77,710	16,029	(29,096)	2,220,506
Belgium	269,786	589,958	73,997	25,372	(41,561)	917,552
Germany	493,098	289,477	-	3,436	1,206	787,217
Ireland	-	284,041	3,094	93,141	(85,921)	294,355
Other countries	<u>46,727</u>	<u>399,528</u>	<u>-</u>	<u>-</u>	<u>(3,665)</u>	<u>442,590</u>
	<b>3,016,171</b>	<b>3,948,804</b>	<b>477,230</b>	<b>257,491</b>	<b>(385,676)</b>	<b><u>7,314,020</u></b>
<b>2013</b>						
Netherlands	1,343,428	1,355,442	192,588	77,626	(247,234)	2,721,850
United Kingdom	981,544	973,682	15,491	12,916	(15,316)	1,968,317
Belgium	246,079	650,658	27,148	46,986	(96,767)	874,104
Germany	492,410	277,132	-	47,992	(44,735)	772,799
Ireland	-	266,493	1,155	102,094	(97,535)	272,207
Other countries	<u>14,671</u>	<u>446,712</u>	<u>-</u>	<u>-</u>	<u>(29,062)</u>	<u>432,321</u>
	<b>3,078,132</b>	<b>3,970,119</b>	<b>236,382</b>	<b>287,614</b>	<b>(530,649)</b>	<b><u>7,041,598</u></b>

<sup>1</sup> Including non-operating segments

Revenues from the individual countries included in 'other countries' are not material.

Total assets and capital expenditures in connection with property, plant and equipment and intangible assets by country are stated below:

	2014	2013
<b>Total assets</b>		
Netherlands	2,262,260	2,444,790
United Kingdom	899,941	988,984
Belgium	614,477	648,058
Germany	530,099	533,301
Ireland	253,938	230,246
Other countries	871,031	944,464
Other including eliminations	<u>(475,762)</u>	<u>(473,414)</u>
	<b><u>4,955,984</u></b>	<b><u>5,316,429</u></b>
<b>Capital expenditures</b>		
Netherlands	27,276	28,029
United Kingdom	5,525	12,797
Belgium	7,521	6,218
Germany	10,116	19,012
Ireland	488	1,350
Other countries	<u>8,355</u>	<u>27,076</u>
	<b><u>59,281</u></b>	<b><u>94,482</u></b>

## 6. Projects

### *Construction contracts and property development*

A major part of the Group's activities concerns constructions contracts and property development which are reflected in various balance sheet items. An overview of the balance sheet items attributable to constructions contracts and property development is stated below:

	Construction contracts	Property development	Total
<b>2014</b>			
Land and building rights	-	420,330	420,330
Property development	-	402,446	402,446
Amounts due from customers	<u>366,959</u>	<u>55,531</u>	<u>422,490</u>
<b>Assets</b>	<b>366,959</b>	<b>878,307</b>	<b>1,245,266</b>
Non-recourse project financing	-	(160,578)	(160,578)
Recourse project financing	-	(70,695)	(70,695)
Amounts due to customers	<u>(665,071)</u>	<u>(55,774)</u>	<u>(720,845)</u>
<b>Liabilities</b>	<b>(665,071)</b>	<b>(287,047)</b>	<b>(952,118)</b>
<b>As at 31 December</b>	<b><u>(298,112)</u></b>	<b><u>591,260</u></b>	<b><u>293,148</u></b>
<b>2013</b>			
Land and building rights	-	484,154	484,154
Property development	-	543,949	543,949
Amounts due from customers	<u>410,673</u>	<u>60,540</u>	<u>471,213</u>
<b>Assets</b>	<b>410,673</b>	<b>1,088,643</b>	<b>1,499,316</b>
Non-recourse project financing	-	(271,448)	(271,448)
Other project financing	-	(80,974)	(80,974)
Amounts due to customers	<u>(659,255)</u>	<u>(38,328)</u>	<u>(697,583)</u>
<b>Liabilities</b>	<b>(659,255)</b>	<b>(390,750)</b>	<b>(1,050,005)</b>
<b>As at 31 December</b>	<b><u>(248,582)</u></b>	<b><u>697,893</u></b>	<b><u>449,311</u></b>

The breakdown of the balance sheet items 'amounts due from customers' and 'amounts due to customers' is as follows:

	Construction contracts	Property development	Total
<b>2014</b>			
Costs incurred plus recognised results	13,303,614	180,598	13,484,212
Progress billings	<u>(12,936,655)</u>	<u>(125,067)</u>	<u>(13,061,722)</u>
<b>Amounts due from customers</b>	<u><b>366,959</b></u>	<u><b>55,531</b></u>	<u><b>422,490</b></u>
Costs incurred plus recognised results	8,615,849	484,742	9,100,591
Progress billings	<u>(9,280,920)</u>	<u>(540,516)</u>	<u>(9,821,436)</u>
<b>Amounts due to customers</b>	<u><b>(665,071)</b></u>	<u><b>(55,774)</b></u>	<u><b>(720,845)</b></u>
<b>2013</b>			
Costs incurred plus recognised results	10,980,905	300,720	11,281,625
Progress billings	<u>(10,570,232)</u>	<u>(240,180)</u>	<u>(10,810,412)</u>
<b>Amounts due from customers</b>	<u><b>410,673</b></u>	<u><b>60,540</b></u>	<u><b>471,213</b></u>
Costs incurred plus recognised results	8,285,552	340,644	8,626,196
Progress billings	<u>(8,944,807)</u>	<u>(378,972)</u>	<u>(9,323,779)</u>
<b>Amounts due to customers</b>	<u><b>(659,255)</b></u>	<u><b>(38,328)</b></u>	<u><b>(697,583)</b></u>

As at 31 December 2014 advance payments in connection with construction contracts and property development amount to €287 million (2013: €319 million) respectively €3 million (2013: €6 million).

#### PPP

The joint venture BAM PPP PGGM Infrastructure Coöperatie U.A. ('joint venture BAM PPP / PGGM') invests in PPP markets for social and transport infrastructure in the Netherlands, Belgium, the United Kingdom, Ireland, Germany and Switzerland. BAM PPP continues to be fully responsible for issuing new project tenders, rendering services with regard to asset management for the joint venture and representing the joint venture in transactions. PGGM provides the majority of capital required for existing projects.

An overview of the balance sheet items attributable to PPP projects is stated below:

	Non-current	Current	Total
<b>2014</b>			
PPP receivables	303,978	3,948	307,926
(Non-) recourse PPP loans	<u>(239,227)</u>	<u>(30,518)</u>	<u>(269,745)</u>
	64,751	(26,570)	38,181
Net assets and liabilities	<u>(9,172)</u>	<u>772</u>	<u>(8,400)</u>
<b>As at 31 December</b>	<u><b>55,579</b></u>	<u><b>(25,798)</b></u>	<u><b>29,781</b></u>
<b>2013</b>			
PPP receivables	406,476	4,907	411,383
(Non-) recourse PPP loans	<u>(325,850)</u>	<u>(44,739)</u>	<u>(370,589)</u>
	80,626	(39,832)	40,794
Net assets and liabilities	<u>(9,000)</u>	<u>492</u>	<u>(8,508)</u>
<b>As at 31 December</b>	<u><b>71,626</b></u>	<u><b>(39,340)</b></u>	<u><b>32,286</b></u>

## 7. Property, plant and equipment

	Land and buildings	Plant and equipment	Construction in progress	Other assets	Total
<b>As at 1 January 2013</b>					
Cost	216,381	572,917	22,218	137,373	948,889
Accumulated depreciation	<u>(87,724)</u>	<u>(389,223)</u>	<u>-</u>	<u>(94,983)</u>	<u>(571,930)</u>
	<u>128,657</u>	<u>183,694</u>	<u>22,218</u>	<u>42,390</u>	<u>376,959</u>
Additions	2,744	52,129	18,900	17,004	90,777
Acquisition of subsidiaries	1,452	152	11	62	1,677
Disposals	(10,084)	(7,929)	(33)	(7,485)	(25,531)
Reclassifications	(335)	28,944	(29,594)	985	-
Impairment charges	(500)	-	-	-	(500)
Depreciation charges	(7,151)	(60,474)	-	(17,805)	(85,430)
Exchange rate differences	<u>(149)</u>	<u>(1,555)</u>	<u>(1)</u>	<u>177</u>	<u>(1,528)</u>
	114,634	194,961	11,501	35,328	356,424
<b>As at 31 December 2013</b>					
Cost	206,157	599,417	11,501	125,657	942,732
Accumulated depreciation	<u>(91,523)</u>	<u>(404,456)</u>	<u>-</u>	<u>(90,329)</u>	<u>(586,308)</u>
	<u>114,634</u>	<u>194,961</u>	<u>11,501</u>	<u>35,328</u>	<u>356,424</u>
Additions	11,269	29,266	1,008	14,793	56,336
Acquisition of subsidiaries	202	454	-	33	689
Disposals	(6,037)	(9,343)	(348)	(1,607)	(17,335)
Reclassifications	607	7,672	(10,201)	535	(1,387)
Impairment charges	(1,200)	-	-	-	(1,200)
Depreciation charges	(6,725)	(56,775)	-	(16,086)	(79,586)
Exchange rate differences	<u>352</u>	<u>1,090</u>	<u>9</u>	<u>388</u>	<u>1,839</u>
	113,102	167,325	1,969	33,384	315,780
<b>As at 31 December 2014</b>					
Cost	207,469	581,748	1,969	131,622	922,808
Accumulated depreciation	<u>(94,367)</u>	<u>(414,423)</u>	<u>-</u>	<u>(98,238)</u>	<u>(607,028)</u>
	<u>113,102</u>	<u>167,325</u>	<u>1,969</u>	<u>33,384</u>	<u>315,780</u>

Asset construction in progress mainly comprises plant and equipment.

The fair value of property, plant and equipment at year-end 2014 is €413 million (2013: €456 million).

Property, plant and equipment is not pledged as a security for borrowings, except for leased assets under finance lease agreements.

Property, plant and equipment includes the following carrying amounts where the Group is a lessee under a finance lease:

	2014	2013
Land and buildings	6,000	17,457
Furnitures, fixtures and equipment	20,649	26,982
Other assets	<u>8</u>	<u>124</u>
	<u>26,657</u>	<u>44,563</u>

## 8. Intangible assets

	Goodwill	Non-integrated software	Other	Total
<b>As at 1 January 2013</b>				
Cost	692,177	12,300	32,951	737,428
Accumulated amortisation	<u>(295,837)</u>	<u>(7,625)</u>	<u>(27,976)</u>	<u>(331,438)</u>
	<u>396,340</u>	<u>4,675</u>	<u>4,975</u>	<u>405,990</u>
Additions	-	1,900	1,805	3,705
Disposals	-	(243)	-	(243)
Amortisation charges	-	(1,847)	(1,319)	(3,166)
Exchange rate differences	<u>(3,023)</u>	<u>-</u>	<u>20</u>	<u>(3,003)</u>
	393,317	4,485	5,481	403,283
<b>As at 31 December 2013</b>				
Cost	688,996	13,566	25,246	727,808
Accumulated amortisation	<u>(295,679)</u>	<u>(9,081)</u>	<u>(19,765)</u>	<u>(324,525)</u>
	<u>393,317</u>	<u>4,485</u>	<u>5,481</u>	<u>403,283</u>
Additions	504	2,258	183	2,945
Disposals	(3,280)	-	(43)	(3,323)
Reclassifications	-	-	508	508
Impairment charges	-	-	(511)	(511)
Amortisation charges	-	(1,892)	(1,324)	(3,216)
Exchange rate differences	<u>9,491</u>	<u>-</u>	<u>73</u>	<u>9,564</u>
	400,032	4,851	4,367	409,250
<b>As at 31 December 2014</b>				
Cost	697,435	15,526	25,285	738,246
Accumulated amortisation	<u>(297,403)</u>	<u>(10,675)</u>	<u>(20,918)</u>	<u>(328,996)</u>
	<u>400,032</u>	<u>4,851</u>	<u>4,367</u>	<u>409,250</u>

### 8.1 Goodwill

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) or groups of CGUs expected to benefit from that business combination.

The carrying amounts of goodwill allocated within BAM's reportable sectors are as follows:

	2014	2013
Construction and M&E services	156,681	152,384
Civil engineering	227,381	224,963
Property	<u>15,970</u>	<u>15,970</u>
	<u>400,032</u>	<u>393,317</u>

The increase of goodwill relates to the increase of the exchange rate of the British pound sterling compared to the prior year with an effect of approximately €9 million compensated by the divested goodwill in connection with the sale of Balteau of approximately €3 million.



CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU was determined based on value-in-use calculations. Value-in-use was determined using discounted cash flow projections that cover a period of five years and are based on the financial plans approved by management. The key assumptions for the value-in-use calculations are those regarding discount rate, revenue growth rate and profit before tax margin.

Goodwill relates to 19 CGUs, of which BAM Construct UK (€69 million) and BAM Nuttall (€83 million) are deemed significant in comparison with the Group's total carrying amount of goodwill. For each of these CGUs the key assumptions rate used in the value-in-use calculations are as follows:

	BAM Construct UK		BAM Nuttall	
	2014	2013	2014	2013
Discount rate (post-tax)	8.1%	7.2%	8.1%	7.2%
Growth rate:				
- In forecast period (average)	4.0%	4.5%	0.4%	-0.5%
- Beyond forecast period	2.0%	2.0%	2.0%	2.0%
Profit before tax margin				
- In forecast period (average)	2.1%	2.1%	2.2%	2.9%

Growth rate used to estimate future performance in the forecast period is the average annual growth rate based on past performance and management's expectations of BAM's market development referenced to external sources of information. The profit before tax margin in the forecast period is the average margin as a percentage of revenue based on past performance and the expected recovery to a normalised margin deemed achievable by management in the concerning market segment.

For BAM Construct UK, the recoverable amount calculated based on value in use exceeded carrying amount by approximately €298 million. The sensitivity analyses indicated that if the growth rate of BAM Construct UK is reduced by 50 basis points, the profit before tax margin is reduced by 50 basis points or the discount rate is raised by 50 basis points in the forecast period, all changes taken in isolation, the carrying amount of this CGU would still exceed the recoverable amount with sufficient and reasonable headroom.

For BAM Nuttall, the recoverable amount calculated based on value in use exceeded carrying amount by approximately €173 million. The sensitivity analyses indicated that if the growth rate of BAM Nuttall is reduced by 50 basis points, the profit before tax margin is reduced by 50 basis points or the discount rate is raised by 50 basis points in the forecast period, all changes taken in isolation, the carrying amount of this CGU would still exceed the recoverable amount with sufficient and reasonable headroom.

The sensitivity analyses indicated that if the growth rate reduced by 50 basis points, the profit before tax margin is reduced by 50 basis points or the discount rate is raised by 50 basis points in the forecast period, all changes taken in isolation, the recoverable amounts of the other CGUs would still be in excess of the carrying amounts with sufficient and reasonable headroom, except for two Belgian CGUs, representing a goodwill amount of €33 million, with a limited headroom.

## 9. PPP receivables

	2014	2013
<b>As at 1 January</b>	<b>411,383</b>	396,061
Receivables including interest issued	248,693	262,892
Disposals	(207,899)	-
Progress billings	(33,046)	(126,412)
Transfers to assets held for sale	(117,401)	(119,013)
Exchange rate differences	<u>6,196</u>	<u>(2,145)</u>
<b>As at 31 December</b>	<b><u>307,926</u></b>	<b><u>411,383</u></b>

Analysis of PPP receivables:	2014	2013
Non-current	303,978	406,476
Current	<u>3,948</u>	<u>4,907</u>
	<b><u>307,926</u></b>	<b><u>411,383</u></b>

PPP receivables consist of the amounts receivable with regard to service concession arrangements in the Netherlands, Belgium, Germany, Ireland, United Kingdom and Switzerland (note 38).

The decrease in receivables issued is related to the transfer of one project to assets held for sale and the divestment of two projects to the joint venture BAM PPP / PGGM partly compensated by progress on the construction of the PPP projects.

The average duration of PPP receivables is 24 years (2013: 23 years). Approximately €272 million of the non-current part has a duration of more than five years (2013: €314 million).

The interest rates on PPP receivables are virtually the same as the interest rates (after hedging) of the related non-recourse PPP loans. The contractual interest percentages are fixed for the entire duration. The average interest rate on PPP receivables is 6.8 per cent (2013: 6.7 per cent). At year-end 2014, the fair value of the non-current part is approximately €353 million (2013: approximately €447 million).

PPP receivables are pledged as a security for the corresponding (non-) recourse PPP loans included under 'borrowings'.

## 10. Investments

The amounts recognised in the balance sheet are as follows:

	2014	2013
Associates	26,433	30,487
Joint ventures	<u>68,174</u>	<u>104,379</u>
<b>As at 31 December</b>	<b><u>94,607</u></b>	<b><u>134,866</u></b>

## 10.1 Investment in associates

Set out below are the associates of the Group as at 31 December 2014 that are individually material to the Group.

Nature of investment in associates in 2014 and 2013:

	Principal activity	Country of incorporation	% Interest	
			2014	2013
Infraspeed (Holdings) bv	Exploitation of rail infrastructure	Netherlands	10.54%	10.54%
Justinvest bv	Lease and exploitation real estate	Belgium	33.33%	33.33%
Rabot Invest nv	Lease and exploitation real estate	Belgium	25.00%	25.00%

Set out below are the summarised financial information for the associates that are material to the Group, including reconciliation to the carrying amount of the Group's share in the associates, as recognised in the consolidated financial statements. This information reflects the amounts presented in the financial statements of these associates adjusted for differences in the Group's accounting policies and the associates.

	Infraspeed (Holdings) bv		Justinvest nv		Rabot Invest nv	
	2014	2013	2014	2013	2014	2013
Current assets	106,995	106,526	12,957	11,264	7,831	7,455
Non-current assets	889,175	914,521	179,685	186,999	96,259	100,803
Current liabilities	(22,762)	(22,515)	(12,085)	(10,518)	(6,718)	(6,510)
Non-current liabilities	(923,936)	(955,217)	(180,149)	(187,380)	(96,775)	(101,179)
<b>Net assets</b>	<b>49,472</b>	<b>43,315</b>	<b>408</b>	<b>365</b>	<b>597</b>	<b>569</b>
Revenue	48,330	46,028	568	552	913	883
Net result	11,055	10,868	46	32	22	11
Net assets	49,472	43,315	408	365	597	569
Share in equity	10.54%	10.54%	33.33%	33.33%	25.00%	25.00%
<b>Carrying amount</b>	<b>5,214</b>	<b>4,565</b>	<b>136</b>	<b>122</b>	<b>149</b>	<b>142</b>

Set out below are the aggregate information of associates that are not individually material to the Group. These associates mainly comprise the Group's share in structured entities for property development projects.

	2014	2013
Share in net result	8,542	2,462
Share in equity	6,141	6,630

Reconciliation with the carrying amount of the Group's share in associates, as recognised in the consolidated financial statements, is as follows:

	2014	2013
Share in equity associates that are material to the Group	5,500	4,829
Share in equity associates that are not material to the Group	6,141	6,630
	11,641	11,459
Recognised as provision for associates	969	1,060
Recognised as impairment of non-current receivables	13,823	17,968
	26,433	30,487

Dividend received from associates amounts to €3.8 million in 2014 (2013: €5.8 million). Cash and cash equivalents of a number of associates are subject to restrictions. These restrictions mainly concerns the priority of loan repayments over dividend distribution.

## 10.2 Investment in joint ventures

Set out below is the joint venture of the Group as at 31 December 2014 that is individually material to the Group. Nature of investment in the joint venture in 2014 and 2013:

	Principal activity	Country of incorporation	% Share	
			2014	2013
BAM PPP PGGM Infrastructure Coöperatie U.A.	Asset management	Netherlands	50.00%	50.00%

Set out below are the summarised financial information for the joint venture that is individually material to the Group, including reconciliation to the carrying amount of the Group's share in the joint venture, as recognised in the consolidated financial statements. This information reflects the amounts presented in the financial statements of the joint venture adjusted for differences in the Group's accounting policies and the joint venture.

	BAM PPP PGGM Infrastructure Coöperatie U.A.	
	2014	2013
Current assets	81,315	38,054
Non-current assets	787,233	448,492
Current liabilities	(62,384)	(34,664)
Non-current liabilities	(970,911)	(498,357)
<b>Net assets</b>	<b>(164,747)</b>	<b>(46,475)</b>
Of which:		
Cash and cash equivalents	50,258	19,412
Current financial liabilities	(21,360)	(12,451)
Non-current financial liabilities	(970,911)	(498,357)
Revenue	40,458	16,903
Net result	6,981	(477)
Other comprehensive income	(30,615)	28,422
Of which:	46,180	24,605
Finance income	(43,097)	(23,613)
Finance expense	(894)	(447)
Income tax	(164,748)	(46,475)
Net assets	20%	20%
Share in profit rights	(32,950)	(9,295)
<b>Carrying amount</b>	<b>10,046</b>	<b>2,014</b>
Negative cash flow hedge reserve not recognised	(22,904)	(7,281)

The Group's share in the joint venture BAM PPP / PGGM is based on its share in the members' capital. Contractually, the Group has 20 per cent share in profit rights. In addition, the Group bears the risks in the operational phase until completion of the projects which are acquired by the joint venture.

If the Group's share in losses exceeds the carrying amount of the joint venture, further losses will not be recognised, unless the Group has a legal or constructive obligation. In 2014 €8 million (2013: €4 million reversal) of losses was not recognised. At year-end 2014 unrecognised losses amount to €10 million (2013: €2 million).

Set out below are the aggregate information of joint ventures that are not individually material to the Group.

	2014	2013
Share in net result property development joint ventures	(19,362)	22,405
Share in net result other joint ventures	(21,455)	(1,113)
Share in equity property development joint ventures	8,551	34,646
Share in equity other joint ventures	(65,513)	(35,161)

Revenue of property development joint ventures amounts to €80 million (2013: €101 million) and property development recognised in the balance sheet amounts to €161 million (2013: €207 million) of which an amount of €118 million (2013: €194 million) externally financed (share of the Group).

The Group's share in the net result of joint ventures includes an impairment charge amounting to €36 million (2013: €12 million reversal of impairment).

Reconciliation with the carrying amount of the Group's share in joint ventures, as recognised in the consolidated financial statements, is as follows:

	2014	2013
Share in equity joint venture BAM PPP/PGGM	(22,904)	(7,281)
Share in equity property development joint ventures that are not material to the Group	8,551	34,646
Share in equity other joint ventures that are not material to the Group	<u>(49,262)</u>	<u>(35,161)</u>
	<b>(63,615)</b>	<b>(7,796)</b>
Recognised as provision joint ventures	34,306	30,499
Recognised as impairment non-current receivables	<u>97,483</u>	<u>81,676</u>
	<b><u>68,174</u></b>	<b><u>104,379</u></b>

Dividend received from joint ventures amounts to €7.7 million in 2014 (2013: €7.2 million).

The financial year of many joint arrangements run from 1 December up to and including 30 November to ensure timely inclusion of the financial information in the Group's financial statements.

## 11. Other financial assets

	Notes	Non-current receivables	Other	Total
<b>As at 1 January 2013</b>		188,114	4,476	192,590
Loans granted		8,210	-	8,210
Loan repayments		(19,247)	-	(19,247)
Impairment charges	25	(5,622)	-	(5,622)
Reclassifications		(43,214)	-	(43,214)
Other movements		-	(449)	(449)
Exchange rate differences		(350)	-	(350)
		<u>127,891</u>	<u>4,027</u>	<u>131,918</u>
Of which current:		<u>(10,351)</u>	<u>-</u>	<u>(10,351)</u>
<b>As at 31 December 2013</b>		<u>117,540</u>	<u>4,027</u>	<u>121,567</u>
Loans granted		72,572	-	72,572
Loan repayments		(42,199)	-	(42,199)
Additions		-	33	33
Disposals		-	(1,495)	(1,495)
Impairment charges	25	(11,446)	-	(11,446)
Reclassifications		(57,896)	-	(57,896)
Exchange rate differences		(563)	-	(563)
		<u>88,359</u>	<u>2,565</u>	<u>90,924</u>
Of which current:		<u>(6,039)</u>	<u>-</u>	<u>(6,039)</u>
<b>As at 31 December 2014</b>		<u>82,320</u>	<u>2,565</u>	<u>84,885</u>

The fair value of non-current receivables at year-end 2013 amounts to €109 million (2013: €130 million).

The effective interest rate is 2.2 per cent (2013: 1.7 per cent).

Other mainly comprises share in (unlisted) associates over which the Group has no significant influence.

## 12. Inventories

	2014	2013
Land and building rights	420,330	484,154
Property development	<u>402,446</u>	<u>543,949</u>
	<b>822,776</b>	<b>1,028,103</b>
Raw materials	18,076	18,935
Finished products	<u>2,271</u>	<u>2,413</u>
	<b>843,123</b>	<b>1,049,451</b>

Land and building rights are considered to be non-current by nature within the ordinary course of business.

The majority of the investments in property development is considered to be current by nature.

Movements of cumulative impairments in the property portfolio is as follows:

	Notes	2014	2013
<b>As at 1 January</b>		<b>404,179</b>	368,275
Impairments charges	25	59,706	42,378
Reversal of impairment charges	25	<u>(5,245)</u>	<u>(6,474)</u>
<b>As at 31 December</b>		<b><u>458,640</u></b>	<u>404,179</u>

Property development includes the following completed and unsold property:

Unsold and finished property	2014		2013	
	Number	m <sup>2</sup>	Number	m <sup>2</sup>
Houses <sup>1</sup>	103	20,418	161	30,709
Commercial property - rented	54,287	92,130	76,989	156,217
Commercial property - unrented	28,265	<u>45,409</u>	34,203	<u>60,473</u>
		<u>157,957</u>		<u>247,399</u>

<sup>1</sup> Of which 72 houses (2013: 86 houses) rented in anticipation of sale

No cost of other inventories (raw materials and finished products) is recognised in 2014 (2013: €0.7 million). Other inventories were not subject to write-down in 2014 nor 2013.

### 13. Trade and other receivables

	Notes	2014	2013
Trade receivables		865,881	870,657
Less: Provision for impairment		<u>(25,445)</u>	<u>(16,588)</u>
Trade receivables – net		840,436	854,069
Amounts due from customers	6	422,490	471,213
Amounts due from related parties	36	9,349	18,222
Retentions		94,002	106,750
Amounts to be invoiced for work completed		66,773	63,288
Amounts to be invoiced for work in progress		244,197	253,533
PPP receivables	9	3,948	4,907
Other financial assets		8,122	11,378
Other receivables		85,939	84,424
Prepayments		<u>103,421</u>	<u>69,438</u>
		<u>1,878,677</u>	<u>1,937,222</u>

Trade and other receivables are due within one year, except for approximately €21 million (2013: €28 million). The fair value of this non-current part is approximately €21 million (2013: €28 million) using an effective interest rate of 0.4 per cent (2013: 0.8 per cent).

The concentration of credit risk with respect to trade receivables is limited, as the Group's customer base is large and geographically spread. As at 31 December 2014 a part of the trade receivables amounting to €166 million (2013: €142 million) is past due over one year but partly impaired. These overdue payments relate to a number of customers, predominantly in the public sector where a limited default risk exists. Simultaneously, the duration to reach final agreement on invoiced variation orders and claims with these customers has increased in the recent years. Management assessed that the provision for impairment, taking all facts and circumstances into account, is sufficient. None of the other assets were subject to impairment.

The ageing analysis of these trade receivables is as follows:

	2014		2013	
	Trade receivables	Provision for impairment	Trade receivables	Provision for impairment
Not past due	518,625	(501)	470,639	(59)
Up to 3 months	127,445	(2,684)	149,640	(353)
3 to 6 months	27,924	(1,174)	43,319	(1,072)
6 to 12 months	26,149	(4,054)	65,080	(1,189)
1 to 2 years	76,330	(9,161)	60,696	(2,806)
Over 2 years	<u>89,408</u>	<u>(7,871)</u>	<u>81,283</u>	<u>(11,109)</u>
	865,881	(25,445)	870,657	(16,588)
Less: Impairment of receivables		<u>(25,445)</u>		<u>(16,588)</u>
Trade receivables - net		<u>840,436</u>		<u>854,069</u>



Movements in the provision for impairment of trade receivables are as follows:

	2014	2013
<b>As at 1 January</b>	<b>16,588</b>	46,372
Charged / (credited) to the income statement:		
- Additional provisions	16,925	4,997
- Unused amounts reversed	(5,079)	(9,536)
Receivables written off during the year as uncollectible	(4,542)	(25,229)
Disposals	(406)	-
Reclassifications	1,929	(5)
Exchange rate differences	30	(11)
<b>As at 31 December</b>	<b>25,445</b>	16,588

The creation and release of provision for impaired receivables have been included in ‘other operating expenses’ in the income statement.

Retentions relate to amounts retained by customers on progress billings. In the United Kingdom and Germany in particular, it is common practice to retain a previously agreed percentage until completion of the project.

## 14. Cash and cash equivalents

	2014	2013
Cash at bank and in hand	623,457	509,804
Short term bank deposits	873	38,473
Cash and cash equivalents (excluding bank overdrafts)	<u>624,330</u>	<u>548,277</u>

Cash and cash equivalents are at the free disposal of the Group. The short-term bank deposits ultimately mature 3 February 2015. Cash and cash equivalents include the Group’s share in cash of joint operations and in PPP entities as part of the conditions in project specific funding agreements and amount to €163 million (2013: €132 million) respectively €21 million (2013: €14 million).

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash at bank and in hand and short-term bank deposits, net of bank overdrafts. Cash and cash equivalents at the end of the reporting period as reported in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2014	2013
Cash and cash equivalents	624,330	548,277
Bank overdrafts	-	(146)
Net cash position	<u>624,330</u>	<u>548,131</u>

The average effective interest on short-term bank deposits is 6.4 per cent (2013: 2.4 per cent). The deposits have an average remaining term to maturity of approximately 17 days (2013: approximately 10 days).

## 15. Share capital

	Number of shares	Ordinary shares	Share premium	Total
As at 1 January 2013	241,524,914	24,152	711,249	735,401
Issue of shares	24,152,491	2,415	81,121	83,536
Dividends	<u>3,746,684</u>	<u>375</u>	<u>13,956</u>	<u>14,331</u>
As at 31 December 2013	<u>269,424,089</u>	<u>26,942</u>	<u>806,326</u>	<u>833,268</u>
Dividends	<u>1,574,868</u>	<u>157</u>	<u>5,886</u>	<u>6,043</u>
As at 31 December 2014	<u>270,998,957</u>	<u>27,099</u>	<u>812,212</u>	<u>839,311</u>

### 15.1 General

At year-end 2014, the authorised capital of the Group was four hundred million ordinary shares (2013: four hundred million) and six hundred million preference shares (2013: six hundred million), all with a nominal value of €0.10 per share (2013: €0.10 per share). All issued shares have been paid in full.

The Company granted Stichting Aandelenbeheer BAM Groep ('the Foundation') a call option to acquire class B cumulative preference shares in the Company's share capital on 17 May 1993. This option was granted up to such an amount as the Foundation might require, subject to a maximum of a nominal amount that would result in the total nominal amount of class B cumulative preference shares in issue and not held by the Company equalling no more than ninety-nine point nine per cent (99.9 per cent) of the nominal amount of the issued share capital in the form of shares other than class B cumulative preference shares and not held by the Company at the time of exercising of the right referred to above. The Executive Committee of the Foundation has the exclusive right to determine whether or not to exercise this right to acquire class B cumulative preference shares. Additional information has been disclosed in section Other information.

### 15.2 Ordinary shares

In 2014, the number of issued ordinary shares increased by 1,574,868 (2013: 3,746,684 shares) due to dividend payment in shares. In 2013, the Group issued 24,152,491 new ordinary shares at a price of €3.50 per share through an accelerated bookbuild emission.

## 16. Reserves

	Hedging	Remeasure- ments of post- employment benefits	Translation	Total
<b>As at 1 January 2013</b>	(173,998)	(251,221)	(67,332)	(492,551)
Reclassification to the income statement due to divestment				
- Fair value of cash flow hedge	23,708	-	-	23,708
- Tax on fair value of cash flow hedge	(6,807)	-	-	(6,807)
Cash flow hedges				
- Fair value movement	50,743	-	-	50,743
- Tax on fair value movement	(12,820)	-	-	(12,820)
Remeasurements of post-employment benefit obligations	-	37,801	-	37,801
Exchange rate differences	-	-	(11,550)	(11,550)
	54,824	37,801	(11,550)	81,075
<b>As at 31 December 2013</b>	<b>(119,174)</b>	<b>(213,420)</b>	<b>(78,882)</b>	<b>(411,476)</b>
Reclassification to the income statement due to divestment				
- Fair value of cash flow hedge	81,699	-	-	81,699
- Tax on fair value of cash flow hedge	(26,239)	-	-	(26,239)
Cash flow hedges				
- Fair value movement	(27,188)	-	-	(27,188)
- Tax on fair value movement	9,700	-	-	9,700
Remeasurements of post-employment benefit obligations	-	(49,157)	-	(49,157)
Exchange rate differences	-	-	25,211	25,211
	37,972	(49,157)	25,211	14,026
<b>As at 31 December 2014</b>	<b>(81,202)</b>	<b>(262,577)</b>	<b>(53,671)</b>	<b>(397,450)</b>

Of the positive movement in the hedge reserve in 2014, €55 million is a consequence of disposals and settlements of existing contracts. In addition, the hedge reserve is negatively affected with €18 million due to the fact that the long-term interest in 2014 is lower than in 2013. In 2014, the hedging reserve includes a negative amount of €3 million with regard to assets held for sale.

The hedging reserve may be subsequently reclassified to the income statement. Based on the remaining duration of the derivative financial instruments, reclassification will take place between 1 and 30 years. An amount of €39 million (2013: €84 million) in the hedging reserve relates to joint ventures.

The negative movement in the reserve for remeasurements of post-employments benefits is linked to adjustments in financial assumptions. This reserve will not be reclassified to the income statement.

The positive movement in the translation reserve in 2014 is linked to the increase in the value of the pound sterling. In 2013, its value decreased.

In accordance with the Netherlands Civil Code and statutory requirements in other countries, legal reserves have to be established in certain circumstances. Legal reserves are not available for distribution to the shareholders of the Company.

## 17. Capital base

	2014	2013
Equity attributable to the shareholders of the Company	827,394	929,114
Subordinated loan	<u>124,500</u>	<u>124,000</u>
	<u>951,894</u>	<u>1,053,114</u>

## 18. Borrowings

2014	Non-current	Current	Total
Subordinated loan <sup>1</sup>	125,000	(500)	124,500
Non-recourse PPP loans	200,221	5,764	205,985
Non-recourse property financing	98,132	62,446	160,578
Other non-recourse financing	7,844	1,507	9,351
Recourse PPP loans	39,006	24,754	63,760
Recourse property financing	48,324	22,371	70,695
Finance lease liabilities	13,570	8,749	22,319
Other recourse loans	<u>6,695</u>	<u>242</u>	<u>6,937</u>
	<u>538,792</u>	<u>125,333</u>	<u>664,125</u>
Up to 1 year			125,333
1 to 5 years			466,441
Over 5 years			<u>72,351</u>
			<u>664,125</u>
<b>2013</b>	<b>Non-current</b>	<b>Current</b>	<b>Total</b>
Subordinated loan <sup>1</sup>	124,500	(500)	124,000
Committed syndicated credit facility <sup>1</sup>	38,459	(1,542)	36,917
Non-recourse PPP loans	289,536	5,227	294,763
Non-recourse property financing	111,124	160,324	271,448
Other non-recourse financing	3,208	1,048	4,256
Recourse PPP loans	36,314	39,512	75,826
Recourse property financing	69,671	11,303	80,974
Finance lease liabilities	33,690	9,291	42,981
Bank overdrafts	<u>-</u>	<u>146</u>	<u>146</u>
	<u>706,502</u>	<u>224,809</u>	<u>931,311</u>
Up to 1 year			224,809
1 to 5 years			602,097
Over 5 years			<u>104,405</u>
			<u>931,311</u>

<sup>1</sup> After deduction of amortised finance costs

## 18.1 Subordinated loan

The principal sum of the subordinated loan amounts to €125 million (2013: €125 million) with a duration to 30 July 2017. Interest payments are not subordinated. The subordinated loan has an interest rate that is based on the Group's recourse leverage ratio and is equal to Euribor plus a margin, which can vary between a minimum of 400 and a maximum of 675 basis points. At year-end 2014, the margin was 450 basis points (2013: 450 basis points).

To hedge the interest risk on the subordinated loan, interest rate swaps were contracted with a duration to 30 July 2017. The interest rate swaps fix Euribor at 1.7 per cent (2013: 2.7 per cent). Including the margin at year-end 2014 and the amortised borrowing costs, the interest for the subordinated loan amounts to 6.5 per cent (2013: 7.3 per cent).

The full amount of the subordinated loan will be contractually repaid in July 2017.

## 18.2 Committed syndicated credit facility

The committed revolving credit facility has a size of €500 million and a maturity date of 30 January 2017. As at 30 January 2016 the level of the credit facility will adjust to €442.5 million. The facility can be used for general corporate purposes, including the usual working capital financing. As a result of this flexible use, the level of draw-downs fluctuates throughout the year. At year-end 2014, the Group did not use the facility (2013: €40 million). As at 30 June 2014 total draw-downs amounted to €185 million (30 June 2013: €165 million). Variable interest rates apply to the draw-downs on this facility with a margin between 175 and 300 basis points. As at 31 December 2014 the margin was 200 basis points (2013: 200 basis points).

## 18.3 Non-recourse PPP loans

These relate to PPP projects in the Netherlands, the United Kingdom, Belgium and Ireland. Of the non-current part, approximately €65 million has a term to maturity of more than five years (2013: approximately €89 million). The average term to maturity of the PPP loans is 21 years (2013: 21 years).

The interest rate risk on the non-recourse PPP loans is hedged by interest rate swaps. The average interest rate on PPP loans is 7.3 per cent (2013: 5.4 per cent). Interest margins of these loans do not depend on market fluctuations during the term of these loans.

The related PPP receivables amount to €308 million in total (2013: €404 million) and represent a security for lenders. These loans will be payable on demand if the agreed qualitative and quantitative conditions regarding interest coverage, solvency, amongst others, are not met.

## 18.4 Non-recourse property financing

These loans are contracted to finance land for property development and ongoing property development projects. The average term of non-recourse property financing is approximately 2.3 years (2013: approximately 2.1 years).

Interest on these loans is predominantly variable, based on Euribor / Libor plus a margin. Interest margins of these loans do not depend on market fluctuations during the term of these loans. For several property financing loans, the interest is partially fixed. The principal sum of the property financing loans with fixed interest is €60 million (2013: €79 million).

The carrying amount of the related assets is approximately €200 million at year-end 2014 (2013: approximately €289 million). The assets are pledged as a security for lenders. These loans will be payable on demand if the agreed qualitative and quantitative conditions as regards interest and capital repayments, amongst others, are not met.

### 18.5 Recourse PPP loans

Equity bridge loans relating to PPP contracts are recognised under recourse PPP loans. The interest rate risk on the recourse PPP loans is hedged by interest rate swaps.

Recourse PPP loans relate directly to the accompanying assets, but also have an additional security in the form of a guarantee provided by the Group, in several cases supplemented by a bank guarantee.

The average term to maturity of the recourse PPP loans is approximately 1.8 years (2013: approximately 1.2 years).

### 18.6 Recourse property financing

Recourse property financing is contracted to finance land and building rights and property development.

The average term of recourse property financing is approximately 1.6 years (2013: approximately 2.5 years).

Interest on these loans is predominantly variable, based on Euribor / Libor plus a margin. Interest margins of these loans do not depend on market fluctuations during the term of these loans. For several property financing loans, the interest is partially fixed. The principal sum of these financing loans is €43 million (2013: €49 million).

Recourse property financing relates directly to the accompanying assets, that constitute a security for lenders.

The carrying amount of the accompanying assets amounts to approximately €94 million at year-end 2014 (2013: approximately €157 million). Additional securities exist in the form of a guarantee provided by the Group, in several cases supplemented by a bank guarantee. These loans will be repayable on demand if the agreed qualitative and quantitative conditions relating to interest and capital repayments, amongst others, are not met.

### 18.7 Finance lease liabilities

Finance lease liabilities mainly consist of financing arrangements for buildings and equipment. The maturity of the finance lease liabilities is as follows:

	2014	2013
Up to 1 year	9,330	10,256
1 to 5 years	14,121	35,854
Over 5 years	<u>195</u>	<u>1,069</u>
	23,646	47,179
Future finance charges on financial leases	<u>(1,327)</u>	<u>(4,198)</u>
Present value of financial lease liabilities	<u>22,319</u>	<u>42,981</u>

The present value of the finance lease liabilities is as follows:

	2014	2013
1 to 5 years	13,404	33,204
Over 5 years	<u>166</u>	<u>486</u>
	13,570	33,690
Up to 1 year	<u>8,749</u>	<u>9,291</u>
	<u>22,319</u>	<u>42,981</u>

## 18.8 Other loans

Other loans relate to financing of property, plant and equipment.

## 18.9 Bank overdrafts

In addition to the non-current committed syndicated credit facility (note 18.2), the Group holds €153 million in bilateral credit facilities (2013: €165 million). At year-end 2014 nor 2013 these facilities were not utilised.

## 18.10 Covenants

With regard to the various finance arrangements, the Group is bound by terms and conditions, both qualitative and quantitative and including financial ratios, in line with the industry's practice.

Terms and conditions for property financing, being (non-) recourse PPP loans, (non-) recourse property financing loans, are directly linked to the respective projects. A relevant ratio in property financing arrangements is the loan to value, i.e. the ratio between the financing arrangement and the value of the project. In PPP loans and recourse property financing arrangements the debt service cover ratio is applicable. This ratio relates the interest and repayment obligations to the project cash flow. No early payments were made in 2014 as a result of not adhering to the financing conditions of property related financing.

Terms and conditions for the subordinated loan and the committed syndicated credit facility are based on the Group as a whole, excluding non-recourse elements. The ratios for these financing arrangements (all recourse) are the leverage ratio, the interest cover, the solvency ratio and the guarantor covers. The Group complied with all ratios in 2014.

The set requirements and realisation of the recourse ratios described above, can be explained as follows:

	Calculation	Requirement	2014	2013
Leverage ratio	Net borrowings / EBITDA	≤ 2.50	<b>(2.78)</b>	(1.08)
Interest cover	EBITDA / net interest expense	≥ 4.00	<b>6.84</b>	7.62
Solvency ratio	Capital base / total assets	≥ 15%	<b>28.3%</b>	25.0%
Guarantor covers	EBITDA share of guarantors	≥ 60%	<b>73%</b>	68%
	Assets share of guarantors	≥ 70%	<b>91%</b>	83%

An increased recourse leverage ratio of a maximum of 2.75 is permitted under the terms and conditions and applies to the second and third quarters of the year. In 2014 the Group agreed with its lenders that the current ratio is no longer part of the financial ratios.

## 18.11 Other information

The Group's subordinated loan is part of the capital base. Repayment obligations are subordinated to not subordinated obligations. The requested return of this loan relates to the margins of the debt capital market to a (very) limited extent only. The non-recourse PPP loans relate directly to the associated receivables from government bodies. Therefore, the interest rates are influenced marginally by market adjustments applying to companies. The terms of property loans are relatively short, as a consequence of which interest margins are in line with the markets. Therefore, the carrying amounts of the loans do not differ significantly from their fair values.

Other loans are subject to variable interest rates. Therefore, the carrying amounts of the loans do not differ significantly from their fair values.

The effective interest rates are as follows:

	2014		2013	
	Euro	Pound sterling	Euro	Pound sterling
Subordinated loan	6.5%	-	7.3%	-
Committed syndicated credit facility	2.2%	-	2.1%	-
Non-recourse PPP loans	7.5%	6.8%	5.0%	6.7%
Non-recourse property financing	2.9%	3.8%	3.1%	4.3%
Recourse PPP loans	4.2%	-	2.9%	-
Other property financing	2.6%	-	3.7%	-
Finance lease liabilities	3.9%	-	4.2%	-
Other non-recourse financing	3.0%	-	3.6%	-
Other recourse financing	3.2%	-	-	-

The Group contracted interest rate swaps to mitigate the exposure of borrowings to interest rate fluctuations and contractual changes in interest rates.

The Group's unhedged position is as follows:

	Up to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	125,333	466,441	72,351	664,125
Hedged with interest rate swaps	(21,413)	(241,217)	(58,081)	(320,711)
<b>As at 31 December 2014</b>	<b>103,920</b>	<b>225,224</b>	<b>14,270</b>	<b>343,414</b>
Total borrowings	224,809	602,097	104,405	931,311
Hedged with interest rate swaps	(45,716)	(303,921)	(84,420)	(434,057)
<b>As at 31 December 2013</b>	<b>179,093</b>	<b>298,176</b>	<b>19,985</b>	<b>497,254</b>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2014	2013
Euro	583.013	825,323
Pound sterling	81.112	105,988
	<u>664.125</u>	<u>931,311</u>



## 19. Derivative financial instruments

	2014			2013		
	Assets	Liabilities	Fair value	Assets	Liabilities	Fair value
Interest rate swaps	-	44,160	(44,160)	97	42,133	(42,036)
Forward exchange contracts	3,605	11,821	(8,216)	3,212	3,118	94
	<u>3,605</u>	<u>55,981</u>	<u>(52,376)</u>	<u>3,309</u>	<u>45,251</u>	<u>(41,942)</u>
Of which current:	3,376	8,269	(4,893)	1,996	2,092	(96)

### 19.1 Interest rate swaps

At year-end 2014, interest rate swaps are outstanding to hedge the interest rate risk on the subordinated loan, the (non-) recourse PPP loans and a number of property financing loans with a variable interest rate. Total borrowings amount to €664 million (2013: €931 million), of which an amount of €454 million (2013: €703 million) carries a variable interest rate. Of the borrowings with a variable interest rate an amount of €321 million (2013: €434 million) is hedged by interest rate swaps. All interest rate swaps are classified as hedge instruments. The fair value of the outstanding interest rate swaps amounts to €44 million negative (2013: €42 million negative). Except for two interest rate swaps (2013: nine), the duration exceeds one year. The maximum duration of the derivative financial instruments is 30 years.

The fixed interest rates of these swaps vary from 0.6 per cent to 6.3 per cent at year-end 2014 (2013: between 0.3 per cent and 6.3 per cent). The variable interest rates of the corresponding loans are based on Euribor or Libor plus a margin.

At year-end 2014, almost all recognised derivative financial instruments provide an effective compensation for movements in cash flows from the hedged positions. Therefore, the movements in 2014 are accounted for in other comprehensive income. The fair value of outstanding derivative financial instruments which do not provide an effective compensation are accounted for in the income statement within 'finance income / expense'.

The composition of the expected contractual cash flows is disclosed in note 3.1 to the consolidated financial statements.

### 19.2 Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014 were €369 million (2013: €413 million). The fair value amounts to €8.2 million negative (2013: €0.1 million positive).

The terms to maturity of these contracts are up to a maximum of 1 year for the amount of €263 million (2013: €327 million), between 1 and 2 years for the amount of €95 million (2013: €65 million) and between 2 to 4 years for the amount of €11 million (2013: €21 million).

## 20. Employee benefits

	2014	2013
Defined benefit asset	<u>17,786</u>	<u>7,528</u>
Defined benefit liability	157,886	121,618
Other employee benefits obligations	<u>29,321</u>	<u>27,156</u>
	<u>187,207</u>	<u>148,774</u>

The Group operates defined benefit pension plans in the Netherlands, United Kingdom, Belgium, Germany and Ireland under broadly similar regulatory frameworks.

A further description of the post-employment benefit plans per country is as follows:

### *The Netherlands*

In the Netherlands, the Group makes contributions to defined benefit schemes as well as defined contribution schemes.

The pension schemes in the Netherlands are subject to the regulations as stipulated in the Pension Act. As stipulated in the Pension Act the pension plans need to be fully funded and need to be operated outside the Company through a separate legal entity. Several multi-employer funds and insurers operate the various pension plans. The Group has no additional responsibilities for the governance of these schemes.

The basic pension for every employee is covered by multi-employer funds in which also other companies participate based on legal obligations. These funds have an indexed average salary scheme and are therefore defined benefit schemes. Specifically, these are the industry pension funds for Construction, Metal & Technology and Railways. As these funds are not equipped to provide the required information on the Group's proportionate share of pension liabilities and plan assets, the defined benefit plans are accounted for as defined contribution plans. The Group is obliged to pay the predetermined premium for these plans. The Group may not reclaim any excess payment and is not obliged to make up any deficit, except by way of the adjustment of future premiums. The part exceeding the basic pension amount (top-up part), which is not covered by multi-employer funds, is covered by external insurance companies and relates to defined contribution schemes.

At year-end 2014, the coverage rate of the industry pension fund for Construction (bpfBouw) is 115 per cent (2013: 112 per cent). The industry pension fund for Metal & Technology has a coverage rate of 103 per cent at year-end 2013 (2013: 104 per cent). The coverage rate of the industry pension fund for Railways is 116 per cent (2013: 122 per cent).

With effect from 2006, a defined benefit scheme is closed for new entrants. The build-up of future pension entitlements for these employees is covered by the multi-employer funds or external insurance companies. Defined benefit schemes are closed for future accumulation and index-linked to the industry pension fund for Construction. Future build-up is solely possible for the top-up pension scheme of BAM, which terminates in 2020; it is financed by the employer based on a percentage of the pensionable salaries of the employees.

At year-end 2012, the Group decided, while taking into account the employee representation bodies, to decrease the BAM supplementary scheme. BAM's insurance contract was terminated and future contributions for top-up pensions will be transferred to bpfBouw. Termination of the contract means that interest bonuses and, consequently, the source of finance for index-linking cease to exist.

In 2013, Amstelland Pension Fund I was dissolved and its obligations transferred to external insurance companies.

In the context of accountability for the Group's pension policy (to be) implemented, with regard to, inter alia, supplements and investment performance, the Group has established an accountability committee, with representation from the Central Works Council (CWC) and the Socio-Economic Committee of the BAM pensioners Associations (SEC).

#### *United Kingdom*

In the United Kingdom, the Group makes contributions to defined benefit plans as well as defined contribution plans.

Three defined benefit pension schemes are executed by separate trusts. They were closed to new participants in 2004 and future accumulation in the schemes was closed at the end of October 2010. The Group is still responsible for making supplementary contributions to recover the historical financing deficits. The plan for supplementary contributions was last revised after the most recent actuarial valuations of the funds at 1 January 2012 and led to supplementary contributions in 2014 to the amount of approximately €25 million (2013: €30 million).

The Group replaced the closed defined benefit pension schemes with defined contribution schemes, which is executed by an outside insurance company. Following the closure of future accumulation in defined benefit pension schemes in 2010, employees who participated in these schemes were invited to participate in the defined contribution schemes.

In addition, several defined benefit schemes are accounted for as defined contribution schemes due to the fact that external parties administering them are not able to provide the required information. These schemes have limited numbers of members, however. The Group is obliged to pay the predetermined premium for these plans. The Group may not reclaim any excess payment and is not obliged to make up any deficit, except by way of the adjustment of future premiums. The Group did not make any material contributions in 2014 nor 2013.

#### *Belgium*

In Belgium, the Group makes contributions to a relatively small defined benefit scheme that is executed by an external insurance company. The Group has also made arrangements for employees to participate in a defined contribution scheme.

#### *Germany*

In Germany, the Group operates one defined benefit pension scheme financed by the employer. The Group closed two schemes to new participants and since 2006, the Group operates a defined contribution scheme, into which employees have the opportunity to contribute on an individual basis.

#### *Ireland*

The Group has a defined benefit scheme in Ireland, executed by a company pension fund. The multi-employer pension scheme was fully converted from a defined benefit scheme to a defined contribution scheme with effect from 1 January 2006.

Movements in the defined benefit pension plans over the year is as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
<b>As at 31 December 2014</b>						
Defined benefit liability	48,646	3,486	1,404	61,001	43,349	157,886
Defined benefit asset	-	17,786	-	-	-	17,786
	<u>48,646</u>	<u>(14,300)</u>	<u>1,404</u>	<u>61,001</u>	<u>43,349</u>	<u>140,100</u>
<i>Present value of obligation</i>						
<b>As at 1 January 2014</b>	376,020	773,365	2,571	69,987	90,540	1,312,483
Service cost	1,740	-	38	386	1,510	3,674
Interest expense	13,360	36,082	72	2,241	3,558	55,313
Remeasurements	99,682	108,159	451	11,164	34,131	253,587
Plan participants contributions	233	-	8	-	544	785
Benefit payments	(9,818)	(34,215)	-	(4,056)	(6,561)	(54,650)
Settlements	(22)	-	-	-	(1,081)	(1,103)
Disposals	-	-	(4)	-	-	(4)
Exchange rate differences	-	54,849	-	-	-	54,849
<b>As at 31 December 2014</b>	<u>481,195</u>	<u>938,240</u>	<u>3,136</u>	<u>79,722</u>	<u>122,641</u>	<u>1,624,934</u>
<i>Fair value of plan assets</i>						
<b>As at 1 January 2014</b>	334,294	769,366	1,579	19,240	73,914	1,198,393
Interest income	12,013	36,422	46	603	2,946	52,030
Remeasurements	86,963	101,899	56	493	4,477	193,888
Employer contributions	9,884	25,820	53	2,548	4,387	42,692
Plan participants contributions	233	-	8	-	544	785
Benefit payments	(9,818)	(34,215)	-	(4,056)	(6,561)	(54,650)
Administration cost	(1,023)	(1,853)	(6)	-	-	(2,882)
Settlements	-	-	-	-	(415)	(415)
Disposals	3	-	(4)	(107)	-	(108)
Exchange rate differences	-	55,101	-	-	-	55,101
<b>As at 31 December 2014</b>	<u>432,549</u>	<u>952,540</u>	<u>1,732</u>	<u>18,721</u>	<u>79,292</u>	<u>1,484,834</u>
Present value of obligation	481,195	938,240	3,136	79,722	122,641	1,624,934
Fair value of plan assets	<u>432,549</u>	<u>952,540</u>	<u>1,732</u>	<u>18,721</u>	<u>79,292</u>	<u>1,484,834</u>
<b>As at 31 December 2014</b>	<u>48,646</u>	<u>(14,300)</u>	<u>1,404</u>	<u>61,001</u>	<u>43,349</u>	<u>140,100</u>
<b>Amounts recognised in the income statement</b>						
Service cost	1,740	-	38	386	1,510	3,674
Net interest expense	1,347	(340)	26	1,638	612	(3,283)
Changes and plan amendments	(22)	-	-	-	(666)	(688)
Administration cost	<u>1,023</u>	<u>1,853</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>2,882</u>
	<u>4,088</u>	<u>1,513</u>	<u>70</u>	<u>2,024</u>	<u>1,456</u>	<u>9,151</u>
<b>Amounts recognised in other comprehensive income</b>						
Remeasurements						
- Return on plan assets excluding amounts included in net interest expense	(86,963)	(101,899)	(56)	(493)	(4,477)	(193,888)
- (Gain) / loss from change in demographic assumptions	(3,820)	205	-	(1)	(1,477)	(5,093)
- (Gain) / loss from change in financial assumptions	107,320	46,312	499	10,688	36,513	201,332
- Experience (gains) / losses	(3,818)	61,642	(48)	477	(905)	57,348
Exchange rate differences	-	(2)	-	-	-	(2)
	<u>12,719</u>	<u>6,258</u>	<u>395</u>	<u>10,671</u>	<u>29,654</u>	<u>59,697</u>

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
<b>As at 31 December 2013</b>						
Defined benefit liability	41,726	11,527	992	50,747	16,626	121,618
Defined benefit asset	-	7,528	-	-	-	7,528
	<u>41,726</u>	<u>3,999</u>	<u>992</u>	<u>50,747</u>	<u>16,626</u>	<u>114,090</u>
<i>Present value of obligation</i>						
<b>As at 1 January 2013</b>	1,038,703	788,698	2,411	68,783	98,799	1,997,394
Service cost	2,181	-	51	313	2,260	4,805
Interest expense	12,952	32,273	56	2,481	3,881	51,643
Remeasurements	(40,165)	(8,659)	126	2,372	(1,448)	(47,774)
Plan participants contributions	215	-	127	-	596	938
Benefit payments	(8,391)	(22,524)	(200)	(3,962)	(11,457)	(46,534)
Changes and plan amendments	(629,475)	-	-	-	(2,091)	(631,566)
Exchange rate differences	-	(16,423)	-	-	-	(16,423)
<b>As at 31 December 2013</b>	<u>376,020</u>	<u>773,365</u>	<u>2,571</u>	<u>69,987</u>	<u>90,540</u>	<u>1,312,483</u>
<i>Fair value of plan assets</i>						
<b>As at 1 January 2013</b>	957,554	717,884	1,430	20,221	76,667	1,773,756
Interest income	10,576	29,767	31	707	3,030	44,111
Remeasurements	(29,255)	29,748	414	95	86	1,088
Employer contributions	8,830	30,446	(218)	2,179	4,992	46,229
Plan participants contributions	215	-	127	-	596	938
Benefit payments	(8,391)	(22,524)	(200)	(3,962)	(11,457)	(46,534)
Administration cost	(990)	(2,002)	(5)	-	-	(2,997)
Changes and plan amendments	(604,245)	-	-	-	-	(604,245)
Exchange rate differences	-	(13,953)	-	-	-	(13,953)
<b>As at 31 December 2013</b>	<u>334,294</u>	<u>769,366</u>	<u>1,579</u>	<u>19,240</u>	<u>73,914</u>	<u>1,198,393</u>
Present value of obligation	376,020	773,365	2,571	69,987	90,540	1,312,483
Fair value of plan assets	<u>334,294</u>	<u>769,366</u>	<u>1,579</u>	<u>19,240</u>	<u>73,914</u>	<u>1,198,393</u>
<b>As at 31 December 2013</b>	<u>41,726</u>	<u>3,999</u>	<u>992</u>	<u>50,747</u>	<u>16,626</u>	<u>114,090</u>
<b>Amounts recognised in the income statement</b>						
Service cost	1,594	-	51	313	2,260	4,218
Net interest expense	2,376	2,506	25	1,774	851	7,532
Changes and plan amendments	(24,643)	-	-	-	(2,091)	(26,734)
Administration cost	990	2,002	5	-	-	2,997
	<u>(19,683)</u>	<u>4,508</u>	<u>81</u>	<u>2,087</u>	<u>1,020</u>	<u>(11,987)</u>
<b>Amounts recognised in other comprehensive income</b>						
<i>Remeasurements</i>						
- Return on plan assets excluding amounts included in net interest expense	29,255	(29,748)	(414)	(95)	(86)	(1,088)
- (Gain) / loss from change in demographic assumptions	3,572	(7,336)	-	-	-	(3,764)
- (Gain) / loss from change in financial assumptions	(44,186)	(1,453)	275	3,122	-	(42,242)
- Experience (gains) / losses	449	130	(149)	(750)	(1,448)	(1,768)
Exchange rate differences	-	2,470	-	-	-	2,470
	<u>(10,910)</u>	<u>(35,937)</u>	<u>(288)</u>	<u>2,277</u>	<u>(1,534)</u>	<u>(46,392)</u>

The average duration of the defined benefit obligations per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
Average duration (in years)	16	27	12	13	25

The significant actuarial assumptions per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
<b>2014</b>					
Discount rate	1.90%	3.70%	1.40%	2.10%	2.20%
Salary growth rate	0 - 1.90%	2.05 - 3.40%	1.90%	2.00%	2.25%
Pension growth rate	0 - 2.00%	2.05 - 3.10%	-	2.00%	0 - 1.75%
<b>2013</b>					
Discount rate	3.60%	4.60%	2.80%	3.30%	3.90%
Salary growth rate	0 - 2.00%	2.45 - 3.70%	2.00%	2.00%	2.50%
Pension growth rate	0 - 2.00%	2.20 - 3.35%	-	2.00%	0 - 2.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each country.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

- If the discount rate is 0.5 per cent per cent higher (lower), the pension liability will decrease by approximately €121 million (increase by approximately €147 million).
- If the expected salary increase is 0.5 per cent higher (lower), the pension liability will increase by approximately €26 million (decrease by approximately €19 million).
- If the expected indexation is 0.5 per cent higher (lower), the pension liability will increase by approximately €71 million (decrease by approximately €56 million).
- If the life expectancy increases (decreases) by 1 year, the pension liability will increase by approximately €56 million (decrease by approximately €49 million).

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan assets are comprised as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
<b>2014</b>						
Equity instruments (quoted)	-	314,555	-	-	47,799	362,354
Debt instruments (quoted)	-	482,097	-	-	28,614	510,711
Property (quoted)	-	32,007	-	-	2,513	34,520
Qualifying insurance policies (unquoted)	432,549	-	1,732	18,721	367	453,369
Cash and cash equivalents	-	123,880	-	-	-	123,880
	<u>432,549</u>	<u>952,539</u>	<u>1,732</u>	<u>18,721</u>	<u>79,293</u>	<u>1,484,834</u>
<b>2013</b>						
Equity instruments (quoted)	-	294,264	-	-	47,495	341,759
Debt instruments (quoted)	-	434,390	-	-	21,428	455,818
Property (quoted)	-	24,198	-	-	1,937	26,135
Qualifying insurance policies (unquoted)	331,458	-	1,579	19,240	631	352,908
Cash and cash equivalents	2,836	16,514	-	-	2,423	21,773
	<u>334,294</u>	<u>769,366</u>	<u>1,579</u>	<u>19,240</u>	<u>73,914</u>	<u>1,198,393</u>

Plan assets do not include the Company's ordinary shares. The Group applies IAS 19.104 for the valuation of the plan assets in the Netherlands in connection with the insured contracts.

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Salary growth	The plan liabilities are calculated based on future salaries of the plan participants, so increases in future salaries will result in an increase in the plan liabilities.
Pension growth	The majority of the plan liabilities are calculated based on future pension increases, so these increases will result in an increase in the plan liabilities.
Life expectancy	The majority of the plan liabilities are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan liabilities.

In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Expected employer contributions to post-employment benefit plans for the year ending 31 December 2015 approximate the level of 2014.

## 21. Provisions

	Warranty	Restructuring	Rental guarantees	Associates and joint ventures	Other	Total
<b>As at 1 January 2014</b>	69,689	28,040	8,812	72,432	24,553	203,526
Charged / (credited) to the income statement:						
- Additional provisions	19,616	62,158	-	8,235	5,528	95,537
- Unused amounts reversed	(6,968)	(1,980)	-	-	(598)	(9,546)
Used during the year	(13,699)	(31,342)	(3,547)	-	(7,237)	(55,825)
Disposals	-	-	-	(40,873)	-	(40,873)
Reclassifications	-	-	-	(4,519)	-	(4,519)
Other movements	(1,555)	-	-	-	(11)	(1,566)
Exchange rate differences	-	-	-	-	16	16
<b>As at 31 December 2014</b>	<b>67,083</b>	<b>56,876</b>	<b>5,265</b>	<b>35,275</b>	<b>22,251</b>	<b>186,750</b>

Provisions are classified in the balance sheet as follows:

	2014	2013
Non-current	114,638	103,087
Current	72,112	100,439
	<b>186,750</b>	<b>203,526</b>

The provision for warranty concerns the best estimate of the expenditure required to settle complaints and deficiencies that become apparent after the delivery of projects and that fall within the warranty period. In reaching its best estimate, the Group takes into account the risks and uncertainties that surround the underlying events which are assessed periodically. Approximately 31 per cent of the provision is current in nature (2013: approximately 38 per cent).

The provision for restructuring concerns the best estimate of the expenditure associated with reorganisation plans already initiated. Approximately 82 per cent of the provision is current in nature (2013: approximately 93 per cent). The estimated staff restructuring costs to be incurred are recognised under 'personnel expenses'. Other direct costs attributable to the restructuring, including lease termination, are recognised under 'other operating expenses'. The additional provisions in 2014 mainly relate to the Back in shape programme and other restructurings predominantly in the Netherlands.

The provision for rental guarantees consists of commitments arising from rental guarantees issued to third parties (predominantly Germany), taking into account expected income from subleases. These obligations in Germany relate to two properties and are effectively non-current in nature.

The provision for associates and joint ventures arise from the legal or constructive obligation in connection with structured entities for property development projects (associates and joint ventures) and the development of the hedging reserves in PPP joint ventures. An amount of €1 million (2013: €1 million) relates to associates and €34 million (2013: €71 million) to joint ventures.

Other provisions include the dividend guarantee amounting to of €9 million (2013: €9 million) in connection with the disposal of the Group's interest in Van Oord in 2011. Amounts provided for the liquidation of the old project development activities, claims and legal obligations in Germany and continuing rental commitments resulting from (temporarily) unused premises are also included. Approximately 15 per cent of the provisions is current in nature (2013: approximately 13 per cent).

The non-current part of the provisions has been discounted at an interest rate of approximately 3 per cent (2013: approximately 3 per cent).



## 22. Deferred tax assets and liabilities

	2014	2013
Deferred tax assets:		
- To be recovered after more than 1 year	235,946	195,495
- To be recovered within 1 year	<u>6,546</u>	<u>4,773</u>
	242,492	200,268
Deferred tax liabilities:		
- To be recovered after more than 1 year	19,806	19,134
- To be recovered within 1 year	<u>6,100</u>	<u>3,502</u>
	25,906	22,636
Deferred tax liabilities (net)	<u>(216,586)</u>	<u>(177,632)</u>

The gross movement on the deferred income tax account is as follows:

	2014	2013
<b>As at 1 January</b>	<b>(177,632)</b>	<b>(195,100)</b>
Income statement charge / (credit)	(27,062)	(5,173)
Tax charge / (credit) relating to components of other comprehensive income	(13,242)	17,702
Changes in enacted tax rates	30	2,298
Transfers to assets held for sale	1,190	2,035
Exchange rate differences	<u>130</u>	<u>606</u>
<b>As at 31 December</b>	<b><u>(216,586)</u></b>	<b><u>(177,632)</u></b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provisions	Tax losses	Fair value gains	Employee benefits	Other	Total
<b>Deferred tax assets</b>						
<b>As at 1 January 2013</b>	2,490	198,022	22,805	42,253	9,266	274,836
(Charged) / credited to the income statement	(62)	9,335	-	(11,795)	2,542	20
(Charged) / credited to other comprehensive income	-	-	(8,178)	(8,660)	-	(16,838)
Changes in enacted tax rates	(287)	-	-	(3,047)	(373)	(3,707)
Transfers to assets held for sale	-	-	(2,035)	-	-	(2,035)
Reclassifications	-	(34,891)	-	-	34,891	-
Exchange rate differences	<u>(64)</u>	<u>-</u>	<u>(144)</u>	<u>(567)</u>	<u>(70)</u>	<u>(845)</u>
<b>As at 31 December 2013</b>	<u>2,077</u>	<u>172,466</u>	<u>12,448</u>	<u>18,184</u>	<u>46,256</u>	<u>251,431</u>
(Charged) / credited to the income statement	111	37,303	78	(3,447)	(23,876)	10,169
(Charged) / credited to other comprehensive income	-	-	2,023	10,356	-	12,379
Changes in enacted tax rates	-	-	-	(30)	-	(30)
Transfers to assets held for sale	-	-	(1,190)	-	-	(1,190)
Reclassifications	-	(4,000)	-	-	4,000	-
Exchange rate differences	<u>124</u>	<u>-</u>	<u>196</u>	<u>105</u>	<u>178</u>	<u>603</u>
<b>As at 31 December 2014</b>	<u>2,312</u>	<u>205,769</u>	<u>13,555</u>	<u>25,168</u>	<u>26,558</u>	<u>273,362</u>

	Construction contracts	Accelerated tax depreciation	Fair value gains	Employee benefits	Other	Total
<b>Deferred tax liabilities</b>						
<b>At 1 January 2013</b>	51,406	5,040	316	673	22,301	79,736
Charged / (credited) to the income statement	(1,573)	(1,362)	14	503	(2,735)	(5,153)
Charged / (credited) to other comprehensive income	-	-	449	415	-	864
Changes in enacted tax rates	-	(1,324)	-	(85)	-	(1,409)
Reclassifications	(11,031)	11,031	-	-	-	-
Exchange rate differences	-	(238)	-	(1)	-	(239)
<b>At 31 December 2013</b>	<u>38,802</u>	<u>13,147</u>	<u>779</u>	<u>1,505</u>	<u>19,566</u>	<u>73,799</u>
Charged / (credited) to the income statement	(18,190)	525	-	2,676	(1,904)	(16,893)
Charged / (credited) to other comprehensive income	-	-	(83)	(780)	-	(863)
Exchange rate differences	-	577	1	155	-	733
<b>At 31 December 2014</b>	<u>20,612</u>	<u>14,249</u>	<u>697</u>	<u>3,556</u>	<u>17,662</u>	<u>56,776</u>

Deferred income tax assets in a country are recognised only to the extent that it is probable that future taxable profits in that country are available against which the temporary differences and available tax losses carry-forwards can be utilised.

Tax losses available to the fiscal unity in the Netherlands for carry-forward at year-end 2014 amount to approximately €895 million (2013: €760 million). These unused tax losses relate to the years 2009 up to and including 2014 and include an amount of €395 million (2013: €395 million) owing to the liquidation of old property development activities in Germany. The increase in the unused tax losses in 2014 is mainly caused by the impairments on property as well as the restructuring costs incurred as part of the Back in shape programme. The legal term within which these losses may be offset against future profits, is nine years.

Based on estimates of the level and timing of future taxable profits within the fiscal unity in the Netherlands for the upcoming nine years, and taking into account available tax planning opportunities, approximately €765 million (2013: €630 million) of these losses are recognised. Management estimates of forecasted taxable profits in the Netherlands are based on financial budgets approved by management, extrapolated using growth rates for revenue and profit before tax margins that are based on external market data and benchmark information, taking into account past performance. Growth rates for revenue and profit before tax margins are in line with the Group's mid- and long-term expectations and taking into account a prudent view of the expected cost savings from the Back in shape programme.

Tax losses to a minimum of €635 million (2013: €600 million) are expected to remain available for the companies in Germany, which can be offset against future taxable profits in Germany. Based on estimates of the level and timing of future taxable profits per operating company and per fiscal unity, approximately €44 million (2013: €42 million) of these losses are recognised. The legal term within which these losses may be offset against future profits, is indefinite. Management estimates of forecasted taxable profits in Germany are based on financial budgets approved by management, extrapolated using estimated growth rates that are considered to be in line with the Group's mid- and long-term expectations, taking into account past performance.

## 23. Trade and other payables

	Notes	2014	2013
Trade payables		816,490	880,845
Amounts due to customers	6	720,845	697,583
Amounts due to related parties	36	46,387	59,355
Social security and other taxes		147,617	121,932
Pension premiums		10,672	13,056
Invoices due for work completed		146,434	143,235
Invoices due for work in progress		540,412	518,333
Other financial liabilities		4,147	4,741
Other liabilities		164,257	164,862
Accrued expenses and deferred income		256,145	285,972
		<u>2,853,406</u>	<u>2,889,914</u>

## 24. Employee benefit expenses

	Notes	2014	2013
Wages and salaries		1,174,242	1,134,422
Social security costs		219,779	199,230
Pension costs - defined contribution plans		85,374	90,353
Pension costs - defined benefit plans	20	9,151	(11,987)
Other post-employment benefits		2,015	(2,612)
		<u>1,490,561</u>	<u>1,409,406</u>

Wages and salaries include restructuring costs and other termination benefits of €50.4 million (2013: €21.6 million).

At year-end 2014, the Group had 23,137 employees in FTE (2013: 23,329). The average number of employees in FTE amounted to 23,325 (2013: 23,502).

## 25. Impairment charges

	2014	2013
Property, plant and equipment	1,200	500
Intangible assets	511	-
Other financial assets	11,446	5,622
Inventories	<u>54,461</u>	<u>35,904</u>
Impairment charges	67,618	42,026
Share of impairment charges in investments	<u>48,240</u>	<u>(12,026)</u>
	<u>115,858</u>	<u>30,000</u>

Impairment charges in connection with inventories in 2014 relate to land and building rights. In 2013, €8 million related to land and building rights and €28 million to property development. Impairments charges in investments mainly relate to property development and PPP concession arrangements.

## 26. Exceptional items

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional and are presented within the line items to which they best relate.

An analysis of the amount presented as exceptional items in these financial statements is given below:

	Notes	2014	2013
Impairment charges	25	115,858	30,000
Restructuring costs	21	60,178	25,461
Pension one-off	20	-	(24,643)
Other exceptional costs		<u>8,614</u>	<u>-</u>
		<u>184,650</u>	<u>30,818</u>

Other exceptional costs consist of consultancy fees of €9 million directly related to the Back in shape programme and have been included in 'other operating expenses' in the income statement.

## 27. Audit fees

The total fees for the audit of the consolidated financial statements 2014 amount to €4.3 million (2013: €4.6 million).

Expenses for services provided by the Company's independent auditor, PricewaterhouseCoopers Accountants N.V. and its member firms and / or affiliates, to the Group are specified as follows:

	2014			2013		
	PwC Accountants N.V.	Member firms / affiliates	Total	PwC Accountants N.V.	Member firms / affiliates	Total
Audit fees	2,835	727	3,562	2,835	969	3,804
Audit-related fees	377	432	809	248	352	600
Tax advisory fees	93	69	162	27	69	96
Other non-audit fees	92	329	421	550	188	738
			<u>4,954</u>			<u>5,238</u>

## 28. Finance income and expense

	2014	2013
<b>Finance income</b>		
- Interest income - cash at banks	3,178	1,943
- Interest income - other financial fixed assets	2,475	2,072
- Interest income - PPP receivables	30,231	32,255
- Other finance income	<u>10,085</u>	<u>8,985</u>
	45,969	45,255
<b>Finance expense</b>		
- Subordinated loan	7,574	8,608
- Bank fees - subordinated loan	500	500
- Committed syndicated credit facility	3,718	2,172
- Bank fees - committed syndicated credit facility	3,747	4,084
- Non-recourse PPP loans	18,778	23,436
- Non-recourse property financing	5,789	7,477
- Other non-recourse financing	181	64
- Interest expense - bank overdrafts	1,026	678
- Finance lease liabilities	1,329	1,739
- Recourse property financing	2,031	1,148
- Recourse PPP loans	2,726	1,426
- Other recourse loans	899	4,309
- Interest expense - other liabilities	1,046	794
- Fair value result - forward exchange contracts	<u>497</u>	<u>179</u>
Total	49,841	56,614
Less: capitalised interest on the Group's own projects	<u>(15,941)</u>	<u>(14,714)</u>
	33,900	41,900
Net finance result	<u>12,069</u>	<u>3,355</u>

Included in the finance expense is an amount of €10 million (2013: €12 million) that was reclassified from equity to the income statement. An overview of the applicable weighted average interest rates is disclosed in note 18 to the consolidated financial statements.

## 29. Income tax

	2014	2013
Current tax	11,563	10,951
Deferred tax	<u>(27,062)</u>	<u>(5,173)</u>
	<u>(15,499)</u>	<u>5,778</u>

Income tax on the Group's result before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2014	2013
Result before tax	(122,440)	44,382
Tax calculated at Dutch tax rate	(30,611)	11,098
Tax effects of:		
- Tax rates in other countries	3,428	2,313
- Income not subject to tax and previously unrecognised tax losses	(2,426)	(22,337)
- Remeasurement of deferred tax – changes in enacted tax rates	30	(221)
- Tax filings and previously unrecognised temporary differences	4,595	(362)
- Tax losses no(t) longer recognised	16,271	22,739
- Results of investments and other participations, net of tax	(6,979)	(5,003)
- Other including expenses not deductible for tax purposes	<u>193</u>	<u>(2,449)</u>
Tax charge / (gain)	<u>(15,499)</u>	<u>5,778</u>
Effective tax rate	12.7%	13.0%

The weighted average tax rate applicable was 22.2 per cent (2013: 30.2 per cent). The difference is attributable to a different spread of results over the countries.

In 2014, the tax gain was influenced predominantly by tax losses which are not measured (anymore), as well as exempt results of investments and other participations, net of tax.

In 2013, the tax burden was influenced predominantly by tax losses which were not measured before or which are not measured (anymore), as well as exempt results of investments and other participations, net of tax.

As at 1 April 2014, the main rate of corporation tax in the United Kingdom was reduced from 23 per cent to 21 per cent and will be further reduced to 20 per cent as at 1 April 2015.

## 30. Earnings per share

	2014	2013
Weighted average number of ordinary shares in issue (x 1,000)	270,395	245,952
Net result attributable to shareholders	(108,172)	46,157
Basic earnings per share (in €)	(0.40)	0.19
Net result from continuing operations attributable to shareholders	(108,172)	37,631
Basic earnings per share from continuing operations (in €)	(0.40)	0.15
Net result from discontinued operations attributable to shareholders	-	8,526
Basic earnings per share from discontinued operations (in €)	-	0.04

Allowing for dilution, the earnings per share are as follows:

	2014	2013
Weighted average number of ordinary shares in issue ( <i>x 1,000</i> )	270,395	245,952
Net result attributable to shareholders	(108,172)	46,157
Diluted earnings per share ( <i>in €</i> )	(0.40)	0.19
Net result from continuing operations attributable to shareholders (diluted)	(108,172)	37,631
Diluted earnings from continuing operations per share ( <i>in €</i> )	(0.40)	0.15
Net result from discontinued operations attributable to shareholders (diluted)	-	8,526
Diluted earnings from discontinued operations per share ( <i>in €</i> )	-	0.04

## 31. Dividends per share

The dividends paid to shareholders of ordinary shares in 2014 were €13.5 million, €7.4 million in cash (€0.05 per share) and €6.1 million in shares (€0.05 per share). The dividends paid to shareholders of ordinary shares in 2013 were €24.2 million, €9.8 million in cash (€0.10 per share) and €14.3 million in shares (€0.10 per share).

In line with the Group's dividend policy the Company will not pay a dividend over the financial year 2014 following the net loss.

## 32. Contingencies

### 32.1 Legal proceedings

In the normal course of business the Group is involved in legal proceedings predominantly concerning litigation in connection with (completed) construction contracts. The legal proceedings, whether pending, threatened or unasserted, if decided adversely or settled, may have a material impact on the Group's financial position, operational result or cash flows. The Group may enter into discussions regarding settlement of these and other proceedings and may enter into settlement agreements, if it believes settlement is in the best interests of the Company's shareholders. In accordance with current accounting policies, the Group has recognised provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

### 32.2 Guarantees

In the ordinary course of business guarantees are issued to (prospective) clients and contracting parties. These contingent liabilities are not recognised in the balance sheet. It is not expected that any material risks will arise from these contingent liabilities.

Guarantees are issued either by the Company (parent company guarantees) or by banks and surety companies (bank guarantees, deposits and surety bonds). These guarantees could be forced to settle under the arrangement for the full guaranteed amount in case of non-compliance with or without the intervention of an independent third party.

The parent company guarantees issued amount to €176 million (2013: €235 million). Guarantees issued by banks and surety companies amount to €1,760 million (2013: €1,597 million). Guarantee facilities amount to €2.5 billion (2013: €2.5 billion).

## 33. Commitments

### 33.1 Capital and purchase commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred and conditional contractual obligations to purchase land for property development activities is as follows:

	2014	2013
Property, plant and equipment	970	15,583
Land	<u>166,384</u>	<u>190,411</u>
	<u>167,354</u>	<u>205,994</u>

The conditional nature of the contractual obligations to purchase land relate to, among other items, the amendment of development plans, the acquirement of planning permissions and the actual completion of property development projects.

In addition, the Group also has approximately €27 million (2013: €94 million) of equity investment obligations in connection with PPP projects.

### 33.2 Lease commitments

The Group leases various office buildings, equipment and company cars from third parties under non-cancellable operational lease agreements. The lease agreements vary in duration, escalation clauses and renewable options. In 2014 the costs associated with operational leases amount to €64 million (2013: €55 million).

The future aggregate minimum lease payments are as follows:

	2014	2013
Up to 1 year	59,182	59,650
1 to 5 years	112,827	130,543
Over 5 years	<u>21,927</u>	<u>26,666</u>
	<u>193,936</u>	<u>216,859</u>

The Group leases office buildings and equipment to third parties under non-cancellable operational lease agreements. The lease agreements vary in duration, escalation clauses and renewable options. The carrying amount of the leased assets amounts to €22 million at year-end 2014 (2013: €39 million). The lease income, including lease bonuses, is recognised as revenue in the income statement. In 2014 the income associated with operational leases amount to €1.8 million (2013: €1.8 million).



The future aggregate minimum lease income is as follows:

	2014	2013
Up to 1 year	1,143	1,745
1 to 5 years	6,205	10,085
Over 5 years	<u>5,182</u>	<u>13,974</u>
	<u>12,530</u>	<u>25,804</u>

### 34. Business combinations

No material acquisitions have taken place in 2014 nor 2013.

### 35. Assets held for sale and discontinued operations

	2014	2013
PPP receivables	117,401	117,073
Investments	-	5,827
Deferred tax assets	1,190	2,035
Trade and other receivables	2,730	5,807
Cash and cash equivalents	<u>5,722</u>	<u>9,995</u>
<b>Assets held for sale</b>	<u>127,043</u>	<u>140,737</u>
Borrowings (non-current)	106,859	107,141
Derivative financial instruments	4,761	8,141
Borrowings (current)	15,325	2,977
Trade and other payables	<u>1,821</u>	<u>1,879</u>
<b>Liabilities held for sale</b>	<u>128,766</u>	<u>120,138</u>

In 2014, the assets and liabilities held for sale related to the planned disposal of one PPP project (2013: four) to the joint venture BAM PPP / PGGM.

In 2014, the Group transferred seven operational projects (2013: three projects), of which three joint ventures, to the joint venture BAM PPP / PGGM and, after deduction of costs, realised a net result of €24.5 million. The Group retained a 20 per cent share of its original share in these projects. In 2013, the Group sold three PPP projects to the joint venture BAM PPP / PGGM and, after deduction of cost, realised a net result of €8.8 million.

In 2013, net result from discontinued operations consists of the release of provisions in connection with the costs associated to the termination of activities which remained at the Group after the divestment of Tebodin in 2012 and a tax claim related to the divestment of Flatiron in 2007.

## 36. Related parties

The Group identifies subsidiaries, associates, joint ventures, third parties executing the Group's defined benefit pension plans and key management as related parties. Transactions with related parties are conducted at arm's length, on terms comparable to those for transactions with third parties.

The following transactions were carried out with related parties:

### 36.1 Sales and purchase of goods and services

A majority of the Group's activities is carried out in joint arrangements (joint ventures and joint operations). These activities include the assignment and / or financing of land as well as carrying out construction contracts.

The Group carried out transactions with associates and joint ventures related to the sale of goods and services for €99.9 million (2013: €74.2 million) and related to the purchase of goods and services for €7.8 million (2013: €7.2 million).

The 2014 year-end balance of receivables arising from aforementioned transactions with associates and joint ventures amounts to €9.3 million (2013: €18.2 million) and the liabilities to €46.4 million (2013: €59.4 million).

### 36.2 Loans to related parties

At year-end 2014, the Group granted loans to associates and joint ventures for the amount €72 million (2013: €110 million). Interests for these loans are at arm's length.

### 36.3 Key management compensation

Key management includes members of the Executive Board and the Supervisory Board.

## Executive Board

The compensation paid or payable to the Executive Board for services is shown below:

	2014							Total
	Gross salary	Other short-term benefits	Post-employment benefits	Share-based payments	Other benefits	Crisis levy		
R.P van Wingerden <sup>1</sup>	508	-	64	-	8	54	634	
T. Menssen	470	-	30	-	8	48	556	
E.J. Bax <sup>2</sup>	313	-	52	-	5	34	404	
M.J. Rogers <sup>3,4,5</sup>	532	-	106	-	24	-	662	
N.J. de Vries <sup>7</sup>	620	-	133	-	8	73	834	
							<u>3,090</u>	

	2013							Total
	Gross salary	Other short-term benefits	Post-employment benefits	Share-based payments	Other benefits	Crisis levy		
R.P van Wingerden <sup>1</sup>	470	-	59	41	8	61	639	
T. Menssen	470	-	30	-	8	51	559	
M.J. Rogers <sup>3,4,5</sup>	509	-	102	47	24	-	682	
J. Ruis <sup>6</sup>	153	-	55	14	3	12	237	
N.J. de Vries <sup>7</sup>	620	-	133	55	8	90	906	
							<u>3,023</u>	

<sup>1</sup> Appointed as Chairman of the Executive Board with effect from 1 October 2014

<sup>2</sup> Appointed as a member of the Executive Board with effect from 1 May 2014

<sup>3</sup> M.J. Rogers has relinquished his Executive Board responsibilities with effect from 1 October 2014

<sup>4</sup> In addition to the remuneration in 2014 as disclosed in the table above, gross salary and other emoluments for the period 1 January 2015 through 28 February 2015 amounting to £251 thousand and a severance payment of £428 thousand corresponding with one year's base salary have been accrued for by the Company in 2014

Phantom shares of M.J. Rogers are forfeited for an amount of €78 thousand

<sup>5</sup> Gross (annual) salary for 2014 is based on £428 thousand (2013: £428 thousand)

Exchange rate of the euro against the pound sterling (£) used is 1.24 (2013: 1.19)

<sup>6</sup> J. Ruis has retired from the Executive Board with effect from 24 April 2013

<sup>7</sup> N.J. De Vries stepped down from the Executive Board with effect from 1 October 2014

In addition to the remuneration in 2014 as disclosed in the table above, gross salary and other emoluments for the period 1 January 2015 through 31 March 2015 amounting to €227 thousand have been accrued for by the Company in 2014

Phantom shares of N.J. de Vries are forfeited for an amount of €13 thousand

Other short-term benefits relate to the annual variable remuneration in related to financial and non-financial targets with a maximum of 40 per cent respectively 20 per cent. The variable remuneration depends on the realisation of pre-determined measurable objectives and targets derived from the Group's strategy. Consistent with 2013, no variable remuneration has been granted to the members of the Executive Board in 2014.

Post-employment benefits relate to the pension costs of the defined benefit plans recognised in the income statement and are determined on the basis of the individual pension obligations. Interest results and return on plan assets are not allocated on an individual basis. Certain components of the post-employment benefits are conditional and paid if employment continues until the retirement age.

Other benefits relate to annual fixed expense allowances and insurance premiums.

Share-based payments relate to the LTR plan and is based on a remuneration in conditionally granted phantom shares.

The following number of phantom shares has been conditionally granted to the members of the Executive Board:

#### Number of conditionally granted phantom shares

	As at 1 January 2014	Granted <sup>1</sup>	Stock dividend <sup>2</sup>	Vested <sup>3</sup>	Forfeited <sup>4</sup>	As at 31 December 2014
R.P. Van Wingerden	202,407	60,072	2,851	(46,969)	-	218,361
T. Menssen	69,272	60,072	987	-	-	130,331
E.J. Bax	-	60,072	-	-	(6,008)	54,064
	<u>271,679</u>	<u>180,216</u>	<u>3,838</u>	<u>(46,969)</u>	<u>(6,008)</u>	<u>402,756</u>

<sup>1</sup> The 2014 LTR plan granted on 1 May 2014

<sup>2</sup> Increase due to re-invested stock dividend in 2014

<sup>3</sup> The vesting date of the 2011 LTR plan was on 2 May 2014

<sup>4</sup> Number of phantom shares forfeited due to pro rata adjustment under the LTR plan policy

The number of conditionally granted phantom shares is calculated by dividing 50 per cent of the fixed salary of the relevant member of the Executive Board on the date of grant by the average closing price of the share over the five business days preceding the date of grant.

The phantom shares, granted in 2011, have vested as at 2 May 2014 without a cash distribution as the fair value at the valuation date was nil. The phantom shares, granted in 2012, 2013 and 2014, will vest on 4 May 2015, 2 May 2016 respectively 1 May 2017.

The percentage of phantom shares that becomes unconditional depends on the Group's performance. The Group's performance is defined as the realised value growth of the BAM share in comparison with the average realised value growth of several companies that are comparable to BAM (the peer group) in the three-year performance period. The performance period starts on 1 January of the calendar year in which the phantom shares were granted and ends on 31 December of the calendar year immediately preceding the year in which the shares will become unconditional. The average realised value growth, or Total Shareholders Return (TSR), consists of share price performance plus (re-invested) dividend. The peer group on balance sheet date consists of Balfour Beatty, Ballast Nedam, Bilfinger, Heijmans and Skanska.

The percentage of conditionally granted phantom shares that will become unconditional depends on the percentage with which the average TSR of BAM, determined on a quarterly basis, exceeds the TSR of the peer group, determined on a quarterly basis, in accordance with the graduated scale below:

Performance	Vesting
< 0	0%
0 - 5	35%
5 - 10	45%
10 - 15	55%
15 - 20	65%
20 - 25	75%
25 - 30	85%
≥ 30	100%

Upon vesting date, the unconditional phantom shares are locked up for another two years, up to and including 4 May 2017, 2 May 2018 respectively 1 May 2019, after which distribution in cash takes place.

Dividend distributions between the date of grant and the date of distribution are re-invested and will therefore increase the number of granted phantom shares. The cash amount that is distributed to a member of the Executive Board will not exceed 150 per cent of the fixed gross salary as applicable on the date of distribution.

At balance sheet date, the fair value of the commitment arising from the LTR plan for the members of the Executive Board was determined. Valuation factors include the share prices of BAM and those of the peer group at valuation date, anticipated volatility as well as anticipated dividends of the shares and the risk-free interest rate, based on the five-year German bond interest. Anticipated volatility is estimated based on the historically average volatility of the share prices of BAM and those of the peer group. Excluded from the determination of fair value are services and non-market related conditions.

The fair value of the commitment arising from the LTR plan is determined using Monte Carlo simulation models, which take into account all specific characteristics of the plan. Fair value is determined while taking into account market expectations which apply to the part of the conditional phantom shares, i.e. the performance criterion related to the increase in shareholder value, including expectations regarding the dividend.

As at 31 December 2014, the fair values per share of the conditionally granted shares outstanding amount to €2.63, €0.00 and €0.00 for the years 2012, 2013 respectively 2014, based on the relative performance as at 31 December 2014 and the anticipated development of performance over the remaining performance period.

No costs were charged to the income statement arising from the LTR plan (2013: 157 thousand). As at 31 December 2014, the liability amounts to €265 thousand (2013: €265 thousand).

The members of the Executive Board do not hold any shares in the Company nor have loans or advances been granted by the Company.

## Supervisory Board

The compensation paid or payable (including annual fixed expense allowance) the Supervisory Board for services is shown below:

	2014	2013
P.A.F.W. Elverding, Chairman	58	58
H. Scheffers, Vice Chairman	52	52
A. Baar <sup>1</sup>	-	13
J.P. Hansen <sup>2</sup>	47	-
C.M.C. Mahieu	47	47
H.L.J. Noy	47	47
K.S. Wester	47	47
	<u>298</u>	<u>264</u>

<sup>1</sup> Retired from the Supervisory Board with effect from 24 April 2013

<sup>2</sup> Appointed as member of the Supervisory Board with effect from 20 November 2013

No share options have been granted to the members of the Supervisory Board. The members of the Supervisory Board do not hold any shares in the Company nor have loans or advances been granted.

## Other related parties

The Group has not entered into any material transaction with other related parties.

### 37. Joint operations

A part of the Group's activities is carried out in joint arrangements classified as joint operations. This applies to all activities and all countries in which the Group operates. These arrangements remain in place until a project is finished. In practice, the duration of the majority of the joint operations is limited to a period of between 1 and 4 years, with the exception of joint operations in connection with land and building rights held for strategic purposes.

The Group's share of the revenue of these joint operations amounts to approximately €1.3 billion in 2014 (2013: approximately €1.1 billion), which represents approximately 17 per cent of the Group's revenue (2013: 16 per cent).

The Group's share of the balance sheets of joint operations is indicated below:

<i>(in € million)</i>	2014	2013
Assets		
- Non-current assets	40	70
- Current assets	<u>719</u>	<u>817</u>
	759	887
Liabilities		
- Non-current liabilities	72	61
- Current liabilities	<u>664</u>	<u>832</u>
	736	893
<b>Net balance</b>	<u>23</u>	<u>(6)</u>

The Group has no contingent liabilities or capital commitments under joint operations. Transfers of funds and / or other assets are made in consultation with the partners of the joint operations.

### 38. Service concession arrangements

The Group operates various service concession arrangements, both in the accommodation and infrastructure areas. These activities comprise the construction, exploitation, maintenance and divestment of (a part of) concession arrangements structured through separate legal entities and are principally carried out by BAM PPP independently and / or in co-operation with third parties.

The Group has a stake in the following concession arrangements:

	Interest	Classification	Category	Country	Operational	As from	Concession period (in years)
<i>Accommodations</i>							
East Ayrshire Hospital	100%	Group company	Health	United Kingdom	Yes	2000	25
Wharfedale Hospital	75%	Group company	Health	United Kingdom	Yes	2004	30
Derby Police	100%	Group company	Justice	United Kingdom	Yes	2000	30
Cheshire Police	100%	Group company	Justice	United Kingdom	Yes	2003	30
Peacehaven Schools	100%	Group company	Education	United Kingdom	Yes	2001	25
Bromsgrove Schools	20%	Joint venture	Education	United Kingdom	Yes	2008	30
Solihull Schools	20%	Joint venture	Education	United Kingdom	Yes	2010	25
West Dunbartonshire Schools	20%	Joint venture	Education	United Kingdom	Yes	2010	30
Somerset Schools	17.8%	Joint venture	Education	United Kingdom	Yes	2012	25
Camden Schools	18%	Joint venture	Education	United Kingdom	Yes	2012	25
Irish Schools Bundle 3	20%	Joint venture	Education	Ireland	Yes	2014	25
Irish Schools Bundle 4	100%	Group company	Education	Ireland	No	2016	25
Gent Universiteit	100%	Group company	Education	Belgium	Yes	2011	33
Beveren Prison	20%	Joint venture	Justice	Belgium	Yes	2013	25
Dendermonde Prison	100%	Group company	Justice	Belgium	No	2016	25
Schiphol	20%	Joint venture	Justice	Netherlands	Yes	2012	25
High Court	100%	Group company	Justice	Netherlands	No	2015	30
Ministry VROM	100%	Group company	Other	Netherlands	No	2016	25
Potsdam	100%	Group company	Other	Germany	Yes	2012	30
Bremervoerde Prison	20%	Joint venture	Justice	Germany	Yes	2013	25
University Hospital Schleswig-Holstein	50%	Joint venture	Health	Germany	No	2015	29
Burgdorf Prison	17.6%	Joint venture	Justice	Switzerland	Yes	2012	25
<i>Infrastructure</i>							
Dundalk By-pass	6.7%	Joint venture	Motorway	Ireland	Yes	2005	28
Waterford By-pass	33.3%	Joint venture	Motorway	Ireland	Yes	2009	30
Portlaoise	33.3%	Joint venture	Motorway	Ireland	Yes	2010	30
N11/N7	100%	Group company	Motorway	Ireland	No	2015	25
A59	14%	Joint venture	Motorway	Netherlands	Yes	2005	15
N31	33.3%	Joint venture	Motorway	Netherlands	Yes	2007	15
A12	20%	Joint venture	Motorway	Netherlands	Yes	2012	25
N33	100%	Group company	Motorway	Netherlands	Yes	2014	20
Infraspeed HSL	10.5%	Associate	Railway	Netherlands	Yes	2006	25
A8	5%	Joint venture	Motorway	Germany	Yes	2010	30
A9	50%	Joint venture	Motorway	Germany	Yes	2014	17
Liefkenshoektunnel	10%	Joint venture	Railway	Belgium	Yes	2013	38

The Group is also involved in (accommodation and infrastructure) concession arrangements and Energy Service Companies through other group companies.

The Group's equity investment in PPP projects amount to €59 million (2013: €108 million).



The Group has approximately €27 million (2013: €94 million) of obligations for capital contributions (after deduction of the PGGM share) in projects which have been awarded to the joint venture BAM PPP / PGGM. Construction revenue to be realised in connection with PPP projects amounts to approximately €0.9 billion (2013: €0.2 billion).

A further description of the Group's concession arrangements is as follows:

### Accommodation

The accommodation concession arrangements relate to schools, police stations, hospitals, sport complexes, a penitentiary institution and a laboratory building. These arrangements are located in the United Kingdom, Ireland, Germany, Belgium, the Netherlands and Switzerland. The concession payments are contractually agreed and are linked to the availability of the accommodation. The actual usage of the accommodation does not affect the amount of the concession payments. Most arrangements include maintenance and facility management services.

During the concession periods, payments are based on the availability of the related accommodation and the maintenance and facility management services. The majority of the concession arrangements are subject to indexation. The part of the concession payment that relates to the services will be evaluated every 5 years in general, using a benchmark. There may consequently be a limited settlement with the principal as a result. However, the volatility of the revenue and result is limited.

### Infrastructure

The infrastructure concession arrangements relate to motorways in Ireland, the Netherlands and Germany, a railway tunnel in Belgium, a railway line in the Netherlands and a coastal defence scheme in the United Kingdom. The concession arrangements started between 1999 up to and including 2014, for periods varying from fifteen to thirty years.

The majority of the concession payments are contractually agreed and are linked to the availability of the related infrastructure. This availability is evaluated based on the contractually agreed upon criteria. These criteria cover the intensity of usage, temporary closures and maintenance. There may consequently be (temporarily) adjustments to the concession payments with the principal as a result. However, the volatility of the revenue and result is limited.

For three motorways in Ireland and one in Germany, concession payments are directly linked to the traffic volume (toll collection) and revenue and result are consequently volatile to some extent.

## 39. Government grants

Government grants received in 2014, predominantly relating to education, amount to €3.6 million (2013: €3.2 million).

## 40. Research and development

Research and development costs, which predominantly relate to projects, are considered to be part of contract costs. Other research and development costs, in the amount of approximately €0.8 million (2013: approximately €0.8 million), are recognised in the income statement.

## 41. Events after the reporting period

No material events after the reporting period have occurred.

## Company statement of financial position as at 31 December

(before appropriation of result, x €1,000)

	Notes	2014	2013
<b>Non-current assets</b>			
Property, plant and equipment	2	17,230	16,023
Intangible assets	3	377,278	384,774
Financial assets	4	1,470,121	1,585,416
Deferred tax assets	5	<u>205,449</u>	<u>177,469</u>
		<b>2,070,078</b>	<b>2,163,682</b>
<b>Current assets</b>			
Receivables	6	32,695	21,668
Cash and cash equivalents	7	<u>70,456</u>	<u>134,618</u>
		<b>103,151</b>	<b>156,286</b>
<b>Total assets</b>		<b><u>2,173,229</u></b>	<b><u>2,319,968</u></b>
<b>Equity attributable to shareholders of the Company</b>			
Issued and paid capital	8	27,099	26,942
Share premium		812,212	806,326
Reserves		(397,450)	(411,476)
Retained earnings		493,705	461,165
Net result		<u>(108,172)</u>	<u>46,157</u>
		<b>827,394</b>	<b>929,114</b>
<b>Provisions</b>			
Employee benefits	9	68,123	62,427
Provisions		<u>15,080</u>	<u>9,245</u>
		<b>83,203</b>	<b>71,672</b>
<b>Non-current liabilities</b>			
Borrowings	10	<u>133,030</u>	<u>171,481</u>
		<b>133,030</b>	<b>171,481</b>
<b>Current liabilities</b>			
Borrowings	11	48,923	52,094
Other liabilities		<u>1,080,679</u>	<u>1,095,607</u>
		<b>1,129,602</b>	<b>1,147,701</b>
<b>Total equity and liabilities</b>		<b><u>2,173,229</u></b>	<b><u>2,319,968</u></b>

## Company income statement

(x € 1,000)

	2014	2013
Other gains and losses, net of tax	(97,641)	45,969
Result of subsidiaries and investments, net of tax	<u>(10,531)</u>	<u>188</u>
<b>Net result</b>	<b><u>(108,172)</u></b>	<b><u>46,157</u></b>

## Notes to the company financial statements

### 1. Summary of significant accounting policies

#### 1.1 Basis of preparation

The company financial statements of Royal BAM Group nv ('the Company' or 'BAM') have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see note 2 to the consolidated financial statements).

#### 1.2 Investments in subsidiaries

Investments in subsidiaries are measured at net asset value. The net asset value is calculated using the accounting policies, as described in note 2 to the consolidated financial statements. The net asset value of subsidiaries comprises the cost, excluding goodwill, of BAM's share in the net assets of the subsidiary, plus BAM's share in income or losses since acquisition, less dividends received.

### 2. Property, plant and equipment

	Land and buildings	Other assets	Total
<b>As at 1 January 2013</b>			
Cost	25,320	12,999	38,319
Accumulated depreciation	<u>(9,651)</u>	<u>(8,052)</u>	<u>(17,703)</u>
	15,669	4,947	20,616
Additions	-	1,602	1,602
Disposals	(3,160)	(57)	(3,217)
Depreciation charges	<u>(975)</u>	<u>(2,003)</u>	<u>(2,978)</u>
	(4,135)	(458)	(4,593)
<b>As at 31 December 2013</b>			
Cost	16,557	12,186	28,743
Accumulated depreciation	<u>(5,023)</u>	<u>(7,697)</u>	<u>(12,720)</u>
	11,534	4,489	16,023
Additions	1,560	2,768	4,328
Disposals	-	(27)	(27)
Depreciation charges	<u>(764)</u>	<u>(2,330)</u>	<u>(3,094)</u>
	796	411	1,207
<b>As at 31 December 2014</b>			
Cost	16,360	14,846	31,206
Accumulated depreciation	<u>(4,030)</u>	<u>(9,946)</u>	<u>(13,976)</u>
	<b>12,330</b>	<b>4,900</b>	<b>17,230</b>

### 3. Intangible assets

	Goodwill	Non-integrated software	Total
<b>As at 1 January 2013</b>			
Cost	542,606	1,724	544,330
Accumulated amortisation	<u>(155,731)</u>	<u>(430)</u>	<u>(156,161)</u>
Carrying amount	386,875	1,294	388,169
Amortisation charges	-	(376)	(376)
Exchange rate differences	<u>(3,019)</u>	<u>-</u>	<u>(3,019)</u>
Net movements	(3,019)	(376)	(3,395)
<b>As at 31 December 2013</b>			
Cost	539,587	1,724	541,311
Accumulated amortisation	<u>(155,731)</u>	<u>(806)</u>	<u>(156,537)</u>
Carrying amount	<u>383,856</u>	<u>918</u>	<u>384,774</u>
Reclassifications	(16,598)	-	(16,598)
Amortisation charges	-	(376)	(376)
Exchange rate differences	<u>9,478</u>	<u>-</u>	<u>9,478</u>
	(7,120)	(376)	(7,496)
<b>As at 31 December 2014</b>			
Cost	532,467	1,724	534,191
Accumulated amortisation	<u>(155,731)</u>	<u>(1,182)</u>	<u>(156,913)</u>
	<u>376,736</u>	<u>542</u>	<u>377,278</u>

## 4. Financial assets

	Shares in subsidiaries	Receivables from subsidiaries	Other participating interests	Other loans and receivables	Total
<b>As at 1 January 2013</b>	853,712	788,781	940	125	1,643,558
Net result	46,066	-	(97)	-	45,969
Dividends	(143,520)	-	-	-	(143,520)
Additions	-	-	339	-	339
Reclassifications	31,232	(31,232)	-	-	-
Adjustments in group structure	(1,685)	-	-	-	(1,685)
Capital contributions	310	-	-	-	310
Loans granted and repayments	-	(30,205)	-	-	(30,205)
Cash flow hedge	51,977	-	-	-	51,977
Remeasurements of post-employment benefit obligations	27,205	-	-	-	27,205
Exchange rate differences	(8,532)	-	-	-	(8,532)
<b>At 31 December 2013</b>	<u>856,765</u>	<u>727,344</u>	<u>1,182</u>	<u>125</u>	<u>1,585,416</u>
Net result for the year	(97,535)	-	(106)	-	(97,641)
Dividends	(17,477)	-	-	-	(17,477)
Additions	-	-	467	-	467
Reclassifications	59,053	(59,053)	-	-	-
Adjustments in group structure	453	-	-	-	453
Capital contributions	32,018	-	-	-	32,018
Loans granted and repayments	-	(47,144)	-	-	(47,144)
Cash flow hedge	38,867	-	-	-	38,867
Remeasurements of post-employment benefit obligations	(40,381)	-	-	-	(40,381)
Exchange rate differences	15,543	-	-	-	15,543
<b>As at 31 December 2014</b>	<u>847,306</u>	<u>621,147</u>	<u>1,543</u>	<u>125</u>	<u>1,470,121</u>

None of the financial assets were subject to impairment.

A list of the principal subsidiaries is disclosed in section Other information.

## 5. Deferred tax assets

	2014	2013
Deferred tax assets	<u>205,449</u>	<u>177,469</u>
	<u>205,449</u>	<u>177,469</u>

Deferred tax assets include the liquidation of old property development activities in Germany (€80 million), the tax loss carry-forwards of AM to the extent that the realisation of the related tax benefit through future taxable profits is probable offset against deferred tax liabilities.

Additional information on deferred tax assets and liabilities is disclosed in note 22 to the consolidated financial statements.

## 6. Receivables

	2014	2013
Amounts due from subsidiaries	15,120	13,193
Prepayments and accrued income	<u>17,575</u>	<u>8,475</u>
	<u>32,695</u>	<u>21,668</u>

Receivables are due within one year.

## 7. Cash and cash equivalents

	2014	2013
Cash at bank	<u>70,456</u>	<u>134,618</u>
	<u>70,456</u>	<u>134,618</u>

Cash and cash equivalents are at the free disposal of the Company.

## 8. Shareholders' equity

At year-end 2014, the authorised capital of the Group was four hundred million ordinary shares (2013: four hundred million) and six hundred million preference shares (2013: six hundred million), all with a nominal value of €0.10 per share (2013: €0.10 per share). All issued shares have been paid in full.

Movements in the number of ordinary shares are as follows:

	Ordinary shares
As at 1 January 2013	241,524,914
Issue of shares	24,152,491
Dividends	<u>3,746,684</u>
As at 31 December 2013	<u>269,424,089</u>
Dividends	<u>1,574,869</u>
As at 31 December 2014	<u>270,998,958</u>

Movements in shareholders' equity are as follows:

	Issued and paid capital	Share premium	Reserves	Retained earnings	Net result	Total
<b>As at 1 January 2013</b>	24,152	711,249	(492,551)	669,608	(183,840)	728,618
Net result	-	-	-	-	46,157	46,157
Appropriation of result	-	-	-	(183,840)	183,840	-
Issue of shares	2,415	82,119	-	-	-	84,534
Dividends	375	13,956	-	(24,153)	-	(9,822)
Remeasurements of post-employment benefit obligations	-	-	37,801	-	-	37,801
Cash flow hedges	-	-	54,824	-	-	54,824
Other movements	-	(998)	-	(450)	-	(1,448)
Exchange rate differences	-	-	(11,550)	-	-	(11,550)
<b>As at 31 December 2013</b>	<u>26,942</u>	<u>806,326</u>	<u>(411,476)</u>	<u>461,165</u>	<u>46,157</u>	<u>929,114</u>
Net result for the year	-	-	-	-	(108,172)	(108,172)
Appropriation of result	-	-	-	46,157	(46,157)	-
Dividends	157	5,886	-	(13,471)	-	(7,428)
Remeasurements of post-employment benefit obligations	-	-	(49,157)	-	-	(49,157)
Cash flow hedges	-	-	37,972	-	-	37,972
Other movements	-	-	-	(146)	-	(146)
Exchange rate differences	-	-	25,211	-	-	25,211
<b>At 31 December 2014</b>	<u>27,099</u>	<u>812,212</u>	<u>(397,450)</u>	<u>493,705</u>	<u>(108,172)</u>	<u>827,394</u>

## 8.1 Reserves

Reserves relate to the reserves for (cash flow) hedging, remeasurements of post-employment benefits and translation differences. The reserves for (cash flow) hedging and translation differences are legal reserves that are required by Dutch law. Distributions to the shareholders of the Company are restricted to the extent of the negative balance.

The hedging reserve amounts to €81 million negative (2013: €119 million negative), the remeasurements of post-employment benefits €263 million negative (2013: €213 million negative) and the translation reserve €54 million negative (2013: €79 million negative).

## 8.1 Dividends per share

The dividends paid to shareholders of ordinary shares in 2014 were €13.5 million, €7.4 million in cash (€0.05 per share) and €6.1 million in shares (€0.05 per share). The dividends paid to shareholders of ordinary shares in 2013 were €24.2 million, €9.8 million in cash (€0.10 per share) and €14.3 million in shares (€0.10 per share).

In line with the Group's dividend policy the Company will not pay a dividend over the financial year 2014 following the net loss.

## 9. Provisions

	2014	2013
Employee benefit obligations	68,123	62,427
Other provisions	<u>15,080</u>	<u>9,245</u>
	<u>83,203</u>	<u>71,672</u>

Other provisions include the dividend guarantee provision relating to the disposal of the interest in Van Oord.

## 10. Borrowings

	2014	2013
Subordinated loan	125,000	124,500
Financial lease liabilities	-	7,886
Committed syndicated credit facility	-	38,459
Other loans	<u>8,030</u>	<u>636</u>
	<u>133,030</u>	<u>171,481</u>

Additional information on borrowings is disclosed in note 18 to the consolidated financial statements.

## 11. Current liabilities

	2014	2013
Bank overdrafts	48,499	53,737
Subordinated loan	(500)	(500)
Committed syndicated credit facility	-	(1,542)
Other loans	924	399
Amounts due to subsidiaries	1,044,491	1,059,713
Social security and other taxes	208	654
Other liabilities	<u>35,980</u>	<u>35,240</u>
	<u>1,129,602</u>	<u>1,147,701</u>

## 12. Employees

During the year 2014, the Company had 262 (2013: 240) employees on average in FTE.

## 13. Related parties

The Company has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at market prices.

Additional information on key management compensation is disclosed in note 36 to the consolidated financial statements.



## 14. Commitments and contingencies

### 14.1 Guarantees

The Company has issued parent company guarantees amounting to €176 million (2013: €235 million) at year-end 2014.

### 14.2 Third-party liability

The Company is jointly and severally liable for the debts of the subsidiaries based in the Netherlands pursuant to section 403, Book 2 of the Netherlands Civil Code.

The Company, together with other participants, has a joint and several liability for deficits in the Group's cash pool as a whole.

The Company forms a fiscal unity with BAM's major Dutch and certain other subsidiaries for income tax and VAT purposes and, for that reason, it is jointly and severally liable for the Dutch income tax liabilities and Dutch VAT liabilities of the whole fiscal unity.

Bunnik, the Netherlands  
20 February 2015

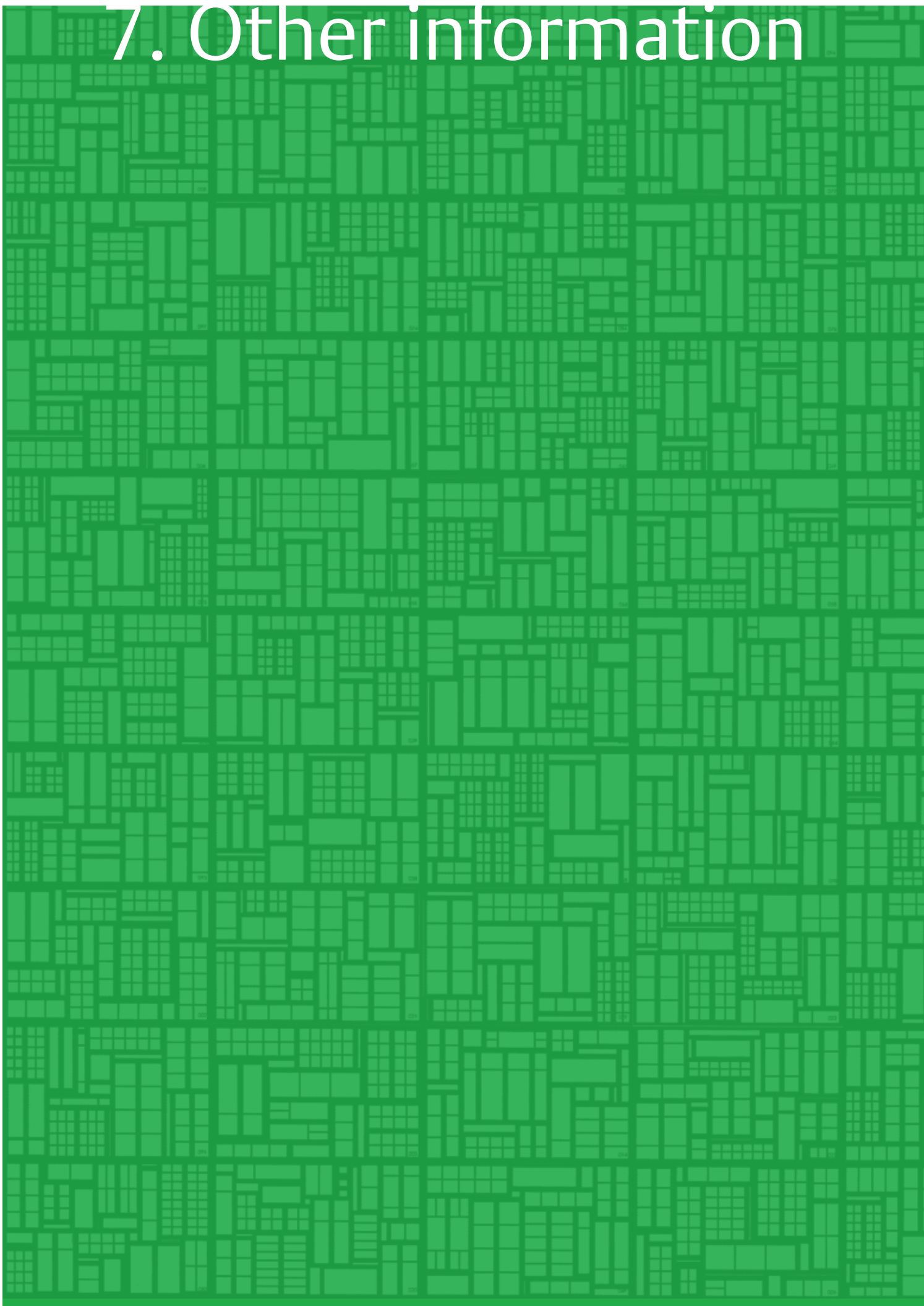
**Supervisory Board:**

P.A.F.W. Elverding  
H. Scheffers  
J.-P. Hansen  
C.M.C. Mahieu  
H.L.J. Noy  
K.S. Wester

**Executive Board:**

R.P. van Wingerden  
T. Menssen  
E.J. Bax

# 7. Other information

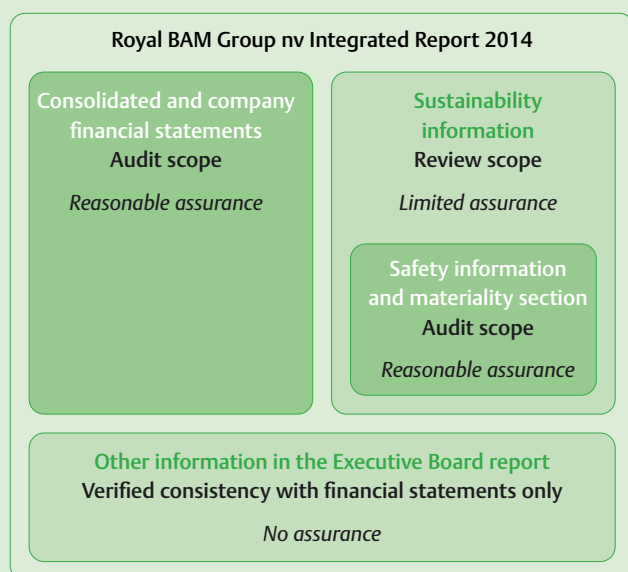


## 7.1 Independent auditor's and assurance report

### General

Our assurance procedures consisted of an audit of the company's financial statements, and a combination of reasonable assurance procedures (audit procedures) over the materiality and safety sections and limited assurance procedures (review procedures) over the other sustainability information in the company's integrated report.

Our scope can be summarized as follows:



### Independent auditor's report

**To: the general meeting and supervisory board of Royal BAM Group nv**

### Report on the financial statements 2014

#### *Our opinion*

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Royal BAM Group nv as at 31 December 2014 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements give a true and fair view of the financial position of Royal BAM Group nv as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the financial statements 2014 of Royal BAM Group nv, Bunnik ('the company'). The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the following statements for 2014: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2014;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

*The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Royal BAM Group nv in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Our audit approach*

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates about the valuation of projects that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

Materiality

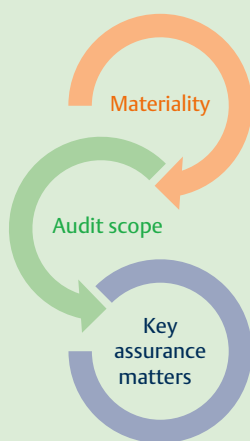
- We established an overall financial audit materiality of € 10 million. Our materiality for 2014 represents 0,15% of the 2014 net revenues.

Audit scope

- We conducted audit work primarily in the 5 home countries (The Netherlands, Germany, United Kingdom, Ireland and Belgium) and at BAM International.
- All operating companies are covered by the audit work of the group engagement team or component auditors.

Key audit matters

- Valuation of large and complex construction projects
- Valuation of land held for property development
- Valuation of deferred tax assets
- Goodwill impairment assessment



Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€10 million
How we determined it	0.15% of the net revenues for 2014 (rounded to €10 million).
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. Profit before tax is not considered to be an appropriate benchmark, given the volatility of results over the years. We used net revenue as alternative benchmark which is also an appropriate metric. We used a relatively low percentage against the revenue benchmark to reflect the relative low profit margins on projects. Considering the users of the financial statements and their needs we estimate that a lower threshold of 0.15% is appropriate.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

*The scope of our group audit*

The company is head of a group of entities. The financial information of this group is included in the consolidated financial statements of the company.

Considering our ultimate responsibility for the opinion on the company’s consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the

audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

In our view, due to their significance and/or risk characteristics, each of the operating companies required an audit of their complete financial information and we used component auditors from other PwC network firms and other audit firms who are familiar with the local laws and regulations in each of the five territories and BAM International to perform this audit work. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work of those component auditors to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. The group engagement team visited the component teams. The group team engagement leader and the other senior members of the group engagement team were also directly involved in the audit of a significant part of the operating companies. In addition they visited all operating companies given the importance of the judgements involved in the construction contracts, land and building rights and property development projects. Two operating companies in the UK are audited by another 'big four' audit firm. We reviewed their audit files and reports.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. These include goodwill, deferred tax assets, pensions, derivative financial instruments and share based payments.

Taken together, all operating companies are covered by the audit work of the group engagement team or component auditors.

By performing the procedures mentioned at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit and review evidence regarding the financial information of the group to provide a basis for our opinion on the financial statements.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the

audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

**Key audit matter****How our audit addressed the matter***Valuation of large and complex construction contracts*

Refer to page 35-36 (Executive Board Report), page 160 (Significant accounting estimates) and page 165-166 (notes).

BAM's result for 2014 is significantly influenced by results on large and complex construction projects. The valuation of these construction projects is considered a key audit matter because the valuation of these projects is subject to uncertainty as a result of complex contracts, complex assessment of the costs to complete and settlement of significant amounts of variation orders and claims on principals and insurance companies.

Our audit procedures and the audit procedures of our component auditors on these projects included site visits and testing management's positions against underlying documentation of claims and variation orders including expert opinions of lawyers. We also analysed differences with prior project estimates and assessed consistency with the developments during the year. We verified that the claims and variation orders on these projects meet the recognition criteria. We challenged management's assumptions at the project, local entity and group management levels in order to evaluate the reasonableness and consistency of the valuation of the variation orders and claims within these projects and the final forecast project result.

As explained on page 44 of the executive board report we particularly considered project control and risk management related to projects. Because of the increase of risks being transferred to construction companies in combination with the current margin pressure in the construction sector, we recommended management to further strengthen the newly implemented risk management procedures at the tender phase to reduce the risk that projects are acquired with an unfavourable balance between risks and rewards.

*Valuation of land held for property development*

Refer to page 36 (Executive Board Report), page 161 (Significant accounting estimates) and page 165-166 and 174-175 (notes).

The valuation of land held for residential property development ('land') is based on the outcome of the related calculations of the land's net realizable value. These calculations are based on assumptions relating to the future market developments, decisions of governmental bodies, interest rates and future cost and price increases. Because these estimates relate to terms which vary from one year to more than thirty years, the estimation uncertainty relating to the valuation of land held for residential property development is significant.

During our audit, amongst others, we have assessed the calculations of the land's net realizable values and challenged the reasonableness and consistency of the assumptions used by management. We verified that management's assumptions around the possibilities for future residential property development are consistent with documentation which include the plans and decisions of government bodies and with the information included in external appraisals.

We also compared management's assumptions concerning the development of house prices with independent expectations of external parties and institutions. Expected future costs and interest expenses are assessed based on underlying documentation and assessed based on reasonableness. We refer to page 36 of the executive board report on management's views. A part of the land portfolio has also been appraised by external appraisers and we have involved our own appraisers as audit experts to assess the underlying assumptions and methodology of the appraisals.

**Key audit matter****How our audit addressed the matter***Valuation of deferred tax assets*

Refer to page 56 and 69 (Executive Board Report), page 161 (Significant accounting estimates) and page 193-194 (notes).

The valuation of deferred tax assets relating to carry forward tax losses is based on the expected future tax profits for 9 subsequent years. We considered this as a key audit matter because of the degree of estimation uncertainty about the company's future taxable profits within the maximum off-set period and tax planning possibilities.

Our audit approach included, amongst others, an assessment of the company's assumptions underlying the estimated future tax profits for their reasonableness and consistency with internal budgets and strategic plans for future years.

We challenged management's expectations on the improvements of the results and verified their consistency with the detailed plans and cost saving potential as reflected in the company's Back in shape programme as referred to in the executive board report on page 56 and 69. We also involved our tax specialists to verify that the possibilities for tax planning and extension of the compensation periods are consistent with applicable tax laws.

*Goodwill impairment assessment*

Refer to page 53 (Executive Board Report), page 161 (Significant Accounting Estimates) and page 168-169 (notes).

The goodwill impairment assessment is considered as a key audit matter because this involves considerable judgment with respect to assumptions as the future development of margins, revenues and the determination of the discount rates. The decline of the share price in 2014 is also considered as an impairment trigger.

Our audit approach included, amongst others, an assessment of the company's assumptions as described on page 168 and 169 of the financial statements, underlying the estimated future results on reasonableness and consistency with the approved budgets and BAM's 5 year forecast. As management disclosed on page 169 of the financial statements the headroom relating two Belgium CGUs is limited.

We challenged management's expectations on the improvements of the project margins, which are strongly related to improvements of project control. Also the expectations relating working capital reductions are assessed on reasonableness, especially for the entities with a lower headroom.

We also compared management's expectations of the revenue growth with expectations of independent bodies for the construction industry in the respective countries of entities with goodwill.

We involved our valuation experts to verify that the WACC, the long term growth rate and other assumptions are consistent with observable market data.

We performed thorough sensitivity analyses around the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired.

We assessed the adequacy of the disclosures particularly related to assumptions and sensitivities.

*Responsibilities of the executive board and the supervisory board*

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the executive board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the executive board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

*Our responsibilities for the audit of the financial statements*

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

*Report on other legal and regulatory requirements*

Our report on the executive board report and the other information Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the executive board report and other information):

- We have no deficiencies to report as a result of our examination whether the executive board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the executive board report, to the extent we can assess, is consistent with the financial statements.

*Our appointment*

We were appointed as auditors of Royal BAM Group nv on 23 April 2014 by the passing of a resolution by the shareholders at the annual meeting, following such a proposal at 19 February 2014 by the supervisory board. This appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of over 25 years.



## Independent assurance report

### To: the general meeting and Supervisory Board of Royal BAM Group nv

The Board of Directors of Royal BAM Group nv ('the company') engaged us to provide assurance on certain information in the Integrated Reporting 2014. Our engagement consisted of a combination of limited assurance over the Sustainability Information included in Chapters 3, 4.2, 4.3 and 8 (leading to a 'conclusion'), as well as reasonable assurance over the Materiality section on page 18-19 and the Safety section on page 64-65 (leading to an 'opinion'). We believe these procedures fulfil the rational objective as disclosed by the company on page 237.

#### *Our conclusion*

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information for the year ended 31 December 2014 does not provide a reliable and appropriate presentation of the company's policy for sustainable development, or of the activities, events and performance of the organisation relating to sustainable development during the reporting year, in accordance with the Reporting Criteria.

#### *Our opinion*

Based on the procedures we have performed and the evidence we have obtained, in our opinion the Materiality section on page 18-19 and the Safety section as included on page 64-65 of the Integrated Reporting 2014 are, in all material respects, presented reliably and adequately, in accordance with the company's reporting criteria. This opinion and conclusion are to be read in the context of what we say in the remainder of our report.

#### *The basis for our opinion and conclusion*

##### What we are assuring

We have reviewed Chapter 3 – Value creation, Chapter 4.2 – Social performance, Chapter 4.3 – Environmental performance and Chapter 8 – Appendices in the Integrated Reporting 2014 (hereafter: 'the Report') of Royal BAM Group nv, Bunnik (together referred to as 'Sustainability Information'). The Sustainability Information comprises a representation of the policy, the activities, and performance of the company relating to sustainable development during the reporting year 2014. The disclosures made by management with respect of the scope of the Report are included on pages 235-237 of the Report.

Limited assurance is substantially less in scope than reasonable assurance in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

In addition to our review procedures, the scope in sections Materiality (page 18-19, referred to as 'Materiality section') and Safety (pages 64-65, referred to as 'Safety section') comprise reasonable assurance over the figures as well as the assertions in the surrounding text on those pages.

The auditor is not expected to, and cannot, reduce audit risk to zero and cannot therefore obtain absolute assurance that the sustainability information is free from material misstatement due to fraud or error. This is because there are inherent limitations of an assurance engagement, which result in most of the audit evidence on which the auditor bases the auditor's opinion being persuasive rather than conclusive.

#### *Limitations in our scope*

The Sustainability Information, Materiality section and Safety section contain prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore it may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

#### *Reporting criteria*

The company developed its sustainability reporting criteria (including criteria to report on materiality and safety) on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI), which are disclosed together with detailed information on the reporting scope in paragraph 8.1 - Sustainability reporting process and methods (p. 235-237). We consider the sustainability reporting criteria to be relevant and appropriate for our examination.

#### *Understanding reporting and measurement methodologies*

The information in the scope of this engagement needs to be read and understood together with the Reporting Criteria, which the company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

#### *Our assurance approach*

##### Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in aggregate. Based on our professional judgement, we determined specific materiality levels for each element of the Sustainability Information.

*Area of particular focus*

We considered the following area to be one that required our particular focus and discussed this area with the company's management. This is not a complete list of all areas of focus identified by our work.

Area of focus	How the scope of our work addressed the area of focus
<p>The maturity of the sustainability reporting process at the local entities varies and in general is lower than the financial reporting processes.</p>	<p>As a result, our assurance approach for the sustainability information focused more on substantive procedures and less on internal controls reliance. As part of our assurance procedures we traced reported information back to underlying source documentation, reperformed calculations and assessed estimates by challenging underlying assumptions and comparing estimates with actual data for comparable periods or projects.</p> <p>During our assessment of the internal control environment we challenged the company to further align and integrate its sustainability related internal controls with the internal control environment relating to the financial reporting. Such further alignment and integration can help the company make the shift towards more integrated thinking and acting in its business processes to further develop its value creation process.</p> <p>The company acknowledges this area of focus and aims to improve the maturity of the sustainability reporting process in the coming years.</p>
<p>Sharing our identified opportunities to the sustainability reporting process with the company</p>	<p>During our procedures at we noted the following areas for improvement:</p> <ul style="list-style-type: none"> <li>• Improve the integration of sustainability in the business and in the behaviour of the people in an economic environment, which is still primarily financially driven</li> <li>• Improve sites' understanding of the Group's data collection and reporting requirements;</li> <li>• Ensure that consistent methodologies are used by sites to calculate hours worked.</li> </ul> <p>These matters were communicated to the individual Group company management teams and to the company's Corporate Social Responsibility team, and management have advised us that they are committed to addressing these issues through a number of measures including: a review of methodologies for the calculation of hours worked; more detailed guidance and training on data collection and reporting requirements and implementing periodic review meetings with the teams at Group company level.</p>
<p><i>Work done</i></p> <p>We are required to plan and perform our work in order to consider the risk of material misstatement of the information in the Materiality section, the Safety section and of the Sustainability Information in the other chapters.</p> <p>Our work was carried out by an independent and multi-disciplinary team (which is part of the group audit engagement team) with experience in sustainability reporting and assurance and was performed at the head office in Bunnik and during conducted visits to the significant operating companies.</p> <p>Our most important procedures related to the Sustainability Information were amongst others:</p> <ul style="list-style-type: none"> <li>• making enquiries of Royal BAM Group nv management, including the CSR team and those with responsibility for CSR management</li> </ul>	<p>and group CSR reporting</p> <ul style="list-style-type: none"> <li>• performing an external environment analysis and obtaining insight into the industry, relevant social issues, relevant laws and regulations and the characteristics of the organisation;</li> <li>• assessing the acceptability of the reporting policies and consistent application of this, such as assessment of the outcomes of the stakeholder dialogue and the process for determining the material subjects, the reasonableness of estimates made by management, as well as evaluating the overall presentation of the sustainability information;</li> <li>• Understanding the systems and processes for data gathering, internal controls and processing of other information, such as the aggregation process of data to the information as presented in the sustainability information;</li> <li>• reviewing internal and external documentation to determine whether the sustainability information, including the disclosure,</li> </ul>

presentation and assertions made in the report, is substantiated adequately;

- assessing the consistency of the sustainability information and the information in the Integrated Reporting 2014 not in scope for this assurance report;
- assessing whether the sustainability information has been prepared 'in accordance' with the GRI G4 Guidelines.

In addition to the procedures mentioned above, for the Materiality section and Safety section we performed the following:

- assessing the systems and processes for data gathering, including testing the design, existence and the effectiveness of the relevant internal controls during the reporting year;
- conducting analytical procedures and substantive testing procedures on the relevant data;
- assessing the processing of other information, such as the aggregation process of data to the information as presented in the sustainability information;
- corroborating internal and external documentation to determine whether the sustainability information is substantiated adequately;

#### *Professional and ethical standards applied*

We conducted our engagement in accordance with Dutch law, including Standard 3810N 'Assurance engagements relating to sustainability reports'.

We are independent of the company in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

#### *Responsibilities*

##### The Board of Directors' responsibilities

The Board of Directors of the company is responsible for the preparation of the Report in accordance with the company's reporting criteria, including the identification of the stakeholders and the determination of material subjects. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

##### Our responsibilities

Based on our assurance engagement in accordance with Standard 3810N, our responsibility is to:

- express a conclusion on the Sustainability Information in the Report; and
- express an opinion on the Materiality section and the Safety section in the Report.

This requires that we comply with ethical requirements and that we plan and perform our work to obtain limited assurance about whether the report is free from material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An assurance engagement aimed on providing limited and reasonable assurance also includes evaluating the appropriateness of the reporting framework used and the reasonableness of estimates made by management as well as evaluating the overall presentation of the Report.

Rotterdam, 20 February 2015

PricewaterhouseCoopers Accountants N.V.

Drs J.G. Bod RA

## Appendix to our auditor's report on the financial statements 2014 of Royal BAM Group nv

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### *The auditor's responsibilities for the audit of the financial statements*

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluding on the appropriateness of the executive board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

## 7.2 Proposed appropriation of result

The net loss for 2014, amounting to €108.2 million, has been accounted for in shareholders' equity. The Company will not pay a dividend for the financial year 2014.

## 7.3 Articles of Association provisions governing the distribution of profit

*(Summary of Article 32 of the Articles of Association)*

From the profit realised in any financial year, an amount will first be distributed, where possible, on the class B cumulative preference shares, calculated by applying the percentage stated below to the mandatory amount paid up on those shares as at the start of the financial year for which the distribution is made. The percentage referred to above will be equal to the average of the Euribor rates for money market loans with a maturity of twelve months – weighted according to the number of days for which these rates prevailed – during the financial year for which the distribution is made, plus one percentage point. Euribor refers to the Euro Interbank Offered Rate as determined and published by the European Central Bank.

Subsequently, if possible, a dividend will be distributed on each financing preference share of a certain series and sub-series, with due consideration of the provisions of this article, equal to an amount calculated by applying a percentage to the nominal amount of the financing preference share concerned at the start of that financial year, plus the amount of share premium paid up on the financing preference share issued in the series and sub-series concerned at the time of initial issue of the financing preference shares of that series and sub-series, less the amount paid out on each financing preference share concerned and charged to the share premium reserve formed at the time of issue of the financing preference shares of that series and sub-series prior to that financial year.

If and to the extent that a distribution has been made on the financing preference shares concerned in the course of the year and charged to the share premium reserve formed at the time of issue of the financing preference shares of the series and sub-series concerned, or partial repayment has been made on such shares, the amount of the distribution will be reduced pro rata over the period concerned according to the amount of the distribution charged to the share premium reserve and / or the repayment with respect to the amount referred to in the preceding sentence. The calculation of the dividend percentage for the financing preference shares of a certain series will be made for each of the series of financing preference shares referred to below, in the manner set forth for the series concerned.

*Series FP1-FP4:*

The dividend percentage will be calculated by taking the arithmetical mean of the yield to maturity on euro government loans issued by the Kingdom of the Netherlands with a remaining term matching as closely as possible the term of the series concerned, as published in the Official Price List of Euronext Amsterdam, plus two percentage points.

*Series FP5-FP8:*

The dividend percentage will be equal to the average of the Euribor rates for money market loans with a maturity of 12 months – weighted according to the number of days for which these rates prevailed – during the financial year for which the distribution is made, plus two percentage points.

The above percentages may be increased or reduced by an amount of no more than three hundred basis points.

The above percentages apply for the following periods: series FP1 and FP5: five years; series FP2 and FP6: six years; series FP3 and FP7: seven years; and series FP4 and FP8: eight years. After a period expires, the percentage will be modified in accordance with the rules laid down in Article 32 paragraph 6(c) of the Articles of Association.

The Supervisory Board shall determine, on the basis of a proposal by the Executive Board, what part of the profit remaining after application of the above provisions will be added to the reserves. The part of the profit that remains thereafter is at the disposal of the General Meeting, subject to the provision that no further dividends will be distributed on the preference shares and with due consideration of the other provisions of Article 32 of the Articles of Association.

## 7.4 Anti-takeover measures

The company has taken the following measures to protect itself against any undesired developments that might have an impact on the independence, continuity and / or identity of the Group.

Pursuant to a resolution passed by the General Meeting held on 12 June 1972, the Articles of Association include the possibility of issuing preference shares. Stichting Aandelenbeheer BAM Groep (hereafter referred to as 'the Foundation') was founded with a view to this possibility in 1978. The object of the Foundation is to look after the interests of the Company and the companies that are held by the Company and the group of companies associated with the Company. Specifically, the Foundation seeks to ensure that the interests of the Company and of those companies and all their stakeholders are safeguarded as well as possible and that influences which could undermine the independence and / or continuity

and / or identity of the Company and those companies and which are in conflict with those interests are averted to the best of the Foundation's ability.

The Foundation attempts to achieve its objective by acquiring – whether or not by exercising the option referred to above – and holding class B cumulative preference shares in the Company's capital, by exercising the rights connected with those shares and / or by using its right of enquiry.

As announced at the General Meeting held on 4 June 1992 and considered at the General Meeting on 8 June 1993, the Company granted the Foundation an option to acquire class B cumulative preference shares in the Company's capital on 17 May 1993. This option was granted up to such an amount as the Foundation might require, subject to a maximum of a nominal amount that would result in the total nominal amount of class B cumulative preference shares in issue and not held by the Company equalling no more than ninety-nine point nine per cent (99.9 per cent) of the nominal amount of the issued share capital in the form of shares other than class B cumulative preference shares and not held by the Company at the time of exercising of the right referred to above. The Executive Committee of the Foundation has the exclusive right to determine whether or not to exercise this right to acquire class B cumulative preference shares.

On 6 October 2008, the Company granted the Foundation the right, under Article 2:346(c) of the Dutch Civil Code, to submit a petition as referred to in Article 2:345 of the Dutch Civil Code (right of enquiry).

The Foundation's Executive Committee consists of three members, namely a Category A director and two Category B directors. The Category A director is appointed by the company's Executive Board, subject to approval by the Supervisory Board.

The Category A director may not be a member of the Executive Board or Supervisory Board of the Company or any of its subsidiaries.

The Category B directors are appointed by the Foundation's Executive Committee, subject to the approval of the Executive Board, for which the latter in turn requires the approval of the Supervisory Board. A Category B director may not be a person affiliated to the Company as referred to in the now lapsed Appendix X to the General Regulations of Euronext Amsterdam Stock Market, Rule Book II (Algemeen Reglement Euronext Amsterdam Stockmarket, Rulebook II).

The current composition of the Executive Committee is:

R. Pieterse, chairman (B)

F.K. Buijn (A)

R. de Jong (B)

The chairman of the Foundation's Executive Committee receives an annual fee of €12,000 from the Foundation. The Foundation pays an annual fee of €10,000 to each of the other members of its Executive Committee.

The particulars of the Executive Committee members are:

**R. Pieterse (1942), chairman**

Member of the Foundation's Executive Committee since 2009 and chairman since 2012. A Dutch national. Former chairman of the Executive Board of Wolters Kluwer. Mr Pieterse chairman of the Supervisory Board and member of the Audit Committee of Mercurius Media Group Wormerveer, member of the Supervisory Board and chairman of the Audit Committee of Corbion, member of the Supervisory Board of eVision, chairman of the Board of Stichting Continuïteit PostNL and chairman of the Board of Stichting Preferente Aandelen USG People.

In 2003, Mr Pieterse was a member of the committee that drew up the first Dutch Corporate Governance Code.

**F.K. Buijn (1960)**

Member of the Foundation's Executive Committee since 2012.

A Dutch national. Former civil-law notary, well-versed in business law. Member of the Executive Board of the ARCADIS Preferred Shares Foundation. Involved at various large family companies as chair or director of foundation trust offices. chairman of the Board of the Instituut Gak foundation.

**R. de Jong RA (1948)**

Member of the Foundation's Executive Committee since 2009.

A Dutch national. Former member of the Executive Board and Chief Financial Officer of Essent. Mr De Jong is chairman of the Supervisory Board of N.V. Nederlandse Gasunie, chairman of the Supervisory Board of Bakeplus Holding, member of the Supervisory Board and chairman of the Audit Committee of Enexis Holding, member of the Supervisory Board and chairman of the Audit Committee of USG People and member of the Supervisory Board of Rabobank Arnhem & Omstreken. He is a member of the Executive Committee of the Foundation of Holding Preferred Shares in Wereldhave.

No class B cumulative preference shares have been issued at this time.

The Supervisory Board and the Executive Board reserve the right, in the interests of the Company and its associated companies, to resolve to take measures other than the issue of class B preference shares in order to protect the Company against influences that might be regarded by the Supervisory Board and the Executive Board, after balancing the interests of the Company and all of the stakeholders in the Group, as being potentially damaging to the independence, continuity and / or identity of the Group.

## 7.5 Five year overview

(x 1 million, unless otherwise stated)

	2014	2013	2012 <sup>4</sup>	2011	2010
Revenue	7,314	7,042	7,225	7,920	7,611
Operating result	(104.7)	15.9	(273.1)	150.7	(30.3)
Result before tax	(122.4)	44.4	(224.3)	158.7	26.0
Net result attributable to the shareholders of the Company	(108.2)	46.2	(183.8)	126.0	15.3
Basic earnings per share (in €1.-)	(0.40)	0.19	(0.77)	0.54	0.08
Diluted earnings per share (in €1.-)	(0.40)	0.19	(0.77)	0.54	0.08
Dividend per ordinary share (in €1.-) <sup>1</sup>	-	0.05	0.10	0.16	0.03
Equity attributable to the shareholders of the Company	827.4	929.1	728.6	1,162.4	1,099.9
Subordinated loan <sup>2</sup>	124.5	124.0	123.5	200.0	199.9
Preference shares	-	-	-	-	1.7
Capital base	951.9	1,053.1	852.1	1,362.4	1,301.5
Net investment in property, plant and equipment	39.0	65.2	94.6	57.2	68.5
Depreciation, amortisation and impairment charges of:					
- Property, plant and equipment	80.8	85.9	80.2	94.9	97.3
- Intangible assets	3.7	3.2	154.5	11.1	10.9
Other impairment charges	114.1	29.5	247.7	-	127.3
Cash flow before dividend	90.5	164.8	298.6	232.0	250.9
Total impairment charges	115.9	30.0	398.1	-	128.2
Order book <sup>3</sup>	10,268	10,021	10,700	10,400	12,100
Average number of employees (in FTE)	23,325	23,502	23,143	23,702	26,840
Number of employees as at 31 December (in FTE)	23,137	23,329	23,691	23,830	26,088
Ratios (in %)					
Result before tax and impairment charges as % of revenue	(0.1)	1.2	2.4	2.0	2.0
Net result to the shareholders of the Company as % of revenue	(1.5)	0.7	(2.5)	1.6	0.2
Net result to the shareholders of the Company as % average equity	(12.3)	5.6	(19.4)	11.1	1.6
Solvency ratios (in %)					
- Equity attributable to shareholders as % of total assets	16.7	17.5	13.7	16.1	15.4
- Capital base as % of total assets	19.2	19.8	16.1	18.9	18.2
Current ratio	1.08	1.10	1.07	1.39	1.23

<sup>1</sup> No dividend for 2014

<sup>2</sup> Including current part

<sup>3</sup> Order book comprises both signed contracts and verbally agreed upon orders

<sup>4</sup> Figures are adjusted due to IFRS 11 and IAS 19 (as revised in 2011).

## 7.6 List of principal subsidiaries, joint ventures and associates

<b>Construction and mechanical and electrical services</b>	<b>%</b>
BAM Utiliteitsbouw bv*, Bunnik (Netherlands)	100
BAM Woningbouw bv*, Bunnik (Netherlands)	100
Heilijgers bv*, Amersfoort (Netherlands)	100
BAM Materieel bv*, Lelystad (Netherlands)	100
BAM Techniek bv*, Bunnik (Netherlands)	100
Interbuild nv, Wilrijk-Antwerp (Belgium)	100
BAM Construct UK Ltd, Hemel Hempstead (United Kingdom)	100
BAM Deutschland AG, Stuttgart (Germany)	100
<b>Civil engineering</b>	
BAM Civiel bv*, Gouda (Netherlands)	100
BAM Infratechniek bv*, Culemborg (Netherlands)	100
BAM Rail bv*, Breda (Netherlands)	100
BAM Wegen bv*, Utrecht (Netherlands)	100
BAM Infraconsult bv*, Gouda (Netherlands)	100
BAM International bv*, Gouda (Netherlands)	100
BAM Galère sa, Chaudfontaine (Belgium)	100
BAM Technics sa, Louveigné (Belgium)	100
Betonac nv, Sint-Truiden (Belgium)	100
CEI-De Meyer nv, Brussels (Belgium)	100
BAM Nuttall Ltd, Camberley, Surrey (United Kingdom)	100
BAM Contractors Ltd, Kill, County Kildare (Ireland)	100
Wayss & Freytag Ingenieurbau AG, Frankfurt am Main (Germany)	100
<b>Property</b>	
AM bv*, Utrecht	100
AM Real Estate Development*, Amsterdam	100
Kairos nv, Wilrijk-Antwerp (Belgium)	100
<b>Public-Private Partnerships (PPP)</b>	
BAM PPP bv*, Bunnik	100
<b>Joint ventures</b>	
BAM PPP PGGM Infrastructure Coöperatie U.A	50.0
<b>Associates</b>	
Infraspeed (Holdings) bv, Haarlem (Netherlands)	10.5
Justinvest nv, Wilrijk-Antwerp (Belgium)	33.3
Rabot Invest nv, Wilrijk-Antwerp (Belgium)	25.0

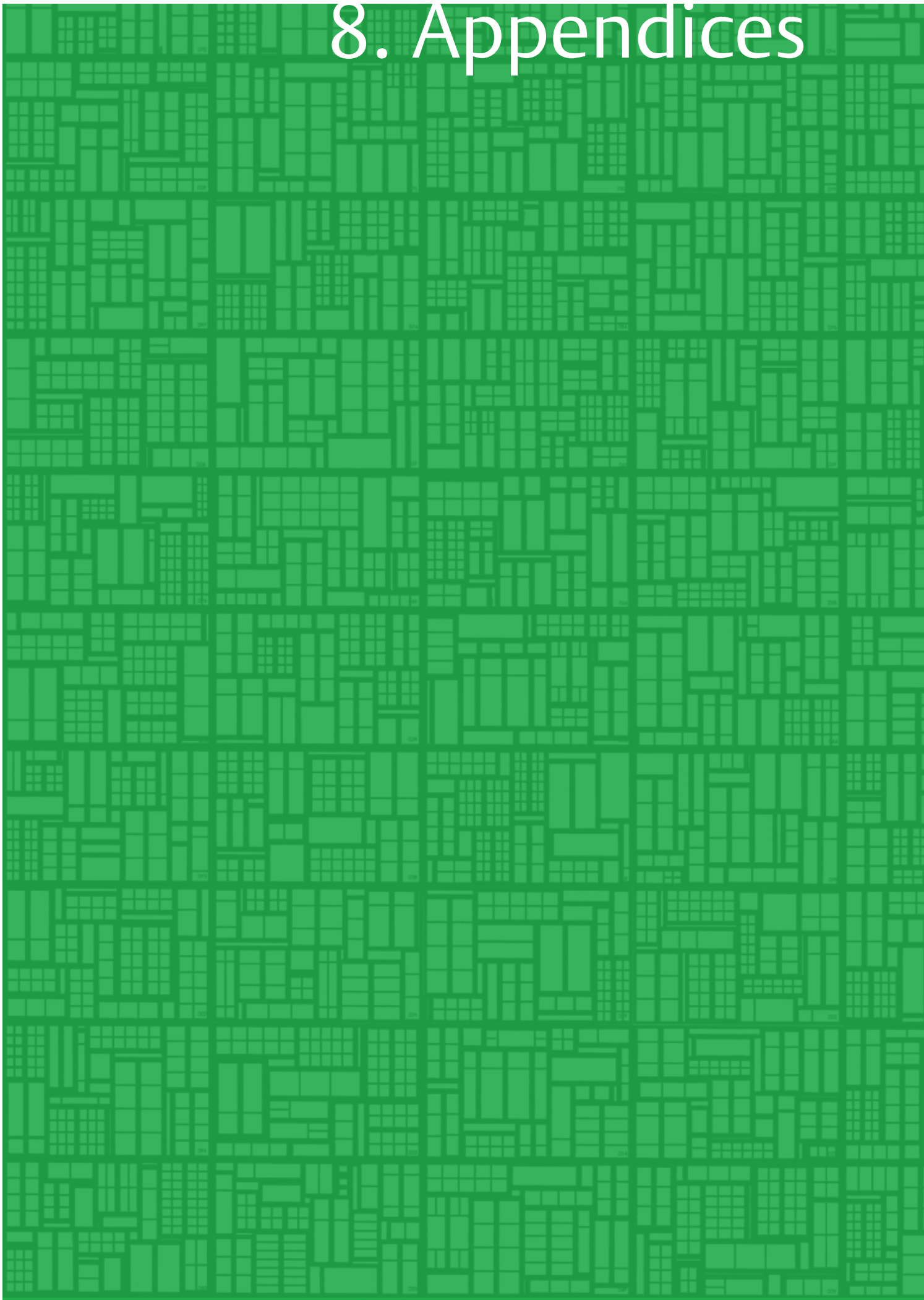
A list of associates as referred to in Sections 379 and 414, Book 2, of the Netherlands Civil Code has been deposited at the Office of the Trade Register in Utrecht.

\* In respect of these subsidiaries, Royal BAM Group nv has deposited a declaration of joint and several liability pursuant to Section 403, Part 9, Book 2 of the Netherlands Civil Code.





# 8. Appendices



## 8.1 Sustainability reporting process and methods

This chapter provides specific information on the reporting process and reporting methods BAM used to arrive at the sustainability figures and topics included in this report.

### *Target audience*

BAM reports its sustainability policy and the associated results to all stakeholders. BAM's stakeholders include among others clients, the company's employees, suppliers and subcontractors, shareholders, other organisations in the construction industry, NGOs and public authorities.

### *Reporting criteria – GRI G4 'In accordance' – Comprehensive*

This report has been compiled 'in accordance' with the Comprehensive Option of the G4 Guidelines of the Global Reporting Initiative (GRI). Chapter 8.2 includes an overview of the GRI G4 and CRESS economic, environmental and social performance indicators covered by this report. Certain indicators are reported qualitatively rather than quantitatively. Chapter 8.2 discloses the nature of reporting per G4 – Comprehensive Indicators e.g. quantitatively or qualitatively.

### *Reporting period and reporting frequency*

This report presents both quantitative and qualitative data for the calendar year 2014. An exception is made for all CO<sub>2</sub> and waste data reported by BAM International which applies a reporting period of 1 December 2013 to 30 November 2014. BAM allows for this different reporting period as BAM International has a complex operating and reporting structure and more time is required to ensure that the reported data is reliable and adequate. BAM believes that the effects of a different reporting period by BAM International is not material to the Group's annual report. All other data is reported annually.

### *Reporting boundaries*

This report contains data of all operating companies and thus BAM's own activities. Sustainability performance and data are accounted for according to BAM's share of equity. As an exception to this rule, BAM International reports all sustainability data for joint venture projects in which it is the leading party.

### *Reporting process*

The annual report, including all material aspects, is approved by the Supervisory Board and the Executive Board. Data collection takes into account BAM's organisational structure. Both qualitative and quantitative information is reported by operating companies to the Group. The data is consolidated and validated first at company level and then consolidated and further validated at group level. Every reporting entity has a CSR manager, CSR controller and director responsible for CSR who are involved with ensuring reliable reporting. In 2009, a reporting system for CO<sub>2</sub> emissions and waste was launched as an extension of the financial reporting system.

The reporting process and definitions used are formalised in BAM's CSR reporting manual. The sustainability reporting manual provides guidance on how to measure, calculate and estimate data.

### *Reporting indicators*

For BAM's main indicators this chapter provides further insight below. For other quantitative indicators disclosures on the reporting scope and methods used are given in the annual report itself. Where relevant, figures are presented in a relative way (using percentages and ratios) to make it possible for readers to monitor and measure progress year-on-year, unless the reporting criteria require absolute figures to be disclosed.

### *Safety*

For safety BAM defined its Incident Frequency (IF) as the number of BAM employees and all persons working under supervision of BAM International involved in reportable incidents per million man-hours worked on BAM's construction sites. Reportable incidents are based on actual occurrences and are never extrapolated or estimated. Reported hours are measured, calculated or estimated. For all companies, except for BAM International, BAM includes only BAM employee related accidents and hours. BAM International takes into account all persons working under their direct supervision although they may not have a labour contract with Royal BAM Group directly. As a result, the accidents and hours worked by all persons working under the supervision of BAM International and irrespective of their labour contract are included in the reported incident frequency. This is inherent to BAM International's business model. In its disclosures concerning the incident frequency BAM distinguishes between the incident frequency for all operating companies including BAM International and the incident frequency for all operating companies working in the five home countries which thus excludes data from BAM International. Please refer to page 64-65 for details.

### *Human Resources (HR)*

HR data is obtained once a year using a standardised questionnaire. HR data is derived from the HR accounts held by BAM's operating companies.

### *Energy consumption and CO<sub>2</sub> emissions*

Our energy consumption and greenhouse gas inventory is based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition (2004: 'Corporate Standard') as issued by the World Business Council for Sustainable Development and the World Resource Institute. For greenhouse gas emissions BAM has chosen to report only on CO<sub>2</sub>. Other greenhouse gases, such as CH<sub>4</sub> (methane), N<sub>2</sub>O (nitrous oxide) are excluded from BAM's emissions inventory as they are considered not material. BAM uses country specific emission factors for the calculation of the greenhouse gas emissions, or more accurate

factors if available. BAM uses standardised conversion factors to calculate energy consumption. The Group's reporting scope includes its direct CO<sub>2</sub> emissions (scope 1 emissions, from BAM's own sources), indirect CO<sub>2</sub> emissions from the generation of purchased electricity consumed by BAM (scope 2 emissions) and three indirect categories of CO<sub>2</sub> emissions that are a consequence of BAM's business activities from sources not owned and controlled by BAM: employee air travel, employee car travel with privately owned cars and business travel (scope 3 emissions). Emissions from the use of private cars at BAM's German operating companies are excluded from scope 3 emissions, due to fiscal technicalities. The impact on the total scope 3 emissions is considered to be limited.

The GHG Corporate value chain (scope 3) accounting and reporting standard for full scope 3 reporting has not been implemented. Contrary to the Greenhouse Gas Protocol BAM reports fuel consumption by leased vehicles under scope 1 emissions. Energy consumption from district heating and use of public transport are considered negligible and therefore not included in BAM's overall energy consumption and related CO<sub>2</sub> emissions.

The basis for consolidated energy consumption and CO<sub>2</sub> emissions is activity data which in turn is based mostly on meter readings, invoices and data provided by suppliers. Where reliable data is not available, BAM uses calculations or estimations using reliable methods and input data. BAM is satisfied that the estimates are reliable in all material respects.

Where clients provide BAM with electricity and BAM is able to receive reliable information on its client supplied electricity consumption, the company includes this consumption in its carbon footprint. Also, as BAM only receives information on CO<sub>2</sub> emissions associated with air travel, which BAM includes in its scope 3 emissions.

Using conversion factors from reputable and authoritative sources, BAM determines the energy consumption in TJs and CO<sub>2</sub> emissions associated with BAM's energy consumption. BAM has updated its set of emission factors in 2013 compared to its previous reports. The factors follow the Kyoto protocol and UNFCCC charter as closely as possible. Each factor originates from a reputable source, which is updated annually.

It occurs on its projects that BAM supplies fuel and / or electricity to subcontractors. BAM's CSR reporting instructions state that fuel and electricity supplied to subcontractors should be measured and excluded from reported figures, unless fuel and electricity is supplied under the supervision of BAM, including for rented or leased machinery and possibly operating personnel. In practice, however, it is not always possible to unambiguously determine how much fuel is supplied to subcontractors. In that case BAM

accounts for all CO<sub>2</sub> emissions. BAM continues to encourage measuring fuel and electricity supplied to third parties. This will result in more accurate figures of its own CO<sub>2</sub> emissions and further insight in reduction potential to all involved.

#### *Waste*

BAM's reporting scope includes all waste leaving its sites and offices, mainly based on waste tickets and data provided by suppliers. Excavation waste and demolition waste are especially difficult to measure. Reported waste is either measured, calculated or estimated using reliable methods and input data which can be based on BAM's experience in comparable works e.g. the relation of asphalt and aggregates.

Since 2011 BAM made a shift from reporting cubic metres to tonnes and recalculated the waste figures of 2009 and 2010. The percentage on waste separation relates to BAM's Dutch companies and is based on information from BAM's waste management suppliers. BAM is satisfied that the converted waste figures provide a reliable basis for comparison over time of its performance on this field.

#### *Materials*

In 2011 BAM started reporting on the amount of materials used and the recycled content of various materials used by Dutch operating companies. BAM has selected the raw materials which it consumes in large quantities and which have a significant impact on natural resources. The Group reports on concrete, timber, asphalt, bricks, steel and limestone.

The raw material consumption in the Netherlands was determined using solid statistical methods (weighted least square methodology) by random sampling of invoices from BAM's financial database. BAM has determined the average procurement volume per material based on evaluated invoices. From the sample, BAM also derived an average price per unit of material. The average procurement volume, divided by the average price, resulted in a volume or weight per material. BAM has sampled sufficient invoices to derive statistically reliable averages. The results of BAM's statistical analysis are within a 95 per cent confidence interval. The results are considered to be statistically reliable and are verified against suppliers' data, internal and external experts and with BAM's procurement database. The recycled content is determined based on information provided by suppliers.

#### *True Price of asphalt*

The True Price calculations of LEAB and STAB in chapter Materials are made by a third party and contain inherent estimates and specialised supplier data. The methodology has been checked for logic and consistency, yet it is known that different visions on the cost of CO<sub>2</sub> are available and that the cost of CO<sub>2</sub> is subjective.

A comparison by True Price has been performed to evaluate the bandwidth of CO<sub>2</sub> cost, in which a conservative estimate is used by True Price. LEAB is a product with new data and is compared to STAB, of which the most accurate data is five years old.

#### *Water*

Potable water consumption volume is based on final settlements paid in 2014.

The extracted water volume is an estimated figure. The extracted water volume is extrapolated based on the Group's in-house drainage activities of BAM Infratechniek and BAM's total spent analysis from BAM Strategic Sourcing (BSS).

#### *Local sourcing*

For the Dutch companies BAM has investigated the extent to which its purchases are sourced locally. BAM has defined local sourcing as a purchase done with a supplier who is located in the same country as the construction site. Based on the country of residence of its suppliers, BAM determined the percentage of local sourcing. BAM was able to examine 99.8 per cent of the purchasing volume in the Netherlands.

#### *NO<sub>x</sub>*

BAM has reported the NO<sub>x</sub> emissions from asphalt plants, some of which participated in the Dutch NO<sub>x</sub>-trading system.

In 2014 the emission trade system for NO<sub>x</sub> was terminated. Asphalt plants were obliged to report their NO<sub>x</sub> emissions to the Dutch Emission Authority (NEa). An external auditor determined the NO<sub>x</sub> emissions per consumed unit of fuel. BAM continues to calculate the NO<sub>x</sub> emission factors which were required in previous years. For joint venture asphalt plants BAM reports the NO<sub>x</sub> emissions based on its share of equity in these asphalt plants.

#### *Verification of this report*

In order to provide BAM's stakeholders comfort over BAM's sustainability information, for the fifth consecutive year the Executive Board has appointed PricewaterhouseCoopers Accountants (PwC) to provide independent assurance of the Report. As in previous years, BAM obtained reasonable assurance for all information with regard to the Safety section as included in chapter 4.2, IF and SAA. Additionally PwC provided reasonable assurance over the materiality section in chapter 3.1. For all other information reported in chapters 3, 4 and 8 (with the exception of paragraph 4.1 and 4.4) BAM obtained limited assurance.

As BAM applies the 'best standard' principle with regard to external assurance, the Group asked PwC to apply NV COS 3810N, a standard explicitly developed to verify sustainability reports. This standard includes strict requirements for the quality of accounts, the indicators used and the wording of the Report. Readers can therefore be confident that the report provides a fair and true representation of sustainability within BAM. The Group aims to achieve the highest level of assurance through a staged approach. Increasing the maturity of internal processes in the coming years will help in also increasing the level of assurance of the report.

#### *Other sources of information*

Royal BAM Group welcomes your comments on CSR. If you have any questions or remarks, please contact Mr W.J. van Niekerk (Director Corporate Social Responsibility) via e-mail ([csr@bam.eu](mailto:csr@bam.eu)).

## 8.2 GRI Disclosures

A: Assurance

NA: Not applicable

		Page	Omissions	External assurance
<b>General Standard Disclosures</b>				
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	p. 5		A
G4-2	Description of key impacts, risks and opportunities.	p. 32-44		A
G4-3	Name of the organisation.	p. 3		A
G4-4	Primary brands, products and services.	p. 28-30		A
G4-5	Location of the organisation's headquarters.	p. 256 (back cover)		A
G4-6	Number of countries where the organisation operates and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	p. 28		A
G4-7	Nature of ownership and legal form.	p. 7-8		A
G4-8	Markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	p. 28		A
G4-9	Scale of the organisation.	p. 2		A
G4-10	A. Total number of employees by employment contract and gender. B. Total number of permanent employees by employment type and gender. C. Total workforce by employees and supervised workers and by gender. D. Total workforce by region and gender. E. Whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. F. Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	p. 2, 71	F. Not applicable, as this does not directly relate to BAM's business operations.	A
G4-11	Percentage of total employees covered by collective bargaining agreements.			A
G4-12	Description of supply chain.	p. 29		A
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	p. 61, 253		A
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation.			A
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	p. 246-252		A
G4-16	Memberships of associations (such as industry associations) and national or international advocacy.	p. 246-252		A
G4-17	A. All entities included in the organisation's consolidated financial statements or equivalent documents. B. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	p. 232		A
G4-18	A. The process for defining the report content and the aspect boundaries. B. How the organisation has implemented the reporting principles for defining report content.	p. 18, 19		A
G4-19	All the material Aspects identified in the process for defining report content.	p. 19		A

### Explanatory notes

G4-10	C. Information on total workforce by supervised workers is currently unavailable due to the significant amount of contracts in which labour is included in the total subcontracting performance contracts. These contracts do not provide specific conditions on the amount of labour supplied. BAM will resolve this in the next two years.
G4-11	64 per cent
G4-14	Please refer to G4-EC2, G4-EN18 and G4-EN26.

		Page	Omissions	External assurance
G4- 20	For each material Aspect, the Aspect Boundary within the organisation.	p. 19-24		A
G4- 21	For each material Aspect, the Aspect Boundary outside the organisation.	p. 19-24		A
G4- 22	The effect of any restatements of information provided in previous reports and the reasons for such restatements.	p. 141, 236		A
G4- 23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	p. 236		A
G4- 24	List of stakeholder groups engaged by the organisation.	p. 15-16		A
G4- 25	Basis for identification and selection of stakeholders with whom to engage.	p. 15		A
G4- 26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	p. 15-19		A
G4- 27	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting. The stakeholder groups that raised each of the key topics and concerns.	p. 16		A
G4- 28	Reporting period (such as fiscal or calendar year) for information provided.	p. 235		A
G4- 29	Date of most recent previous report.			A
G4- 30	Reporting cycle (such as annual, biennial).	p. 235		A
G4- 31	Contact point for questions regarding the report or its contents.	p. 8, 237, 256		A
G4- 32	A. 'in accordance' option the organisation has chosen. B. GRI content index for the chosen option (see tables below). C. Reference to the external assurance report, if the report has been externally assured.	p. 235, 238-245, 219-228		A
G4- 33	A. Policy and current practice with regard to seeking external assurance for the report. B. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided. C. Relationship between the organisation and the assurance providers. D. Whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	p. 114, 237		A
G4- 34	Governance structure of the organisation, including committees of the highest governance body; committees responsible for decision making on economic, environmental and social impacts.	p. 93-115		A
G4- 35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	p. 25		A
G4- 36	Whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics and whether post holders report directly to the highest governance body.	p. 25		A
G4- 37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	p. 16		A

#### Explanatory notes

G4- 29 Annual Report: 4 March 2014; Sustainability Report: 4 March 2014.

		Page	Omissions	External assurance
G4- 38	The composition of the highest governance body and its committees by: - Executive or non-executive - Independence - Tenure on the governance body - Number of each individual's other significant positions and commitments and the nature of the commitments - Gender - Membership of under-represented social groups - Competences relating to economic, environmental and social impacts - Stakeholder representation	p. 128-130, 108, 11-112, 96		A
G4- 39	Whether the Chair of the highest governance body is also an executive officer.			A
G4- 40	Nomination and selection processes for the highest governance body and its committees and the criteria used for nominating and selecting highest governance body members.	p. 96, 111-112		A
G4- 41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed; Whether conflicts of interest are disclosed to stakeholders	p. 96-97, 112, 114		A
G4- 42	The highest governance body's and senior executives' roles in the development, approval and updating of the organisation's purpose, value or mission statements, strategies, policies and goals related to economic, environmental and social impacts.	p. 25		A
G4- 43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	p. 25, 32		A
G4- 44	A. Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not and its frequency. Report whether such evaluation is a self-assessment. B. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.	p. 107		A
G4- 45	A. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities; The highest governance body's role in the implementation of due diligence processes. B. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks and opportunities.	p. 32, 97, 99, 18-19		A
G4- 46	The highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	p. 104		A
G4- 47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.	p. 104		A
G4- 48	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered.	p. 115		A

#### Explanatory notes

G4- 39 The Chair of the highest governance body is not an executive officer.



		Page	Omissions	External assurance
G4- 49	Process for communicating critical concerns to the highest governance body.	p. 96		A
G4- 50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	p. 40, 43, 103-106		A
G4- 51	A. Remuneration policies for the highest governance body and senior executives for the below types of remuneration: - fixed pay and variable pay: - Performance-based pay - Equity-based pay - Bonuses - Deferred or vested shares - Sign-on bonuses or recruitment incentive payments - Termination payments - Clawbacks - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives and all other employees B. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	p. 118-122, 116-117		A
G4- 52	Process for determining remuneration; Whether remuneration consultants are involved in determining remuneration and whether they are independent of management; Any other relationships which the remuneration consultants have with the organisation.	p. 116-122		A
G4- 53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	p. 118		A
G4- 54	Ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	p. 70	Data of BAM's operations in the rest of the world are currently unavailable due to limited reporting time frame and participation in participation in joint venture projects. BAM will resolve this in the next year.	A
G4- 55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	p. 70		A
G4- 56	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	p. 40		A
G4- 57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour and matters related to organisational integrity, such as helplines or advice lines.	p. 40		A
G4- 58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	p. 40		A

#### Explanatory notes

G4- 54	BAM calculated the ratios with average annual total compensation instead of median annual total compensation because of incomplete data.
G4- 55	BAM calculated the ratios with average annual total compensation instead of median annual total compensation because of incomplete data.

		Page	Omissions	External assurance
<b>Specific standard disclosures</b>				
<b>Disclosures on Management Approach</b>				
EC	Economic performance	p. 20		A
EN	Materials	p. 23		A
EN	Energy	p. 23		A
EN	Emissions	p. 22-23		A
EN	Effluents and Waste	p. 23		A
EN	Transport	p. 24		A
EN	Supplier environmental assessment	p. 24		A
LA	Occupational Health and Safety	p. 19-20		A
LA	Training and Education	p. 22		A
LA	Diversity and Equal Opportunity	p. 24		A
LA	Supplier Assessment for Labour Practices	p. 24		A
SO	Anti-corruption	p. 20, 40		A
SO	Anti-competitive Behaviour	p. 20, 40		A
SO	Compliance	p. 24		A
PR	Compliance	p. 20, 22		A
G4- EC1	Direct economic value generated and distributed.	p. 2, 58-59, 72, 164		A
G4- EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	p. 22-23, 76-80		A
G4- EC3	Coverage of the organisation's defined benefit plan obligations.	p. 187-188		A
G4- EC4	Financial assistance received from government.			A
G4- EN1	Materials used by weight or volume.	p. 86		A
G4- EN2	Percentage of materials used that are recycled input materials.	p. 86		A
G4- EN3	Energy consumption within the organisation.	p. 76		A
G4- EN4	Energy consumption outside of the organisation.	p. 76, 235-237		A
G4- EN5	Energy intensity.	p. 76, 235-237		A
G4- EN6	Reduction of energy consumption.	p. 76, 237-239		A
G4- EN7	Reductions in energy requirements of products and services.	p. 80, 86, 235-237		A
G4- EN15	Direct greenhouse gas (ghg) emissions (scope 1).	p. 78, 235-237	BAM only reports CO <sub>2</sub> emissions, as other greenhouse gas emissions are considered not material.	A
G4- EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2).	p. 78, 235-237	BAM only reports CO <sub>2</sub> emissions, as other greenhouse gas emissions are considered not material.	A
G4- EN17	Other indirect greenhouse gas (ghg) emissions (scope 3).	p. 78, 235-237	BAM only reports CO <sub>2</sub> emissions, as other greenhouse gas emissions are considered not material.	A
G4- EN18	Greenhouse gas (ghg) emissions intensity.	p. 78, 235-237	BAM only reports CO <sub>2</sub> emissions, as other greenhouse gas emissions are considered not material.	A

#### Explanatory notes

G4- EC4 BAM has received no financial assistance from the government.

		Page	Omissions	External assurance
G4- EN19	Reduction of greenhouse gas (ghg) emissions.	p. 78, 235-237	BAM only reports CO <sub>2</sub> emissions, as other greenhouse gas emissions are considered not material.	A
G4- EN20	Emissions of ozone-depleting substances (ods).		This indicator is not applicable, as ozone depleting gasses and SO <sub>2</sub> (sulphur dioxide) are not emitted in material amounts.	NA
G4- EN21	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions.	p. 243	Significant air emissions other than NO <sub>x</sub> emissions are considered not material.	A
G4- EN22	Total water discharge by quality and destination.	p. 84, 237	Information outside the Netherlands is not yet available, therefore water discharges by quality and destination have been omitted for BAM's operations outside the Netherlands. BAM aims to expand its scope by reporting country by country in the next years.	A
G4- EN23	Total weight of waste by type and disposal method	p. 83, 236		A
G4- EN24	Total number and volume of significant spills.			NA
G4- EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the basel convention <sup>2</sup> annex i, ii, iii and viii and percentage of transported waste shipped internationally.		Information been omitted, as this indicator does not directly relate to BAM's business operations.	NA
G4- EN26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff.		Information been omitted. BAM works according to national environmental legislation. This information is therefore not significant.	NA
G4- EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations and transporting members of the workforce.	p. 76-79, 235-237		A
G4- EN32	Percentage of new suppliers that were screened using environmental criteria.		Information has been omitted. BAM aims to seek long term, mutually preferred relationships with partners who can help BAM improve its supply chain in the coming years.	NA
G4- EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	p. 86-88	Information has been omitted. BAM aims to seek long term, mutually preferred relationships with partners who can help BAM improve its supply chain in the coming years.	NA
G4- LA5	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programmes.		Information has been omitted due to incomplete data. BAM will resolve this in the coming years.	NA

#### Explanatory notes

G4- EN21 31 tonnes NO<sub>x</sub>

G4- EN24 No spills are included in BAM's financial statements (such as due to resulting liabilities) or recorded as a spill by BAM.

		Page	Omissions	External assurance
G4- LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities, by region and by gender.	p. 64-65	Information by gender is omitted. BAM will resolve this in the next year.	A
G4- LA7	Workers with high incidence or high risk of diseases related to their occupation.	p. 64-65		A
G4- LA8	Health and safety topics covered in formal agreements with trade unions.	p. 66, 69		A
G4- LA9	Average hours of training per year per employee by gender and by employee category.	p. 70		A
G4- LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	p. 22, 70		A
G4- LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.		Information has been omitted due to incomplete data. BAM will resolve this in the next year.	NA
G4- LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	p. 128-130		A
G4- LA14	Percentage of new suppliers that were screened using labour practices criteria.		Information has been omitted. BAM aims to seek long term, mutually preferred relationships with partners who can help BAM improve its supply chain in the coming years.	NA
G4- LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.		Information has been omitted. BAM aims to seek long term, mutually preferred relationships with partners who can help BAM improve its supply chain in the coming years.	NA
G4- SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes.	p. 71		A
G4- SO2	Operations with significant actual and potential negative impacts on local communities.	p. 23-24		A
G4- SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	p. 20, 66, 69		A
G4- SO4	Communication and training on anti-corruption policies and procedures.	p. 40		A
G4- SO5	Confirmed incidents of corruption and actions taken.	p. 66		A
G4- SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	p. 66		A
G4- SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	p. 66		A
G4- PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	p. 66		A

#### Explanatory notes

G4- LA8	Laid down in Collective Labour Agreements
G4- LA9	Average hours of training per employee category is not included, as this is considered not relevant.
G4- LA12	The composition of BAM governance bodies is based on the same principles for equal opportunity as all team compositions within BAM and complies with BAM's Business Principle on employee equality and diversity.
G4- SO8	BAM defines 'significant' as 'of more than €5 million (passive), of more than €1 million (active) or with potential reputational damage'.
G4- PR9	BAM defines 'significant' as 'of more than €5 million (passive), of more than €1 million (active) or with potential reputational damage'.

		Page	Omissions	External assurance
<b>Specific Standard Disclosures for Sector</b>				
CRE1	Building energy intensity.	p. 76		A
CRE3	Greenhouse gas emissions intensity from buildings.	p. 78		A
CRE4	Greenhouse gas emissions intensity from new construction and redevelopment activity.	p. 79		A
CRE5	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations.			A
CRE6	Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system.	p. 63		A
CRE7	Number of persons voluntarily and involuntarily displaced and / or resettled by development, broken down by project.			A
CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment.	p. 80		A

#### Explanatory notes

CRE3	Only in the Netherlands.
CRE5	BAM has no known locations which are in need of remediation due to BAM's activities, or its land that has been remediated or needs to be remediated.
CRE7	BAM is not aware of any operations that have led to voluntarily or involuntarily displacements.

### 8.3 Charters, memberships and certifications

Name	Operating company
<b>Global</b>	
BWI, Building Woodworkers International	Royal BAM Group
CE100 (Ellen MacArthur Foundation)	Royal BAM Group
FIB, The International Federation for Structural Concrete	BAM Infraconsult
FIRA Platinum	Royal BAM Group
IABSE, international Association for Bridge and Structural Engineering	BAM Infraconsult, CEI-De Meyer
Incose, International Council on Systems Engineering	BAM PPP NL
International Integrated Reporting Council	Royal BAM Group
International Society for Gerontechnology	BAM Techniek
IPFA, International Project Finance Association	BAM PPP NL (BAM PPP UK has first membership for UK and so allows BAM PPP NL to join the European branch)
ISO 14001	BAM Contractors, CEI-De Meyer, BAM Civiel, Galère, BAM Infratechniek, BAM International, BAM Techniek, BAM Utiliteitsbouw, BAM Wegen, BAM Woningbouw, Interbuild
ISO 26000	Royal BAM Group
ISO 9001	BAM Civiel, BAM Construct UK, BAM Contractors, BAM Deutschland, BAM Infraconsult, BAM Infratechniek, BAM International, BAM Materieel, BAM Nuttall, BAM Rail, BAM Techniek, BAM Utiliteitsbouw, BAM Wegen, BAM Woningbouw, Balteau, Betonac, CEI-De Meyer, Galère, Heilijgers, Interbuild, Wayss & Freytag Ingenieurbau,
ITA, International Tunneling and underground Space Association	BAM Infraconsult, Wayss & Freytag Ingenieurbau
OHSAS 18001	Balteau i.e., BAM Civiel, BAM Construct UK, BAM Contractors, BAM Deutschland, BAM Infra Asset Management, BAM Infraconsult, BAM Infratechniek, BAM International, BAM Nuttall, BAM Rail, BAM Techniek, BAM Utiliteitsbouw, BAM Wegen, BAM Woningbouw, CEI-De Meyer, Galère, Interbuild, Wayss & Freytag Ingenieurbau
<b>Europe</b>	
E2BA, Energy Efficient Buildings Association	Royal BAM Group
ECTP; European Construction Technology Platform	Royal BAM Group
EFRTC, European Federation of Railway Trackworks Contractors	BAM Rail
EIC, European International Contractors	BAM International
ENCORD, European Network of Construction Companies on Research and Development	Royal BAM Group
Eurbanlab	Royal BAM Group
FIEC, European Construction Industry Federation	Indirect membership Royal BAM Group through Bouwend Nederland
FPAL, Supplier management community supporting the European oil & gas industry	BAM Contractors
STTC, European Sustainable Tropical Timber Coalition	Royal BAM Group
<b>Belgium</b>	
ADEB - VBA	Betonac, CEI-De Meyer, Galère
Adhesia	BAM Mat
ASENAS (Assanation Company Association)	Galère
Belgische betongroepering	Betonac
Belgische groepering voor grondmechanica en geotechniek	Betonac
Belgische vereniging van asfaltproducenten VZW	Betonac
Belgische vereniging voor ondergrondse technieken VZW	Betonac

Name	Operating company
CC Liège (Building Confederation Liège Region)	Galère
CCW (Walloon Building Confederation)	Galère
CNC (National Chamber of the Construction)	Galère
COBATY	CEI-De Meyer
Confederatie Bouw	Betonac, CEI-De Meyer
COPRO (Impartial Certification Body in the Construction Sector: Control of PROducts)	Galère
CRR (Belgian Road Research Center)	Galère
CSTC (Scientific and technical center of the construction)	Galère
F.E.R.E.B. BELGIUM V.Z.W.	Betonac
FBEV (Belgian Roadwork's Company Federation)	Galère
FEDERATION LIEGEOISE DES ENTREPRENEURS DE TRAVAUX DE VOIRIE	Betonac
FEREDECO asbl	Betonac
FLEV ( Roadwork's Company Federation of Liège)	Galère
FWEV (Walloon Roadwork's Company Federation)	Galère
GRONDBANK V.Z.W.	Betonac, CEI-De Meyer
OCW (Opzoekingscentrum voor de Wegenbouw)	CEI-De Meyer
Recy Liège (Recycle Construction Waste Center - Liège)	Galère
ROAD FEDERATION BELGIUM VZW	Betonac
SCICC (Collective Guarantee Cooperative)	Galère
SECO (Technical control bureau for construction)	CEI-De Meyer, Galère
SIDECO (Industrial company of waste of construction)	Galère
Source O'Rama - scl Chaudfontaine Promotion	Galère
SPMT	BAM Mat, Galère
TRADECO Liège (Construction Waste Treatment Cooperative - Liège)	Galère
TRADECOWALL (Construction Waste Treatment Cooperative - Wallonie)	Galère
VCA**	CEI-De Meyer
VEVIA VZW	Betonac
VKW LIMBURG	Betonac
VLAAMS INSTITUUT VOOR MOBILITEIT	Betonac
VLAAMSE MILIEU COORDINATOREN	Betonac
VODKA	CEI-De Meyer
VOKA	Betonac, CEI-De Meyer
WTCB	CEI-De Meyer



### Germany

Bauindustrieverband	BAM Deutschland
Beirat des TU Darmstadt Energy Center e.V.	Wayss & Freytag
BG Bau	BAM Deutschland
Central Federation Building Industry	BAM PPP
Deutsche Gesellschaft für Geotechnik e.V.	Wayss & Freytag
Deutscher Ausschuss für unterirdisches Bauen e.V.	Wayss & Freytag
Deutscher Beton- und Bautechnik-Verein e.V.	Wayss & Freytag
DGNB	BAM Deutschland
ee Embedded	BAM Deutschland
Entsorgungsgemeinschaft B + U	Wayss & Freytag
Förderverein der Freunde des Institutes für Geotechnik an der Technischen Universität Darmstadt e.V.	Wayss & Freytag
Freunde der FHT Stuttgart e.V.	Wayss & Freytag
Freunde des Institutes für Massivbau der Universität Darmstadt	Wayss & Freytag
GEFMA (German Facility Management Association Deutscher Verband für Facility Management e.V.)	BAM Deutschland
Gemeinschaft für Überwachung im Bauwesen e.V.	Wayss & Freytag
German Association Public Private Partnership	BAM PPP

Name	Operating company
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German Society for Trenchless Technology	Wayss & Freytag
Gesellschaft für Freunde und Absolventen der Hochschule Biberach	Wayss & Freytag
Gesellschaft für Maritime Technik e.V.	Wayss & Freytag
GIF (Gesellschaft für Immobilienwirtschaftliche Forschung e. V.)	BAM Deutschland
Gütegemeinschaft Erhaltung von Bauwerken e.V.	Wayss & Freytag
Güteschutz Kanalbau	Wayss & Freytag
Hafenbautechnische Gesellschaft	Wayss & Freytag
Hauptverband der Deutschen Bauindustrie e.V.	Wayss & Freytag
HESMOS project	BAM Deutschland
Hessisches Wirtschaftsarchiv e.V.	Wayss & Freytag
Industrie- und Handelskammer	BAM Deutschland
Landesgütegemeinschaft Betoninstandsetzung Hessen-Thüringen	Wayss & Freytag
Neckarhafen Plochingen GmbH	Wayss & Freytag
REAL FM (RealFM e. V. Association for Real Estate and Facility Managers)	BAM Deutschland
Schweizerischer Ingenieur- und Architektenverein	Wayss & Freytag
Society for Mining, Metallurgy & Exploration	Wayss & Freytag
Studiengesellschaft für unterirdische Verkehrsanlagen e.V.	Wayss & Freytag
VBG Power Tech e.V.	Wayss & Freytag
VDSI "Verband deutscher Sicherheitsingenieure e.V."	BAM Deutschland
Vereinigung von Freunden der Universität Stuttgart e.V.	Wayss & Freytag
WKO Bundesinnung des Baugewerbes	Wayss & Freytag

Ireland	
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American Chamber of Commerce	BAM Contractors
Association of Chartered Certified Accountants (ACCA)	BAM Contractors
Business in the Community (BITC)	BAM Contractors
Chambers Ireland	BAM Contractors
Civil Engineering Contractors Association (CECA)	BAM Contractors
Constructing Industry Federation	BAM Contractors
Construction Advisory Committee (CAC)	BAM Contractors
Construction employers Federation (CEF)	BAM Contractors
Construction Excellence	BAM Contractors
Construction Industry Federation	BAM Contractors
Construction ITA Alliance (CITA)	BAM Contractors
Cork Chamber of Commerce	BAM Contractors
Dublin Chamber of Commerce	BAM Contractors
Engineers Ireland	BAM Contractors
Georgian Society	BAM Contractors
Heritage Contractor	BAM Contractors
Irish Concrete Society	BAM Contractors
Irish Mining & Quarrying Association	BAM Contractors
Irish Road Haulage Association	BAM Contractors
Pipeline Industry Guild	BAM Contractors
Society of Chartered Surveyors (SCS)	BAM Contractors
The Chartered Institute of Personnel and Development (CIPD)	BAM Contractors

Netherlands	
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AMPORTS	BAM Civiel
Amsterdam Economic Board	AM
Architectuurinstituut ABC te Haarlem	AM
ASHRAE	BAM Techniek
Astrin	BAM Infratechniek - BAM Infratechniek Mobiliteit
Avepa	BAM Techniek
Avons Hogeschool	Royal BAM Group
Betoniek	BAM Infraconsult



Name	Operating company
Betonvereniging	BAM Civiel, BAM Infraconsult, BAM Utiliteitsbouw, BAM Wegen
Bewuste Bouwers	Royal BAM Group
BIG (Buisleidingen Industrie Gilde)	BAM Infratechniek - BAM Nelis De Ruiter
BMC	BAM Infraconsult
BodemenergieNL	BAM Infratechniek - BAM Nelis De Ruiter
Bouwen met Staal	BAM Infraconsult
Bouwend Nederland	BAM Civiel, BAM Infraconsult, BAM Infratechniek, BAM Techniek, BAM Utiliteitsbouw, BAM Wegen, BAM Woningbouw, Heilijgers
Branchevereniging werkplekbeveiligingsbedrijf Railinfra	BAM Infratechniek - BAM Infratechniek Distributie (Noordoost)
CEN	BAM Rail
COB (Centrum Ondergronds Bouwen)	BAM Civiel, BAM Infraconsult
Connekt	BAM Rail
Contactorgaan Zuid / COZ Hulsman	BAM Civiel
CROW	BAM Infraconsult, BAM Wegen
de Maatschappij	Heilijgers
Initiatiefgroep Ketenintegratie	BAM Techniek
Delft Blue Technology Innovatieve tijdelijke waterkeringen	BAM Infraconsult
Deltalings	BAM Infratechniek
Deltares Adviesraad	BAM Infraconsult
Digitale Rotonde	BAM Infratechniek - BAM Infratechniek Telecom
Dutch Green Building Council	Royal BAM Group
Duurzaam Gebouwd	BAM Utiliteitsbouw
EAU Aanbevelingen voor havenbouw	BAM Infraconsult
EFRTC	BAM Rail
Energy Valley	BAM Civiel, BAM Infratechniek, BAM Utiliteitsbouw, BAM Wegen
EVO	BAM Infratechniek - BAM Infratechniek Telecom
Expertgroep ABC Meldpunt	BAM Utiliteitsbouw
FIB	BAM Infraconsult
Fiber to the Home Council Europe	BAM Infratechniek - BAM Infratechniek Telecom
FLOW: Far and Large Offshore Wind, onderzoeksprogramma	BAM Civiel
FME	BAM Infratechniek - BAM Infratechniek Mobiliteit
FMN	BAM Techniek
Forum voor Stedelijke Vernieuwing	AM
Fosag	Heilijgers
FSC	BAM Utiliteitsbouw, BAM Wegen, BAM Woningbouw
Gebiedsontwikkeling.nu	AM
Geo-Impuls	BAM Infraconsult
GOA Leidingtechniek	BAM Infratechniek - BAM Nelis De Ruiter
GSVB	BAM Techniek
Havenclub Amsterdam	BAM Civiel
Histechnica Techniek der geschiedenis	BAM Infraconsult
Hogere Onderwijsgroep Bouw en Ruimte	AM
Hogeschool van Amsterdam Onderwijs Adviesraad	BAM Infraconsult
Hogeschool van Amsterdam Cluster Adviesraad	BAM Infraconsult
Holland Rail industrie	BAM Rail
IABSE Working Commission 3 'Concrete structures'	BAM Infraconsult
Informatievoorziening (KLO)	BAM Infratechniek - BAM Infratechniek Telecom
Innotrack	BAM Rail
InstallatieWerk	BAM Techniek

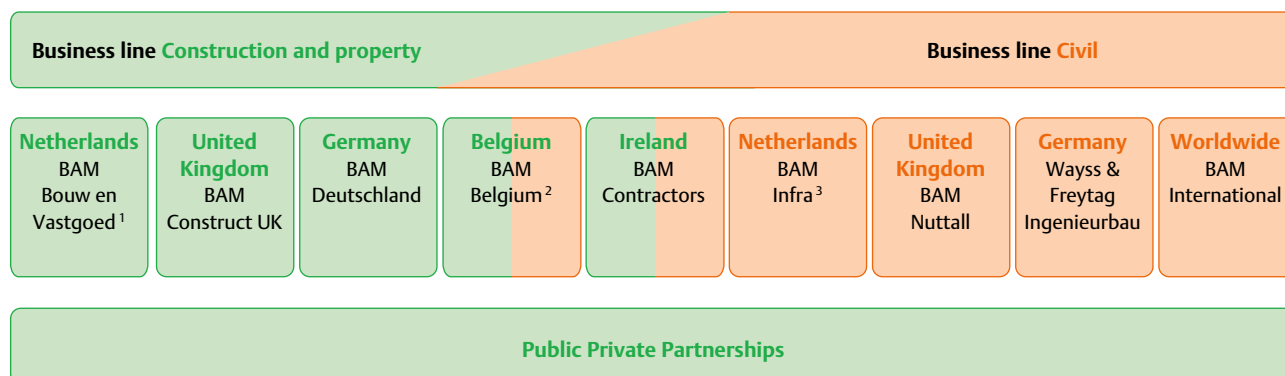
Name	Operating company
IOP SenterNovem Selfhealing	BAM Infraconsult
IPMA-NL Interessegroep Risicomanagement	BAM Infraconsult
IRSE	BAM Rail
ISG	BAM Techniek
ISIAQ.nl	BAM Techniek
I-society	BAM Infratechniek - BAM Infratechniek Telecom
ISSO	BAM Techniek
ISTT (International Society for Trenchless Technology)	BAM Infratechniek - BAM Nelis De Ruiter
Kabel en leiding overleg (KLO)	BAM Infratechniek - BAM Infratechniek Telecom
Kenniscentrum Duurzaam Bouwen	Heilijgers
KIWA, college deskundigen en werkgroep	BAM Utiliteitsbouw
KLIC	BAM Infratechniek - BAM Infratechniek Telecom
KOMAT (Kontaktgroep Materieel Bouwend Nederland)	BAM Materieel
Koninklijk Nederlands Vervoer	BAM Rail
Landelijk Nieuwbouw Portaal	AM
Landschap Overijssel	AM
MVO Nederland	Royal BAM Group
Nabu (Netherlands Association of International Contractors)	Royal BAM Group
NAVS	Heilijgers
Nederlandse vereniging voor Veiligheidskunde (NVVK)	BAM Infratechniek - BAM Infratechniek Distributie (Noordoost)
Neprom	AM, AM RED, BAM Utiliteitsbouw, Heilijgers
NEVLOCK Nederlands-Vlaams Onderzoek Comissie Kust (TU, Boka, VanOord, DI)	BAM Infraconsult
NFPA	BAM Techniek
NRW	AM RED
NSTT (Nederlandse Vereniging van Sleufloze Technieken en Toepassingen)	BAM Infratechniek - BAM Infratechniek Distributie (Noordoost), BAM Nelis De Ruiter
NVAF (Nederlandse Vereniging Aannemers Funderingswerken)	BAM Civiel
NVB	BAM Woningbouw
NVDO	BAM Techniek
NVOE	BAM Techniek
NVSM	BAM Techniek
NVTG	BAM Techniek
NVVK	BAM Rail, BAM Techniek, BAM Wegen
NWP (Nederlands Water Partnership)	BAM International
OLC	BAM Rail
PIANC	BAM Infraconsult
Platform Constructieve Veiligheid	BAM Utiliteitsbouw
Platform Duurzaamheid	Heilijgers
Platform Gezond Binnen	BAM Techniek
PLAXIS Development Committee	BAM Infraconsult
Coöperatie GEN (Gebieden Energie Neutraal)	Royal BAM Group
PWI	BAM Rail
Raad van Advies Collegiaal In- en Uitleen	BAM Techniek
Railforum	BAM Rail
Rail-Tech	BAM Rail
RAV	BAM Rail
RBPI (OTIB / Uneto-VNI)	BAM Techniek
RICS	AM
SBR Referentiedetails Utiliteitsbouw	BAM Utiliteitsbouw

Name	Operating company
SBRA / Bouwmensen	Heilijgers
SBRCURNET	BAM Civiel
SIKB	BAM Wegen
SKAO	BAM Woningbouw
SPG Amstelland, Noordholland Noord	BAM Infratechniek - BAM Nelis De Ruiter
Spoorzone Delft	AM
Stads Vastgoed Rotterdam	AM
Stichting Active House	BAM Woningbouw
Stichting Beoordeling Integriteit Bouwnijverheid	Royal BAM Group
Stichting BOEI	AM
Stichting Den Haag Nieuw Centrum	AM RED
Stichting Het Nieuwe IJ	AM
Stichting Hoogbouw	AM, BAM Techniek
Stichting Klantgericht Bouwen	BAM Woningbouw, Heilijgers
Stichting NAP Dace	BAM Civiel
Stichting Onderlinge Garantierегeling Bouwbedrijf (OGB)	BAM Infratechniek
Stichting Passief Bouwen	BAM Woningbouw
Stichting Rioned	BAM Infratechniek - BAM Nelis De Ruiter
Stichting Sportive4Kids	AM
Stichting voor Wetenschappelijk Onderwijs en Onderzoek in de Vastgoedkunde	AM RED
STUFIB	BAM Infraconsult, BAM Utiliteitsbouw
STUTECH	BAM Infraconsult
STW	BAM Infraconsult
SWK	BAM Woningbouw
Taskforce Wonen	Heilijgers
Techniekgilde Eemland	Heilijgers
Technocentrum	BAM Techniek
TVVL	BAM Techniek
UIC	BAM Rail
UITP	BAM Rail
Uneto VNI	BAM Infratechniek, BAM Techniek
UNIFE	BAM Rail
Utrechts Landschap	Heilijgers
VAB	Heilijgers
Vakgroep Ingenieursbureaus Bouwbedrijven (VIB)	BAM Infraconsult, BAM Utiliteitsbouw
VAP Business Club (Verenigde Aannemers Petrochemie)	BAM Civiel
VCA	BAM Woningbouw
VCCN	BAM Techniek
VDEI	BAM Rail
VEH	BAM Woningbouw, Heilijgers
Veilig en Duurzaam op weg	Royal BAM Group
Vereniging Delta Metropool	AM
Vernieuwing Bouw	Royal BAM Group
VGME	BAM Techniek
VHG	BAM Wegen
VNO-NCW	Royal BAM Group
VOMI	BAM Techniek
 United Kingdom	
British Water	BAM Nuttall

Name	Operating company
CECA (Civil Engineering Contractors Association)	BAM Nuttall
Chartered Institute of Water and Environmental Management (CIWEM)	BAM Nuttall
CIRIA (Construction Industry Research and Information)	BAM Nuttall
CIWW Chartered Institution of Waste Management	BAM Nuttall
CL:aire	BAM Nuttall
Considerate Constructors Scheme	BAM Construct UK, BAM Nuttall
Constructing Better Health	BAM Nuttall
Construction Health and Safety Group (CHSG)	BAM Nuttall
EEGR Eastern England Energy Group	BAM Nuttall
FPAL	BAM Nuttall
Green Construction Board	BAM Construct UK
Grown in Britain	BAM Construct UK
HM Treasury Industry panel	BAM PPP
ICE EAST	BAM Nuttall
ICE Kent & East Sussex Branch Graduate & Students Committee	BAM Nuttall
ICE South	BAM Nuttall
Pipeline Industries Guild	BAM Nuttall
PPP Forum in the UK, a body that builds closer ties between the Public & Private sectors	BAM PPP
RICS( Royal Institute Chartered Surveyors)	BAM Nuttall
STEMNET: Science, Technology, Engineering and Mathematics Network	BAM Nuttall
Supply Chain Sustainability School	BAM Construct UK
TRADA	BAM Construct UK
UK Contractor Group	BAM Construct UK
UK Green Building Council (UK-GBC)	BAM Construct UK

## 61 — Organisational structure

January 2015



<sup>1</sup> BAM Bouw en Vastgoed unites the activities of BAM Bouw and Techniek (in 2014 separately operating as BAM Utiliteitsbouw and BAM Techniek), BAM Woningbouw and AM.

<sup>2</sup> BAM Belgium unites the activities of BAM Contractors (in 2014 separately operating as CEI- De Meyer and Betonac), Interbuild, Kairos, Galère and BAM Technics.

<sup>3</sup> BAM Infra unites the activities of BAM Civiel, BAM Infratechniek, BAM Rail, BAM Wegen and BAM Infraconsult.

## Managing Directors Operating Companies

- |                    |                              |
|--------------------|------------------------------|
| 1. E.J. Bax (a.i.) | BAM Bouw en Vastgoed         |
| 2. G. Cash         | BAM Construct UK             |
| 3. A. Naujoks      | BAM Deutschland              |
| 4. M. Peeters      | BAM Belgium                  |
| 5. T.M. Cullinane  | BAM Contractors              |
| 6. M.H. Schimmel   | BAM Infra Nederland          |
| 7. S.C. Fox        | BAM Nuttall                  |
| 8. B.J. Wierenga   | Wayss & Freytag Ingenieurbau |
| 9. G.K. Mazloumian | BAM International            |
| 10. R. Fielder     | BAM PPP                      |





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