bam

Royal BAM Group nv

Annual Report 21

Innovative building and research centre for University of Leeds completed in March 2021

Sir William Henry Bragg Building, Leeds, United Kingdom - BAM Construct UK

Contents

European single electronic reporting format and PDF version This document is the PDF/printed version of the 2021 Annual Report of BAM Group nv and has been prepared for ease of use. The 2021 Annual Report was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht) on February 23, 2022 and was filed with Netherlands Authority for the Financial Markets in European single electronic reporting format; the ESEF-format as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The ESEF package is available on the company's website at *www.bam.com/en/investors/annual-reports*, and includes a human readable XHTML version of the 2021 Annual Report. In case of discrepancies between this PDF version and the ESEF package, the latter prevails.

Key figures

(x € million, unless otherwise stated)

Profit

Profit	2021	2020
Total operations		
Revenue	7,315	6,809 [1]
Adjusted EBITDA [2]	278.4	200.8 [3]
Net result attributable to the shareholders of the Company	18.1	(122.2)
Continuing operations		
Revenue	7,315	6,768
Result before tax	65.8	(236.9)
Result for the year from continuing operations	17.0	(272.0)
Result for the year from discontinued operations	-	149.7
Earnings per share *(in €1)*	0.07	(0.45)
Dividend per ordinary share *(in €1)*	-	-
Dividend payout *(in %)*	-	-
Number of shares as at 31 December *(x 1,000)*	273,296	273,296
Share closing price as at 31 December *(in €1)*	2.69	1.71
Equity attributable to the shareholders of the Company	653.6	583.4
Capital base	653.6	702.1
Total assets	4,495.9	5,224.5
Order book	13,243	13,760
Net investment in property, plant and equipment	33.2	43.9
Net additions right-of-use assets	41.6	77.9
Depreciation charges property, plant and equipment	51.4	54.0
Depreciation charges right-of-use assets	85.6	99.2
Amortisation charges intangible assets	8.4	6.1
Impairment charges	48.5	74.7
Cash flow before dividend	210.9	111.6
Ratios		
Adjusted EBITDA [2] as % of revenue	3.8	2.9
Net result attributable to the shareholders of the Company as % of revenue	0.2	(1.8)
Net result attributable to the shareholders of the Company as % of average equity	2.9	(20.2)
ROCE *(in %)*	5.6	(4.2)
Capital ratios		
Equity attributable to the shareholders of the Company as % of total assets	14.5	11.2
Capital base as % of total assets	14.5	13.4

People

People	2021	2020
Human resources		
Number of employees as at 31 December *(in FTE)*	15,739	17,966
Average number of employees *(in FTE)*	17,001	18,731
Female/male employees *(in %)*	19/81	17/83
Safety		
Incident frequency (IF BAM)	4.5	5.3

Planet

Planet	2021	2020
Climate		
CO_2 emissions intensity* *(in tonnes per € million revenue)*	15.4	16.7
CO_2 emissions *(in kilotonnes)**	112	114
Energy consumption *(in terajoules)**	1,649	1,631
Resource		
Construction and office waste intensity *(in tonnes per € million revenue)*	11.6	14.6
Construction and office waste *(in kilotonnes)*	85	100
Construction and office waste reused or recycled *(in %)*	77	76
Certified sustainable timber *(in %)*	99	99

[1] Includes revenues of BAM PPP, which was classified as discontinued operations.

[2] Result before tax, excluding restructuring costs, impairment charges, pension one-off, interest, depreciation and amortisation.

[3] Includes €118 million related to the BAM PPP transaction with PGGM.

* BAM's 2020 CO_2 and energy figures have been adjusted following the deconsolidation of BAM's asphalt plants to allow a fair comparison between 2020 and 2021. For more information, please see chapter 3.3.

Revenue	Adjusted EBITDA	Net result	Order book
7,315	278.4	18.1	13,243
2020: 6,809	2020: 200.8	2020: (122.2)	2020: 13,760

Human resources

Female/male employees
(in %)

19/81
2020: 17/83
2019: 17/83

Ratios

Adjusted EBITDA *(in % of revenue)*	Net result *(attributable to the shareholders of the Company as % of revenue)*	Capital base *(as % of total assets)*	ROCE *(in %)*
3.8	0.2	14.5	5.6
2020: 2.9	2020: (1.8)	2020: 13.4	2020: 4.2

Number of employees
(at 31 December, in FTE)

15,739
2020: 17,966
2019: 19,517

Shares

Earnings per share	Dividend per ordinary share
0.07	-
2020: (0.45)	2020: -

Trade working capital

(in % of rolling revenue)

(16.9)
2020: (13.9)

Safety

Incident frequency
(IF BAM)

4.5
2020: 5.3
2019: 4.8

Resource

Construction and office waste intensity *(in tonnes per € million revenue)*	Construction and office waste *(in kilotonnes)*	Certified sustainable timber (FSC and PEFC) *(in %)*
11.6	85	99
2020: 14.6	2020: 100	2020: 99
2019: 17.7	2019: 128	2019: 99

Climate

CO_2 emissions intensity* *(in tonnes per € million revenue)*	CO_2 emissions* *(in kilotonnes)*	Energy consumption* *(in terajoules)*
15.4	112	1,649
2020: 16.7	2020: 114	2020: 1,631
2019: 20.2	2019: 145	2019: 2,045

*BAM's 2020 and 2019 CO_2 and energy figures have been adjusted following the deconsolidation of BAM's asphalt plants to allow a fair comparison between 2020 and 2021. For more information, please see chapter 3.3.

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Message from the CEO

Ruud Joosten,
CEO Royal BAM Group nv

“Strong delivery on the first year of our strategic plan ‘Building a sustainable tomorrow’

Message from the CEO

For the full-year 2021, Royal BAM Group nv reports an adjusted EBITDA of €278.4 million (2020: €200.8 million) at a margin of 3.8 per cent (2020: 2.9 per cent). The net result of €18.1 million (2020: €122.2 million negative) was held back by non-cash tax and other impairments totaling €82 million, due to changes in Dutch and UK tax laws and the effect of divestments. Our liquidity position remains strong and the capital ratio improved. The order book of €13.2 billion (2020: €13.8 billion) remains at a high level, supported by demand in BAM's Platform for growth markets.

I'm pleased to report that BAM is making good progress with its new strategy, with continued focus on portfolio restructuring, de-risking and creating a sustainable platform for future growth. Our Group improved its operational, financial and safety performance and strong delivery on the first year of our strategic plan 'Building a sustainable tomorrow'.

All our businesses improved their performance, except Dutch civil engineering where the large contracts division continued to underperform. Our other activities in the Netherlands, United Kingdom and Ireland performed well, especially our Dutch residential activities which delivered a substantial contribution supported by high demand for new homes. Although we repaid the unsecured convertible bond our capital ratio improved. The ratio is still below our strategic target and therefore no dividend is recommended for 2021.

We are one year into our three-year strategic plan to create a more predictable, profitable and sustainable company. We have made good progress with de-risking of the Group. We divested several business units including BAM Deutschland and BAM Galère in Belgium, with combined revenues of approximately €600 million. In addition, earlier this month we announced the divestment of BAM Contractors in Belgium. We are nearing completion of the wind-down of BAM International.

At the same time, we have increased our emphasis on modern and sustainable building methods and invested in industrialised and modular construction capacity. We implemented a new operating model from 1 January, which will drive further operational excellence, knowledge sharing and development of life-cycle solutions.

In 2021, we continued to strive for the best possible health and safety standards, and to support our employees, partners and communities. I thank all our people for their enthusiasm and determination to push ahead with organisational improvements while delivering great projects for our clients through the stressful times of the Covid-19 pandemic.

For the third consecutive year, BAM has been commended for its climate action, achieving a place on CDP's Climate Change A list. This is one of the key objectives of our strategic plan 2021-2023, 'Building a sustainable tomorrow'. It is a clear illustration of BAM's ambitious carbon reduction targets and of the progress we made so far. We have delivered a strong year-on-year reduction in our carbon footprint, driven by initiatives, such as electric transport, purchasing green electricity and electrification of construction sites and equipment. We consider it as a recognition for the transparency of our reporting, including insight into climate risks and opportunities for BAM.

Our order book is supported by good demand for infrastructure improvement, housing and sustainable buildings. At the same time, we continue to face industry-wide pressure in some parts of our supply chain, with added uncertainty regarding energy costs, and high competition to attract and retain skilled employees. Discussions with some our clients regarding the timing and settlement of some substantial claims are ongoing.

Against this background, we are on track to deliver our strategic targets for 2023 and we expect a further improvement of our adjusted EBITDA margin in 2022.

Finally, also on behalf of the Executive Committee, I would like to thank all our stakeholders for their confidence in BAM. I would like to especially thank our employees for their hard work and commitment to serve our clients.

Bunnik, the Netherlands, 23 February 2022

Ruud Joosten,
CEO Royal BAM Group nv

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Value creation

New icon in Rotterdam opened its door for the public in November 2021

Depot Boijmans Van Beuningen, Rotterdam, the Netherlands - BAM Bouw en Techniek

2.1 Business model

Organisation

BAM is a large European construction firm with operating companies active in two business lines, Construction and Property and Civil engineering, as well as in public-private partnerships. The Group employs approximately 15,739 people.
BAM is active in five European markets: the Netherlands, United Kingdom, Ireland, Belgium and Germany. The Company also has a presence in Denmark.

As per 1 January 2022, Royal BAM Group nv implements a new organisation structure to further improve effectiveness and access to growth opportunities.

The implementation of this new structure is the next step in realising the strategic agenda for 2021-2023 (Building a sustainable tomorrow), which was presented in February 2021. The 'manage for growth' activities will be grouped in two new divisions, one dedicated to the Netherlands and the other to the United Kingdom and Ireland. The activities in Germany and Belgium will be managed for value, which means a continued focus on operational improvements and potentially further divestments. This new structure will replace the existing business lines Construction and Property and Civil engineering.

With this new organisational structure, BAM will enhance its effectiveness and focus on growth, leveraging its top-3 market positions in the Netherlands, the United Kingdom and Ireland. This change will also contribute to faster development of innovative solutions, supporting BAM's clients to improve their sustainability and lower their carbon footprint.

BAM will start reporting in line with this new organisational structure in 2022.

Construction and Property
BAM carries out non-residential construction activities in all its markets and also Denmark. In addition, BAM delivers residential construction projects (apartment buildings) primarily in the Netherlands, Ireland and Belgium. Family homes are developed and built mainly in the Netherlands, where development and construction is provided as a fully integrated solution to clients.

Non-residential property development activities are carried out in the Netherlands, the United Kingdom, Ireland and Belgium. The business line Construction and Property employs approximately 6,522 people.

Civil engineering
The civil engineering activities cover all BAM's markets and also Denmark. The business line Civil engineering employs approximately 8,796 people.

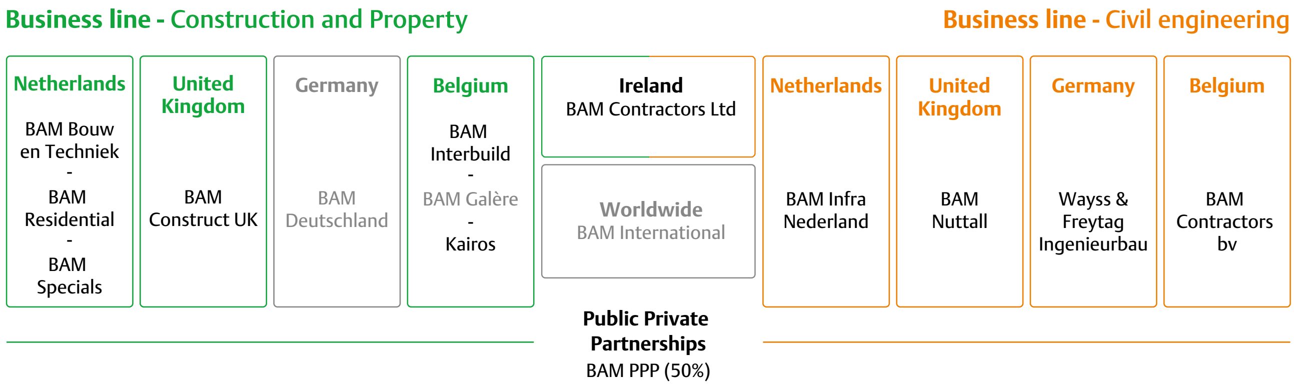
Public-private partnerships
BAM is a well-respected player in the European market for public-private partnership (PPP) projects. As of 1 January 2021 BAM PPP operates as a joint venture between Royal BAM Group and PGGM Infrastructure Fund.

Top structure
BAM's top structure consists of two governing bodies: the Executive Board and the Executive Committee. The Executive Committee decides – with final responsibility lying with the Executive Board – on strategic issues and policies, based on input from the operating companies and staff departments. Each member has a clearly defined focus and responsibility.

In 2021, the Executive Committee consisted of the two Executive Board members, the chief operating officers of both business lines, the chief business excellence officer and the chief human resources officer. Starting 1 January 2022, BAM's Executive Committee consists of the two Executive Board members (chief executive officer and chief financial officer), as well as two chief operating officers, one responsible for the activities in the Netherlands and the other for the activities in the United Kingdom and Ireland. The manage for value activities comprising Belgium and Germany, will report to the CEO.

The financial, social and environmental performance of BAM's business lines are described in chapter 3.

1 Organisational structure 2021



Divestment BAM Deutschland completed in 2021 | Divestment BAM Galère is completed early 2022 | Wind-down BAM International nearing completion | Announced divestment BAM Contractors in Belgium

Why

BAM creates value through its business model, using inputs and transforms them through business activities for the benefit of its stakeholders.
In the long-term BAM aims to contribute to the Sustainable Development Goals 7, 8, 9, 10, 11, 12 13, 15.

Our purpose

Providing clients with best-in-industry capabilities, contribute to the global movement towards sustainability, provide employees a safe and rewarding work environment and generate attractive returns for shareholders.

What

Input

Human capital
Professional and skilled employees in all areas of construction and property development, civil engineering and facility management, including support staff

Intellectual capital
Digital, modular and industrialised construction technologies

Natural capital
Materials such as concrete, steel, timber and asphalt

Produced capital
Machinery, tools and buildings

Social capital
Suppliers, subcontractors and business partners

Financial capital

BAM's business activities

BAM provides solutions across the total construction lifecycle through its key activities:

- Project development
- Tendering
- Design and engineering
- Constructing
- Maintaining
- Operating
- Facilities management

How

Short-term

Clients State-of-the-art and value-for-money sustainable solutions across the total lifecycle of construction and property, civil engineering and facility management contracts

Employees Career development with equal opportunity for professional development, leading to engaged employees

Provider of financial capital Stable risk-return and development impact

Suppliers and subcontractors Provide revenue and challenge them to reduce their environmental impact

Regulators Comply with regulations and promote sustainable innovation in order to improve the way the construction sector operates and its regulatory environment

Shareholders Risk-return profile that suits the development of sustainable construction and property development, civil engineering and facility management business activities

Long-term

2.2 Strategy 2021-2023

Strategic plan: Building a sustainable tomorrow

Early 2021, BAM launched the strategy Building a sustainable tomorrow. This strategy is mainly focused on increased profitability and continued de-risking the company by focusing on markets and projects where BAM has proven competitive strengths – ensuring a solid platform for future growth.

The strategic plan 2021-2023 serves BAM's corporate purpose to provide clients with best-in-industry capabilities, contribute to the global movement toward sustainability, provide employees a safe and rewarding work environment and generate attractive returns for shareholders. See figure 3 for BAM's 2023 financial targets and commitment to sustainability and safety.

Strategy highlights:
Restructure portfolio to focus on markets, projects and partnerships where BAM can leverage its proven competitive strengths:
- Platform for growth in the Netherlands, United Kingdom and Ireland;
- Manage businesses in Germany and Belgium for value, supported by operational improvements and divestment;
- Expand partnerships for creating assets with fixed long-term income by growing the current Private Public Partnerships (PPP) business and establishing new partnerships to develop residential properties;
- Leverage expertise in sustainability, digitalisation, modularisation and industrialised construction;
- Continue de-risking the project portfolio.

Sustainability

Sustainability forms an integral part of BAM's 2023 corporate strategy to de-risk its portfolio and move towards product leadership and lifecycle solutions to reach a strong financial base with approximately 5 per cent EBITDA margin and approximately €5.5 billion revenue by 2023.

Mid-2021, BAM started expanding the corporate strategy by strengthening the sustainability focus of the company. Closely linked to the Sustainable Development Goals (SDGs), BAM identified critical People and Planet issues that are shaping the construction industry. BAM will be focusing on themes where specific solutions offer most value to tackle key sustainability issues like global warming and resource depletion.

BAM's sustainability focus supports clients accelerating their sustainability objectives with new and better sustainability solutions and strengthen the Company's industry-leading position to build a sustainable tomorrow for People and Planet.
Sustainability focuses on two strategic pillars:
- Achieving process and product leadership is the key to offer clients scalable solutions that help them realise their sustainability goals;
- Focusing on lifecycle solutions allows BAM to control the lifecycle of materials and carbon across the lifespan of assets, instrumental to lower the Company's footprint and that of the clients.

BAM will further commit to impactful long-term ambitions and clear short-term goals. Tangible progress on BAM's sustainability strategy and performance will be released in the second quarter of 2022.

Focus on profitable growth platform

BAM is focusing on growing its business in the Netherlands, United Kingdom and Ireland. These are the markets where BAM has the largest scale. In these countries, BAM holds strong positions in both the Construction and Property and the Civil engineering business lines and a strong position in Public Private Partnerships (PPP).

In these markets, BAM will focus its portfolio, strive for business excellence and product leadership, and grow life-cycle solutions, providing clients with innovative and sustainable design, development, construction and facilities management solutions that can be integrated. BAM will prioritise projects where such innovation is replicable, in order to reduce risk and increase profitability. Examples include:
- Offering energy/climate-neutral residential concepts for new-build schemes and refurbishment programmes for social housing cooperatives;
- Rolling out sustainable lifecycle energy solutions for offices and homes;
- Focusing on two-stage tenders and framework agreements / maintenance contracts in the Civil engineering business line.

Continue de-risking

The strategic plan specifically focuses on improving BAM's risk/reward profile. BAM moves its project portfolio away from large unrewarded risk by limiting the size of single-stage, lump-sum tenders to €150 million. For example, in 2021 BAM has withdrawn from tenders for the extension of the A27 near Utrecht and the construction of a new station on Amsterdam's Zuidas, both projects with a projected unbalanced risk/reward profile for BAM.

BAM is also cautious in tenders due to increasing costs of raw materials. BAM's activities in Germany and Belgium, markets where scale, risks and competitive dynamics have been more challenging, are managed for value through further operational improvement actions. In 2021, BAM made progress with the divestment programme (see page 13, acquisitions and divestments). BAM is selective in its order intake in Germany and Belgium while maintaining optimal services to clients, efficiency of operations and commitment to employee safety and development.

Building a sustainable tomorrow

Focus on profitable growth platform
- Platform for growth
- Manage for value

Continue de-risking
- Market choices
- Avoid disproportionate risk in project portfolio
- Operational excellence in tenders and on projects

Accelerate opportunities for future growth
- Towards process and product leadership
- Lifecycle solutions and selective investments

BAM 2023
- Approximately €5.5 billion revenue
- Stable adjusted EBITDA of approximately 5%
- ROCE >10%
- Trade working capital efficiency <-10%
- Grow capital ratio to 20%
- Incident frequency <3.5 and zero fatalities
- Maintain CPD A-list ranking (SBTi)
- CO_2 reduction 50% 2030

Progress made in 2021

Platform for growth:
- BAM completed restructuring programme early 2021;
- BAM implements plans shifting away from two business lines by moving towards a regional business orientation with two divisions;
- Company-wide transformation programme started based on co-creation to further shape BAM's strategy.

Manage for value - clear progress on divestments:
- BAM Swiss (completed);
- BAM Facilities Services (Germany; completed);
- BAM Deutschland (completed);
- Transition of BAM International's Indonesian subsidiary to management team (completed);
- BAM Galère (completed early 2022);
- Quarry Großtagebau Kamsdorf (completed);
- Announced divestment BAM Contractors in Belgium.

Furthermore, wind-down BAM International nearing completion.

Market choices:
- Healthy pipeline of opportunities, mainly driven by public stimulus programmes in the United Kingdom and Ireland and high demand for sustainable solutions and for new homes in the Netherlands.

Avoid disproportionate risk in project portfolio:
- BAM stopped multiple large single-stage lump-sum tenders with unrewarded risk profile.

Towards process and product leadership:
- BAM is focusing on process and product leadership by investing in scalable-off site manufacturing through the centralised initiative 'building 2.0'.

Lifecycle solutions and selective investments:
- In the Netherlands, BAM further strengthened the portfolio towards sustainability and industrialised construction with the acquisition of an off-site production scalable facility for timber modular houses.

Safety and sustainability
- While BAM improved its safety performance resulting in an IF BAM of 4,5 (5,3 in 2020) in 2021, this is still behind the target of < 3.5.
- In 2021, BAM received an A and achieved leadership status on CDPs climate change benchmark for the third consecutive year.
- BAM reduced its CO_2 intensity in 2021 by 44 per cent compared to 2015 and is well on track in reaching its target of 50 per cent by 2030.
- BAM is increasingly offering sustainable solutions and wins tenders with a clear client demand. BAM aims to increase the share of sustainable projects in its portfolio.

Accelerate opportunities for future growth

BAM's strategic plan is aimed at the significant and expanding part of the construction industry being driven by clients' growing emphasis on sustainability. Clients are increasingly demanding in the area of resource conservation, energy efficiency and carbon reduction during the design, construction and operational phases of their projects. Another major market trend is the substantial shortage of housing. These are areas where BAM has strong experience and expertise and is investing to expand its capabilities.

Acquisitions and divestments

During the financial year 2021, Royal BAM group took several major steps forward in delivering the strategy Building a sustainable tomorrow. BAM is focusing on growth markets in the Netherlands, United Kingdom and Ireland, where it has scale and competitive advantage. In other markets BAM is managing subsidiaries for value and potential divestment.

Acquisitions
On 4 March 2021, Royal BAM Group (through its subsidiary BAM Bouw en Vastgoed Specials) announced the acquisition of all shares of Houtindustrie Stam & Landman bv (HSL) and Gevelelementen Noord-Holland bv (GNH) from previous owners.

HSL and GNH are leading producers of complete, prefabricated wooden facade elements. Located in Heerhugowaard, the Netherlands, the combined businesses employ approximately one hundred employees, with annual turnover over €20 million. HSL was founded in 1983 as a specialist producer of wooden window frames and doors and established Gevelelementen Noord-Holland in the mid-1990s to produce facade elements for housing projects. Both businesses have been a strategic partner of BAM's Dutch residential division BAM Wonen for 25 years. In 2018, BAM and HSL/GNH jointly invested in an innovative bricklaying robot system to clad prefabricated facade elements with brick slips for renovation projects.

Divestments
On 30 March 2021, Royal BAM Group reached agreement to sell the shares of BAM Swiss AG (a subsidiary of BAM Deutschland AG) to Implenia AG. The transaction was closed in May. BAM Swiss was established in 2011. The company employed approximately 45 people, with annual revenues of approximately €45 million.

On 1 April 2021, STRABAG Property and Facility Services GmbH acquired as part of an asset deal the business operations of BAM Facility Services GmbH, based in Hallbergmoos near Munich. BAM Facility Services was founded in 2007, has a revenue of around € 4 million and 40 employees. The company's range of services includes technical and infrastructural services. These include the commissioning, maintenance and repair of technical building systems and systems for uninterruptible power supply (UPS) for commercial, infrastructure and residential properties.

BAM International sold its subsidiary PT BAM Decorient Indonesia to the management on 4 May 2021. The company – which will continue its activities as PT Decorient Partaya Indonesia – was established in 1970 and is based in Jakarta. Over the past 50 years, Decorient Indonesia has successfully completed a wide range of building and civil engineering projects. The transaction followed BAM's earlier decision to wind down the activities of BAM International, operating outside Europe.

On 9 September 2021, Royal BAM Group nv reached agreement to sell the shares of its German operating company BAM Deutschland (including subsidiaries BAM Immobilien-Dienstleistungen and BAM Sports) to Zech Group SE and Gustav Zech Foundation. The transaction was closed in mid-October. BAM Deutschland had annual revenues of approximately €500 million and 750 employees delivering projects including hospitals, offices, universities, prisons, residential buildings and sport stadiums.

On 2 December 2021, Royal BAM Group reached agreement to sell the shares of its operating company BAM Galère (including its subsidiary BAM Lux and BAM Galère's plant and equipment, managed by BAM Mat) to the Belgian construction company Thomas & Piron Group. The transaction is completed succesfully early 2022. BAM Galère constructs buildings and infrastructure projects for both the public and private sectors. The company is active in Wallonia, Brussels and – via subsidiary BAM Lux – in the Grand Duchy of Luxembourg, has annual revenues of approximately €200 million and 650 employees delivering construction and civil engineering projects.

On 15 December 2021, Royal BAM Group reached agreement to sell the quarry Großtagebau Kamsdorf (a subsidiary of Wayss & Freytag Ingenieurbau AG) to Remex GmbH. Remex is a subsidiary of the German recycling, industrial services and water management company Remondis. Großtagebau Kamsdof has annual revenues of approximately €4 million and employs approximately twenty people.

On 15 February 2022, Royal BAM Group announced the divestment of BAM Contractors in Belgium.

Outlook

BAM expects the economies in its home countries to rebound strongly after global events like the Covid crisis, unavailability of supplies as well as inflationary pressure. The construction industry will be an important sector for public stimulus programs and the need for affordable housing, repurposed building objects and assets with an overall lower footprint is expected to drive client demand. BAM is well positioned to utilise these opportunities and differentiate itself in the market.

2.3 Stakeholder engagement and material themes

Stakeholder engagement at BAM

BAM recognises that real business benefits can only be achieved by involving all stakeholders. BAM continuously engages with the stakeholders in its markets and throughout all operating companies to understand their priorities and concerns through benchmarking, sector meetings, client surveys and direct contacts.

For BAM, stakeholder engagement is about transparency, a deeper understanding of requirements and expectations and, ideally, future-proof partnerships through the supply chain. During 2021, BAM engaged in several stakeholder dialogues to address cross-industry trends and movements throughout the entire construction value chain, for example during yearly supplier days at different business units. Similar as in 2020, engagement activities mostly continued in smaller groups and through digital meetings.

Stakeholders

BAM's stakeholders are interest groups which significantly influence or are influenced by the economic, environmental and social performance of the Company. BAM identified six key-stakeholder groups. These groups as well as typical type of engagement are described below:

Clients
Maximum value for money is of utmost importance to BAM's clients and this extends beyond simply delivering a project at the lowest price. BAM is in constant dialogue with its clients about project expectations and projections. In addition, BAM organizes client meetings to share knowledge and best practices - this is primarily done through account management and business development.

Providers of financial capital
Engagement with investors, financial institutions and the financial community at large is actively pursued and usually takes place through road shows, seminars, investment meetings and press releases. The main recurring type of engagement is related to financial performance, transparency and control.

Employees
Employees are BAM's most valuable assets. Employee engagement is facilitated through multiple platforms such as Young BAM events, open collaboration days, senior management meetings and online surveys through BAM Panel. Additionally, BAM has active works councils across the business to discuss organizational changes and other employee-related matters.

Suppliers and subcontractors
Supply chain partners are essential to BAM and therefore the Company engages with almost all of its suppliers. At projects, BAM is in constant dialogue with its suppliers about project expectations and the carbon footprint of supplied goods to reduce the environmental impact of our projects.

Society
BAM builds crucial facilities which society needs, such as housing, hospitals, schools, utilities and infrastructure. By their nature, the construction and civil engineering works of BAM have an impact on local communities. BAM's engagement through projects is typically focused on topics like local spend and creating positive social impact through volunteering.

Regulators
By delivering projects, BAM is in constant contact with (local) government authorities about issuing permits and compliance with regulations. BAM engages with regulators in issues such as carbon-free buildings, carbon impact in the infrastructure lifecycle and environmental issues like climate change.

Stakeholder engagement in 2021

At the end of 2021, Royal BAM Group carried out a materiality assessment in which 18 themes were identified. Material themes significantly influence BAM's ability to create value in the short, medium and long term. In order to be able to update the materiality matrix.
BAM distributed an online survey to international stakeholders across all six stakeholder groups, selected with support from regional business development contacts to determine relevant stakeholders. Based on this input, BAM identified seven material themes. A detailed description of the seven material themes, their impact on BAM and the management approach can be found in chapter 9.7.

BAM sent out a stakeholder survey in 2021, including a broad definition of the themes for complete cover. The materiality matrix (figure 4) displays the prioritisation of the themes based on their relative importance to BAM, to its stakeholders and to society. In addition to closed questions, the stakeholders were requested to introduce and assess matters that they felt were missing in BAM's original materiality assessment. Topics raised by stakeholders included energy transition and BAM's solution to the shortage of affordable housing.

The Executive Committee was involved in the engagement process and the discussion on the materiality of these themes. The discussed approach with the Executive Committee was to specifically report on the seven most material themes as these are important for BAM's long-term value creation. An ambition discussed with the Executive Committee during last year's stakeholder engagement was to use the output of the assessment as an inspiration for the new strategic agenda process. In 2021 specifically, the input was used for development of the upcoming sustainability strategy and to define (future) market risks and opportunities for BAM.

Material themes in 2021

Stakeholders identified and prioritised the potential impact of (material) themes on themselves and on society. The prioritisation of BAM's material themes remained very similar compared to last year. Financial performance and project and product quality and control remained the most important themes for BAM.

The planet themes decarbonisation and circularity both became more material in 2021's assessment.

The most relevant theme for the client group was project and product quality and control. Providers of financial capital indicated that BAM's financial performance is most relevant to their organisations. BAM's employees indicated employee recruitment, development and retention as an important theme.

BAM's suppliers and subcontractors specifically indicated circularity and digitalisation and industrialisation as most material themes. The planet themes decarbonisation, circularity and climate adaptation were deemed most important for society.

Based on stakeholders input, BAM identified the following seven themes (figure 5) as most material:
- Project and product quality and control;
- Financial performance;
- Decarbonisation;
- Digitalisation and industrialisation (including cybersecurity);
- Employee recruitment, development and retention;
- Health, safety and well-being;
- Circularity.

Three themes that were valued important by BAM's stakeholders but are not selected as most material theme are: risk management, climate adaptation and innovation. The Group made the decision to value these three themes not as most material because of the following considerations:
- Risk management: BAM sees this as a crucial activity to manage risks in all other themes, and not as a theme in itself. BAM's risk management approach can be found in chapter 4;
- Climate adaptation: While BAM recognises the increasing importance of climate adaptation, the theme has not yet the same urgency for BAM as decarbonisation and circularity. BAM explores to report performance towards 2022. Currently, multiple solutions and climate adaptation projects have been delivered to clients, examples are included in chapter 3.3;
- Innovation: Innovation (research and development, new technologies) is an important theme for BAM and takes place across BAM's entire business, mainly with initiatives at individual project level. BAM has not selected innovation as a most material theme because innovation is significantly lower on the 'impact on BAM axis' in the materiality matrix compared to the most material themes.

Sustainable Development Goals

BAM values the alignment of its strategy with the UN-adopted Sustainable Development Goals (SDGs): seventeen goals that serve as a roadmap to address the world's biggest sustainability challenges and achieve a better and more sustainable future for all by 2030. BAM recognises the importance of the SDGs as a global agenda and supports these goals. BAM's business potentially impacts all SDGs, but given the nature of its business, some have a more direct influence within current markets.

BAM has assessed to which SDGs its priority themes and targets contribute most, and has identified 8 goals to contribute to:

- SDG 7 'Affordable and clean energy'
- SDG 8 'Decent work and economic growth'
- SDG 9 'Industry, innovation and infrastructure'
- SDG 10 'Reduced inequality'
- SDG 11 'Sustainable cities and communities'
- SDG 12 'Responsible consumption and production'
- SDG 13 'Climate action'
- SDG 15 'Life on land'

BAM contributes to efficient economic growth and create safer, more secure work environments (SDG 8) by focusing on the material theme 'Healthy, safety and well-being'. Through specific programs focusing on employee recruitment, development and retention, BAM is aiming to reduce inequality (SDG 10).

Ultimately, BAM realises solutions that contribute to sustainable urbanisation and infrastructure and flourishing communities (SDG 11) by strongly focusing on project and product quality and control and solid financial performance.

BAM industrialises and decarbonises its operations and builds more efficient and resilient infrastructure (SDG9) by a strong focus on decarbonisation and reducing its environmental footprint. BAM moves to circularity through the reduction of waste and increased use of biobased and secondary materials (SDG 12). BAM contributes to creating sustainable cities and communities by expanding its sustainable energy solutions and by developing more energy efficient operations and solutions (SDG 7).

BAM aims to deliver climate resilient solutions to its clients (SDG 13) and nature-inclusive solutions to its clients and offers biodiversity net gain strategies to help clients build assets that respect and enhance ecosystems on land (SDG 15). BAM believes that sustainable business contributes to solid financial performance, a key material theme for BAM.

While BAM does link its strategic objectives to contribution to the SDGs, BAM does not explicitly report its impact on the SDGs. Monitoring performance in relation to the SDGs requires an accurate insight in both the positive and negative impact of BAM's operations. BAM is working towards improving the understanding of the impact of BAM's strategic targets and performance to the SDGs but is not yet able to consolidate all negative and positive impacts.

Rotterdamsebaan, The Hague, the Netherlands - BAM Infra Nederland and Wayss und Freytag Ingenieurbau

Victory Boogie Woogietunnel put in operation in February 2021

4 Materiality matrix

The dot size represents the impact of BAM's performance on society. Large dots size reflects high impact.

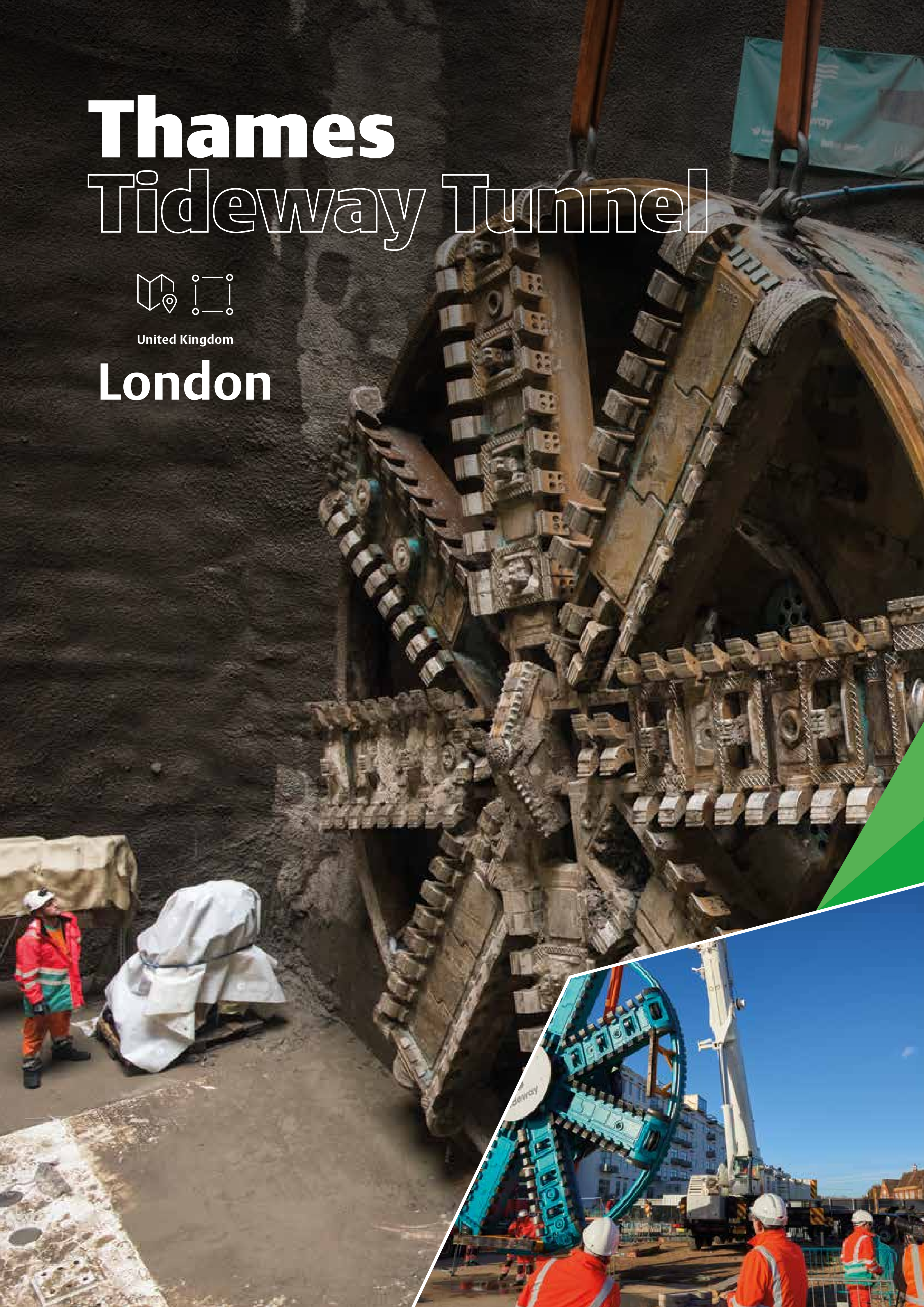
5 Selection materials themes linking to performance indicators and risks

	Material themes	Indicator	Risks	Performance in chapter
1	Project and product quality and control	ROCE	Project, financial	3.1
2	Financial performance	ROCE	Market, project, financial, property development	3.1
3	Decarbonisation	CO_2 emissions intensity	Market, sustainability	3.3
4	Digitalisation and industrialisation	Only qualitative description, see chapter 9.7 for explanation	Project, market	3.2 and 9.7
5	Employee recruitment, development and retention	Only qualitative description, see chapter Leadership programmes	Reputation, people	3.2
7	Health, safety and well-being	IF BAM	People, health and safety	3.2
8	Circularity	Construction and office waste intensity	Market, sustainability	3.3

Thames Tideway Tunnel

United Kingdom

London

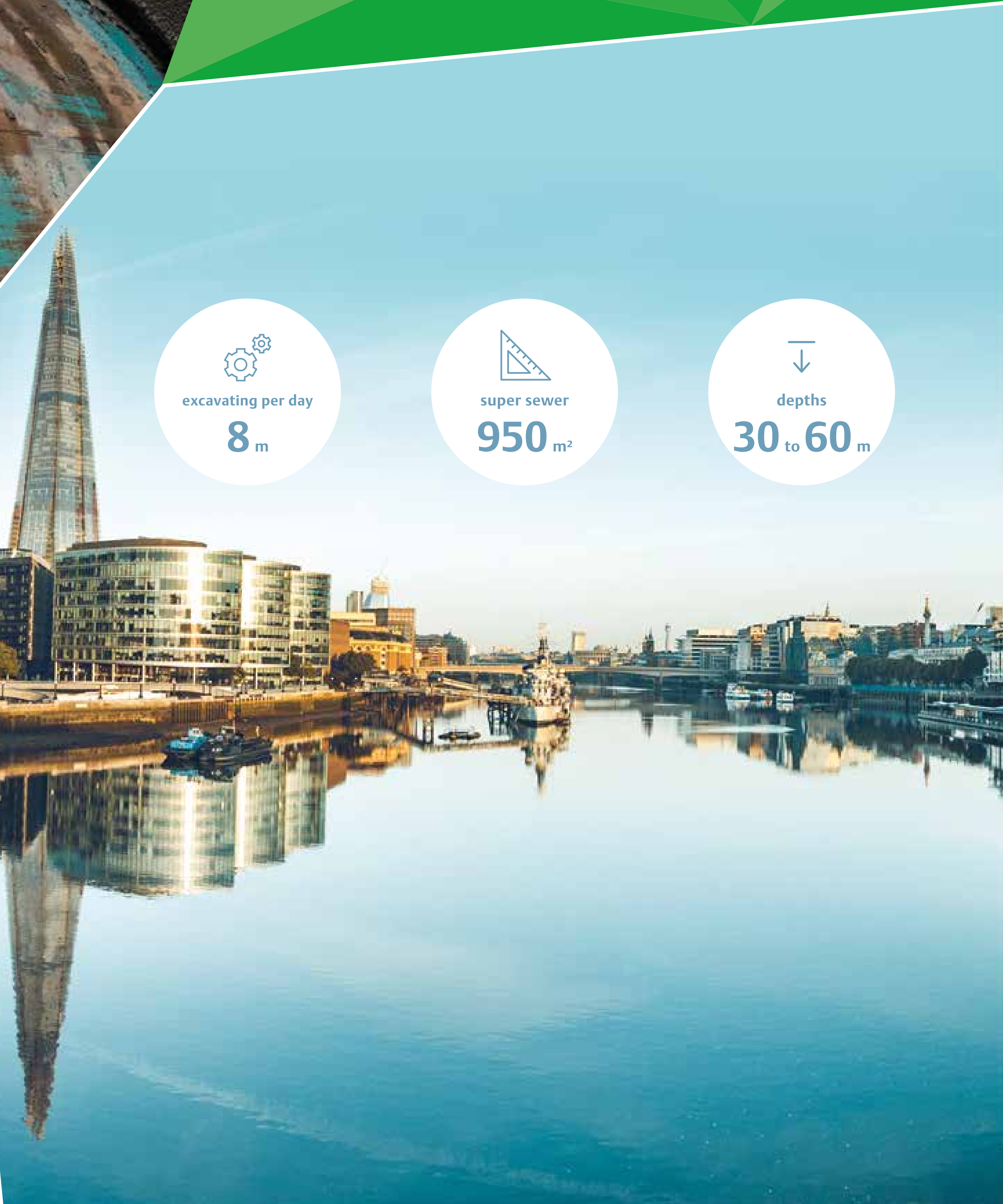


Upgrading London sewer system

BAM Nuttall and Wayss & Freytag Ingenieurbau upgrade London’s 150-year old sewer system to meet the needs of the capital’s growing population.

The Thames Tideway Tunnel is the biggest infrastructure project in the United Kingdom to be undertaken by the water industry. It’s due to be finished by 2024.

The new 25 km ‘super sewer’ will intercept, store and transfer sewage away from the river, travelling through London at depths of 30 to 60 metres.



excavating per day
8 m

super sewer
950 m²

depths
30 to 60 m

3

Business performance

BAM Construct UK's School of Engineering building (Bristol) named Project of the Year at British Construction Industry Awards in October 2021

UWE School of Engineering, Bristol, United Kingdom – BAM Construct UK

3.1 Financial performance

Strategic targets 2023*	Performance in 2021	Progress
• BAM aims to improve adjusted EBITDA to circa 5 per cent	The margin on the adjusted EBITDA for 2021 was 3.8 per cent, compared to 2.9 at year-end 2020.	○○●
• Capital employed: trade working capital efficiency below -/- 10 per cent.	The trade working capital efficiency improved to -/- 16.9 per cent at year-end 2021 compared to -/- 13.9 per cent at year-end 2020.	○○●
• Return on capital employed (ROCE) >10 per cent.	ROCE in 2021 amounted to 5.6 per cent (2020: -/- 4.2 per cent).	○○●
• Grow capital ratio to 20 per cent over the strategic period.	Capital ratio amounted to 14.5 per cent compared to 13.4 per cent at year-end 2020.	○○●

* Please refer to 9.5 Glossary for definitions.

Management summary

BAM realised satisfactory operational and financial results in the first year of the strategic plan 'Building a sustainable tomorrow'. All the businesses improved their performance compared to 2020, except Dutch Civil engineering where the large contracts division continued to underperform. The other activities in the Netherlands, United Kingdom and Ireland, performed well, especially the Dutch residential activities which delivered a substantial contribution supported by high demand for new homes.

The company is one year into our three-year strategic plan to create a more predictable, profitable and sustainable company. BAM made good progress with the operational de-risking of the company.

The divestments of several business units, including BAM Swiss, BAM Deutschland and BAM Galère in Belgium, were announced and completed. In addition, the company announced the divestment of BAM Contractors in Belgium. The Group is in the final phase of the wind-down of BAM International. BAM fully repaid the revolving credit facility (RCF), the subordinated convertible bonds and accelerated the repayment of the Covid-19 tax deferrals.

Covid-19 continued to impact the company; some projects sites were closed during the first quarter, people suffered from Covid-19 and debates with clients on costs reimbursements are ongoing. The order book is supported by good demand for infrastructure improvement, housing and sustainable buildings. At the same time, the company continues to face industry-wide pressure in some parts of our supply chain, with added uncertainty regarding energy costs, and high competition to attract and retain skilled employees.

As always discussions with clients regarding the timing and settlement of some claims are ongoing. Against this background, BAM is on track to deliver on the strategic targets for 2023.

6 Key financial results
(x € million, unless otherwise stated)

	2021	2020
Revenue	7,315	6,809[1]
Adjusted EBITDA[2]	278.4	200.8
Adjusted EBITDA margin	3.8%	2.9%
Net result attributable to shareholders	18.1	(122.2)
Earnings per share	7 cents	(45) cents
Dividend proposal	0 cents	0 cents
Order book (end of period)	13,243	13,760

[1] Includes revenues of BAM PPP, which was classified as discontinued operations.
[2] As of 2021, based on a benchmark on European listed Construction companies performed in 2020, BAM decided to use adjusted EBITDA as KPI to align with other peers in the industry. Adjusted EBITDA consists of result before tax, excluding restructuring costs, impairment charges, pension one-off, interest, depreciation and amortisation.

BAM recorded a positive adjusted EBITDA margin in line with its strategic agenda and communication to the markets. The adjusted EBITDA increased from €200.8 million (2020) to €278.4 million. This equates to an adjusted EBITDA margin of 3.8 per cent (2020: 2.9 per cent).

There were strong results from the Construction and Property companies in the Netherlands and the United Kingdom. The overall Construction and Property results were affected by modest results in Belgium and Germany.

The results of Civil engineering in Germany and the United Kingdom were robust. In the Netherlands, the results of Civil engineering reflected an underperformance in the large project division, other business units performed to plan.

The adjusted EBITDA of BAM International improved to negative €12.2 million in 2021 (2020: negative €102.1 million).

7 Analysis by business sector
(x € million, unless otherwise stated)

	2021		2020	
	Revenue	**Adj. EBITDA**	Revenue	Adj. EBITDA
Construction and Property	**3,934**	**161.8**	3,694	41.1
Civil engineering	**3,344**	**103.4**	2,949	94.3
	7,278	**265.2**	6,643	135.4
BAM PPP		**13.7**	53[4]	26.7
BAM International	**82**	**(12.1)**	153	(102.1)
Eliminations and miscellaneous	**(45)**	**11.6**	(40)	140.8[3]
Group revenue and adjusted EBITDA	**7,315**	**278.4**	6,809	200.8

[3] Includes transfer of BAM PPP shares to PGGM.
[4] Reported as revenue in discontinued operations.

Net result

The net result was impacted by non-cash impairments, driven by the effect of the (intended) divestments, changes in Dutch and United Kingdom tax laws and smaller other items.

The non-cash impairments relate to the intended divestment of BAM Contractors and the completed divestments of BAM Galère, both in Belgium, and BAM Deutschland. In addition, there was an impairment on the AsfaltNu asphalt production joint venture and an impairment for some property development positions in the Netherlands.

The tax effect on net result is impacted by the increase in tax rates in the UK and the Netherlands, the change on tax loss settlement rules in the Netherlands, recognition of additional deferred tax assets due to improved business forecasts and non tax deductible operational losses and impairments relating to divestments.
The overall effective tax rate in 2021 is 74 per cent; without these items this would have been around 23 per cent.

8 Adjusted EBITDA to net result
(x € million, unless otherwise stated)

	2021	2020
Adjusted EBITDA	**278.4**	200.8
Depreciation and amortisation	**(145.4)**	(159.4)
Interest charge	**(12.2)**	(7.1)
Restructuring and other exceptional costs	**(6.5)**	(44.7)
Impairment charges	**(48.5)**	(74.7)
Pension one-off	**-**	1.2
Result before tax	**65.8**	(83.9)
Income tax	**(48.8)**	(38.5)
Non-controlling interests	**1.1**	0.2
Net result attributable to shareholders of the Company	**18.1**	(122.2)

Earnings per share

The number of outstanding ordinary shares of the Group amounted to 273.3 million in 2021, which was the same as in 2020. Earnings per share amounted to 7 euro cents (2020: -/- 45 euro cents).

Dividend proposal

BAM's policy is to pay out 30 to 50 per cent of the net result for the year subject to considering the balance sheet structure supporting the strategic agenda and the interests of the shareholders. In 2021 BAM repaid the remaining unsecured convertible bond, which lowered the capital base by €120 million. Taking into account that BAM has the ambition to improve the capital ratio to 20 per cent by 2023 (end 2021: 14.5 per cent) no dividend over 2021 will be proposed.

Order book

Total order book declined to €13.2 billion, a reduction of €0.5 billion compared to 2020. In the Civil engineering sector, total order book increased strongly with €0.5 billion, of which €237 million in the United Kingdom and €136 million in The Netherlands.

The reduction of €0.9 billion in the orderbook within Construction and Property related mainly to the divestment of BAM Deutschland.

The project margin on the new order intake remained in line with BAM's selective tendering procedures. Of the current total order book position, €6.0 billion (2020: €6.0 billion) is expected to be carried out in 2022 and €8.8 billion (2020: €9.9 billion) in the years after.

Cash flow

9 Cash flow[1]
(x € million, unless otherwise stated)

	2021	2020
Cash flow of operations[2]	222	24
Change in Working capital	142	504
Change in provisions and Pensions	(44)	86
Cash flow from Operating Activities	320	614
Cash flow from Investing Activities	(166)	60
Cash flow from Financing Activities	(661)	295
Increase / decrease in cash position	(507)	969
Cash and cash equivalents beginning period	1,789	854
Change in assets and liabilities held for sale	(42)	(6)
Exchange rate differences, other changes[3]	45	(28)
Cash and cash equivalents	1,285	1,789

[1] Based on the IFRS cash flow statement.
[2] Net result for the period adjusted for depreciation and amortisation, impairment charges and other non-cash elements.
[3] Includes cash change assets held for sale.

In 2021, the improved operational performance resulted in a robust cash flow from earnings. Working capital further improved by €142 million. The improvement was supported by continued strong cash collection, which resulted in further lowering of receivables while BAM continued to respect the payment conditions of the supply chain.

The cash outflow for provisions and pensions of €44 million mainly relates to the cost reduction program initiated September 2020, progress on the execution of underperforming projects and related to pension payments.

Cash flow from investing activities included €94 million related to the divestment of subsidiaries. Cash flow from financing activities was €661 million negative, mainly due to the repayment of the €400 million RCF and €120 million unsecured subordinated convertible bond.

As a consequence of the divestment process of the Belgian companies BAM Galère (completed 3 February 2022) and BAM Contractors (announced 15 February 2022) these assets and liabilities are reported under assets held for sale, which had a negative cash impact of €42 million.

The exchange rate of the British pound had a positive effect of €45 million.

(Net) Cash position

10 Financial position
(x € million, unless otherwise stated)

	2021	2020
Cash position	1,285	1,789
Interest-bearing debt	(66)	(635)
Net (debt) cash before lease liabilities	1,219	1,154
Lease liabilities	(215)	(294)
Net (debt) cash	1,004	860
Shareholders' equity	654	583
Capital base	654	702
Balance sheet total	4,496	5,225
Capital ratio	14.5%	13.4%
Capital employed	1,273	1,959
Return on average capital employed	5.6%	(4.2%)

Compared to year end 2020, BAM's liquidity position declined to around €1.3 billion. In 2021 the company reduced its interest bearing debt through the full repayment of the €400 million RCF and the €120 million unsecured subordinated convertible bond.

The positive cashflow from working capital included the repayment of approximately €115 million of Covid-19 defferred VAT and salary tax payments, of which €99 million accelerated.

The decline of lease liabilities is explained by the divestment of BAM Deutschland, reclassification of two Belgium companies as assets held for sale and relatively limited number of new rental agreements for office space. As at 31 December 2021, a net cash position was achieved of €1,219 million (2020: €1,154 million net cash position). This position comprised of cash and cash equivalents of €1,285 million minus borrowings of €66 million.

Shareholders' equity and capital base

The positive contribution of BAM's net result of €18m led to an increase of BAM's equity. The following elements explain the other movements in the shareholders' equity of the Group;
- The actuarial results increased, mainly due to lower discount rates, with a positive impact of €28 million after taxes on equity;
- Increased FX rate GBP leading to a positive net impact on equity of €22 million.

The capital base, decreased with €48 million to €654 million (2020: 702 million); the increase in equity was more than offset by the repayment of the convertible bonds in the second quarter of 2021 (€120 million).

Capital Ratio

BAM's capital ratio improved to 14.5 per cent compared to 13.4 per cent at the end of 2020. Shareholders' equity increased by €70 million, mainly due to actuarial gains, positive exchange rate effect and net result. The capital base of BAM declined due to the repayment of the remaining €120 million unsecured subordinated convertible bond. The negative effect of the lower capital base on the capital ratio was more than compensated by a €729 million decline in the balance sheet total.

The decline is explained by the full repayment of the RCF, the accelerated repayment of the VAT, the repayment of the unsecured subordinated bond and the divestment of BAM Deutschland.

Capital employed

As per 31 December 2021, the average capital employed amounted to circa €1.4 billion, a decrease of €0.4 billion compared to 2020. This is mainly driven by the reduction of cash and cash equivalents (current assets). The non-current assets decreased in the year with €94million (2020: decrease with €134 million). This is mainly driven by a decrease in the carrying amount of property, plant and equipment (PP&E), a decrease on the Right of Use Assets, which both are only partly offset by an increase in the pension assets in the United Kingdom.

The intangible assets (predominantly containing goodwill) with a carrying amount of €346 million, increased with €12 million compared to 2020. Goodwill is tested bi-annually, in 2021 there was no trigger to impair. The carrying amounts of joint venture investments (accounted for using the equity method) remained relatively stable during the year (from €256 million to €253 million).

Recourse banking covenants

The company was well within the limits of all its recourse banking covenants as at 31 December 2021; the recourse leverage ratio was minus 8.5 (≤ 2.5), the recourse interest coverage ratio was 19.1 (≥ 4.0) and the recourse solvency ratio was 21.1 per cent (≥ 15 per cent). Solvency for covenants differs from the capital ratio, since it is based on IFRS as applied by the Group for the year 2019, amongst others excluding IFRS 9 and, with regard to IFRS 16, it has been agreed to leave all leases out of scope for covenant testing. Further, the covenant calculations exclude all direct equity effects resulting from derivatives and pensions.

As at 31 December 2021, total borrowings amounted to €281 million (2020: €929 million), of which €34 million (2020: €78 million) concerned non-recourse debt.
The non-recourse debt related to property development decreased with €50 million in 2021.

The other part, recourse debt, amounted at year end to €247 million. The recourse net debt, part of the recourse leverage ratio in BAM's financing arrangements, comprised mainly lease liabilities with €215 million, which is a decrease compared to last year related to the divestments.

11 Borrowings
(x € million, unless otherwise stated)

	2021	2020
Non-recourse debt		
PPP	9	3
Property	21	71
Other	4	4
	34	78
Subordinated convertible bonds		119
Syndicated credit facility		400
Recourse debt		
Property	27	38
Lease liabilities	215	294
Other	5	-
	247	332
Borrowings	281	929

Net working capital

The net working capital (current assets excluding cash and cash equivalents minus current liabilities excluding current borrowings and current lease liabilities) as at 31 December 2021 amounted to minus €1,298 (2020: minus €1,210 million).

Gross investment in property development was reduced with €91 million in 2021 to €413 million (2020: €504 million), as a consequence of property sales, divestments and an impairment charge of €11.6 million. Net investment in property development, considering associated borrowings, amounted to €367 million (2020: €395 million).

Other balance sheet items

Provisions
Provisions, other than post-employment benefits, decreased by €117 million to €210 million as at 31 December 2021, predominantly due to the divestment of BAM Deutschland €76 million , transfers to assets held for sale €15 million net decrease of the restructuring provision of €24 million.
In addition, the onerous contracts provision decreased with €11 million.

Deferred tax assets and liabilities
The Group has deferred tax assets of €87 million (2020: €106 million). The decrease in the deferred tax asset was predominantly related to the impairment of Dutch and Belgian deferred tax assets of €19 million (mainly relating to newly enacted tax loss settlement rules in the Netherlands) and the non-recognition of tax losses for the financial year 2021 in Belgium and Germany of €7.8 million. On the other hand, the recognition of the tax losses for the German Civil activities and tax rate change in the Netherlands positively impacted the deferred taxes.

Tax

The tax line includes on balance €33.5 million of one-off non-cash tax items, consisting of the change on tax loss settlement rules in the Netherlands (minus €28 million), the increase in tax rates in the United Kingdom and the Netherlands (minus €10 million), recognition of additional deferred tax assets due to improved business forecasts (positive €18.4 million) and non-tax deductible operational losses and impairments relating to divestments (minus €13.9 million). The overall effective tax rate in 2021 is 74 per cent; without these items this would have been around 23 per cent.

On corporate income tax, taxes on wages, social security contributions and VAT, the Group paid a total amount of €735 million in 2021 (2020: €577 million). Cash tax paid is seriously impacted by government measures to allow companies to defer tax payments. In the Netherlands and the United Kingdom, BAM has opted to make use of such deferral possibility resulting in approximately €117 million unpaid taxes, of which €115 million in the Netherlands and the remainder in the United Kingdom per 31 December 2021.

12 Total taxes paid in 2021
(x € million, unless otherwise stated)

	Taxes	**%**	**Revenue**	**%**
Netherlands	356	48	2,821	39
United Kingdom	275	37	2,345	32
Belgium	21	3	546	7
Germany	57	8	551	8
Ireland	10	1	554	8
Rest of the world	17	2	498	7
Total	735	100	7,315	100

Construction and Property

13 Analysis by geography*
(x € million, unless otherwise stated)

	2021		2020	
	Revenue	**Adj. EBITDA**	Revenue	Adj. EBITDA
Netherlands	**1,722**	**130.2**	1,629	87.2
United Kingdom[1]	**1,066**	**30.9**	894	4.3
Ireland	**497**	**9.8**	399	(5.1)
Total Platform for growth	**3,285**	**170.9**	2,922	86.4
Belgium	**331**	**2.4**	322	(7.2)
Germany[2]	**318**	**(11.4)**	451	(38.1)
Total Manage for value	**649**	**(9.0)**	773	(45.3)
Eliminations and miscellaneous		**(0.1)**	-	-
Total sector	**3,934**	**161.8**	3,695	41.1

	2021	2020
Trade working capital efficiency	**(17.5%)**	(16.8%)
Revenue growth	**6.5%**	(9.9%)
Adj. EBITDA margin	**4.1%**	1.1%
Order book	**5,280**	6,184
Order book growth	**(14.6%)**	0.8%

[1] The British pound exchange rate had a €31 million positive effect on revenues, and a €119 million positive effect on the development of the order book.
[2] BAM Deutschland was deconsolidated in mid-October 2021, impact on year-end order book circa €850 million.
* Excluding BAM International

Revenue in Construction and Property increased with €239 million (6 per cent) to €3,934 million, driven by strong increase in all platform for growth countries. Revenue in the Netherlands increased with €93 million compared to 2020, due to strong market demands in the residential sector. In the United Kingdom revenue recovered from the COVID-19 impact in 2020. The same implies for Ireland.

In the manage for value businesses, Germany decreased with €133m (-/- 29 per cent) as result of restrictive tendering and the divestment as per October 2021.

The adjusted EBITDA for 2021 amount to €162 million (2020: €41 million). The activities in the Netherlands, United Kingdom and Ireland delivered a margin of 5.2 per cent, while the activities in Belgium and Germany made a modest negative adjusted EBITDA due to the performance of BAM Deutschland in the second half-year which resulted in a total margin of 4.1%.

The Dutch Construction and Property activities again performed strongly, driven by residential. The exceptional first half year was followed by a good second half, and Dutch house sales for full year 2021 totalled 2,485 (2020: 2,379). Approximately 75 per cent of the homes were sold to private buyers. BAM's total gross investment in property decreased by €91 million to €413 million at the end of 2021, also supported by the divestment of some larger commercial properties in the Netherlands. BAM will continue to invest in new development opportunities, with a focus on Dutch residential and a clear development horizon.

In the United Kingdom, adjusted EBITDA was €30.9 million, equivalent to a margin of 2.9 per cent. The stronger first half year included a positive claim settlement. In Ireland, adjusted EBITDA improved in the second half year following the lifting of Covid-19 restrictions.

The sale of BAM Deutschland to Zech Group and Gustav Zech Stiftung was completed on 15 October 2021. BAM still shares responsibility some projects. In December BAM announced the divestment of BAM Galère to the Belgian construction group Thomas & Piron. This transaction was completed on 3 February 2022.

The order book in Construction and Property declined by €0.9 billion (15 per cent) in 2021 to €5.3 billion. Excluding the impact of the divestment of BAM Deutschland the order book was unchanged. The order book in the Netherlands reduced by 9 per cent to approximately €2.4 billion, which is a solid level.

In the Netherlands, tender negotiations take longer as a consequence of cost inflation. The order book in the United Kingdom grew by €0.5 billion to €1.7 billion, including €119 million due to the stronger British pound, with large project wins in 2021 including the Co-op Live Arena in Manchester, and Space House and 11 Belgrave Road in London.

Civil engineering

14 Analysis by geography*

(x € million, unless otherwise stated)

	2021		2020	
	Revenue	**Adj. EBITDA**	Revenue	Adj. EBITDA
Netherlands	**1,243**	**(0.3)**	1,325	61.9
United Kingdom[1]	**1,295**	**41.0**	974	23.4
Ireland	**136**	**7.9**	70	(1.2)
Total platform for growth	**2,674**	**48.6**	2,369	84.1
Belgium	**295**	**21.5**	233	9.7
Germany	**378**	**33.3**	350	0.5
Total Manage for value	**673**	**54.8**	583	10.2
Eliminations and miscellaneous	**(3)**	**-**	(3)	-
Total sector	3,344	103.4	2,949	94.3
	2021		2020	
Trade working capital efficiency		**(16.5%)**		(10.4%)
Revenue growth		**13.4%**		(1.2%)
Adj. EBITDA margin		**3.1%**		3.2%
Order book		**8,042**		7,519
Order book growth		**7.0%**		23.8%

[1] The British pound exchange rate had a €37 million positive effect on revenues and a €283 million positive effect on the development of the order book.

* Excluding BAM International

BAM's Civil engineering revenue in 2021 grew by €395 million (13 per cent) compared to 2020. This was attributable to the 33 per cent revenue increase in the United Kingdom, also driven by a high activity level on some larger projects. Revenue in the Netherlands declined by 6 per cent year on year.

Adjusted EBITDA for the business line improved by 10 per cent to €103.4 million, with the sharp deterioration in the Netherlands more than offset by improvement in all other countries.

The low adjusted EBITDA contribution of Dutch Civil engineering reflected the underperformance in the large contracts division. A constructive dialogue with a client is ongoing on a major contract under construction. Given the advanced stage of this dialogue the significant financial impact of the envisaged outcome has been incorporated in the results accordingly.

This overshadowed the satisfactory performance at the regional and other Dutch infrastructure activities. In the United Kingdom, the adjusted EBITDA contribution further improved at a high activity level on some major projects. In Ireland, performance improved in the second half year 2021. The activities in Germany and Belgium had a positive contribution.

On 3 February 2022, the divestment was completed of BAM Galère, which had contributed approximately €200 million to revenues in 2021. Furthermore, BAM has announced the divestment of BAM Contractors on 15 February 2022. After completion of this transaction, which is expected in the second quarter, BAM is no longer active in the Belgian civil engineering market.

The order book increased by €0.5 billion (7 per cent) to €8 billion in 2021. In the Netherlands, the order book grew by 7 per cent, despite the Group's descision not to tender for several large projects. The order book in the United Kingdom grew for the fourth consecutive year with an increase of €237 million (6 per cent), driven by a positive foreign exchange rate effect of €284 million. New orders included framework agreements for which actual orders will be placed subsequently. Ireland was stable.

PPP

BAM PPP completed its first year under the new ownership structure of 50:50 ownership with Dutch pension fund PGGM. BAM's share of the net result for 2021 was €13.7 million. The joint venture had a positive year and has a healthy pipeline of prospects and active bids. In 2021 the BAM PPP consortium was selected as the preferred bidder for the first project within a larger Belgium school building programme which will see 40 schools procured through public-private partnerships.

BAM PPP also, at the request of the client, divested a UK Healthcare project to the client ahead of the 2025 contractual end date. At year-end 2021 there were 41 operational projects (2020: 41) with a further 6 under construction (2020: 7) and one at preferred bidder stage, making 47 PPP projects in total (2020: 48). BAM PPP has active projects at various stages of procurement across its home markets, is pursuing selective PPP projects in targeted new markets and is engaged in investment opportunities in the digital infrastructure and energy transition markets.

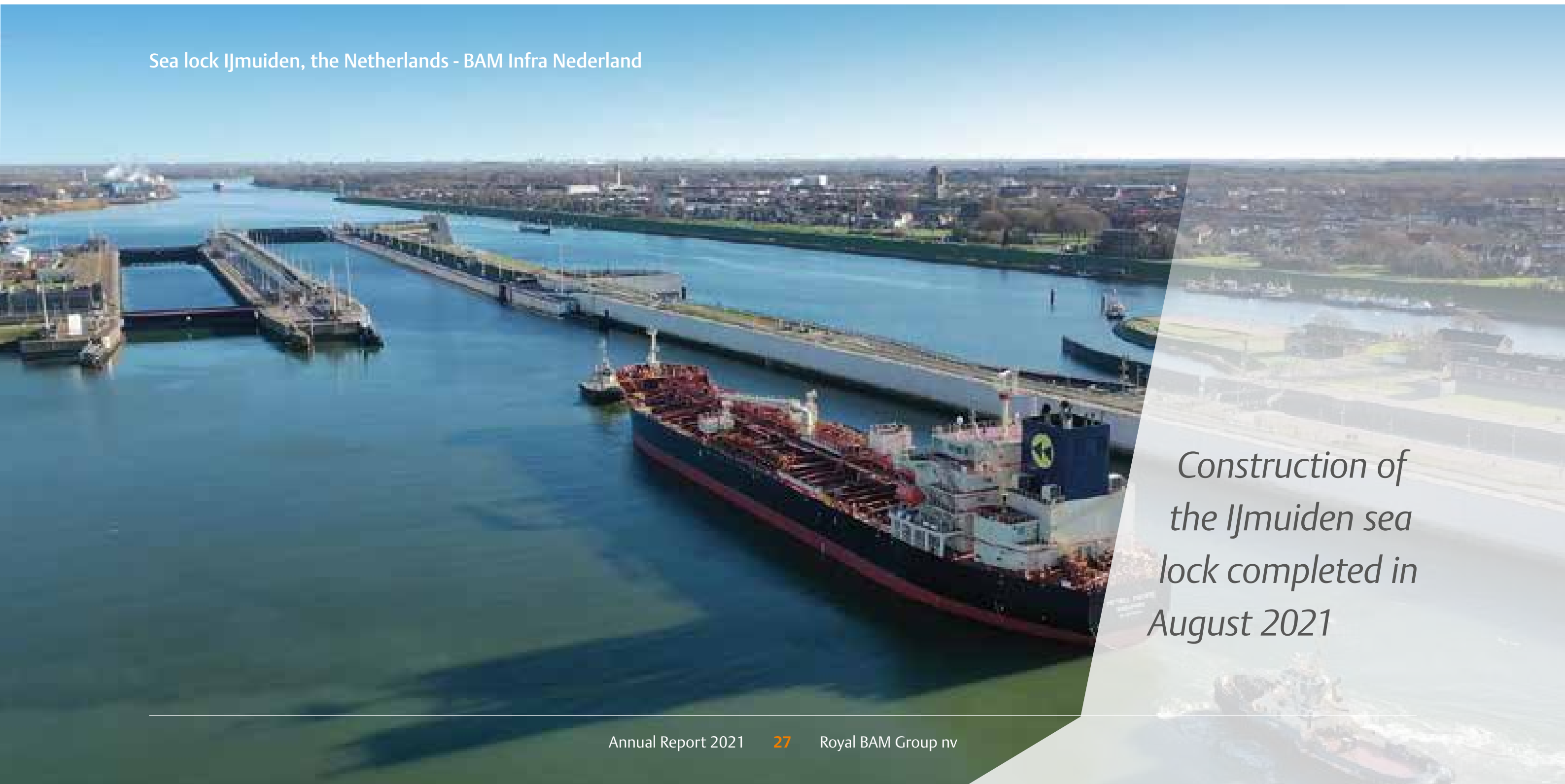
BAM International

BAM International reported an adjusted EBITDA of negative €12.2 million (2020: adjusted EBITDA negative €102.1 million). BAM is in the final phase of the wind-down of BAM International and most projects have been completed. BAM International is in discussion regarding the final settlement of two projects in the Middle East.

Outlook 2022

The Group is on track with the execution of the strategic plan 2023. Market circumstances are generally positive. The Group continues to face industry-wide pressure in some parts of our supply chain, with added uncertainty regarding energy costs, and high competition to attract and retain skilled employees.

Discussions with some of our clients regarding the timing and settlement of some substantial claims are ongoing. For 2022, the Group expects a further improvement of the adjusted EBITDA margin. The Group continues to invest in strategic initiatives and project specific equipment.



Sea lock IJmuiden, the Netherlands - BAM Infra Nederland

Zalmhaven

A complex of three residential buildings, with a mix of urban functions

The Netherlands
Rotterdam

Apartments
452

Height Zalmhaven II and III
70 m

Surface
15,541 m²

Houses
33

Zalmhaven I
215 m

Offices
1,380 m²

Restaurants
950 m²

Parking lots
461

Topping out

The topping out of Zalmhaven was celebrated with a light show in October 2021. The project is a development by Zalmhaven CV, a partnership between AM area development and Amvest.

The art of digital construction

To build the complex, BAM mastered the entire process down to the last detail, using the latest digital techniques. BAM is playing a pioneering role in the digitisation of the construction process.

2021

Topping out

14 Oct.

3.2 Social performance

Ambition: to offer added value to clients, employees, business partners and the community

Targets	Performance in 2021	Progress
• Fully incorporate safety in daily activities to achieve a BAM incident frequency (BAM IF) of ≤ 3.5.	IF of 4.5 (down from 5.3 in 2020).	○●○ (orange)
• Leadership development programme for top business management in 2021.	Leadership development is offered as part of accelerating new strategy.	○●○ (orange)
• Olympus: project management development programme for Senior Project Managers in 2021.	A last round of the Olympus leadership programme was organised in 2020. Since the programme's start in 2017, 161 project directors have participated in this leadership journey. In 2021 the decision was made to merge this programme with the existing Enterprise Leaders Programme (ELP) for Business Leaders.	●●○ (red, orange)
• Enterprise Leaders Programme: Leadership programme for Senior Business Leaders (ELP)	A new version of Enterprise Leaders Programme (ELP) has been designed in 2021; a combination of ELP and Olympus, shaped for online as well as face to face delivery. In October 2021 the first cohort has started the 'redesigned new ELP'. Another cohort started in December, as well as two cohorts early 2022.	○○● (green)

Introduction

With the strategy Building a sustainable tomorrow BAM also strives to enhance peoples' lives and create a positive social impact. This chapter provides an overview of BAM's social performance in 2021 related to:

- Safety;
- Social impact by community engagement;
- Organisational development and employee engagement;
- Human rights;
- Business conduct and transparency;
- Supply chain management.

Safety performance

BAM aims to prevent all occupational accidents. BAM is pleased to inform that no fatalities have taken place during 2021. The Company regrets the (serious) accidents that involved people whose safety BAM is responsible for. Safety performance at BAM is measured using the incident frequency (IF). The target for IF was not achieved in 2021.

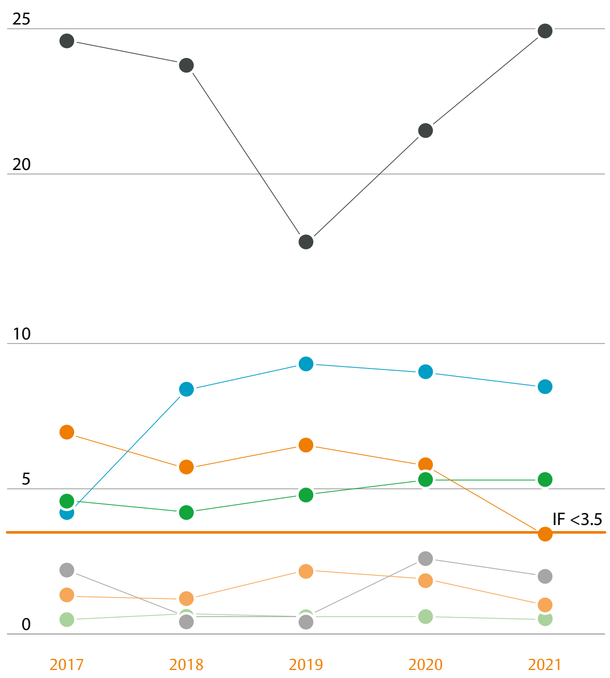
The IF indicator denotes the number of occupational accidents resulting in lost time (absence from work > 1 day) per million hours worked on construction sites. The overall IF indicator comprises two categories:

- IF BAM: Incident frequency BAM site-employees
- IF Total: Incident frequency including all employees working on sites managed by BAM (BAM employees, hired, subcontractors' employees) and third paties.

The IF Total metric takes into account not only BAM site-employees, but all workers who are working on sites for which the Group is responsible for management of the site. BAM uses the IF Total metric for its internal reporting and for improvement of safety performance. Currently, BAM does not report this metric externally as the data accuracy and completeness is not mature enough across BAM.

The main challenge lies in collection of data on the exposure hours of subcontractors and third parties and the completeness of incident reports from subcontractors and third parties, especially regarding lost-time, non-serious accidents.

15 Incident frequency (IF BAM) by country
(x 1 million worked hours)



- Belgium 24.9 (absence days 2,544)
- Germany 8.5 (absence days 1,415)
- Netherlands 3.4 (absence days 2,094)
- United Kingdom 1.0 (absence days 1,138)
- Ireland 2.0 (absence days 1,357)
- Rest of the world 0.5 (absence days 24)
- Total, consolidated 4.5 (absence days 8,572)

IF BAM
In 2021, IF decreased to 4.5 (2020: 5.3), which was above the 2021 target of IF ≤ 3.5. The IF in the markets in Germany and Belgium remains high.

In The Netherlands, United Kingdom, and Ireland combined the IF BAM decreased from 4,1 in 2020 to 2,3 in 2021. This is a promising result. However, additional measurements over time are necessary to assure an ongoing trend.

Serious accidents
BAM is highly committed to prevent all incidents and feels responsible for all people who are involved in or are influenced by the activities of the Group. This includes employees, clients, partners, suppliers, subcontractors and members of the public.

In 2021, 83 Serious accidents (BAM employees, hired, subcontractors' employees, third parties) were reported, a decrease of 26 per cent compared to 2020 (112 serious accidents). An accident is classified as serious when an employee is hospitalised for more than 24 hours or involves an electrocution, amputation or fracture (including a hairline fracture in the bone). Serious accidents can be with and without lost-time and are therefore not always included in BAM's IF figure (that only includes lost-time accidents).

BAM safety behaviour audit
Safety behaviour audits (SBAs) were performed until 2019. An SBA was carried out following the official BAM safety behaviour audit (BAM-SBA) questionnaire 2016, which is aligned with the BAM Health and Safety Directive of January 2015. The audit template consists of the sections: safety climate, management system and site conditions. Each section is scored independently with all elements collated to provide the overall score.

The SBAs used to be coordinated by BAM Group functions. In 2020, no SBAs were carried out due to the Covid-19 pandemic. In the first half of 2021 a reorganisation took place at BAM Group functions. BAM made the decision to decentralise activities related to safety performance and procedures, enabling the operating companies to tailor safety procedures and activities to their particular working environment. Due to the reorganisation the centrally organised worldwide SBAs have been phased out.

Compliance
To show clients and partners that BAM complies to international occupational health and safety standards several audits are performed across the Group. Operating companies are NEN-ISO 4500 accredited, AMS BAU certified, and/or assessed on the Safety Culture Ladder. These assessments are performed by external auditors.

NEN-ISO 45001 specifies requirements for an occupational health and safety management system and gives guidance for its use. This aims to enable organisations to provide safe and healthy workplaces by preventing work-related injury and ill health, and proactively improving BAM's occupational health and safety performance.

BAM is proud of the NEN-ISO 45001 accreditation received by the following companies in the Group: BAM Bouw en Techniek, BAM Wonen, BAM Construct UK, BAM Nuttall, BAM Contractors Ltd, BAM Galère, BAM Interbuild, BAM Contractors bv, BAM PPP, and BAM International.

Wayss & Freytag Ingenieurbau is AMS BAU certified. This certification fits the construction industry as it takes into account specific conditions such as constantly changing workplaces, weather influences and special contractual agreements in the construction industry.

BAM's Dutch operating companies continue to make progress on the Safety Culture Ladder (SCL). This is an assessment method for measuring safety awareness, culture and behaviour. The higher the safety awareness in an organisation, the higher the assigned step on the SCL. The SCL is the basis of a certification system for different sectors where physical safety is a greater risk, such as construction, energy and the chemical industry.

In 2021, BAM's Dutch Construction and Property segment retained step 3 out of 5. The auditor that performed the SCL assessment noted that the focus is shifting towards creating a safety culture. The organisation communicates openly about accidents and people learn from each other. To achieve a next step, BAM will work on further intensifying safety awareness throughout the value chain and with all partners.

BAM's Dutch Civil engineering segment maintained step 5 out of 5 (Rail, and Spoorse Kabels) during the audit performed in Q4, 2021. BAM DLP maintained step 5 of the SCL. Regionaal Wegen, Verkeerstechniek, Asfalt, Projecten, Funderingstechnieken, and Asset Management moved from step 3 to step 4. Infraconsult and Regionaal Civiel maintained their step 4, Materieel maintained step 3. The auditor that performed the SCL assessment noted the open culture wherein people hold each other accountable for each other's safety and the important role of Safety Coaches. The ambition for next year is to strengthen the current position across the value chain.

As of 1 January 2022, clients that signed the Governance Code Veiligheid in de Bouw (GCVB) include safety awareness as a mandatory theme in tenders and contracts. This will prioritise safety further on the agenda in the Dutch construction markets.

Safety activities

BAM works hard to increase safety performance and culture and to maintain compliance to rules and regulations. Processes are in place to ensure the Company learns from successes and failures to prevent accidents from happening in the future.

A selection of activities to improve the safety performance that took place across the Group:

BAM Safety Day
The most recent BAM Safety Day took place on 12 October 2021. During this annual event, BAM focuses on highlighting the importance of the choices made at work and at home, and how these can have a significant impact on the safety and well-being of its employees and the people BAM works with. Across BAM's locations, several activities were organised to increase awareness of specific safety-related topics and to encourage people to come up with ideas to further improve safety for every person working for or with BAM.

An important improvement in 2021 was that well-being was included for the first time. BAM recognises that mental well-being is interconnected with physical well-being. Stress can manifest itself in physical discomforts, and vice versa. When someone experiences stress, there is an increased risk of poor decision-making on the work floor, which may lead to physical accidents occurring.

During the BAM Safety Day, the operating companies reflected on their safety performance and organised activities focusing on their most important safety and well-being challenge. Examples of activities that were organised this year included among others: seminars, masterclasses, workshops, and discussions on stress, lifting, scaffolding and subcontractor engagement.

Good practices across the Group
Operating companies are further digitising the incident reporting process. As of 1 June 2021, BAM Construct UK launched the Incident Reporting App across the business. This application increases accuracy, accessibility of incident reporting and is connected to a dashboard view in Power BI to respond to trends.

The team at Her Majesty's Revenue and Customs Government Hub project is using QR codes to provide easier access to the safety observations logging system for employees and the general public. The QR code automatically directs the user to a pre-filled editable text message that can easily be filled in on the spot.

During the last quarter, BAM Bouw en Techniek started with the implementation of Bouwpas and Safesight on two construction locations. Construction site workers get the Bouwpas-app on their phone. The app is integrated with Safesight and can therefore be used to create notifications, instructions, and alerts. Bouwpas helps BAM to be compliant to rules and regulations and decreasing administrative procedures for the contractor.

In November 2021, BAM Energie & Water Noord-Oost organised 'Subcontractors and employee days'. Open dialogues were facilitated on health and safety. More than thirty subcontractors participated in this day at BAM Infra Materieel in Nieuwleusen. Every afternoon for one week representatives of subcontractors and BAM employees held conversations about contemporary topics.

Throughout the year, BAM Contractors Ltd (Ireland) reviewed safety performance through 'Planned versus Actual Reviews' wherein the project team reviews whether the original plan was practical and safe, and identifies a better way to deliver the task. The process identifies whether additional coaching or other resources are required to complete the task successfully.

Across the Group, safety conversations within the project teams remain a valued ongoing best practice. The topics of the safety conversations are extended based on current themes. In November there has been a Winter Working Safety Conversation at Newmains. In July 2021 BAM Construct UK produced safety conversation cards on women's safety and diversity issues, on male-dominated construction sites. The cards are open questions about physical and sexual violence against women, how to make women feel safer (especially at night) and avoiding negative behaviours like 'mansplaining' or leering and wolf-whistling.

Reinforced BAM Alcohol and Drugs Policy
In March 2021 BAM communicated about the new more stringent BAM Alcohol and Drugs policy through various channels in the Dutch operating companies and at Group Functions. The communications campaign was organised around the 'Bewust Veilig Dag' on 24 March 2021.

Royal BAM Group makes it an absolute condition that all employees, subcontractors and others who work for BAM and carry out work at BAM locations, such as construction sites, offices and depots, perform their tasks and/or participate in traffic for business mileage or commuting without being under the influence of alcohol or drugs. Following the reinforced policy, any alcohol reserves for organised celebrations and jubilees have been removed from all BAM locations.

In the event of violation of the Alcohol and Drugs Policy disciplinary measures will be taken. The individual circumstances regarding the incident will be taken into consideration when determining this measure. Possible measures include giving a (final) written warning, being suspended from work or being fired (either immediately or otherwise).

BAM has informed and involved employees via personal email messages to management and employees, news articles on BAM Connect (intranet), posters and verbal toolbox meetings on project sites. Poster material was provided in: Dutch, English, German, Polish, Romanian, Turkish and Portuguese.

Social impact

BAM recognises the potential social impact the Company can have delivering its products and projects. BAM continuously tries to work with local communities, subcontractors, suppliers and strategic partners to explore opportunities to increase the Company's social impact. In the United Kingdom, BAM has established a social value portal where social value of projects is captured. Over the past two years, more than 200 million euro added social value was reported in this portal, working towards a target of minimum 15 per cent of social value added across BAM's projects in the United Kingdom.

Community engagement progress
In 2021, local community engagement programmes regarding the impact of building projects on the local environment were implemented in 30 per cent of BAM's projects (2020: 28 per cent). These initiatives formed part of existing programmes, such as the Considerate Constructors Scheme (CCS) in the United Kingdom and its Dutch equivalent Bewuste Bouwers, as well as unique initiatives by engagement managers on projects and site-specific sponsoring or charity work.

In the United Kingdom, 18 CCS projects were registered in 2021. 54 sites were registered under the scheme in the Netherlands (2020: 58) and the average audit score in 2021 was 7.7, above the industry benchmark of 7.6.

Organisational development and employee engagement

From a human resources perspective BAM strives to enhance peoples' lives. Covid-19 provided challenges for BAM in connection with human resources. Due to this time the health and well-being of employees is the most important thing. Keeping connected to employees and measuring the engagement of BAM's employees became even more important. In 2021 BAM launched a new platform called BAM Engagement where they used it for employee engagement measures and specific information around Covid-19. Furthermore, office-based employees have been working from home as much as possible across the Group.

To enable the implementation of the strategy for 2021-2023 'Building a Sustainable Tomorrow', it was necessary to implement a restructuring programme. The vision of this programme was to create a sustainable and profitable business with a strong focus on the engagement and well-being of BAM's employees, which could be achieved by saving costs, simplifying the organisation, synergising where possible, stopping non-business critical spend and programs and at the same time strengthening BAM. By April 2021 the target of 120 million savings has been reached and the next steps towards the new strategy were taken. BAM started the business transformation and created a new operating model and at the same time started transforming the culture of BAM.

BAM People
BAM People is the human resources self-service portal used in the Netherlands, United Kingdom, Ireland and Belgium. BAM People contributes to the achievement of BAM's strategy through uniform processes, digital collaboration and unambiguous reports. Next to a simplified and standardised HR process, this is also an important step in BAM's focus on employee experience. The BAM People experience helps creating an engaging and personalised experience from start to end. This is done by meeting people's needs and facilitating their careers without bias, while creating relevant experiences to increase their efficiency. By digitising HR BAM can provide faster responses and resolutions while maintaining optimum performance.

Learning
Via BAM Learning, employees have access to all trainings available. They can select a training based on personal needs, and after approval from their manager attend the training. Implementation of BAM Learning continued for the United Kingdom and Ireland during 2021.

Employee engagement
BAM continues to attach great value to the engagement of its employees. Starting 2021 BAM launched a new platform called BAM Engagement. Via a digital and frequent pulse approach a standardised set of questions, aligned to company strategy, is sent out periodically. Outcomes are available in real time in an online dashboard. With smart analytics and algorithms, BAM aims to become an even greater employer of choice and use these insights to improve the most important people related KPIs. BAM can add additional questions if the circumstances ask for more detailed information: this was done during Covid-19 and the strategy transformation.

Digital engagement at BAM 2021 digicon event

In November BAM hosted DigiCon21, an internal online event with the goal to inspire our teams with a vision of the future of construction in order to enable better decisions today. This event brought together employees across Royal BAM Group with more than 60 presentations, interactive sessions and panel discussions to raise awareness of digital ways of working across six themes – thinking digitally, data, data data, industrialised construction, it's a 3D world, value of digital and sustainable tomorrow. The event included over 15 speakers from supply chain partners and was well supported and sponsored by key suppliers including Autodesk, Esri, Hexagon Leica, Allplan and Holobuilder.

Labour relations - European Works Council
The European Works Council (EWC) was involved at an early stage in BAM's new strategy in 2021. The proposed sale of the Belgian and German business units was also discussed in this context. In connection with Covid-19, the information meetings with the European Works Council were all held digitally.

Recruitment
Diversity and inclusion remains a key focus when acquiring talent to join BAM.

BAM does not underestimate the importance of people and the ongoing need to diversify its workforce to resemble the communities BAM serves. In 2021, throughout the recruitment processes from early careers to senior leadership, the talent acquisition team initiated various activities such as developing educational materials for hiring managers on the topic of diversity and inclusion, positioning BAM as a female friendly business when celebrating BAM women during International Women's Day.

BAM has also taken continual steps to modernise how it recruits diverse candidates into the business, such as providing hiring managers with non-binary guidance, a recruitment survey tool to monitor gender diverse target audience feedback, how to guide on how to speak inclusively during the recruitment process, writing gender neutral job adverts using the job analyser tool which identifies words used within job adverts are balanced and not too masculine nor feminine.

Gender diversity has been BAM's focus in 2021. 27 per cent of the hires were female against a target of at least 25 per cent and the attrition rates by gender were monitored to ensure that female talent did not leave BAM disproportionately. Please find key metrics on the performance in figures 16, 17, 18 and 19.

At a leadership level BAM is working towards a more diverse senior leadership team to be a role model to the rest of the organisation and BAM's focus on inclusivity also encourages to attract and build a generation of young digitally minded talents from diverse backgrounds and expertise.

While BAM continues to advance inclusion and diversity efforts, it is committed to further progress.

Diversity and inclusion
Diversity and inclusion is a key focus area of BAM's new strategy, and as such has had great emphasis in 2021 to provide clarity on the current position and accelerate diversity and inclusion as a key business priority and embed it in operational plans.

The Supervisory Board, the Executive Board and the Executive Committee recognise the benefits and importance of diversity in their composition. The profile of the Board includes a minimum of 30 per cent target for female and male Board Members.

This target applies mutatis mutandis to the Executive Board and the Executive Committee. The present composition of the Supervisory Board is in line with the targets set. As BAM has only embarked on the transformational period in 2021, no new appointments to the Executive Board or Committee have been made yet.

In 2021 BAM continued to embed diversity and inclusion policies across people processes. Examples include a standardised company-wide performance and development approach, diversity and inclusion recruitment guidance to managers and mentoring programs across all countries (incl. reverse mentoring), contributing to a more inclusive organisation where diverse talent can work at their best. BAM also continued to emphasise the importance and consistent application of its senior leader selection guidelines which is driving a more inclusive dialogue and more diverse outcomes. In 2021 there are already clear results of interventions undertaken, for example in the early career population a significant increase in diverse talent was shown – examples: 40 per cent of BAM's group graduates are women. In the early career programmes in the United Kingdom, there are up to four times the industry average employees with ethnic minority backgrounds.

BAM remains committed to overall development of talent, including utilisation of stretch assignments, where employees gain diverse experiences to prepare for more senior roles. BAM applies key performance indicators and diversity ratios in talent practices (including succession planning) to support the acceleration of diverse talent. In 2021, these indicators contributed to more diverse succession plans in parts of the Company (27.5 per cent of identified successors for senior leaders positions is women, against a total population of 19 per cent women). BAM aims for 33 per cent of nominees for senior management positions to be women.

BAM also engaged in a company-wide data-driven Return on Inclusion review, assessing current practices and their effectiveness in delivering policy and inclusive practices. These results are shaping the next phase building on achieved successes to date and ensuring targeted interventions across BAM in 2022.

Mental health

BAM is committed to supporting, promoting and maintaining the overall well-being of its employees through awareness raising, training, guidance, and workplace practices, encouraging individuals to take ownership of their own mental health and well-being and that of others, particularly in the face of the challenges of Covid-19. Mental health support for employees is provided at varying levels across operating companies and includes well-being rooms/gardens on sites and in offices, regular communication to employees, access to company doctors, employee assistance programmes, telephone numbers, one-to-one and on-line counselling, mental health first aiders and well-being champions, line managers and Human Resources. In 2021, BAM Nuttall won a prestigious well-being award for best practice at site or project level.

To support the worldwide suicide prevention campaign BAM worked closely with The Lighthouse Charity and produced a short film called 'On the edge' that is thought provoking and aims to reach those who are affected to find a way to talk about the way they are feeling.

Levels of engagement and success are measured through surveys and absence rates. Some operating companies additionally offer flexible working to support the work/life balance, well-being days and a volunteering day and promote well-being within their supply chain.

Leadership programmes

All leadership programmes are now available with a virtual delivery option. In 2021 BAM resumed delivery of the 2020 postponed leadership development journeys.
Due to Covid-19 BAM decided in March 2020 to postpone all leadership programmes (face-to-face delivery). This action was taken in line with general measures to control the spread of the virus, and to safeguard the health of BAM employees. In 2021 most leadership development journeys of programmes that were postponed in 2020 were completed virtually. All leadership programmes are now available with a virtual delivery option.

In 2021 BAM re-designed and re-started the Enterprise Leaders Programme/Olympus. The Olympus programme was merged with the Enterprise Leaders programme, introducing a separate module for Senior Project Managers as well as a separate one for Business Leaders.

In 2021 BAM designed and started a new programme aimed at all people managers, called the People Management Essentials Programme. This programme is launched in support of BAM's strategy and performance management approach, guiding all managers across BAM in applying the leadership style needed to offer the best environment for employees, and to bring business success.

16 Female/male employees by region
(in % of total employees)

	2021	2020
Netherlands	**14/86**	13/87
United Kingdom	**26/74**	26/74
Ireland	**20/80**	23/77
Belgium	**15/85**	16/84
Germany	**18/82**	24/76
Rest of the world	**9/91**	7/93

17 Employees per gender by employment type
(in %)

	♂ 2021	♂ 2020	♀ 2021	♀ 2020
Full-time	**94**	93	**57**	57
Part-time	**6**	7	**43**	43

18 Employees per employment contract by gender in 2021
(in %)

	Permanent contract	Temporary contract
♀	96	4
♂	97	3

19 Employees per management category by gender in 2021
(in %)

	Senior management	Middle management
♀	18	14
♂	82	86

20 Employees by age group
(in %)

Age group	2021	2020
<29	**13**	15
30-39	**21**	22
40-49	**25**	25
50-59	**28**	27
60-64	**10**	9
65>	**2**	2

Annual total compensation by country
In 2021, the annual total compensation ratios were relatively stable in most countries of operation, as indicated by the overall similarity of compensation ratios between 2021 and 2020. This shows that the difference between the highest paid individual and the average annual total compensation for all employees did not change substantially in general.

Please note that BAM Deutschland, divested before December 2021, is not included in the overview for Germany. For the sake of comparability, the 2020 figure of Germany has been restated accordingly.

21 Compensation ratio per country

		2021	2020
	Change of ratio	ratio	ratio
Netherlands	0%	**12.7**	12.8
United Kingdom	21%	**8.2**	6.8
Ireland	(8%)	**5.8**	6.3
Belgium	(29%)	**2.4**	3.4
Germany	(3%)	**4.7**	4.9
Rest of the world	51%	**19.8**	13.2

Human rights

Human rights are a relevant subject for BAM and its stakeholders. The value of rights and freedoms of people play a central role in both BAM's direct operations as well as in its purpose to create sustainable environments. Human rights practices within BAM and its supply chain also affect the reputation of the Group and are associated with the risk of losing the license to operate. BAM's policy to protect human rights is included in the Code of Conduct and underlying policies, such as the sustainability policy and procurement policy. The Group monitors reports related to human rights via the compliance organisation. In 2021 there were no compliance reports filed related to human rights incidents.

BAM focuses on three main areas in order to mitigate the risk associated with human rights:
- Conducting a risk analysis to understand and mitigate the risk of slavery and human trafficking in the business and supply chain. In the United Kingdom, BAM worked with a third party, Action Sustainability, to conduct a high-level risk assessment of its supply chain through its spend and where there is potentially a higher risk of human rights and modern slavery issues. The main risks identified by BAM relate to materials supplied by contractors that are sourced outside the EU and may involve the use of low-skilled or migrant labour. Based on this exercise, BAM has identified categories of expenditure for further assessment and supply chain engagement;
- Ensuring compliance and due diligence activities in the chain of subcontractors and suppliers. There is a robust procurement organisation and a focus on preferred suppliers to ensure quality in the supply chain. Part of the procurement process is to mitigate risks by ensuring that suppliers and subcontractors comply with BAM's general terms and conditions of purchase. Through its general terms and conditions of purchase, BAM explicitly obliges its contractors to comply with the BAM Code of Conduct, the BAM Business Principles (see www.bam.com) and the United Nations Guiding Principles on Business and Human Rights. In order to monitor compliance with this obligation, BAM may conduct audits of its contractors;
- Training and engaging BAM employees is done through e-learning. Furthermore, priority suppliers are trained through the supply chain school in the United Kingdom.

Industry engagement in human rights initiatives
BAM has a framework agreement with Building and Wood Worker's International (BWI), to promote and protect employee rights. For practical reasons related the fact that BAM decided to wind down BAM International and the fact that the wind-down is nearing completion, no social audits were done during the year. In 2021 there was no substantive response from BWI to the text proposed by BAM for a new framework agreement, and BAM does not expect the framework agreement to be renewed on the short term. Therefore, the Framework Agreement from 2006 is still fully applicable.

Driven by the Modern Slavery Act in the United Kingdom, the focus on human rights has activated collaboration with government and peers, amongst others through the Supply Chain Sustainability School, to collectively improve industry performance on sustainability issues, including modern slavery. An example of a BAM Construct UK, Modern Slavery Statement, is available on www.bam.co.uk.

Business conduct and transparency

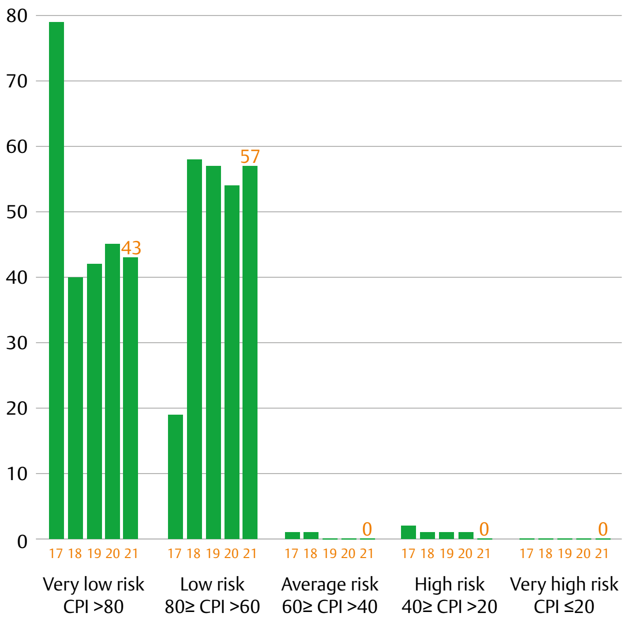
BAM is committed to being an ethical company and to live up to the highest standards of honesty and integrity in the way it does business with clients, suppliers and within BAM. BAM's Code of Conduct and underlying policies further define how to do the right thing and remain true to the BAM core values. Living the Code of Conduct contributes to a safe, ethical and sustainable culture and protects the future of BAM. New employees must sign a statement in which they acknowledge to comply with this code as part of their employment contract with BAM.
BAM believes that communication and training are fundamental to make and keep the objective and content of the Code of Conduct alive in the organisation. Therefore, an e-learning tool is used to train selected employees on the code. The training, available in Dutch, English and German, is mandatory for (new) white-collar BAM employees. Progress is closely monitored and reported to management. The objective is to reach around 95 per cent completeness on an ongoing basis, taking into account fluctuations due to new starters. The status during the year was close to the 95 per cent. It was 93 per cent per year-end. BAM's blue-collar employees are trained through so-called toolbox meetings. BAM strongly believes in a targeted approach for the different working groups to achieve optimum understanding and adaptation.

Furthermore, BAM has a robust speak-up process, including an independent speak-up line to report suspicions of misconduct. BAM maintains a speak-up platform, featuring experience stories and possibility to discuss dilemmas based on conversation starter cards. Furthermore, in 2021, the compliance officers within BAM continued with workshops and dialogue sessions across the company and providing advice to questions from employees.
In 2021, several cases were reported within the various operating companies. This was in line with previous years. The reported suspicions of misconduct have been assessed and, where needed, sanctions have been taken, up to and including dismissal. Reported cases dealt with issues such as inappropriate use of company assets and privacy breaches of which a limited number needed to be reported to the external local privacy authorities.

BAM's Ethics and Compliance Committee supports the Executive Committee and the operating companies with the compliance programme, actual compliance matters and remedial actions. It ensures consistency across the Group. Reported suspicions of misconduct are discussed on a quarterly base with the Executive Committee and every six months with the Audit Committee of the Supervisory Board. Furthermore, on a yearly basis the effectiveness of the management approach is assessed and improvement activities are captured in the operating plan of the compliance function.

Corruption Perception Index
The Corruption Perception Index (CPI) is calculated by Transparency International, which focuses on the strict application 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 mainly operates in Europe, which explains the overall score. BAM obtains its main turnover in countries with a low or very low risk of corruption.

22 Revenue according to Corruption Perception Index *(in %)*



Supply chain management

BAM is involved in many stages of the construction value chain, from development, engineering and construction to maintenance and operation. Suppliers are essential in all this, as their knowledge, people and other resources provide more than 70 per cent of BAM's revenue while bringing added value to clients.

Large supply categories include concrete works, steel construction, mechanical and electrical engineering and facades. Most of these are typically sourced from preferred suppliers close to construction sites.

BAM aims to increase social and environmental awareness, and continuously look for opportunities to jointly improve both sustainability performance and that of BAM's suppliers. Its suppliers and subcontractors are subject to BAM's general purchasing terms and conditions, which cover commitments to safety, human rights and the environment.

BAM Group's Procurement department put a lot of focus and effort in 2021 to improve the quality of vendor information. A major project is ongoing where Dutch vendors that deliver to the Dutch operating companies are onboarded in a uniform way. Based on a vendor's profile their information is updated and kept up to date by a third party that specialises in collecting and managing vendor information for the Dutch construction industry. All vendor related information is collected in a single database from which secondary systems are fed. Further roll-out and connection of additional sources will continue in 2022. Also in the United Kingdom, a first step has been taken towards a maintaining a central vendor database, which will be improved and expanded further in 2022.

An initiative to further increase the number of, improve the quality of and follow-up on the yearly supplier and subcontractor performance reviews has been launched at the end of 2021, expected to be rolled-out in 2022.

The Procurement data-warehouse has been migrated in 2021 into a data-lake style solution, which will significantly improve reporting possibilities and performance of the reports. In 2022 additional sources will be connected, which combined with the improved vendor profiles mentioned above and the option to report on changes in data over time makes for powerful analytics options.

An example of BAM's supply chain engagement is the ongoing engagement with car leasing companies across the Group. BAM's vehicle fleet accounts for around 30 per cent of BAM's direct CO_2 emissions. BAM has the ambition to further increase the share of electric vehicles in its vehicle fleet. As a result of this engagement, the number of full electric vehicles within BAM increased from 269 (December 2020) to 354 (December 2021), a share of 7 per cent of BAM's lease fleet.

Outlook

BAM will continue to learn from accidents, near-accidents and dangerous occurrences. Where appropriate, these are thoroughly and objectively investigated.

With the new operating model BAM is decentralising responsibility regarding safety performance: BAM Group takes on a reporting and facilitating role, while the responsibility for performance lies with the management of the operating companies, embracing the high level of expertise and experience available within these companies.

Significantly less lost-time accidents take place at the operating companies in the Netherlands, United Kingdom and Ireland, compared to Germany and Belgium. With the ongoing divestments of the Belgian and German operating companies the accidents in these markets are no longer in scope of BAM. As a result, BAM expects a decrease in BAM's reported incident frequency after the divestments have been completed.

In 2022 BAM will be focusing on implementing the new organisation structure as a result of the implementation of the strategy 'Building a sustainable tomorrow'. Continuing and evolving the leadership culture is one of the key focus areas. Also, diversity and inclusion will have a lot of attention. In a genuinely inclusive organisation, people can work together effectively without fear or discomfort. And when BAM proactively accommodates different needs, everyone can thrive professionally.

Chilton Trinity School, Elmwood School and Robert Blake Science College, Somerset, United Kingdom – BAM Construct UK

BAM FM is providing integrated, digitally supported, facilities management services for schools in Somerset starting in 2021

3.3 Environmental performance

Targets	Performance in 2021	
• Achieve 50 per cent relative emissions reduction in scopes 1, 2 and 3 (employee travel) by 2030 (base year 2015).	BAM reduced its CO_2 intensity by 44 per cent compared to 2015.	○○●
• Be included in the CDP Climate A List Leadership Index by achieving performance band A.	In 2021, BAM again received an A and achieved leadership status on CDP's climate change benchmark.	○○●
• Achieve 50 per cent relative construction and office waste reductions by 2030 (base year 2015).	BAM reduced its construction and office waste intensity by 46 per cent compared to 2015.	○○●
• Recycle or re-use 100 per cent of construction and office waste by 2025	BAM re-used or recycled 77 per cent of its construction and office waste in 2021 (2020: 76 per cent)	○●○
• Source 100 per cent sustainable timber in all projects in BAM's home markets	BAM's completeness of its timber analysis in its home markets is 89 per cent. Of the covered timber, 99 per cent is certified sustainable.	●○○

Introduction

BAM's ambition is to build sustainable environments that enhance people's lives. BAM aims to reduce impact on the environment and people in three ways: by collaborating with its supply chain to enable change; by encouraging innovative and digital thinking through work, and by optimising the benefits of low carbon and circular business models. This chapter describes BAM's performance towards creating a sustainable built environment from an environmental perspective, in the context of climate change, circularity and biodiversity.

BAM received the first Cobouw SDG award 2021 and was named 'the most sustainable construction company in the Netherlands'. BAM delivered on its 2021 decarbonisation targets, as CO_2 intensity was well below target of 16.3 and BAM was again rewarded a spot on the CDP climate change A List. The amount of construction waste also decreased substantially in 2021.

The 'recycle or reuse' rate slightly increased to 77 per cent. Although BAM did manage to increase the use of sustainable timber over the past few years, BAM is not yet at 100 per cent target of 100 per cent sustainable timber use in its home markets as Ireland has not yet been included in this scope.

Covid-19

Covid-19 continued to affect BAM's sustainability performance in 2021. Most measures to contain Covid-19 led directly to a reduction of environmental footprint, predominately the travel restrictions and working-from-home policies. These reductions might lead to structural change as the increase in people working from home and the number of digital meetings is expected to continue, at least in part, in a post-pandemic world.

Decarbonisation

BAM is focusing on reducing its carbon emissions and helping others to reduce emissions more widely. BAM's carbon footprint is monitored by measuring carbon emissions using the greenhouse gas (GHG) protocol. This defines three scopes for greenhouse gas accounting and reporting purposes:
- Greenhouse gas directly emitted from the Company's own activities (scope 1);
- Indirect emissions from purchased electricity, heating and cooling (scope 2) ;
- Indirect emissions up and downstream in the value chain (scope 3).

BAM reports all material emissions (scopes 1 and 2) and employee transport emissions (scope 3). BAM discloses its full scope 3 emissions as part of its annual CDP submission, which is publicly available on CDP's website.

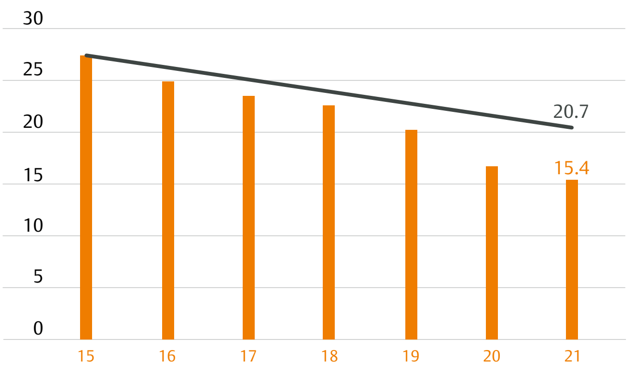
BAM's asphalt plants have been deconsolidated, due to the new joint venture companies established for asphalt production in the Netherlands and Belgium. As a result, CO_2 emissions from asphalt plants fall now under scope 3 instead of scope 1 and 2, and asphalt plants have been removed from BAM's scope 1 and 2 breakdown and baseline (historic data) to allow a fair comparison: from 230 to 203 ktonnes in 2015, from 136 to 114 ktonnes in 2020 and a similar deduction for the years 2016-2019. The CO_2 emissions from asphalt plants are not included in the part of scope 3 disclosed in this annual report, but will be part of BAM's full scope 3 assessment disclosed through BAM's CDP submission.

CO_2 reduction targets
BAM has a Paris Proof 1.5°C aligned Science Based Target, verified by SBTi, in place to ensure that the CO_2 reduction ambition is in line with climate change science. This science-based target has been set for 2030 and provides a pathway towards the long-term

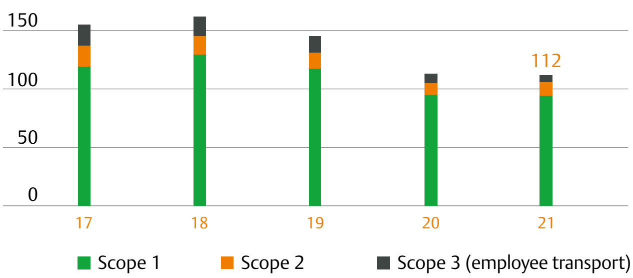
climate positive ambition. By 2030, BAM aims to:
- Reduce scope 1 and scope 2 CO_2 intensity by 50 per cent compared to 2015;
- Reduce scope 3 CO_2 emissions by 20 per cent compared to 2017 (the first year BAM assessed its entire scope 3 emissions).

CO_2 reduction initiatives
BAM's main efforts to reduce CO_2 emissions include:
- Working towards procurement of 100 per cent renewable electricity in all offices, facilities and project sites;
- Reducing diesel use on project sites by establishing early-stage grid connections, electrify equipment and using alternative fuels (biofuels) where possible;
- Electrify BAM's company car fleet;
- Reducing the use of energy by digitalising business operations and improving their efficiency;
- Working with clients and supply chain partners to reduce carbon emissions in the value chain;
- Bringing low- or zero-carbon products and services to the market to scale up their positive impact.

23 CO_2 emissions intensity
(in tonnes per € million revenue)



24 Total absolute CO_2 emissions
(in kilotonnes)



CO_2 footprint
BAM's CO_2 intensity decreased to 15.4 tonnes per € million of revenue, an eight per cent reduction compared to 2020. This means BAM is already close to reaching its 2030 reduction target, and likely to meet it more quickly than anticipated. The reduction mainly caused by an increased revenue (partly due to inflation) and ongoing CO_2 reduction measures. Absolute CO_2 emissions in 2021 were 112 kilotonnes, only slightly lower than the emissions in 2020 (114 kilotonnes). Reductions due to the wind-down of BAM International and ongoing CO_2 reduction initiatives were to a large extent offset by the increase in output in 2021.

The green electricity share slightly decreased to 60 per cent (2020: 63 per cent) as a result of the deconsolidation of asphalt plants in NL, which run completely on green electricity. However, this share is expected to increase again with the divestment of operations in Germany and Belgium where the majority of non-green electricity is procured.

Emissions from construction sites
The largest source of carbon emissions lies in BAM's construction sites, this is sub-divided into 'Construction and Property' and 'Civil engineering', of which the latter is by far the most energy and carbon intensive. In 2021, absolute emissions from construction sites were on par with 2020. in the United Kingdom and the Netherlands, more energy-intensive civil engineering projects were carried out. The consequential increase in CO_2 emissions was mainly compensated by the increased use of biofuels such as Hydrotreated Vegetable Oil (HVO): more than one million litres HVO was used in 2021 (compared to over 17 million litres of generic diesel). The use of sustainable certified biofuels is a key aspect of BAM's strategy to decarbonise construction sites and is expected to rapidly increase in the coming years.

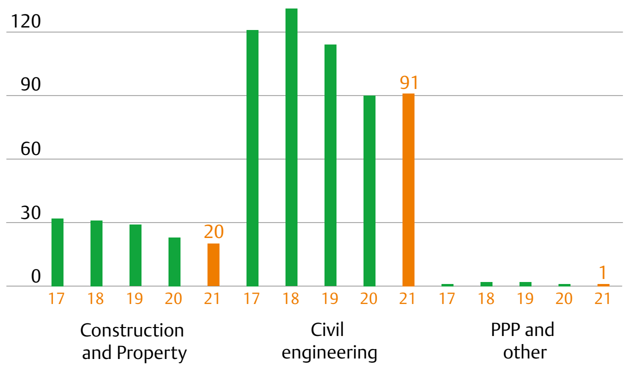
Emissions from vehicle fleet
The emissions from the vehicle fleet, which account for 35 per cent of BAM's total CO_2 emissions, decreased by 4 per cent compared to 2020. Ongoing working from home policies due to the Covid-19 outbreak continues to contribute to this reduction, but BAM also continued the transition to a more efficient and sustainable vehicle fleet by optimising travel distances of employees and deploying more energy-efficient vehicles. BAM has increased the amount of fully electric vehicles in its lease fleet from 269 in 2020 to 354 in 2021 (a share of seven per cent of the total lease fleet).

Emissions from offices and air travel
Emissions from offices slightly increased again in 2021 and are on par with 2019 levels as working from home policies due to Covid-19 did not lead to the temporal closing of offices as in 2020. The strong reduction in air travel emissions is primarily the result of the nearly completed wind-down of BAM International.

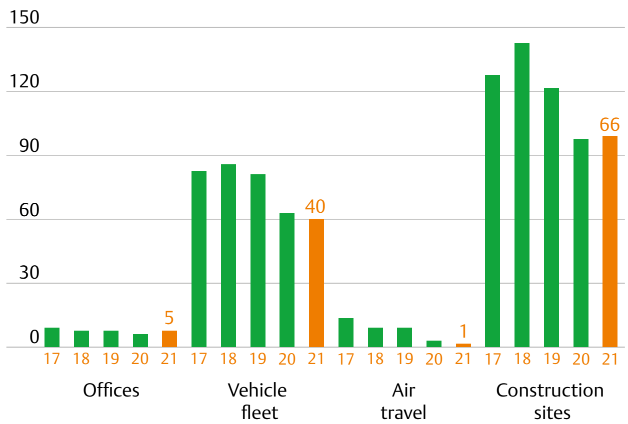
BAM's climate action acknowledged
BAM was rewarded a place on CDP's prestigious 'A List' for climate change for the third consecutive year. CDP is a global ranking that evaluates corporate efforts to address and mitigate climate change. BAM is recognised for its actions to reduce carbon emissions, transparent reporting and the assessment of the role of climate change on the business strategy and performance. In 2021, BAM was

also included in the Europe's Climate Leaders list of the Financial Times, a list of the top 300 European companies when it comes to greenhouse gas intensity reduction.

25 CO_2 emissions per business activity
(in kilotonnes)



26 CO_2 emissions per source
(in kilotonnes)



Scope 3 emissions
BAM supports the focus on more ambitious targets to drive progress towards a low-carbon future. Scope 3 emissions, emissions in the value chain outside BAM's activities are an important aspect of a low-carbon future. BAM discloses its full scope 3 emissions and progress against its scope 3 Science Based Target as part of its annual CDP submission, which is publicly available on CDP's website. The scope 3 assessment underlines the importance of scope 3 emissions and improves the understanding of BAM's wider climate change impacts. The areas' purchased goods and services' and 'use of sold products' contribute most to BAM's scope 3 emissions and the Company engages with suppliers in exploring reduction measures that focus on these areas.

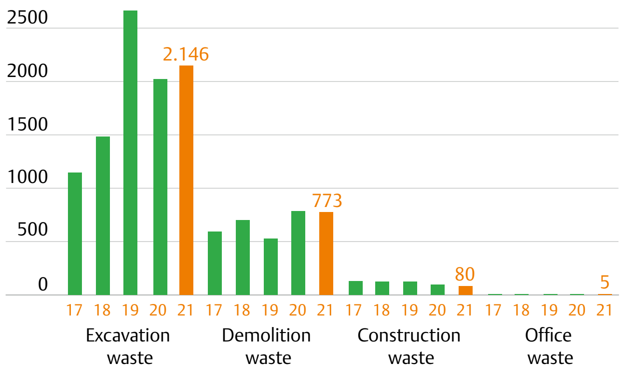
Circularity

BAM strives to become an integral part of the circular economy, eliminating waste over the lifecycle of its developments and increasing circular aspects and approaches in projects. BAM aims to preserve raw materials and resources over the lifecycle and deliver projects using safe, healthy and renewable materials. BAM intends to:

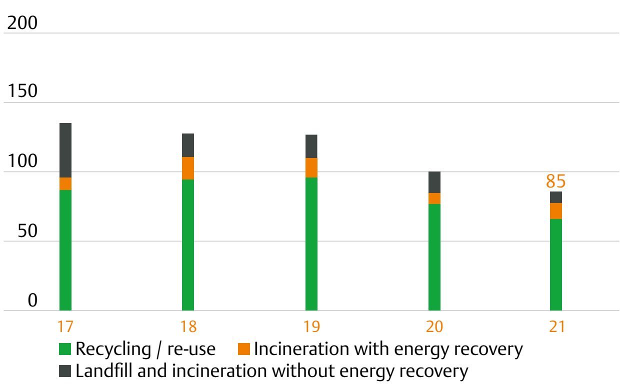
- Eliminate wasteful construction practices, and deliver projects that will produce less waste in operation;
- Promote the circular economy by using products and materials that can easily be maintained, re-used or repurposed in the future, avoiding low grade recycling wherever possible;
- Procure materials from certified responsible sources.

Waste
Construction and office waste is the most important waste category for BAM as these materials are initially brought to BAM's sites and offices on its behalf, in contrast to excavation and demolition waste. In 2021, BAM produced less construction and office waste than in 2020, at 85 kilotonnes (2020:100 kilotonnes). The construction and office waste intensity was 11.6 tonnes per € million revenue, a 21 per cent decrease compared to 2020 (construction and office waste intensity in 2020: 14.6).

27 Total waste production per source
(in kilotonnes)



28 Construction and office waste production per destination category *(in kilotonnes)*



BAM has set the ambition to completely recycle or re-use its construction and office waste by 2025. In 2021, 77 per cent of BAM's construction and office waste was recycled or re-used

(2020: 76 per cent). A total of 8 kilotonnes (2020: 15 kilotonnes) was landfilled or incinerated without energy recovery. BAM continues to engage with its waste contractors to explore how to further improve the waste treatment processes and increase recycling and re-use ratios. BAM also stimulates its project teams and offices to improve waste separation and recycling and re-use ratios.

Material use

BAM has identified the quantities of materials used in its construction projects in the Netherlands, its largest home market. This includes identifying the main categories of procured materials as shown in table 29. The material quantities and recycled content are based on supplier data, industry averages and data from the asphalt plants of AsfaltNU.

The use of secondary (reused or recycled) materials is a key aspect of working towards circularity. BAM is looking to utilise more secondary materials in various parts of the business, such as in the asphalt products that BAM offers. In 2021, BAM participated in a pilot-project (Asfalt-Impuls) together with client Rijkswaterstaat to realise a sustainable asphalt-mixture at the N638 project in the province of Noord-Brabant, the Netherlands. In this project, a unique asphalt mixture with recycled PA-Stone of 60 per cent has been applied. This specific pilot project was a testcase for clients to consider including sustainable asphalt mixture requirements in upcoming tenders and offers a clear example of circularity opportunities for BAM in the Dutch Civil Engineering business line.

Applying higher recycling rates in asphalt production does provide an environmental issue as the harmful substance benzene can be released during recycling. This is a sector wide issue and not easy to solve as the demand for (circular) asphalt remains high.
In 2021, Asphalt producers in the Netherlands jointly conducted research into benzene emissions from asphalt plants. BAM, together with other industry partners is exploring how to tackle this issue. The Company is unfortunately not yet able to offer a clear solution since this also requires support and commitment from (local) governments.

Circular developments

Circularity is an important topic in the construction sector, and BAM is well placed in the industry to build on past circular economic achievements. BAM is in the process of further defining its strategy towards circularity to demonstrate the opportunities and benefits for the design, construction and operation of buildings and infrastructure assets from using new circular economic business models. BAM's main challenge remains working out how best to achieve the transition from linear to circular patterns and increase the scale of circularity. Close collaboration with clients and supply chain partners is essential to seize circular opportunities.

Within both the Dutch Construction & Property and Civil Engineering business lines, BAM is actively working on the development of integrated circular concepts and showcasing the benefits to clients. In 2021, different circularity initiatives and products were rolled out, such as:

AM's project Bajeskwartier in Amsterdam, the Netherlands is currently under construction (2021). Circularity is one of the seven core values of this mixed-use urban redevelopment plan with 1,350 new homes, commercial and public space. Five of the six concrete towers will be demolished, the main building will remain. 98 per cent of the materials released during demolition are intended to be reused in this high-end redevelopment project.

At the BAM Infra Nederland project the Vechtdalverbinding, BAM was able to reduce embodied carbon from material (re)use with 37 per cent compared to the clients design. This is mainly achieved by design optimisations in the tender phase and making use of materials ready on site: In this project currently under construction, BAM's design uses 45 per cent less concrete, 24 per cent less steel and optimised asphalt mixtures (low temperature).

29 Material consumption in the Netherlands

Consumption		2021	2020	2019	2018	2017
Ready-mix concrete	m³	**282,500**	231,500	203,000	208,000	173,000
Timber	m³	**18,000**	21,000	34,500	19,500	19,000
Asphalt	t	**1,050,000**	1,400,000	1,100,000	1,250,000	1,300,000
Steel	t	**84,000**	77,000	76,000	72,500	61,000
Recycled content						
Ready-mix concrete	%	**7**	5	10	12	15
Timber	%	**0**	0	0	0	1
Asphalt	%	**46**	39	42	41	37
Steel	%	**68**	70	70	66	72

Climate adaptation

Climate adaptation is gaining attention as an important aspect of corporate climate strategy. It relates to how companies deal with risks and opportunities associated with climate change. BAM addresses climate adaptation through the assessment of climate change risks at project and business level and through its stage gate procedure. BAM discloses the full details of its climate change risk assessment in its CDP submission. Key risks and opportunities identified in 2021 relate to:

- Market-related risks and opportunities (e.g., changing client behaviour leading to an increased demand for low-carbon products and zero-energy solutions);
- Product- and services-related risks and opportunities (e.g., development of lower-carbon construction materials pushing the market to innovate and develop a lower carbon footprint);
- Physical weather conditions (e.g., adaptation to sea-level rise by exploring potential future additional demands on water-land infrastructure, which is a core element of BAM's products and operations).

Climate adaptation is also an increasingly more important topic in the projects BAM delivers. BAM helps future-proof their clients assets by offering climate resilient buildings and offering civil engineering solutions to mitigate climate hazards. Two examples from 2021 are:

Het Kadehuis, a climate resilient building in Arnhem in the Netherlands developed by BAM. In this project, the roof landscape reduces heat stress in the built environment. This effect is also achieved by the greenery on the terraces which serve as a water buffer and contributes to biodiversity in the inner city of Arnhem.

In the Civil Engineering business line, BAM Nuttall In collaboration with contractor and Mott Macdonald, delivered a major flood alleviation scheme to improve protection against climate change and sea level rise in Hull, United Kingdom. This scheme plays a major role in enabling the Environment Agency reaching its target of protecting 300,000 homes from flooding.

Biodiversity

Biodiversity is increasingly gaining attention within the construction sector as a topic both in the projects that BAM delivers as during the construction phase. BAM sees opportunities to improve biodiversity in its projects and deliver biodiversity enhancing assets as part of its purpose to create environments that enhances peoples' lives.

Biodiversity net gain
Improving biodiversity, so-called biodiversity net gain (BNG), is increasingly being offered in tenders and measured on projects in the United Kingdom. BNG is a process which leaves nature in a better state than it started. This is done with a BNG assessment to quantify the potential biodiversity impacts for the site, which includes a biodiversity baseline assessment, analysis of habitat losses due to temporary works and permanent structures during construction work.

BAM helps their clients restore and improve ecosystems. An example of a project where BAM achieved BNG in 2021 was the Reston Station and car park in Scotland. This project was delivered in 2021 to client Network Rail and BAM enhanced the species mix to improve the biodiversity rating together with the client and landscape designers.

BAM underlines the important role it has in protecting and improving biodiversity. Therefore, BAM intends to explore to what extent biodiversity net gain can be offered and measured in more projects also in the Netherlands, and whether a group-wide target on biodiversity can be put in place in the future.

Sustainable timber
BAM considers sustainable timber a valuable construction material to support the transition to a circular economy. Besides, using sustainable timber is key to supporting forest conservation and biodiversity while also helping to combat climate change. BAM has therefore made a commitment to FSC Netherlands to exclusively use certified sustainable timber for its projects. In cooperation with FSC Netherlands, BAM continues to engage with suppliers to encourage them to improve the identification and reporting of certified timber.

In BAM's home countries (Netherlands, United Kingdom and Ireland), BAM achieved a certified sustainable timber use of 99 per cent. The data coverage is 89 per cent (82 per cent if Belgium and Germany would be also taken into account), as only timber use in Ireland is not included. Market conditions continue to make it very challenging to procure sustainable certified timber in Ireland.

In 2021, BAM used 98.9 per cent certified sustainable timber in the Netherlands (92 per cent FSC). Timber use by subcontractors and in subcontracted projects is not included. In the United Kingdom, 99.5 per cent of timber was from verified legal and sustainable sources, of which 85 per cent was delivered with full FSC or PEFC Chain of Custody certification. Certified sustainable timber use in Belgium is estimated at 92 per cent, the figures obtained in Germany are not yet sufficiently reliable and less relevant with the divestment of BAM Deutschland, and the volume of timber use by BAM International's projects was insignificant in 2021.

30 Certified sustainable timber use
(in %)

	2021	2020	2019	2018	2017
Organisational coverage	**87**	81	80	79	65
Sustainable timber	**99**	99	99	94	98

Nitrogen and PFAS emissions
The deposition of nitrogen and emissions of Per- and polyfluoroalkyl (PFAS) and Perfluorooctanesulfonic acid (PFOS) substances remain important issues in the construction sector in the Netherlands and also start to gain attention in Belgium. The regulatory limits that have been put in place can lead to the delay or temporally shutdown of construction projects. Although potential implications are covered by the client to a large extent and BAM projects were barely affected by this in 2021, BAM needs to continue to closely monitor developments in this area and the potential impact these can have on the Company's projects.

BAM is also actively trying to contribute to the solution of reducing nitrogen emissions. BAM signed the Dutch 'Malieveld' agreement in 2019, where it committed itself to nitrogen emission-free property development, design and construction. Measures to reduce nitrogen and carbon emissions, such as electrification of equipment, are implemented at individual project level both in the design and construction phase.

Sustainable revenue and EU taxonomy

BAM supports clients to reduce their environmental footprint and impact. In 2021, 25 per cent of BAM's revenue, approximately €1.8 billion (€1.3 billion in 2020), came from projects that were registered with third-party green building or sustainable construction rating organisations. These included US Green Building Council's Leadership in Energy and Environmental Design (LEED) standards, the Building Research Establishment Environmental Assessment Method (BREEAM), Germany's Passivhaus standards and other objective and third-party standards or BAM's green building products.

The EU taxonomy is a new classification system for sustainable activities in which definitions are provided to determine what activities can be classified as environmentally sustainable in the EU. The results of this classification are to be reported annually. In accordance with European Regulation 2020/852 of June 18, 2020, BAM is subject to the obligation to disclose what proportion of its revenue, its capital expenditures, and operating expenditure is eligible under the EU taxonomy in reporting year 2021. Taxonomy-eligibility indicates whether an economic activity is present in the EU taxonomy framework. It does not disclose whether an economic activity is environmentally sustainable (taxonomy-aligned). For fiscal year 2021, only disclosure of eligible activities is required for the first two environmental objectives (climate change mitigation and climate change adaptation). From fiscal year 2022 onwards, a more extensive analyses will be required, not only to determine eligibility, but also alignment with the underlying sustainability criteria. BAM is committed to keep monitoring EU taxonomy developments closely to ensure correct assessments as a basis for its annual disclosures.

For this annual report, BAM has completed a first screening of EU taxonomy eligible activities. Details of the eligibility screening and definitions of capital expenditures and operational expenditures as used for the EU taxonomy are presented in chapter 9.8.

Outlook

In 2022, BAM will release new sustainability targets, covering the topics decarbonisation, circularity, climate adaptation and biodiversity. BAM expects that its strong performance on reducing CO_2 emissions, supported by the increasing demand from the market and stakeholders for more ambitious climate plans, will allow the Company to accelerate its CO_2 reduction targets. BAM is currently exploring to accelerate its Science Based CO_2 reduction target to 2023. Furthermore, a larger emphasis will be put on further maturing BAM's scope 3 measurement to allow for improved scope 3 target setting and reporting in the future. The EU taxonomy guidelines will require BAM to assess whether BAM projects are aligned with the EU taxonomy criteria and can be classified as sustainable. BAM is working towards structurally measuring this and looks forward to start disclosing this in 2022.

The increased scope of BAM's sustainability strategy provides great opportunities for BAM to maintain its position as a leading construction company in the field of sustainability. With a good track record in meeting sustainability targets, BAM is looking forward to keep improving and working towards a sustainable tomorrow.

4

Risk management

BAM Infra Nederland makes steps to electrify its equipment

4. Risk management

Exposure to risk is inevitable in pursuing BAM's strategy. controlled risks can lead to new opportunities, resulting in value creation. BAM's new strategy has a clear focus on continued de-risking and accelerate opportunities for future growth. This strategy is translated in BAM's risk management framework and enables BAM's management to identify, evaluate and address risks.

Risk management framework

BAM's risk management framework, established by the Executive Board, covers the approach and responsibilities for risk management across the Company. The Executive Board has defined a strategy which focuses on the business and project portfolio. This focus and underlying strategic objectives and initiatives form the basis for BAM's enterprise risk management. It addresses the Company's strategic, operational, financial and compliance risks. Risks are assessed and prioritised on their impact and probability and on effectiveness of the controls of risk response in the organisation. The Supervisory Board monitors and advises the Executive Board, which has the overall responsibility for enterprise risk management within the Company.

On behalf of the Executive Board, the Risk and Control Committee coordinates the set-up and effectiveness of the risk management framework. The Risk and Control Committee, chaired by the chief financial officer (CFO), advises the Executive Board on main risks in the context of BAM's risk appetite. Risk assessments are carried out on a quarterly basis and mitigating actions are defined and monitored. There was uncertainty and some impacts from the Covid-19 pandemic in the beginning of 2021, however the effects remained limited in the remainder of the year. A new risk related to the increasing pricing and availability pressure in the supply chain for materials and shortage of available staff has been identified. This is leading to possible cost increases and the risk of not meeting clients' construction budgets during tenders.

A fundamental part of the BAM risk management framework is the stage gate process. Tenders and projects are guided through various stage gates, based on complexity, size and risk profile. The stage gate process is designed to establish a clear risk profile and to support predictable performance across all BAM's tenders and projects. Expert involvement is arranged to leverage the combined knowledge within the Company, supporting the tender and project in reaching its full potential. The stage gate process follows a governance structure based on risk categorisation, to ensure that each tender and project is reviewed and approved by the proper level of management. Bids for major projects or projects involving exceptional risk are submitted to the Executive Board for ratification and – if necessary – to the Supervisory Board for approval. Apart from the various stage gate assessments, BAM's Internal Audit department performs independent project reviews on selected projects across the Company to review the effectiveness of the project control system and the overall project performance.

Continuous improvement is part of the Risk and Control Committee agenda which resulted in further strengthening of risk governance in relation to the new operating model, increased management attention to improvements of the internal control effectiveness in processes and systems and improvement in project control and reporting. The continuous improvement points further strengthen the risk management and control systems and plays a key role in achieving the strategic objectives. In line with the Dutch Corporate Governance Code, the COSO (Committee of Sponsoring Organisations of the Treadway Commission) Enterprise Risk Management Framework from 2017 has been used as reference to further mature the risk management framework within BAM.

Risk profile and appetite

The Executive Board is responsible for establishing the risk appetite within BAM in relation to the strategy and activities of BAM. Risk appetite is defined as the level at which BAM is willing to accept risk in the ordinary course of business in order to achieve its objectives. Continued de-risking is part of the new strategy, which is also reflected in the adjusted risk appetite framework. The risk appetite is being recalibrated based on the new strategy. An important pillar is continued de-risking of the market choices and to avoid disproportionate risk in the project portfolio, in particular with respect to large projects.

The risk appetite and main risk areas are described based on the following categories:

- Strategic risks – BAM takes a balanced approach on risk and reward to achieve its strategic objectives in terms of results and innovation and continues to invest in innovation through digital and sustainable technologies and solutions.
- Operational risks – BAM seeks to limit the risks that may jeopardise the execution of its business activities.
- Finance risks – BAM strives to maintain a solid financial position (e.g., solvability and credit facilities), ensuring access to the financial markets and retaining its clients, supply chain and other partners. BAM wants to provide an insightful, fair and accurate representation of its performance and economic results.
- Compliance risks – Compliance with all applicable laws and regulations including BAM's Code of Conduct is of fundamental importance to the Company.

Risk appetite statements are further underpinned by BAM's strategic agenda, governance, core values, Code of Conduct and policies and procedures.

In control statement process

The effectiveness of the internal control framework is monitored in a quarterly basis and assessed on a semi-annual basis. BAM has derived its internal control framework from the business model (chapter 2.1) and underlying key processes and policies (for accounting, treasury, legal, compliance, information security, and so on). All key processes are identified around strategic enablers and are aligned with existing core processes in accordance with these enablers. The internal control framework ensures insight into the effectiveness of internal risk management and control systems, as well as the reliability of financial reporting and compliance with laws and regulations.

All operating companies and the headquarters carry out self-assessments and the results are reported to the Royal BAM Group. These results are challenged, and improvement actions are implemented and monitored. Furthermore, internal audits challenge the results and provide recommendations to further improve the effectiveness of the internal control framework.

The in-control statement process results in an end-of-year 'Executive Board statement' (see next paragraph). The underlying assessments on operating company level form the basis for management's accountability for the effectiveness of the internal control framework, together with the formal issuance of a statement and letter of representation to the Executive Board. Any deviations from the internal control framework are highlighted, including identified follow-up actions to resolve these deviations.

All operating companies have confirmed and signed the letter of representation which supports the Executive Board in its assessment of the effectiveness of the design and operation of the internal control and risk management systems. BAM has identified areas of improvement as BAM is not yet at the level of maturity it aspires to. Reported deviations included an improvement plan to further strengthen the level of control. The most important risk areas which impacted BAM were health and safety, project execution risks and financial resilience.

Executive Board statement

The Executive Board is responsible for the design and operation of the internal risk management and control systems. In discharging this responsibility and to provide a substantiation for the statement below, the Executive Board has assessed the effectiveness of the design and operation of the internal control and risk management systems (see previous paragraph).
In addition, the Executive Board has determined an outlook based on market developments, orderbook, financing and cash flow (see chapter 3.1).

On the basis of this management report and in accordance with best practice 1.4.3 of the Dutch corporate governance code as adopted on 8 December 2016, and article 5:25c of the Financial Supervision Act ('Wet op het financieel toezicht'), the Executive Board confirms that, to the best of its knowledge:

- The management report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems of Royal BAM Group;
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis;
- The management report states those material risks and uncertainties that are relevant to the expectation of Royal BAM Group's continuity for the period of 12 months after the preparation of the management report.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. Nor can they provide certainty that BAM will achieve its objectives.

Furthermore, the Executive Board confirms that, to the best of its knowledge:

- The financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Royal BAM Group and of companies included in the consolidation;
- The management report provides a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of Royal BAM Group;
- The management report describes the principal risks and uncertainties that Royal BAM Group faces.

Main risk areas

Several risk areas and measures have been identified with respect to BAM's strategic objectives. A new main risk area has been identified as part of the new strategy, being acquisitions and divestments. Follow-up and feedback are part of the regular management reporting cycle.

● - Very low ● - Low ● - Medium ● - High ● - Very high

Risk description	Possible impact	Management measures	Risk appetite
Strategic risks			
Market			○○●○○
Most of the Company's home markets are subject to fierce competition.	Fierce competition may lead to a buyer's market, which influences margins, causes a shift in design and contract risks for the contractor and endangers the pre-financing of projects by clients.	Based on the Company's new strategy, BAM applies a disciplined focus on profitable growth platforms where it can use either scale or expertise as a critical success factor. Furthermore, BAM will accelerate opportunities for future growth.	
Acquisitions and divestments			○○●○○
Acquisitions and divestments need to deliver the new strategic agenda regarding profitable growth platforms and improving BAM's risk/reward profile	BAM may not realise the expected return on investment, return on capital employed and reduction of liabilities by its acquisitions and divestments	BAM defined a new strategy with focus on markets and projects where BAM has proven competitive strengths. BAM has strengthened the strategy department with internal corporate development expertise, besides working with external experts. In 2021, BAM made progress with the divestment programme (see chapter 2.2). Management further strengthened the portfolio towards sustainability and industrialised construction with the acquisition of off-site production facilities for modular construction.	
Transformation			○●●○○
The strategic agenda involves a transition to a new organisation, so that BAM can follow the developments in the sector and be a leader in the selected markets.	BAM may not realise a successful and agile implementation of the defined transformation targets, together with strategic agenda, financial and non-financial targets.	The Executive Board is closely steering and monitoring the progress of the transformation activities as defined in the strategic agenda and translated in the yearly operating plans. Furthermore, BAM has implemented a programme management organisation to steer transition progress.	
Innovation			○○●○○
The construction industry is at the brink of major technological changes. Digital technology is beginning to change value creation within the industry, where traditional capabilities may become commoditised.	Competitors or disruptive newcomers on the market can marginalise BAM's distinctive capabilities and thus jeopardise the existing business model.	BAM manages innovations in a structured manner, with mainly initiatives at individual project level. BAM prioritises projects where such innovation is replicable, in order to reduce risk and increase profitability.	

Risk description	Possible impact	Management measures	Risk appetite
Operational risks			
Safety			
The nature of BAM's business can pose safety risks to its people. The well-being and safety of the people of BAM are of vital importance to the Company.	Safety incidents may lead to serious injuries, fatalities or project disturbance, loss of time or additional costs, and as a result impact BAM's performance.	BAM's management measures with regard to health and safety are described in chapter 9.7, 'Material themes and management approach'.	
Property development			
BAM is involved in property development for its own account. The level and timing of both income (sale/rent) and costs (site acquisition and building costs) of these projects may deviate from the initial expectations as a result of divergent market and process (planning/permits) conditions.	Property development projects can be postponed or completed at higher costs than budgeted. Furthermore, the realisable value of land bank and property development positions may be lower than book value.	The Executive Board decides based on project proposals in the Property Committee. The general rule is that construction does not start before a significant number of properties have been sold or, for non-residential buildings, a large part of the project has been rented out or sold. The Property Committee also closely monitors the right timing for divestments of property.	
Project			
BAM is constantly active in thousands of projects where the Company is exposed to a wide variety of risks, in a sector known for its asymmetrical risk profile. Selecting the right projects against balanced contractual conditions is crucial.	Failure to achieve a healthy order intake and flawless project execution leads to fluctuations in the project results, possible claims and litigation and ultimately to the failure to achieve BAM's strategic objectives.	BAM has implemented measures to manage the project risk and to steer towards the desired risk appetite. The starting point is selective tendering with a focus on portfolio management and a robust stage gate procedure for tenders during the execution phase. BAM will move its project portfolio away from large unrewarded risks by limiting the size of single-stage, lump-sum tenders to €150 million. Furthermore, BAM made progress with the divestments and wind-down of BAM International.	
Supply chain			
On an annual basis, BAM purchases more than 70 per cent of its turnover from suppliers and subcontractors. These partners have a major impact on the projects, both financially and technically.	Failure to manage inflation and price increases in the supply chain (subcontractors, materials and services) and insufficient access to qualified and cost-effective vendors has an impact on successful and profitable execution of the projects.	BAM has a vendor management process that strives for added-value, long-term, mutually beneficial relationships with partners. BAM works with selected groups of suppliers and subcontractors on different levels, both on business segment as well as on country level. Suppliers are assessed against five different themes: safety, quality, total cost, logistics, and engineering and process. This assessment leads to a dialogue to improve performance and continuation of cooperation.	

Risk description	Possible impact	Management measures	Risk appetite
Human resources			
Attracting, training and retaining talented people is crucial for BAM, because it enables the Company to respond more effectively to changes in the market by exploiting its full potential. It is essential that BAM remains a preferred employer.	An inability to attract and keep the right talent, expertise and human capital within BAM will have a negative effect on success.	To attract top talent, BAM has a professional recruitment team that works with external recruitment agencies. The Company invests in the development of employees through various training programmes, including a programme for management trainees, project directors and project managers, and prepares candidates for key positions to improve (inclusive) leadership.	
Information technology and security			
Digitalisation, data, communication and connectivity are essential for BAM. A global presence also leads to cyber-security challenges, which require the Company to have the flexibility to continuously adapt.	Information technology is crucial in supporting and protecting the core and supporting processes. BAM increasingly relies on digital communication, connectivity and the use of technology. The Company has to remain alert to prevent the use of compromised data and the unavailability, loss or theft of critical strategic, financial and operational data.	BAM aims to improve the maturity of the IT function to keep up with external developments. In addition, BAM has increased its security efforts to remain resilient to growing cyber-risks. This includes investment in tooling and implementing and testing of an information security framework to ensure confidentiality, integrity and continuity of data.	
Sustainability			
The construction industry relies heavily on natural resources, which will be depleted when consumption goes faster than what nature can regenerate. Climate-related risks such as global warming cause more frequently occurring extreme weather conditions, such as storms, heat waves, droughts, heavy rainfall with flooding and heavy snowfall.	Failure to deliver sustainable construction processes and (new) sustainable solutions could disrupt BAM's position related to clients and supply chain partners and lead to reduced revenue and higher costs.	BAM has covered sustainability in its governance (Supervisory Board's Health, Safety and Sustainability committee, corporate team and operating company teams), strategy (ambition to achieve a net positive result), project portfolio (reduce the impact of BAM on resource use in cooperation with partners in the supply chain and clients to explore circular economic business models), risk management (identify and manage potential risks and opportunities) and metrics (target as part of the strategic agenda). BAM reports on the Task Force on Climate-related Financial Disclosures (TCFD) guidelines through its yearly CDP climate response, which is publicly available on the CDP website.	
Business continuity			
Crisis and business continuity disruptions can have a material effect on the Company's operations due to risks such as natural disasters, influenza pandemic.	Disruptions (for example related to widespread public health concerns like Covid-19) can have a significant negative impact on BAM's business results.	BAM has a structured crisis management and multidisciplinary business continuity organisation to ensure continuity in a safe and healthy manner on project sites, in offices and at home.	

Risk description	Possible impact	Management measures	Risk appetite
Finance risks			
Financial reporting			○●○○○
Providing insightful, fair and accurate representation of performance and economic results is essential for trust in BAM.	Potential material misstatements in the financial reports may lead to a loss of confidence in the accounts by internal and external stakeholders.	BAM has a centrally steered Finance organisation that coordinates the process of accurate, complete and timely closing and consolidation of financial data. The central BAM Accounting Guidelines (BAG) provide the principles and standards for the application of IFRS rules within BAM and there is monitoring whether new accounting guidelines are appropriately implemented by the businesses of BAM. Furthermore, Group Finance coordinates, supports and approves complex interpretations and valuations that need to be supported by position papers. Periodic reviews by finance and risk functions underpin the insightful, fair and accurate representation of performance and economic results and are aimed to prevent any material misstatements due to fraud or errors.	
Financial resilience			○●○○○
The attractiveness of BAM as a trusted partner to collaborate with or to invest in is strongly influenced by its financial position and the ability to manage financial risks.	Failure to achieve the status of trusted partner may prevent BAM from working with preferred parties and lead to restrictions on access to financial markets.	BAM's financing strategy is based on long-term relationships with reputable financial institutions and a well-spread debt maturity schedule. A strong centralised focus on cash and working capital, including financing by clients and suppliers, limits the need for extra capital. In 2021, the repayment of the €400 million RCF and remaining €120 million convertible bond took place. Other specific financial risk management measures, including those in the area of interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk are disclosed in note 3 of the financial statements.	
Compliance risks			
Regulatory and reputation			●○○○○
Regulatory compliance and the trust of clients, shareholders, lenders, construction partners and employees in BAM is vital to ensure the continuity of the Company.	Ethical misconduct or non-compliance with applicable laws and regulations (such as competition, bribery and corruption) could expose BAM to liabilities or have a negative impact on its business and reputation. BAM may be subject to administrative, civil or criminal liabilities including significant fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time.	The BAM Code of Conduct and adjoining policies such as those relating to bribery, corruption and competition align with generally accepted standards and values but also with local legal and other rules and regulations. All employees have to acknowledge the compliance with the Code of Conduct. The Group has a robust speak up approach (including external reporting line), so that breaches of the code and policy can be reported through various channels. Compliance officers monitor compliance and advise on integrity issues.	

Cruquiuswerf, Amsterdam, the Netherlands - AM and BAM Wonen

What impacted BAM in 2021

Some risks and uncertainties related to the nature and complexity of the business environment, but also opportunities had an impact on BAM in 2021. The major events are covered in this section.

Safety
BAM is highly committed to prevent safety incidents and is focused on continuous improvement. BAM has been able to safeguard the health of its employees in 2021 and did not have any fatal incidents. Although the focus on safety remains high, the company still faces incidents at project sites. In 2021, the Supervisory Board installed an additional committee (Health Safety Sustainability Committee) to have additional insight on maintaining a safe working environment.

Asymmetric risk-reward balance
The results of some large projects were impacted by an asymmetric risk/reward balance, including discussions on variation orders. BAM's new strategic agenda focuses on de-risking the portfolio, including BAM's decision to move its project portfolio away from large unrewarded risk by limiting the size of single-stage, lump-sum tenders to €150 million.

Supply chain
A new risk has been identified relating to the availability of materials in the supply chain. This is leading to possible cost increases and the risk of not meeting clients construction budgets during tenders. BAM has taken appropriate measures as part of its tender process which has limited the impact up-to-now.

Covid-19
Most of BAM's construction activities were not affected by Covid-19, which still impacted daily live during 2021. In Ireland the operations were reduced by Covid-19 restrictions in the first quarter of 2021. BAM maintained strong focus on complying with government rules and regulations and ensured a safe working environment. The restrictions increased in most of the BAM countries in the last months of 2021, however this did not affect the health of employees and the operations.

New strategy
BAM launched its new strategy Building a sustainable tomorrow in February 2021. BAM is progressing with the divestment of activities in the managing for value markets. In chapter 2.2 an overview of progress on divestments is given.

Pipe jacking sewer rehabilitation Landsberger Strasse, Munich, Germany - Wayss & Freytag Ingenieurbau

5
Governance

> *735 jacking pipes from Erding Beton were installed over a total jacking length of 2,195 metre to improve the hydraulic situation in the drainage network in the west of Munich*

5.1 Corporate governance

Legislative and regulatory developments

The latest version of the Dutch Corporate Governance Code ('the Code') was published on 8 December 2016. By means of a decree dated 29 August 2017, the Dutch government has designated the Code as applicable to Dutch companies with a public listing. The Code is based on the comply-or-explain principle and applies as from the financial year 2017.

Decree with respect to the contents of the Executive Board report

This chapter reports on the application of the Code at Royal BAM Group. Together with the information about the corporate governance structure and the BAM corporate governance compliance overview (see www.bam.com/en/about-bam/corporate-governance), this comprises the 'Corporate governance statement' as specified in section 3 sub 1 of the Decree with respect to the contents of the Executive Board report ('the Decree').

Information about BAM's corporate governance structure and compliance with the Code (clause 3.1 of the Decree with respect to the contents of the Executive Board report), functioning of the General Meeting and the rights of shareholders (clause 3a sub b of the Decree with respect to the contents of the Executive Board report) can be found on the Company's website under the corporate governance heading. The most important aspects of BAM's risk and control systems (clause 3a sub a of the Decree with respect to the contents of the Executive Board report) are available in chapter 4 of this integrated report. Information about the composition and functioning of the Executive Board and Supervisory Board (clause 3a sub c of the Decree with respect to the contents of the Executive Board report) is described in chapters 5.3 and 6.1 and the diversity policy for both boards is explained in this chapter and chapter 6.1. A declaration regarding the Decree on Article 10 of the EU Takeover Directive (clause 3d of the Decree with respect to the contents of the Executive Board report) can be found in chapter 5.2.

Compliance with the Corporate Governance Code

Compliance with the Code is described in the BAM corporate governance compliance overview, which is available on www.bam.com. This is to be read in conjunction with this section and is deemed to be incorporated into this section. In case there is a difference between the content of BAM's publication and this section, this section will prevail.

BAM fully complies with the principles and best practices of the Code. In accordance with the Code, the Company will submit any substantial changes in the main features of the corporate governance structure to the General Meeting for discussion purposes.

Corporate governance review 2021

The corporate governance structure of the Company was reviewed by the Executive Board and Supervisory Board in January 2021, assisted by the company secretary. The BAM corporate governance compliance overview was updated per 17 February 2021.

Diversity

Best practice 2.1.6 of the Code stipulates that the diversity policy for the Executive Board and Supervisory Board should be explained in the Executive Board report as well as the way that it was implemented in practice, addressing (1) the policy objectives, (2) how the policy has been implemented and (3) the results of the policy in the past financial year.

Since the implementation of the new Code in 2017, the profile for the Supervisory Board holds diversity aspects, including a clear target for gender participation. This target of at least 30 per cent female and at least 30 per cent male members of the Supervisory Board does not differ from the target set in the previous profile. Since the general meeting in 2017, the composition of the Supervisory Board has been in line with this target, with two out of six members being female. Besides gender, diversity in background, nationality, expertise and experience in the Supervisory Board are equally important in order to provide most value. The Supervisory Board meets these diversity requirements.

The Supervisory Board has resolved that the diversity aspects set in the profile for the Supervisory Board will apply equally to the Executive Board and the Executive Committee. However, the composition of the Executive Committee (including the Executive Board) in 2021, has remained without female representation. Where new appointments have been made to reflect the new operating model – existing committee members were assessed to be the most suitable candidates internally. The reduction of the Executive Committee from six to four members also created a challenge in the aspiration to have one third female representation, as the opportunity for new appointments was reduced. The Company's aspiration still remains, and BAM is seeing an increase in the percentage of women represented in the top and sub top leadership layers, creating a more diverse pipeline for future committee members internally. The Company continues to invest in succession to meet the aspiration in the future at time of a new opening at the Executive Committee.

Proceedings on KPIs in diversity and inclusion are reported in chapter 3.2.

Sustainability, responsibility and delegation

The Executive Board is responsible for defining the sustainability policy, in consultation with the director for strategy, sustainability and innovation and the management of the operating companies.

Meetings with senior management are used to define sustainability issues, prioritise objectives, monitor activities and report 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 to planned reporting cycles, or whenever more urgency is required. Topics such as the reduction of CO_2 emissions and waste, along with business integrity and safety, apply to all BAM operating companies.

Each operating company has a management team member who shares responsibility for BAM's sustainability activities. The operating companies report progress quarterly to the Executive Board and the director for strategy, sustainability and innovation, together with details of actions taken to support the Company's business objectives. Progress against targets is reviewed and when necessary, additional actions are taken to ensure BAM's sustainability targets are pursued and met.

Klein Where, Purmerend, the Netherlands - AM and BAM Wonen

Sustainable area development project Klein Where is completed in 2021. The former industrial estate has been transformed into an attractive residential area

5.2 Decree on Article 10 of the Takeover Directive

This chapter relates 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 and lastly revised on 13 October 2015 ('the Decree of Article 10 of the EU Takeover Directive').

Capital structure
The Company has three classes of shares: ordinary shares, preference shares B and series of preference shares F. BAM shares are traded on the Euronext Amsterdam stock exchange. Note 16 of the financial statements may be used as a reference for the Company's capital structure. At the balance sheet date only ordinary shares were issued. The following rights attached to the shares into which the Company's capital is divided follow from the Articles of Association and the Dutch Civil Code. There is no difference in the voting rights attached to a preference share B, a preference share F or an ordinary share. As all ordinary shares and preference shares B and F have the same nominal value (EUR 0.10), every issued and outstanding share of a class gives the right to cast one vote in the general meeting and to cast one vote in the meeting of holders of that specific class. Ordinary shares and preference shares F may only be issued against payment in full. Preference shares B may be issued against partial payment. Holders of ordinary shares have a pre-emptive right in respect of new ordinary shares to be issued, unless restricted or excluded pursuant to a resolution of the General Meeting. Holders of ordinary shares do not have a pre-emptive right in respect of new preference shares to be issued. Holders of preference shares B and F do not have a pre-emptive right in respect of shares to be issued. The transfer of ordinary shares and preference shares F is not restricted by the Articles of Association. The transfer of preference shares B requires the approval of the Executive Board.

The relevant financial right attached to the shares which follows from Article 31 of the Articles of Association concerns the application of the profit in relation to preference shares B and F.

A brief summary of Article 31 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 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, with due consideration of the provisions of Article 31(6) of the Articles of Association. See paragraph 8.3 for Articles of Association provisions governing the distribution of profit.

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 cooperation, apart from the restriction on the transfer of preference shares B. Article 13 of the Company's Articles of Association stipulates that approval is required from the Company's Executive Board for the transfer of preference shares B. 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 preference shares B, the Company and Stichting Aandelenbeheer BAM Groep (Foundation Preference Shares BAM Group) have agreed that the Company will not proceed to issue these shares or to grant any rights to purchase them to anyone other without the foundation's permission. The foundation will not dispose of or encumber any preference shares B, nor renounce the voting rights relating to them, without permission from the Company. See paragraph 8.4 onward regarding the reasons behind protecting the Company and the way 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 46 on page 200.

Special control rights
The shares into which the Company's equity is divided are not subject to any special control rights.

Employee share or employee option plan
The Company does not have any recurring employee share or employee option plans other than the long-term incentive plan based on performance shares which has been introduced for the members of the Executive Board in 2015. This long-term incentive plan is cascaded down to approximately 20 senior executive positions below the Executive Board. Per 2021, the company introduced a one-off special incentive plan in support of its new strategy. This plan is awarded to top management below Executive Board and is tightly linked to BAM's strategic objectives over 2021-2023. It replaces eligibility for the regular long-term incentive plan for this period.

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 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 cooperation 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 cooperation.

Shareholders' agreements
The Company is not aware of any agreements involving one of the Company's shareholders and which might provide reasons for: Restricting the transfer of shares or of depositary receipts issued with the Company's cooperation or restricting the voting rights.

Appointment and dismissal of members of the Supervisory Board and members of the Executive Board and amendment of the Articles of Association
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. A more detailed explanation of the appointment and dismissal of members of the Supervisory Board and members of the Executive Board can be found in the Articles of Association of the Company. Resolutions to amend the Articles of Association or to dissolve the Company may only be adopted by the General Meeting pursuant to a proposal of the Executive Board and subject to the approval of the Supervisory Board.

Powers of the 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 in the rules of the Executive Board and the Executive Committee. The Executive Board was authorised by the General Meeting held on 14 April 2021 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.

The General Meeting held on 14 April 2021 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 based on a proposal put forward by the Executive Board and approved by the Supervisory Board.

Change of control provisions in important agreements
BAM differentiates the following categories of agreements as referred to in the Decree on Article 10 of the EU Takeover Directive:

- The Company has entered into syndicated revolving credit facilities (RCF). After the RCF was completely drawn in 2020, it was fully repaid in 2021. After this repayment the RCF stayed in place and remained fully available. See for further details note 19 of the financial statements. The RCF agreements stipulate that in the event of a change of control, no new loans are allowed and only rollover loans are permitted;
- Royal BAM Group and its subsidiaries have entered into various important agreements that contain clauses that in the event of a change of control the other party has the right to terminate the agreement. These agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the EU Takeover Directive, but jointly they are considered significant;
- The terms and conditions of the conditional performance share plan stipulate that, upon the occurrence of a change of control, the Supervisory Board may decide to vest the conditional Performance Shares accelerated on a prorated basis, both in terms of time and performance. The Supervisory Board is however also authorised to withdraw conditional and unconditional performance shares in exchange for a cash payment at market value.

Maidenhill Primary School

Maidenhill Primary School named a winner in Scotland’s National Architecture Awards 2021

The design of the school embraces modern teaching methods and includes a number of bespoke features that makes Maidenhill unique, creating a great learning environment for its pupils.

Maidenhill Primary School, Scotland, United Kingdom - BAM Construct UK

5.3 Supervisory Board and Executive Board

Biographies of the Supervisory Board members

H.Th.E.M. (Henk) Rottinghuis (1956), Chairman

Mr Rottinghuis is a Dutch businessman, who has held senior executive and non-executive roles for leading European companies across various industry sectors. He served as CEO and chairman of the Executive Board of Pon Holdings from 2001 until his retirement in 2010. He joined Pon in 1993 and became member of the Executive Board in 1999. Before that he fulfilled senior management roles at Royal Nedlloyd Group. After his retirement from Pon, he has held several Supervisory Board and non-executive director positions, among others at Royal Bank of Scotland, Blokker, DRG (food retail), Stork (chairman) and CRH (cement building materials). Mr Rottinghuis completed his studies at the University of Groningen in 1982.

Mr Rottinghuis has the Dutch nationality. Information about Mr Rottinghuis' shareholding position, see page 82.

Other offices: chairman of the supervisory board of Koole Terminals, member of the supervisory board of Damen Shipyards Group.

Mr Rottinghuis was appointed to the Supervisory Board in 2020.

B. (Bob) Elfring (1959)

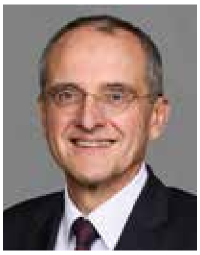
Mr Elfring obtained master's degrees in Law and Business Economics at the University of Groningen. He started his career at (then) Amsterdam-Rotterdam Bank, followed by management positions at Rabobank, Amsterdamse Investeringsbank, MeesPierson and Lehman Brothers. Between 2008 and 2011 he worked for Credit Suisse, where among others he was responsible for Investment Banking in Northern Europe and the Benelux. Between 2011 and 2018 Mr Elfring worked for Bank of America Merrill Lynch, where since 2012 he was responsible for Corporate and Investment Banking in Europe, the Middle East and Africa, based in London. In 2021, he became Vice Chair of EMEA Investment Banking at J.P. Morgan Securities plc.

Mr Elfring has the Dutch nationality.

Other office: chairman of the supervisory board of Vuyk Holding.

Mr Elfring was appointed to the Supervisory Board in 2020.

G. (Gosse) Boon (1959), Vice-Chairman



Mr Boon studied both quantitative business economics and commercial law at Erasmus University Rotterdam, graduating in 1983. Subsequently he graduated as a Chartered Accountant (RA) at the same university. Mr Boon started his career at Unilever. From 1983 to 2000, he held various senior positions within this company, lastly as CFO of Unilever Brazil. In 2000, Mr Boon was appointed CEO of DiverseyLever Netherlands. As of 2004 he became CFO and member of the Executive Board of Rijnmond Waste Processing and Van Gansewinkel Group, respectively. In 2010, he moved to Nutreco, being appointed CFO and Executive Board member in 2011. In 2015, following the delisting of Nutreco, he decided to leave this company.

Mr Boon has the Dutch nationality. Information about Mr Boon's shareholding position, see page 82.

Other offices: chairman of the supervisory board of Albron, member of the supervisory board of KPMG, lay judge (expert member) at the Companies and Business Court (Enterprise Chamber), which is part of the Amsterdam Court of Appeal.

Mr Boon was appointed to the Supervisory Board in 2017. He was appointed as vice-chairman of the Supervisory Board in 2019.

D. (Denise) Koopmans (1962)

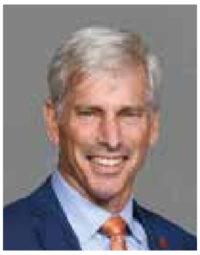
Mrs Koopmans earned a master's degree in Law from Erasmus University Rotterdam and a (post master's) degree Real Estate Law from Radboud University Nijmegen. Between 1991 and 1998, Mrs Koopmans was Chief Legal Officer at NBM-Amstelland (acquired by BAM in 2000). Afterwards, she has worked in various commercial and senior international leadership positions at Heerema Group, Altran Technologies and LexisNexis Group. Between 2011 and 2015 Mrs Koopmans was managing director of the Legal & Regulatory division of Wolters Kluwer in the Netherlands and director of the global business line for workflow solutions. Since 2015, Mrs Koopmans has focused on non-executive roles.

Mrs Koopmans has the Dutch nationality. Information about Mrs Koopmans' shareholding position, see page 82.

Other offices: member of the supervisory board of Swiss Post AG, non-executive director at Sanoma Corporation, lay judge (expert member) at the Companies and Business Court (Enterprise Chamber), which is part of the Amsterdam Court of Appeal.

Mrs Koopmans was appointed to the Supervisory Board in 2020.

M.P. (Paul) Sheffield (1961)



Mr Sheffield studied civil engineering at the University of Surrey (United Kingdom). He is a Chartered Engineer and Fellow at the British Institution of Civil Engineers. From 1983 to 2014 he was employed by the Kier Group, a large British construction and property development group, listed on the London stock exchange, where he held a number of management positions. Mr Sheffield spent the first 17 years of his career working on significant infrastructure and construction projects around the world, including seven years as a project director on power stations in the United Kingdom, desalination plants in Saudi Arabia and underground railways in Hong Kong. He then spent seven years running business units within the United Kingdom and in 2005 he joined the Board of Kier Group with responsibility for global construction activities. He was appointed as Chief Executive Officer in 2010. In 2014 Mr Sheffield left the Kier Group for Laing O'Rourke, the largest private construction company in the United Kingdom, where he was a member of the Executive Committee until 2017, responsible for their activities in Europe and the Middle East.

Mr Sheffield has the British nationality.

Other offices: non-executive director at Southern Water Services, member of the Council of the British Institution of Civil Engineers.

Mr Sheffield was appointed to the Supervisory Board in 2017.

N.M. (Nina) Skorupska (1961)

Dr Skorupska obtained a Bachelor degree and her Doctorate in Chemistry, Engineering and Geology at the University of Newcastle upon Tyne and subsequently conducted post-graduate research at the same university. She started her professional career with multiple research, world expert technical and management roles through her time both at IEA Coal Research and National Power plc. From 2001, when RWE acquired the successor company to National Power, Dr Skorupska progressed to hold various senior management and executive positions until 2012, most recently as Chief Technology Officer at Essent in 's-Hertogenbosch, where she was responsible for Essent's power plants and clean technology developments (including construction projects). In 2013, Dr Skorupska became Chief Executive of REA, the Association for Renewable Energy and Clean Technology. In 2016 she received the award of Commander of the British Empire (CBE) for her work in renewables and diversity in energy.

Dr Skorupska has the British nationality.

Other offices: non-executive director at Transport for London, non-executive director at Renewable Energy Assurance Ltd.

Dr Skorupska was appointed to the Supervisory Board in 2021.

31 Retirement schedule for the Supervisory Board

Member	Committees	Date of initial appointment	Year of reappointment	End of current term	End of second term
H.Th.E.M. Rottinghuis*	RC, NC, HSS	15-04-2020	-	2024	2028
G. Boon	AC	19-04-2017	2021	2025	2025
B. Elfring	AC	24-08-2020	-	2024	2028
D. Koopmans*	RC, NC	24-08-2020	-	2024	2028
M.P. Sheffield	AC, HSS	24-08-2017	2021	2025	2025
N.M. Skorupska	RC, NC, HSS	14-04-2021	-	2025	2029

* Right of recommendation of Central Works Council.

Biographies of the Executive Board members

R.J.M. (Ruud) Joosten (1964), CEO

Mr Joosten earned a degree in Business Economics at VU Amsterdam in 1987 and an MBA from the University of Leuven in 1990. Mr Joosten started with AkzoNobel in 1996 as a marketing director, joining from Petrofina (currently PPG) where he began his career in 1988. At AkzoNobel he held management positions in sales and marketing and became managing director of Decorative Paints North and Eastern Europe in 2006. In 2013 he joined AkzoNobel's Executive Committee and became responsible for the Decorative Paints business. In 2018, he became the Chief Operating Officer of AkzoNobel, responsible for business performance of the coatings and paints businesses.

Mr Joosten has the Dutch nationality. Information about Mr Joosten's shareholding position, see page 81.

Mr Joosten has been a member of the Executive Board (CEO) of Royal BAM Group since September 2020.

L.F. (Frans) den Houter (1974), CFO

Mr Den Houter was trained as a hydrographic surveyor at the Amsterdam University of Applied Sciences, earned a degree in business economics at the University of Amsterdam and an international master's degree in Finance and Control. He started his career at Exxon Mobil in 2000, where he worked as financial analyst and controller for the Benelux retail operating company. In 2005 he moved to Shell, where he worked as controller at Shell Global Real Estate, project manager at Shell Energy Europe and financial manager for joint ventures at Shell Upstream International. He joined Heerema Marine Contractors (HMC) in 2010 as Finance and Control Manager and then held the position of Senior Vice President Finance before being appointed as CFO in 2012.

Other office: Member of the Supervisory Board of Terre des Hommes.

Mr Den Houter has the Dutch nationality. Information about Mr Den Houter's shareholding position, see page 81.

Mr Den Houter has been a member of the Executive Board (CFO) of Royal BAM Group since August 2018.

32 Retirement schedule for the Executive Board

Member	Date of birth	Date of initial appointment	Year of reappointment	End of current term
R.J.M. Joosten, Chairman	21-11-1964	24-08-2020	-	2024
L.F. den Houter	20-05-1974	01-08-2018	-	2022

5.4 Executive Committee

The Executive Committee consists of the Executive Board members R.J.M (Ruud) Joosten and L.F. (Frans) den Houter, as well as of:

- J.G. (Joost) Nelis, Chief Operating Officer (COO) for Construction and Property. As per 1 January 2022 COO for the Netherlands division;
- J.D. (John) Wilkinson, Chief Operating Officer (COO) for Civil engineering. As per 1 January 2022 COO for the United Kingdom and Ireland division.

Information about the role and responsibilities of the Executive Committee is included in the Executive Board and Executive Committee rules of procedure. The relationship and contact with the Supervisory Board is explained in the Supervisory Board rules of procedure (see www.bam.com), pursuant to which Supervisory Board meetings shall generally be attended by all members of the Executive Committee.

J.G. (Joost) Nelis (1967), COO Netherlands division

Mr Nelis was appointed COO for the business line Construction and Property, effective 1 April 2019. As per 1 January 2022, Mr Nelis coordinates the activities in the division Netherlands. Previously, he held the position of director at BAM Bouw en Vastgoed Nederland, BAM's Dutch operating company for property development, non-residential and residential construction and M&E services. He joined BAM in 1996 and has held various management positions, including managing director of BAM Wonen (residential) from 2008 to 2016. He graduated as a civil engineer from Delft University of Technology.

J.D. (John) Wilkinson (1968), COO United Kingdom and Ireland division

Mr Wilkinson was appointed COO for the business line Civil engineering, effective 5 October 2020. As per 1 January 2022 Mr Wilkinson coordinates the activities in the division United Kingdom and Ireland. He was formerly president of infrastructure and member of the executive committee of SNC-Lavalin, an international, fully integrated professional services and project management company based in Montreal, Canada. He previously held senior positions with leading British civil engineering companies Laing O'Rourke, Kier Group and May Gurney, respectively as managing director for the United Kingdom infrastructure, executive director services and managing director. Mr Wilkinson holds a Batchelor of Science (Hons) in Construction Management from Reading University and is an Alumni of Cambridge Judge Business School.

As a result of the new organisational structure, BAM's Executive Committee per 1 January 2022 consists of Executive Board members Ruud Joosten and Frans den Houter (CFO), as well as Joost Nelis and John Wilkinson. Simon Finnie (Chief Business Excellence Officer/Chief Transformation Office) and Sven Van de Wynkele (Chief Human Resources Officer) have given up their position in the Executive Committee as of 31 December 2021.

From the left: Joost Nelis, Ruud Joosten, John Wilkinson and Frans den Houter

6
Supervisory Board

Huis van Noord, Rotterdam, the Netherlands - BAM Wonen

Old prision transformed into 57 new homes with a rich history, completed in 2021

6.1 Report of the Supervisory Board to shareholders

In February 2021 Royal BAM Group launched its strategic plan for the period 2021-2023, ‘Building a sustainable tomorrow’. The Supervisory Board was closely involved in the development of this strategy and as such it has the Board’s full support. The focus on markets and projects where BAM has proven competitive strengths will create a platform for future growth with increased profitability and continued de-risking. The world in which BAM operates is changing rapidly and it is important for shareholders, employees and other stakeholders, that the Company changes with it. Climate change and changes in society are important drivers for the Group’s operations and future profitability.

The Supervisory Board believes that BAM, through its size, business orientation and geographical position is well established to play a prominent role in decarbonisation. More and more clients will demand solutions the Company can develop and deliver. Others should be convinced to apply more sustainable solutions. A shift to industrialised and process-based construction methods will help the organisation in reaping the full benefits of the scale BAM’s operations have in the Netherlands, United Kingdom and Ireland.

The Supervisory Board is pleased to note that management is delivering on its ambitions. In the year under review a number of activities have been divested (including BAM Swiss and BAM Deutschland), while some smaller, but relevant activities were acquired (Houtindustrie Stam & Landman and Gevelelementen Noord-Holland in the Netherlands). The divestment of BAM Galère is completed early 2022, the divestment of BAM Contractors has been announced early 2022 and is expected to be completed in the second quarter of 2022. The (operational) wind-down of BAM International is nearing completion and the new organisation structure is being aligned with the new strategy, organising the business into two strong divisions, one for the Netherlands and one for the United Kingdom and Ireland. In the Netherlands, BAM has limited the size of single-stage, lump-sum tenders to € 150 million and has withdrawn from tenders with an unbalanced risk/reward profile. The Belgian and German operations will be managed for value. The major restructuring programme announced in 2020 was executed successfully.

Whilst safety remains the prime area of attention, BAM’s commitment to sustainability has increased more and is an integral part of the new strategic plan. Through its newly established Health, Safety and Sustainability Committee, the Supervisory Board supervises and challenges the Company’s actions and programmes and engages regularly with management and staff in these areas. The Supervisory Board considers sustainability as a driver for BAM’s future business and its long-term value creation and looks forward to the dialogue with all BAM’s stakeholders.

It is easy to forget that the implementation of the strategy, the transformation process and the divestment agenda are being executed in a year where Covid-19 was still dictating daily life. At construction sites and in offices BAM had to take precautions in order to ensure that its people can work safely and without the risk of getting infected. It means a lot that colleagues all over the Company did so much to protect themselves and their co-workers. The resilience and dedication of BAM’s employees has filled the Supervisory Board with gratitude.

2021 financial statements and dividend

This annual report, which is based on the International Integrated Reporting Framework, includes the 2021 financial statements, duly prepared by the Executive Board. The financial statements have been audited by the external auditor, Ernst & Young Accountants LLP; the unqualified independent auditor’s report is included in chapter 8.1.

The Audit Committee discussed the draft financial statements with the Executive Board and the external auditor. The Audit Committee also discussed the auditor’s report and board report, the quality of internal risk management and control systems. The Audit Committee had the discussion with the external auditor without the Executive Board being present. Subsequently, the Supervisory Board discussed this annual report, including the financial statements with the Executive Board in the presence of the external auditor. The Supervisory Board took note of the reporting from the Audit Committee and reviewed the auditor’s report and the quality of internal risk management and control systems. The Supervisory Board concluded to sign the 2021 financial statements.

Taking into account that the Company has the ambition to grow the capital ratio to 20 percent by 2023, the Supervisory Board concurs with the proposal of the Executive Board not to distribute a dividend over the year 2021.

The Supervisory Board recommends the Annual General Meeting, to be held on 13 April 2022, to adopt the 2021 financial statements. The Supervisory Board is of the opinion that the financial statements, the report by the Executive Board and the report by the Supervisory Board provide a solid basis on which to hold the Executive Board accountable for the management policies pursued and the Supervisory Board accountable for its supervision on these policies. 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.

Strategy and operational plan

The year 2021 marked the launch of BAM’s strategy for the period 2021-2023, ‘Building a sustainable tomorrow’. Under this plan, the Group will restructure its portfolio of businesses to focus on markets and projects where it can leverage its proven competitive strengths and serve the growing demand for sustainable solutions in the construction sector, while substantially lowering the Company’s projects’ risk profile. Serving all stakeholders – clients, shareholders, employees, partners, suppliers and the communities in which the Company does business – BAM will structurally improve the profitability and predictability of the Company as a client- and service-driven business. This will drive the long-term value growth BAM can realise in the coming years.

During the year under review strategy was on the agenda of each meeting of the Supervisory Board, first leading up to the publication of the new strategy in February and thereafter in order to review the implementation, the transformation of the organisation into the new organisation structure and a number of acquisition and divestment projects. In its iterations with the Executive Board leading to the new strategy, the Supervisory Board paid specific emphasis on topics like sustainability, diversity and inclusion and financial resilience, which among others led to the decision to buy back the convertible bond in June.

While developing the strategy ample time was spent on developing a culture which will support this strategy; not by directing ingenuity and think power towards the most spectacular constructions, but towards those projects which are best for the planet and therefore for the Company's clients, inviting them to join BAM's journey to net zero carbon. The Executive Committee developed a bottom-up process, inviting the brainpower in the Company to contribute, which led to encouraging engagement as well as great suggestions that will speed up the development of the Company. This is a multiyear process which will need and receive continuous attention as it will help BAM attract the best talent in the industry as a leading employer.

Based on the new strategy, the operating companies and corporate functions prepared operating plans for 2022, which were consolidated into the operating plan for the Group. The Supervisory Board discussed the outlines and 2022 priorities in its meeting in September after which the operating plan was further discussed in a dedicated meeting in December.

Risk management

Proper risk management is the key to predictable performance and therefore shareholder value and as such it continued to be high on the Board's agenda. The strategy underpins the importance of de-risking the portfolio to improve shareholder value. In its meetings the Supervisory Board discussed the risk appetite that fits with the strategic agenda and the related business and project portfolio. The focus on the key growth markets and a robust tender stage gate process continue to play a pivotal role in the early identification of potential risks and taking appropriate measures to mitigate risks at the tendering level. The Supervisory Board fully supported the Executive Committee's commitment to be critical and selective in the early phases of tendering processes which among others led to BAM's strategic decision to stop tendering for large, complex projects in a single stage tender and with an unbalanced risk/reward profile.

The discussion on the risk appetite the Company is willing to adopt is one of constant attention. The Executive Committee made it clear to the organisation where the lines will be drawn. This will help the Company to further de-risk the portfolio over the years to come whilst recognising that some big steps have already been made in the year under review. This ongoing de-risking should avoid the unacceptable disappointments BAM had to face too often in the past.

The Supervisory Board reviewed the business and project portfolio, including the projects with a higher risk profile and discussed how these are being managed. Additional comfort and insights were obtained from Internal Audit, which continued with auditing a number of high-exposure projects, resulting in recommendations to improve project control. In addition, the Supervisry Board discussed how the introduction of the new organisation structure will lead to further strengthening the Company's business control framework and its ability to manage risks properly.

As part of the Supervisory Board's annual risk management review, the Supervisory Board discussed in its November meeting the outcome of the enterprise risk management assessment in the presence of the director Governance, Risk and Compliance. This annual assessment provides an overview of the highest risks the Company is facing in relation to achieving its objectives, both strategic and operational. The top five risks and related mitigating measures were discussed. The director Governance, Risk and Compliance also informed the Supervisory Board about the status of adherence to the BAM requirements framework, which is used to assess the internal risk management and control system throughout the Group. The Supervisory Board is pleased to note that improvements continue to be made.

The Supervisory Board concluded that the Company has in place internal risk management and control systems, financial reporting manuals and procedures for drawing up financial reports, as well as an established monitoring and reporting system.

Safety and sustainability

The Supervisory Board agrees with the Executive Board that safety has the highest priority for BAM, its people, supply chain employees and societies at large. The Supervisory Board is very pleased that BAM did not have to report any fatalities during 2021.

The (serious) accidents that occurred show that safety requires permanent attention. The incident frequency (IF BAM) decreased from 5.3 in 2020 to 4.6 in 2021. It remains BAM's overall aspiration to progressively achieve and improve to an average of 3.5 in the short to medium term. Performance varies within the Group, with a relatively high percentage of serious and lost-time accidents taking place in Belgium and Germany. Ongoing focus is required to decrease the incident frequency further.

The Supervisory Board emphasises the importance to continue to learn from accidents, near-accidents and dangerous occurrences, and to increase BAM's focus on the prevention of serious accidents. The Supervisory Board fully supports the continuous efforts to further increase safety, not only through guidelines and instructions but especially by giving it consistent management attention and emphasising the behavioural aspects. The Supervisory Board took note of the positive feedback on the BAM Safety Day, which aims to increase awareness of the importance of safety. In addition, the Supervisory Board was periodically updated on the impact of Covid-19 on BAM's operations and employees as well as the measures that were taken to protect the workforce.

The Supervisory Board is delighted that Royal BAM Group was rated on the CDP A-list for the third consecutive year and notice a promising ongoing trend in reducing BAM's ecological footprint. The Board recommends to focus on the challenges in CO_2 measurements and reductions in scope 1, 2 and 3 (emissions up and down the value chain). The Company is committed to reduce the CO_2 intensity of its operations by 50 per cent in 2030 compared to the 2015 base year.

In order to further support attention to matters such as safety and sustainability, the Supervisory Board established a committee for Health, Safety and Sustainability (HSS) as per 2021. This is a permanent committee of the Supervisory Board composed of three members with attendance of the COOs and the head of Sustainability and Safety Reporting. The Committee supervises two matters of most importance to the Group, which are the care of BAM's employees and those (in-)directly involved in its operations on the one hand (health and safety) and sustainability at large, comprising all consequences of BAM's activities on the environment and the climate on the other hand.

Investor relations

The Supervisory Board highly values an open and regular dialogue with shareholders and investors to explain the Group's strategy and performance and to receive feedback. The Supervisory Board reviewed BAM's investor relations activities and shareholder base in all its meetings and were informed on the feedback given by shareholders, investors and analysts. The Supervisory Board also took note of various analysts' reports regarding the Company.

Together with the Executive Board, the Supervisory Board prepared the virtual Annual General Meeting in April which was evaluated afterwards. The Supervisory Board was pleased to note that all proposals were adopted.

The importance of a satisfactory relationship with the financial markets is high on the Supervisory Board's agenda, as it realises that the financial performance of BAM over the last years has been disappointing, in particular for shareholders.

Corporate governance

Each year, an updated corporate governance compliance overview is published on BAM's website, providing transparency on how BAM complies with the Code. The Supervisory Board and the Executive Board are of the opinion that the Company's corporate governance is up to standard. Please refer to the corporate governance statement in chapter 5.1 in this report for more information.

Discussions with external auditor

During the year under review the external auditor Ernst & Young Accountants LLP reported on its 2020 audit, attended the quarterly meetings with the Audit Committee and Supervisory Board as well as the Annual General Meeting of 14 April 2021.

The Supervisory Board assessed the performance of and relationship with the external auditor, based upon feedback from the Executive Board, the evaluation and recommendation of the Audit Committee and the feedback of the financial leadership team. Based on this assessment, the Supervisory Board's experience with the external auditor and the external auditor's expertise with regard to the construction industry in general and Royal BAM Group in particular, the Supervisory Board recommended the General Meeting to re-appoint Ernst & Young Accountants LLP as external auditor responsible for auditing the 2022 financial statements of Royal BAM Group, which the General Meeting subsequently approved.

The assurance plan 2021 was presented to and discussed with the Audit Committee and the full Supervisory Board and subsequently approved. During the review of the 2020 full-year results and the 2021 half-year results, the Supervisory Board met with Ernst & Young Accountants LLP to discuss its reports. In an effective and open relationship, the Supervisory Board established that the external auditor received the financial information on which the financial reports was based in a timely manner and noted that the external auditor had discussed the information provided with the Executive Board and officers of the Company. The Supervisory Board took note of the reports and board reports as prepared by the external auditor and focused upon the follow-up of the identified action points.

The Supervisory Board discussed with the auditor the improvements made on internal control regarding financial closing. The Supervisory Board acknowledges the efforts made by the CFO and all those who contributed to this achievement.

The Supervisory Board discussed with the external auditor and the Executive Board the areas of emphasis related to the annual reporting as identified by the auditor, being: valuation of projects and revenue recognition (including variation orders and claims), sensitivities and estimates with respect to the valuation of goodwill and deferred tax assets, other tax- and assurance-related topics and the financial statement closing process. Several of these topics as well as divestments and manage for value entities were also discussed with the external auditor during the subsequent quarters in 2021. In the August meeting, the Supervisory Board discussed formally and in more depth revenue recognition, project accounting and valuation (including variation orders and claims), sensitivities and estimates with respect to the valuation of goodwill and deferred tax assets, several topics related to accounting and reporting including developments related to non-financial information and sustainability. Also, compliance with laws and regulations as well as information technology were discussed.

Other activities and meetings

In addition to the items mentioned before, in each of its regular meetings, the Supervisory Board discussed with the Executive Committee the state of affairs, the financial performance of BAM and the business lines, development of critical projects, market developments and order intake, working capital and cash flow, the financial condition of the Company as reflected by the balance sheet, investments and divestments and the quarterly press releases. The meetings also featured a report on what had been discussed in meetings of the committees of the Supervisory Board.

Other matters discussed included the annual report and financial statements for 2020, the 2021 half-year report and interim statements, the reserve and dividend policy and the dividend proposal for 2021, as well as compliance reports and material legal proceedings in which the Company is engaged.

The Executive Committee regularly updated the Supervisory Board on the situation regarding a number of critical projects and tenders. Discussions focused mainly on the risks in these projects and how these are managed and/or could be mitigated.

Besides the regular matters to address, the Supervisory Board in 2021 spent ample time on a number of specific topics, which included the execution of the restructuring programme, continuous impact of the Covid-19 pandemic on employees and operations, the repayment of the convertible bond, implementation of the new strategy including transformation process, the divestment of BAM Swiss, BAM Deutschland and BAM Galère and the update of the Supervisory Board rules.

A delegation of the Supervisory Board met with the Central Works Council on several occasions.

The Supervisory Board actively engages with the Executive Committee as well as other senior management in order to ensure the Supervisory Board receives the right information. The chairman of the Supervisory Board had regular contact with the CEO and the chairman of the Audit Committee with the CFO. The chairman and other members met with senior managers in order to be briefed on specific topics such as human resources, finance, corporate governance and internal audit.

In addition to the regular meetings, the Supervisory Board has held a number of periodical educational sessions in order to take deep dives on specific topics relevant for the Company and the construction industry.

The Supervisory Board approved the remuneration report prepared by the Remuneration Committee. The remuneration report is included in chapter 6.2 of this annual report.

The remuneration policy was amended slightly, as the objectives of the long-term incentive for the Executive Board were aligned with the objectives of the new strategy. This change was approved by shareholders in the Annual General Meeting on 14 April 2021.

In 2021, the Supervisory Board met on 11 occasions in the presence of the Executive Board or Executive Committee. The attendance rate of the individual members at the meetings was:

33 The attendance rate of the individual members at the meetings

	SB	AC	RC	NC	HSS
Mr H.Th.E.M. Rottinghuis	100%	n.a.	100%	100%	100%
Mr G. Boon	100%	100%	n.a.	n.a.	n.a.
Mr B. Elfring	100%	100%	n.a.	n.a.	n.a.
Mrs D. Koopmans	100%	n.a.	100%	100%	n.a.
Mr M.P. Sheffield	82%	100%	n.a.	n.a.	100%
Dr N.M. Skorupska*	91%	n.a.	50%	50%	100%
Mrs H. Valentin*	100%	n.a.	67%	67%	n.a.

* Mrs Valentin stepped down and Dr Skorupska was appointed at the Annual General Meeting on 14 April 2021.

Before each of the seven regular meetings, the Supervisory Board met without the Executive Board being present. Topics discussed in these pre-meetings regarded the preparation of the meeting, the functioning of the Executive Board, the annual self-assessment, key vacancies in the Boards and the remuneration policy and remuneration of the Executive Board, including the determination of the variable portion of their remuneration for 2020 and the targets for 2021.

Supervisory Board's committees

The Supervisory Board has four permanent committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Health, Safety and Sustainability Committee. Three of these committees are mandatory and in line with corporate governance requirements. The Health, Safety and Sustainability Committee was established specifically to underline the Supervisory Board's focus and emphasis on these topics. It is the task of these committees to support and advise the Supervisory Board concerning items under the committees' responsibility and to prepare the Supervisory Board's decisions regarding those items. The Supervisory Board as a whole remains responsible for the way in which it performs its tasks and for the preparatory work carried out by the committees.

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

Audit Committee
During 2021 the Audit Committee was composed of Gosse Boon (chair), Paul Sheffield and Bob Elfring. The composition is in line with the relevant provisions of the Code. As a guest, the chairman of the Supervisory Board attended some meetings.

The Committee met five times, the four regular meetings where the results were discussed and an additional meeting in December to discuss BAM's Operating Plan 2022 with the CFO and the director Group Control. The external auditor was present at all regular meetings. The CFO, the director Group Control and the director Internal Audit also attended all regular Audit Committee meetings.

In line with its regular tasks and responsibilities, the Audit Committee addressed many topics, amongst which: the development of the key financial figures, the assurance plan 2021 of the external auditor, the internal audit plan for 2021 and 2022, the impact of new reporting requirements on sustainability ('CSRD') and material legal proceedings. In addition, the developments relating to tax, IT (including IT general controls), insurance, treasury, compliance, risk management and pensions as well as the progress on the transformation of the IT and finance functions were monitored and reviewed.

The Audit Committee was briefed by the external auditor on relevant developments in the audit profession, including updated interpretations of the IFRS standards. The Committee met with the external auditor without the Executive Board being present and reported to the Supervisory Board on the performance of and the relationship with the external auditor. Furthermore, the chairman of the Committee regularly communicated on a one-to-one basis with the external auditor and the CFO. The Audit Committee considers the relationship with the external auditor to be effective.

Remuneration Committee
During 2021 the Remuneration Committee was composed of Denise Koopmans (chair), Henk Rottinghuis, Nina Skorupska (per 14 April 2021) and Helle Valentin (until 14 April 2021).

One of the responsibilities of the Remuneration Committee is to make proposals to the Supervisory Board regarding the remuneration policy, the terms of employment of the members of the Executive Board and the remuneration of the members of the Executive Board and the Supervisory Board. The remuneration of members of the Executive Committee, not being member of the Executive Board, is also subject to the approval of the Supervisory Board. In preparation of the Annual General Meeting of 2021, the Remuneration Committee prepared proposals for the adoption of amendments to the remuneration policy for the Executive Board regarding the objectives of the long-term incentive as well as for the adoption of amendments regarding the removal of the TSR circuit breaker and vesting cap from the long-term incentive.
In February 2022, the Remuneration Committee submitted a proposal to the Supervisory Board regarding the short-term incentive for members of the Executive Board, based on the 2021 performance and the applicable criteria. The Committee also prepared a proposal for the vesting of the long-term incentive plan 2019-2021. In addition, the Committee submitted a proposal for the objective setting for the 2022 short-term incentive and the 2022-2024 long-term incentive. Finally, the Committee reviewed the fixed remuneration of the CEO and CFO during the year in light of remuneration increases of other employees and developments in the labour market reference group and submitted a proposal to implement an increase accordingly.

The Remuneration Committee prepared the remuneration report which also explains how the remuneration policy has been implemented in practice. The Committee met six times. The CEO was present during parts of these meetings as were the Chief Human Resources Officer (CHRO) and the director Compensation and Benefits who also acts as secretary to the Committee. The committee members consulted each other a number of times outside the context of a formal meeting.

Nomination Committee
During 2021 the Nomination Committee was composed of Henk Rottinghuis (chair), Denise Koopmans, Nina Skorupska (per 14 April 2021) and Helle Valentin (until 14 April 2021).

Key responsibility of the Nomination Committee is to make proposals to the Supervisory Board regarding the size and composition of the Supervisory Board and the Executive Board, regarding selection criteria, selection procedures, appointments and reappointments to both Boards as well as regarding assessment of their performance. The committee also monitors the Executive Board's policy on selection criteria and appointment procedures for senior management and holds annual appraisals with the individual members of the Executive Board. Appointments regarding the Executive Committee, not being Executive Board members, are also subject to approval of the Supervisory Board.

The Nomination Committee met three times and members consulted each other a number of times outside the context of a formal meeting. Items discussed were the composition of the Executive Committee in BAM's new organisation structure and specifically the appointment of the Chief Operating Officers for the Netherlands division and United Kingdom and Ireland division, the nomination of Nina Skorupska as member of the Supervisory Board as well as the reappointment of Frans den Houter as member of the Executive Board and of Gosse Boon and Paul Sheffield as member of the Supervisory Board. In addition, the Committee, the CEO and the CHRO discussed succession planning for senior management roles, diversity and inclusion and talent development. Finally, the Committee monitored progress on diversity and inclusion and the Executive Board was encouraged to keep this a priority over time.

HSS Committee
In 2021 a committee for Health, Safety and Sustainability (HSS) has been established and the terms of reference were developed.

During 2021 this committee was composed of Henk Rottinghuis (chair), Paul Sheffield and Nina Skorupska (per 14 April 2021). The HSS Committee challenges a strong health and safety culture throughout the Company and focuses on sustainability in all layers of the organisation. Responsibilities of the HSS Committee include reviewing and advising on the Company's Health, Safety and Sustainability policies, management, culture and performance. Other responsibilities are the critical reflection on relevant developments in- and outside the Company supporting the development of an ambitious and well-set sustainability agenda and ensuring a clearly defined roadmap.

The HSS Committee met five times and members consulted each other a number of times outside the context of a formal meeting. Items discussed were the composition and governance of the committee, the appointment of a secretary of the committee , focus areas for 2021 (Covid-19, mental health and the safety performance of the Belgium operations), the development of a new sustainability strategy, the development of safety and sustainability dashboards and roadmaps and CSRD consequences.

Composition and functioning of the Executive Board, Executive Committee and the Supervisory Board

Executive Board and Executive Committee
In the year under review there were no changes in the composition of the Executive Board, which is composed of Ruud Joosten (CEO) and Frans den Houter (CFO). Information about the individual members of the Executive Board is available in chapter 5.3 of the annual report.

Also, the composition of the Executive Committee did not change in 2021. However, on 26 November BAM announced the implementation a new organisational structure to further improve effectiveness and access to growth opportunities. Effective 1 January 2022 the manage for growth activities are managed in two divisions, one dedicated to the Netherlands and the other to the United Kingdom and Ireland. The activities in Germany and Belgium are managed for value, which means a continued focus on operational improvements and potentially further divestments. This new structure replaces the existing business lines Construction and Property and Civil engineering. The former COO for Construction and Property, Joost Nelis, has become responsible for the activities in the Netherlands per 1 January 2022. John Wilkinson, formerly COO for BAM's Civil engineering activities, has become responsible for the activities in the United Kingdom and Ireland as per the same date. The manage for value activities will report to CEO Ruud Joosten.

As a result of the new organisational structure, BAM's Executive Committee per 1 January 2022 consists of Executive Board members Ruud Joosten and Frans den Houter (CFO), as well as Joost Nelis and John Wilkinson. Simon Finnie (Chief Business Excellence Officer/Chief Transformation Office) and Sven Van de Wynkele (Chief Human Resources Officer) have relinquished their position in the Executive Committee as of 31 December 2021. The Supervisory Board is grateful for their efforts and contribution over the past years. Information about the individual members of the Executive Committee is available in chapter 5.4 of this report.

The Supervisory Board reviewed the performance of the Executive Board and Executive Committee and interviewed the individual members of the Executive Committee and gave feedback to the members of the Executive Board. The Supervisory board felt the Executive Board to be functioning properly. Especially the open-minded discussions and transparent communications between management and the Supervisory Board are seen as a big plus to be sustained in the years to come.

The Supervisory Board established that none of the Executive Board members holds more than two Supervisory Board positions at large organisations or a position as chairman of such a supervisory body. This is in line with the Management and Supervision (Public and Private Companies) Act and the Corporate Governance Code. No conflicts of interest between the Company and members of the Executive Board and/or Executive Committee were established or reported.

Supervisory Board
At the Annual General Meeting on 14 April 2021, Nina Skorupska was appointed as a member of the Supervisory Board and Gosse Boon and Paul Sheffield were re-appointed for a period of four years. After the meeting Helle Valentin stepped down as a member of the Supervisory Board. The Supervisory Board is grateful for her dedication to BAM.

Information about the individual members of the Supervisory Board is available in chapter 5.3 of the annual report.

The Supervisory Board meets the requirements of the Code regarding independence. In 2021, the Supervisory Board members did not have any other relationships of a business nature with the Company. None of the Supervisory Board members had more than five memberships of supervisory boards at Dutch listed companies or other large institutions. The Supervisory Board is not aware of any conflicts of interest between the Company and members of the Supervisory Board.

In January 2022, the Supervisory Board performed its annual self-assessment for the year 2021. The self-assessment was based on an extensive questionnaire that was completed by all members prior to the evaluation session. The feedback from the individual members of the Supervisory Board was translated into a report which was subsequently discussed in a dedicated session. In this evaluation session specific attention was given to long-term value creation, culture and behaviour. The Supervisory Board concluded that it is operating well, with open discussions and constructive contributions from all members. The Supervisory Board also assessed the expertise of the individual members and whether the combined expertise is in line with the characteristics of the Company and its business. Several suggestions were made for further improvement. These relate among other things to succession planning, training and education as well as board dynamics.

Diversity and inclusion
The Supervisory Board, the Executive Board and the Executive Committee recognise the benefits and importance of diversity in their composition. The profile for the Supervisory Board includes a minimum 30 per cent target for female and male board members. This target applies mutatis mutandis to the Executive Board and the Executive Committee. The present composition of the Supervisory Board is in line with the targets set.

The composition of the Executive Committee is not yet in line with above targets. In 2021, there were no vacancies in the Executive Board or Executive Committee. As part of the new strategy, diversity and inclusion is a key focus area and as such has had great investment in order to provide clarity to the Company's current position and accelerate diversity and inclusion as a key business priority and embed it in the operational plans. As BAM builds its new management structure, the Group utilises (external) expertise to guide leadership and challenge practices in order to ensure its people practices and culture attract and retain diverse talent.

BAM is committed to ensuring internal development of talent through stretch assignments to gain diverse experience preparing them for senior roles. Key performance indicators and diversity ratios are applied, extending beyond gender in talent practices (including succession planning) to support the acceleration of diverse talent. The indicators have led to more diverse succession plans in parts of the Group (25 per cent of identified successors for senior leaders positions is women, against a total population of 18 per cent women). In addition, a significant increase in diverse talent in BAM's early career population was witnessed (examples: 40 per cent of the Group's graduates are women and in BAM's early career programmes in the United Kingdom, there are up to four times the industry average employees with an ethnic minority background).

Final comments

The Supervisory Board is convinced that BAM is in a strong position to perform successfully, as the Group has implemented a clear strategy and the de-risking of the portfolio is on track, both through divestments and selective tendering. The Supervisory Board thanks the Executive Board, the Executive Committee, management and employees for their contributions to make BAM a more resilient company, in the interest of all BAM's stakeholders.

Bunnik, the Netherlands, 23 February 2022

On behalf of the Supervisory Board,
Henk Rottinghuis, Chairman

Electrification plant and equipment

battery
270 kWh

CO_2 savings
93,000 kg

nitrous oxide savings
115,000 gr

Electrification plant and equipment

BAM Infra Nederland is investing in making its equipment more sustainable. In addition to HVO fuel for all its asphalt equipment and the electric road roller, BAM Infra Nederland started using a hybrid CPT truck and asphalt spreader in 2021.

spreading machine

1st electric machine

6.2 Remuneration report

This remuneration report was prepared by the Remuneration Committee of the Supervisory Board and has been adopted by the Supervisory Board in its meeting of 23 February 2022. It contains:

- The remuneration policy for the Executive Board;
- The remuneration of the Executive Board in 2021;
- The internal pay ratio in 2021;
- The terms of appointment of the Executive Board members;
- The share ownership of the Executive Board members;
- The remuneration of the Executive Board in 2022 and beyond;
- The remuneration policy for the Supervisory Board;
- The share ownership of the Supervisory Board members;
- The remuneration of the Supervisory Board in 2021.

Given the positive vote of shareholders on the remuneration report over 2020 at the General Meeting of 14 April 2021, the structure of the remuneration report for this year has not changed.

Remuneration policy for the Executive Board

The Supervisory Board draws up the remuneration policy for the Executive Board based on advice from its Remuneration Committee. The General Meeting 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 based on recommendations of its Remuneration Committee. The Supervisory Board will regularly review the remuneration package to ensure that it complies with the assumptions underlying the remuneration policy. The policy will also be evaluated regularly and be put forward for adoption at the General Meeting at least every four years. The current remuneration policy was adopted by the General Meeting on 15 April 2020 and adjusted with its approvals on 24 August 2020 and on 14 April 2021.

Design principles
The remuneration policy is geared to attract and retain highly qualified executives, including from other industries, and motivate them to achieve Royal BAM Group's objectives. Particular emphasis is placed on experience with the Company's (international) activities and the necessary management qualities. The policy also aims to stimulate profitable growth and long-term value creation as reflected in BAM's strategy. It is transparently communicated and safeguards fairness and consistency within BAM and externally. Variable remuneration is an important part of the total package. The policy supports both short- and long-term objectives, whereas the emphasis is on long-term value creation for Royal BAM Group and its stakeholders. It contributes to this long-term value creation by not only focusing on financial targets but also on non-financial targets such as sustainability, culture and safety.

In designing the policy and to determine the remuneration of the Executive Board, the Remuneration Committee uses external benchmark information to assess market comparability. Remuneration levels for total direct compensation (fixed remuneration plus short-term incentive plus long-term incentive) are aimed at the median of a labour market reference group. In addition, the internal pay differentials (fairness and differences towards the rest of the organisation) are monitored. Scenario analyses are used to determine possible outcomes of the variable remuneration elements, including the maximum value of the long-term incentive. The remuneration structure and elements consider that risk-taking beyond the risk profile of the Company should not be encouraged. The Remuneration Committee has taken note of the Executive Board members' view on their remuneration.

Labour market reference group
The labour market reference group as shown in table 34 is based on industry, ownership structure, geographical business scope and size parameters.

34 Labour market reference group

Arcadis	Kier Group
Balfour Beatty	NCC
Bauer	Post NL
Besix	SBM Offshore
Boskalis	Signify
Eiffage	Skanska
Fugro	Strabag
Galliford Try	TKH
Heijmans	VolkerWessels
Hochtief	Vopak

Fixed remuneration
The Supervisory Board determines the fixed remuneration of the individual members of the Executive Board based on advice of the Remuneration Committee. Once a year, the Supervisory Board evaluates whether and, if so, to what extent the fixed remuneration will be adjusted. This annual evaluation generally takes place per 1 January of each year and considers personal performance, the results of the past year, the extent to which the current fixed remuneration deviates from the benchmark and general changes in the market.

Short-term incentive (STI)
The STI depends on the realisation of predetermined measurable objectives. 70 per cent of the STI is based on financial objectives and 30 per cent is linked to non-financial objectives which are relevant for the Company's (long-term) success. Within this framework, each of the financial objectives is given a certain weight and for each of these objectives performance incentive zones are defined.

The non-financial objectives are currently evaluated together and do not have individual weights or performance incentive zones. This will however change per 2022. Please see section "The remuneration of the Executive Board in 2022 and beyond" for more details.

35 The remuneration of the Executive Board consists of four elements

Remuneration elements	Description	Strategic role
Fixed remuneration	Fixed cash compensation	Provide base compensation
Short-term incentive (STI)	Cash incentive expressed as a percentage of fixed remuneration Value at • Threshold performance: 35% • Target performance: 55% • Excellent performance: 75% Objective setting • Financial objectives: 70% • Non-financial objectives: 30%	Reward annual performance Incentivise achievement of agreed objectives Align Executive Board and shareholder interests
Long-term incentive (LTI)	Share-based incentive Award value expressed as a percentage of fixed remuneration • CEO: 70% • CFO: 60% Three-year vesting period Vesting of awarded shares: • Threshold performance: 50% • Target performance: 100% • Excellent performance: 150% Two-year lock-up period after vesting plus minimum share ownership requirement: • CEO: 100% fixed remuneration • CFO: 75% fixed remuneration	Reward long-term value creation Retention Align Executive Board and shareholder interests
Pensions	Contribution 22% of fixed remuneration	Provide for retirement savings and surviving dependent's pension

Pay-out gradually increases with performance, starting with a pay-out of 35 per cent of the fixed annual remuneration at threshold performance, 55 per cent at target performance and potentially going up to 75 per cent when performance is excellent. Below threshold there will be zero pay-out.

To ensure continued alignment of the STI with BAM's strategy and to enable adequate responses to the challenges the Company faces, flexibility with respect to the STI objectives is important. Therefore, at the beginning of the financial year, based upon a proposal from the Remuneration Committee, the Supervisory Board determines the financial and non-financial STI objectives as well as the relative weighting and the performance incentive zones (threshold, at target and excellent performance levels) for the financial objectives.

After the end of the financial year, the Remuneration Committee determines to what extent the STI targets for the selected objectives have been met. The Supervisory Board, following a proposal from the Remuneration Committee, will decide upon the STI to be awarded over the past financial year. Specific attention is given to the non-financial objectives to evaluate in detail what has concretely and measurably been delivered.
The financial objectives and weighting are disclosed at the beginning of the financial year. After the end of the financial year the Supervisory Board will disclose the performance on each of the objectives as a percentage of target performance.

The performance incentive zones (threshold, at target and excellent performance levels) are currently not disclosed since these were considered to qualify as commercially sensitive information. This will however change towards the future. Please see section “The remuneration of the Executive Board in 2022 and beyond” for more details.

In cases in which the variable remuneration is awarded on the basis of inaccurate (financial) data, the Supervisory Board has the right to adjust the STI accordingly, and BAM is entitled to reclaim (any part of) the STI paid to a member of the Executive Board on the basis of incorrect (financial) information.

Long-term incentive (LTI)
Executive Board members participate in a performance share plan. Each year, performance shares are conditionally awarded. These shares vest after a vesting period of three years subject to the relevant performance over this period. The number of annually awarded performance shares is calculated by dividing the award value by the average closing price of the BAM share on Euronext Amsterdam on the five days after the General Meeting in the year of award. The award value is 70 per cent of fixed remuneration for the CEO and 60 per cent of fixed remuneration for the CFO.

Performance under the long-term incentive plan is based on two financial objectives, being relative total shareholder return (TSR) and adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA, up to and including the 2020-2022 Performance Share Plan this was ROCE) and one non-financial objective, being sustainability. To align the objectives of the long-term incentive for the Executive Board with the objectives of the new BAM strategy, the financial objective ROCE was replaced by Adjusted EBITDA as of the Performance Share Plan 2021-2023 (as approved by the General Meeting of 14 April 2021).

TSR is defined as the share price increase, including dividends and measured over a three-year period based on the three-month average share price before the start and the end of the three-year performance period. The relative position within the peer group determines the vesting percentage. The composition of the TSR peer group is evaluated on a periodic basis, among other things, considering corporate events. As of the 2018-2020 LTI plan, the TSR peer group comprises of Balfour Beatty, Boskalis, Eiffage, Heijmans, Hochtief, NCC, PORR, Skanska, Strabag, Vinci (and BAM).

At the beginning of the financial year, based upon a proposal from the Remuneration Committee, the Supervisory Board determines the performance incentive zones (threshold, at target and excellent performance levels) for Adjusted EBITDA and sustainability. After the three-year performance period, the Supervisory Board, based on a proposal by the Remuneration Committee, will assess the extent to which the performance objectives have been achieved.

This results in a vesting percentage for each of the three performance objectives, each determining one third of the vesting of the conditionally awarded performance shares. For excellent performance, the number of performance shares that vests may amount to a maximum of 150 per cent of the ‘at target’ number of performance shares.

This percentage may be reduced to 50 per cent (on a sliding scale) for threshold performance and to zero below that.
The performance incentive zones are presented in table 38.
In accordance with the Dutch Corporate Governance Code the three-year vesting period will be followed by a two-year lock-up period. In addition, there is a minimum share ownership requirement, which amounts to 100 per cent of fixed remuneration for the CEO and to 75 per cent of fixed remuneration for other members of the Executive Board. The members are not allowed to divest any shareholding until the two-year lock-up period has lapsed and the minimum share ownership requirements are met, with the exception of any sale of shares during the lock-up period required to meet any tax obligations and social security premiums (including any other duties and levies) as a consequence of the vesting.
The authority to implement the long-term incentive plan for the Executive Board lies with the Supervisory Board, which 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 incentive plan for Executive Board members, the General Meeting will be asked to adopt a resolution to that effect.

Upon a decision of the Supervisory Board, following a proposal from the Remuneration Committee, the Company has the discretionary power to fully or partially reclaim from the participant who is a member of the Executive Board the conditionally awarded performance shares as well as vested shares (or any benefit resulting therefrom) where those have been awarded on the basis of incorrect information concerning:
- The achievement of the performance objectives concerned; or
- Events or conditions on which the shares were conditionally awarded.

At the discretionary request of the Supervisory Board, the Company’s independent auditor will check the calculations carried out and conclusions reached in connection with the long-term incentive plan, in which case the independent auditor’s assessment will be binding.

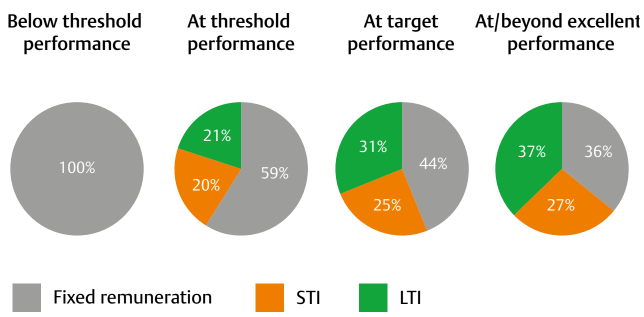
In drafting the remuneration policy, the Supervisory Board has taken into consideration the mix between fixed remuneration and variable remuneration in various scenarios. See tables 36 and 37. The maximum relative value of the variable remuneration elements, considering an unchanging share price, is between 62 per cent and 64 per cent of the total, with the higher value being awarded through the long-term incentive plan. This incentivises achievement and (long-term) value creation while at the same time guarding against inappropriate outcomes.

Post-employment benefits and other benefits
Executive Board members receive an age-independent gross allowance of 22 per cent of their fixed remuneration from which they

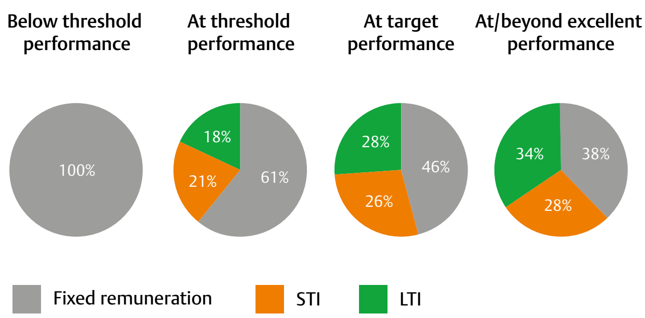
need to finance their own retirement savings, including a surviving dependent's pension.

As for employees, BAM has a competitive benefits package for the members of the Executive Board. This package includes such matters as healthcare and disability insurance, personal accident insurance, a car (allowance) policy and reimbursement of business expenses. The Company does not offer loans, warrants and the like to members of the Executive Board or to employees, except for the following indemnities and insurances.

36 Target pay mix[1] CEO



37 Target pay mix[1] CFO



[1] LTI assumes an unchanged share price and presented at face value.

Current and former members of the Supervisory Board and Executive Board are covered by the indemnity, under the Articles of Association, against claims made against them in respect of actions or omissions in the performance of the duties of their position, unless said actions or omissions constituted wilful, deliberately reckless or seriously culpable misconduct 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, Executive Board and Executive Committee, as well as for the management team members of divisions and segments and all other directors and officers within BAM.

Derogation clause
A derogation clause is included in the remuneration policy to safeguard that the Supervisory Board can use its discretion to ensure that the short-term and long-term incentive plans continue to support the interests of the Company even in exceptional circumstances and retains the option to intervene when required. In exceptional circumstances the Supervisory Board may decide to temporarily deviate from the remuneration policy of the Executive Board based on a proposal of its Remuneration Committee, when this is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability. The derogations can only concern the objective setting and pay-out of the short-term and long-term incentive plans.

Remuneration Executive Board in 2021

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 15 April 2020 and amended on 24 August 2020 and 14 April 2021.

Fixed remuneration
The Supervisory Board reviewed the fixed remuneration against the increase of average employee remuneration within BAM as also

38 The performance incentive zones (in %)

Relative TSR		Adjusted EBITDA		Sustainability	
TSR ranking	Vesting[1]	Score	Vesting[1]	Score	Vesting[1]
1	150	Excellent and above	150	Excellent and above	150
2	125	Target	100	Target	100
3	100	Threshold	50	Threshold	50
4	75	Below threshold	0	Below threshold	0
5	50				
6	25				
7	0				
8	0				
9	0				
10	0				
11	0				

[1] Vesting is expressed as a percentage of the conditionally awarded number of shares.

reflected in the relevant collective labour agreements in the Netherlands. On this basis, while also recognising solid personal performance and improved Company results, the fixed remuneration of Mr Joosten was increased with 7 per cent to €749,000 gross per annum as of 1 July 2021 (last increase for the CEO was 2 per cent per 1 January 2019 when Mr. Van Wingerden was still job holder) and the fixed remuneration of Mr Den Houter was increased with 7 per cent to €535,000 gross per annum as of 1 July 2021 (last increase for the CFO was 2.9 per cent per 1 January 2020). These increases further improved the alignment with fixed remuneration levels in the labour market reference group. Pay reductions to mitigate the impact of Covid-19 on construction sites were no longer required.

Short-term incentive (STI)
Based on input from the Remuneration Committee, the Supervisory Board evaluated the performance of the Executive Board in 2021 in relation to the objectives that had been set for the year. The financial objectives that had been selected were: Adjusted EBITDA (weight 45 per cent) with an altered calculation methodology compared to the Adjusted EBITDA reported as key figure elsewhere throughout the annual report, see ▶ table 41 and trade working capital (weight 25 per cent), reflecting the priorities of the new strategy. The non-financial objectives (weight 30 per cent) were related to safety (incident frequency), employee engagement and operational excellence (measured by reporting quality on key projects). These criteria have all been made concrete and measurable for this purpose. The overall progress of the divestment agenda was furthermore added as an objective for qualitative assessment.

The evaluation of the performance of the Executive Board in relation to the objectives resulted in an incentive of 69 per cent of the 2021 fixed remuneration. More details can be found in ▶ table 41. Concerning the achievement on the non-financial objectives the Supervisory Board concluded that the incident frequency for BAM site employees was at the targeted level while the incident frequency including subcontractors and office personnel was better than targeted. The employee engagement was slightly lower than targeted which could be explained by the high level of change that employees have been confronted with. Finally the reporting quality on key projects was better than anticipated. The qualitative assessment on the overall progress of the divestment agenda was positive in light of the successful divestment of BAM Deutschland, BAM Galère, BAM Swiss and PT BAM Decorient Indonesia. Overall the Supervisory Board considered the achievement on the non-financial objectives to be at target.

Long-term incentive (LTI)
The remuneration policy for Executive Board members includes an LTI plan under which Executive Board members receive an annual award of conditional performance shares vesting after three years, depending on Company performance as defined in the remuneration policy. The conditionally awarded and vested performance shares are stated in ▶ table 44.

The conditional performance shares that were awarded under the performance share plan 2018-2020 vested on 26 April 2021. The vesting percentage of the shares was determined at zero per cent. The reason for this was that Royal BAM Group ranked 11th in the TSR peer group, which functioned as a circuit breaker nullifying the performance on the other objectives (ROCE and sustainability). The circuit breaker determined that all vesting was to be nullified in case BAM ranked at the bottom two places of the TSR peer group, regardless of the performance on other objectives. This circuit breaker was removed from all existing plans for 2019-2021 and onwards in the General Meeting of 2021. More details can be found in ▶ table 41.

The Company's independent auditor was not requested to check the calculations carried out and conclusions reached in connection with the long-term incentive plan.

Post-employment benefits and other benefits
Both Mr Joosten and Mr Den Houter received an age-independent gross allowance of 22 per cent of their fixed remuneration as pension contribution in line with the remuneration policy adjustment adopted by the Extraordinary General Meeting of 24 August 2020.

Remuneration overview
A summary of the remuneration of the individual members of the Executive Board can be found in ▶ table 40.

BAM has not awarded any options to members of the Executive Board or employees. The remuneration of the Executive Board members was not affected by a change of control at the Company. No loans were issued to them.

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 was awarded previously.
BAM has no other remuneration provisions, beyond the remuneration package mentioned in the remuneration report, nor are there any other rights to one-time payments.

Internal pay ratio in 2021

The Dutch Corporate Governance Code (2016) states that the remuneration policy should consider the internal pay ratio within the organisation and that this pay ratio should be reported in the remuneration report. Additionally, the revised Shareholders' Rights Directive, as implemented into Dutch Law, requires the Company to perform a five-year analysis of Board remuneration versus average employee remuneration and Company performance.

For these purposes BAM applies a methodology based on the employee benefits according to the financial statements and the Executive Board remuneration according to ▶ table 40 of this report. BAM's internal pay ratio is calculated as the total annual CEO remuneration divided by the average employee remuneration (employee benefit expenses excluding restructuring costs and termination benefits divided by the average number of FTE). Consequently, BAM's calculated internal pay ratio in 2021 was 17 (2020: 14), implying that the CEO pay was 17 times the average pay within the organisation. The increase of the ratio is caused by the higher STI over 2021 and the pay reduction due to Covid-19 in 2020.

The Monitoring Committee Corporate Governance Code has made recommendations for the calculation methodology of the internal pay ratio as of the financial year 2021. In order to improve the comparability of the ratio between companies it is advised to use the CEO remuneration as included in the financial statements on IFRS basis and to include external employees who have worked for BAM for more than three months in the financial year in the average employee remuneration. BAM does not have sufficient information available to include external employees in the calculation. If the internal pay ratio is however calculated based on the CEO remuneration on IFRS basis, the internal pay ratio in 2021 would have been 21.

The relatively low internal pay ratio fits BAM's median pay policy as well as its business model with a large workforce of professionals in Western European countries. It also underlines the value the Company attaches to safeguarding internal equity across all organisational levels.

The required five-year analysis of Board remuneration versus average employee remuneration and Company performance can be found in table 43. It reflects the same definitions for Executive Board and average employee remuneration. Additionally, it contains the performance measure Adjusted EBITDA which we believe is a crucial reflection of the success of the Company.

Terms of appointment of the Executive Board members

Members of the Executive Board are appointed for a term of four years and deliver their services under a management services agreement. The notice period for these members can be found in table 42. If the Company terminates the management services agreement of a member of the Executive Board, the maximum severance payment will be one year's fixed remuneration.

Share ownership of the Executive Board members

The Company has rules relating to the possession of and trading in BAM securities. These rules are published on the Company's website. BAM also has regulations for members of the Executive Board and the Supervisory Board relating to the trading in securities other than those issued by the Company.

Per 31 December 2021, Mr Joosten held 100,000 privately acquired BAM shares, equaling 35.9 per cent of fixed remuneration, and Mr Den Houter held 25,000 privately acquired BAM shares, equaling 12.6 per cent of fixed remuneration.

Remuneration of the Executive Board in 2022 and beyond

In response to stakeholder feedback the Supervisory Board has reflected on the level of disclosure provided to investors in relation to the objectives and achievement of the short-term incentive (STI) and the long-term incentive (LTI). Based on this reflection there will be a number of improvements going forwards.

First of all, BAM will immediately start disclosing more information about the actual scores on the objectives of the STI after the end of the financial year, as well as about the actual scores on the objectives of the LTI after the end of the performance period. See table 41 for more details.

As a second improvement, BAM will start disclosing the non-financial objectives for the STI at the beginning of the financial year and will start adding a weight per individual objective to allow for a formulaic evaluation, as opposed to the joint evaluation of non-financial performance objectives applied thus far. This practice will also commence immediately per 2022.

For the STI over 2022 the objectives and weighting are: Adjusted EBITDA (weight 45 per cent), ROCE (weight 25 per cent), employee engagement (weight 7.5 per cent), incident frequency (weight 7.5 per cent), carbon intensity reduction (weight 7.5 per cent) and construction and office waste intensity reduction (weight 7.5 per cent). These objectives strongly support the Company strategy of significantly improving profitability and Building a Sustainable Tomorrow.

For the LTI the objectives remain unchanged. Specifically for 2022-2024 the sustainability objective again contains three criteria of equal weight, being: BAM's ranking on CDP's climate change A list, carbon intensity reduction and construction and office waste intensity reduction. These criteria continue to strongly support BAM's ambitious sustainability agenda.

Finally, the Supervisory Board has decided to start disclosing the threshold, target and excellent performance levels for both the STI and the LTI. This will be effectuated as soon as BAM will have restructured its portfolio of activities as a result of the new strategy to ensure maximum comparability and to provide genuine insight. Concretely this will take place for the first time for the STI over 2023 at the end of the financial year and for the LTI over 2021-2023 after the end of the performance period.

Remuneration policy for the Supervisory Board

The remuneration policy for the Supervisory Board as stated below was adopted by the General Meeting on 15 April 2020.

The Supervisory Board draws up the Supervisory Board remuneration policy based on advice from its Remuneration Committee.

The remuneration policy will be evaluated regularly and will be put forward for adoption at the General Meeting at least every four years in line with the Shareholders' Rights Directive.
The Supervisory Board remuneration policy is geared to attract and retain members that contribute to the desired composition regarding expertise, experience, diversity and independence, as set out in the profile of the Supervisory Board. The policy aims to reward Supervisory Board members for time spent and the responsibilities of their role, including but not limited to the responsibilities imposed by the Civil Code, Dutch Corporate Governance Code and the Articles of Association. On this basis, the remuneration for Supervisory Board members consists of the following elements:

- A fixed remuneration and a fixed committee fee (regardless of the number of committees in which the member participates), which varies for the Chairman, Vice-Chairman and members, to reflect the time spent and the responsibilities of the role;
- An attendance fee per meeting in case of attending a meeting outside the country of residence to compensate for additional time spent to attend meetings;
- A reimbursement of actual costs in the performance of the duties for BAM.

BAM does not differentiate in committee fees. The amounts can be found in table 39.

39 Remuneration

Fixed remuneration	Chairman €90,000 per annum Vice-Chairman €55,000 per annum Member €50,000
Committee fee	Chairman €10,000 per annum Member €7,000 per annum
Attendance fee for meetings outside country of residence	€1,500 per meeting
Expenses	Reimbursement of actual incurred costs

The Supervisory Board uses external benchmark information to assess market comparability of the remuneration. Remuneration levels are aimed at the median of Dutch listed companies with a two-tier board structure comparable in size and scope.

In exceptional circumstances, when a significant increase in time investment by its members is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability, the Supervisory Board may decide to temporarily deviate from the remuneration policy of the Supervisory Board based on a proposal of its Remuneration Committee. In such circumstances the Supervisory Board may decide to award members an additional remuneration of €1,500 per half-day. This can, for example, occur when a Supervisory Board member is temporarily delegated to support the Executive Committee in an advisory role.

Given the nature of the responsibilities of the Supervisory Board the remuneration is not tied to BAM's results, nor impacted by any change of control at the Company. As a policy BAM does not award any options or shares to members of the Supervisory Board. If and in so far as a Supervisory Board member holds shares in the Company, these should be long-term investments. No loans are issued to members of the Supervisory Board nor are they eligible to participate in any benefits programme offered by BAM to its employees.

No additional remuneration, such as sign-on bonuses, is paid upon recruiting new Supervisory Board members. The Supervisory Board members are not eligible to any severance, claw-back or change of control provisions.

Share ownership of the Supervisory Board members

Per 31 December 2021, Mr Rottinghuis held 100,000 privately acquired BAM shares, Mr Boon held 100,000 privately acquired BAM shares and Mrs Koopmans held 15,000 privately acquired BAM shares.

Remuneration of the Supervisory Board in 2021

The members of the Supervisory Board received remuneration in the past financial year in line with the remuneration policy as adopted by the General Meeting on 15 April 2020.

No options or shares were awarded to members of the Supervisory Board and no loans were issued to them.

Bunnik, the Netherlands, 23 February 2022
Supervisory Board

40 Executive Board remuneration

Fixed remuneration, short-term incentive, long-term incentive, other benefits, post-employment benefits and total remuneration *(x €1,000)*

	Fixed remuneration		Short-term incentive		Long-term incentive[1]		Other benefits[2]		Post-employment benefits		Total remuneration	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
R.J.M. Joosten[3]	**725**	222	**517**	75	**-**	-	**18**	2	**159**	51	**1,419**	350
L.F. den Houter[4]	**518**	608	**369**	212	**-**	-	**20**	5	**114**	221	**1,021**	1,047

[1] The amount shown under Long-term incentive consists of the performance share plans that form taxable income for the Executive Board member in the respective financial year. The value for the performance share plan is the value of the vested shares at the vesting date.

[2] Until September 2021, the Executive Board members were provided with a company car. As of September 2021, the Executive Board members chose to receive a car allowance instead. Both options are in line with the applicable car policy. The amount shown under Other benefits consists for 2021 of the car allowance (as of September 2021) and the actual cost of the company car (until September 2021). For 2020, the amount consists of the additional tax liability for private use of the company car.

[3] Mr Joosten was appointed as a member of the Executive Board with effect from 1 September 2020. The 2020 fixed remuneration is including the 20 per cent Covid-19 reduction over September 2020.

[4] The 2020 fixed remuneration is including the 20 per cent Covid-19 reduction over April – September 2020 and the CEO allowance over mid-February 2020 until 30 November 2020. The amount shown under post-employment benefits for Mr Den Houter includes the retrospective payment of pension contribution as of 1 August 2018.

41 Performance on incentive plan objectives

	Objective	Weight (%)	Achievement	Achievement (% of target)	STI as % of fixed remuneration
STI 2021	Adjusted EBITDA[1]	45	€292 million	136	34
	Trade working capital	25	(17%)	136	19
	Non-financial[2]	30		100	17
	Overall achievement			**125**	**69**
				Achievement (% of award)	
LTI 2018-2020	Relative TSR	33	11th position	-	
	ROCE	33	(3%)	-	
	Sustainability[3]				
	CDP ranking	11	A list	17	
	Carbon intensity reduction	11	24%	17	
	Waste intensity reduction	11	27%	17	
	Overall achievement[4]			**-**	

[1] The Adjusted EBITDA in the STI 2021 is not the same as the Adjusted EBITDA that is reported as key figure elsewhere throughout the annual report due to a different calculation methodology. In case of divestments, EBITDA of divested entity is removed from threshold, at target and excellent performance levels as well as from actuals for the remaining part of the year. The direct and indirect effect of divestment (possible book gains, losses, transaction costs and the remaining operational EBITDA within the year) are not included in the calculation.

[2] The achievement on the non-financial objectives can be found in section "The remuneration of the Executive Board in 2021" under "Short-term incentive (STI)".

[3] The sustainability objectives consisted of BAM's ranking on the CDP climate change list, carbon intensity reduction and construction and office waste intensity reduction. The actual performance on the sustainability objectives was at excellent level, therefore the number of performance shares that could vest for this objective was 150 per cent of the 'at target' number of performance shares.

[4] Since relative TSR acted as circuit breaker in the 2018-2020 Performance Share Plan, the achievement on the sustainability objective was nullified.

42 Appointment and contractual arrangements

	Date of first appointment	Start date current appointment	Period of appointment	Notice period for the Company	Notice period for the Executive Board member	Severance
R.J.M. Joosten	1 September 2020	1 September 2020	4 years[1]	3 months	3 months	1 year's fixed remuneration
L.F. den Houter	1 August 2018	1 August 2018	4 years[2]	3 months	3 months	1 year's fixed remuneration

[1] Appointed until the General Meeting in 2024.

[2] Appointed until the General Meeting in 2022.

43 Five-year analysis Board remuneration and Company performance

(x €1,000, unless otherwise stated)

		2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	Actual 2021
Executive Board remuneration[1]							
CEO	actual change	(95)	295	(332)	(194)	404	**1,419**
	relative change (%)	(7.1)	23.7	(21.5)	(16.1)	39.8	
CFO	actual change	(222)	149	(85)	(26)	295	**1,021**
	relative change (%)	(24.4)	21.6	(10.1)	(3.4)	40.6	
Company performance							
Adjusted EBITDA[2]	actual change	(84,900)	138,800	21,700	(34,600)	77,605	**278,405**
	relative change (%)	(53.1)	185.3	10.2	(14.7)	38.6	
Average employee remuneration	actual change	3.3	1.6	5.4	2.4	7.5	**81**
	relative change (%)	5.4	2.5	8.1	3.3	10.2	

	2017	2018	2019	2020	2021
Supervisory Board remuneration[3]					
H.Th.E.M. Rottinghuis, Chairman	-	-	-	48	**102**
G. Boon, Vice-Chairman	42	60	63	59	**67**
B. Elfring	-	-	-	20	**62**
D. Koopmans	-	-	-	23	**65**
M.P. Sheffield	23	69	68	164	**59**
N.M. Skorupska	-	-	-	-	**42**
H. Valentin, former member	44	68	68	59	**16**
H.L.J. Noy, former Chairman	69	80	80	46	**-**
C.M.C. Mahieu, former member	55	60	60	54	**-**
K.S. Wester, former Vice-Chairman	57	62	18	-	**-**
R. Provoost, former member	-	-	8	-	**-**
P.A.F.W. Elverding, former Chairman	17	-	-	-	**-**
H. Scheffers, former Vice-Chairman	17	-	-	-	**-**
J.P. Hansen, former member	14	-	-	-	**-**
Total	**338**	**399**	**365**	**473**	**413**

[1] The actual remuneration for the CEO in 2020 is based on the annualised remuneration of Mr Joosten, who was appointed per September 2020. The actual remuneration for the CFO in 2020 is excluding the CEO allowance, the retrospective payment in 2020 of pension contribution as of 1 August 2018 to the CFO has been allocated to the relevant years. The actual remuneration for the CFO in 2018 has been annualised since Mr Den Houter was appointed per August 2018.

[2] Up until 2018 Adjusted EBITDA was excluding depreciation right of use assets.

[3] The amounts are excluding (fixed) expense allowance. Amounts 2020 include the 20 per cent Covid-19 reduction and the additional remuneration for Mr Sheffield as delegated Supervisory Board member.

44 Performance share plan
(value in €)

	Award date	Number of conditionally awarded shares[1]	Value of conditionally awarded shares at award date	Vesting date	Number of shares at vesting date[2]	End of lock-up period	Value at year-end 2021[3]
R.J.M. Joosten	22/04/2021	221,961	490,000	22/04/2024	n/a	22/04/2026	**597,075**
	01/09/2020	285,734	381,111	23/04/2023	n/a	23/04/2025	**768,624**
L.F. den Houter	22/04/2021	135,894	300,000	22/04/2024	n/a	22/04/2026	**365,555**
	23/04/2020	367,371	490,000	23/04/2023	n/a	23/04/2025	**988,228**
	29/04/2019	68,393	291,600	29/04/2022	n/a	29/04/2024	**183,977**

[1] This is the 'at target' number of conditionally awarded performance shares. For Mr Joosten, the awarded shares in 2020 have been decreased pro rata the number of months providing management services during the relevant performance period. Since Mr Den Houter served as CEO on an interim basis until the appointment of Mr Joosten, the LTI award value for the 2020-2022 plan was based on an award value of 70 per cent (CEO level instead of CFO level) of fixed remuneration including the CEO allowance. The number of performance shares that vests may vary between 0 (in case of performance below threshold) and 150 per cent (in case of performance at or above excellent) of the 'at target' number of performance shares.

[2] The number of vested shares at vesting date before tax and including dividend up until vesting date.

[3] The value is based on the 'Number of conditionally awarded shares' in this table (since the vesting percentage is not yet known at year-end 2021) multiplied by the closing share price of BAM at year-end 2021 (€2.69).

Farringdon station, London, United Kingdom, BAM Nuttall

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Financial statements

Farringdon Elizabeth line station handed over to Transport for London by Crossrail in March 2021

Contents

Consolidated income statement

(x €1,000)

	Notes	2021	2020
Continuing operations			
Revenue	5	7,315,281	6,768,171
Raw materials and consumables used		(1,731,462)	(1,538,905)
Subcontracted work and other external charges		(3,698,505)	(3,545,822)
Employee benefit expenses	26	(1,390,475)	(1,418,169)
Depreciation and amortisation charges	7,8,9	(145,373)	(158,999)
Impairment charges	27	(34,373)	(72,841)
Other operating expenses		(275,527)	(242,725)
Exchange rate differences		2,486	(4,303)
		(7,273,229)	(6,981,764)
Share of result of investments in associates and joint ventures	11	50,151	(5,840)
Share of impairment charges in investments in associates and joint ventures	11,27	(14,117)	(1,900)
		36,034	(7,740)
Operating result		78,086	(221,333)
Finance income	30	3,864	8,242
Finance expense	30	(16,103)	(23,856)
		(12,239)	(15,614)
Result before tax		65,847	(236,947)
Income tax	31	(48,844)	(35,100)
Result for the year from continuing operations		17,003	(272,047)
Discontinued operations			
Result for the year from discontinued operations	37.4	-	149,655
Net result		17,003	(122,392)
Attributable to:			
Shareholders of the Company		18,124	(122,184)
Non-controlling interests		(1,121)	(208)
		17,003	(122,392)
Earnings per share *(x €1)*			
Basic	32		
Continuing operations		0.07	(1.00)
Discontinued operations		-	0.55
Total		0.07	(0.45)
Diluted	32		
Continuing operations		0.07	(1.00)
Discontinued operations		-	0.55
Total		0.07	(0.45)

The notes on pages 93 to 169 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(x €1,000)

	Notes	2021	2020
Net result		17,003	(122,392)
Items that may be subsequently reclassified to the income statement			
Fair value movement of cash flow hedges		260	8,853
Tax on fair value of cashflow hedge		-6	(1,502)
Cash flow hedge	17	254	7,351
Fair value movement of cash flow hedges in joint ventures		-	114,927
Tax on fair value movement cash flow hedges in joint ventures		-	(27,660)
Cash flow hedges of investments in joint ventures	17	-	87,267
Exchange rate differences		21,955	(10,690)
Items that will not be subsequently reclassified to the income statement, net of tax			
Movement in remeasurements of post-employment benefit obligations		24,344	(9,498)
Tax on movement in remeasurements of post-employment benefit obligations		3,122	7,558
Remeasurements of post-employment benefit obligations	22	27,466	(1,940)
Other comprehensive income		49,675	81,988
Total comprehensive income		66,678	(40,404)
Attributable to:			
Shareholders of the Company		67,771	(40,143)
Non-controlling interests		(1,093)	(261)
		66,678	(40,404)
Total comprehensive income attributable to the shareholders of the Company arises from:			
Continuing operations		67,771	(287,499)
Discontinued operations	5, 37.4	-	247,356
		67,771	(40,143)

The notes on pages 93 to 169 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December

(x €1,000)

	Notes	31 December 2021	31 December 2020
Non-current assets			
Property, plant and equipment	7	198,242	253,068
Right-of-use assets	8	210,051	293,355
Intangible assets	9	346,382	334,467
PPP receivables	10	14,713	11,177
Investments in associates and joint ventures	11	252,858	256,243
Other financial assets	12	78,107	69,490
Employee benefits	22	98,384	55,107
Deferred tax assets	24	86,760	106,182
		1,285,497	1,379,089
Current assets			
Inventories	13	430,125	517,637
Trade and other receivables	14	1,238,865	1,495,315
Income tax receivable		3,607	15,293
Derivative financial instruments	21	463	650
Cash and cash equivalents	15	1,284,709	1,789,292
		2,957,769	3,818,187
Assets classified as held for sale	37	252,674	27,237
		3,210,443	3,845,424
Total assets		4,495,940	5,224,513
Equity attributable to the shareholders of Company			
Share capital and premium	16	839,311	839,311
Reserves	17	(77,484)	(99,665)
Retained earnings		(108,238)	(156,203)
		653,589	583,443
Non-controlling interests		(186)	1,278
Total Equity		653,403	584,721
Non-current liabilities			
Borrowings	19	25,903	428,908
Lease liabilities	20	146,442	207,445
Derivative financial instruments	21	-	228
Employee benefits	22	86,340	113,732
Provisions	23	116,967	133,268
Social security and other taxes	25	110,639	183,601
Deferred tax liabilities	24	24,384	13,623
		510,675	1,080,805
Current liabilities			
Borrowings	19	39,149	205,643
Lease liabilities	20	69,329	86,528
Trade and other payables	25	2,871,706	3,044,412
Derivative financial instruments	21	695	536
Provisions	23	93,016	193,669
Income tax payable	31	10,852	7,431
		3,084,747	3,538,219
Liabilities classified as held for sale	37	247,115	20,768
		3,331,862	3,558,987
Total equity and liabilities		4,495,940	5,224,513
Capital base	18	653,589	702,113

The notes on pages 93 to 169 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(x €1,000)

	Notes	Share capital and premium	Reserves (Note 17)	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to the shareholders of the Company					
As at 1 January 2020		839,311	(183,647)	(27,220)	628,444	5,470	633,914
Cash flow hedges	21	-	94,579	-	94,579	39	94,618
Remeasurements of post-employment benefit obligations	22	-	-	(1,940)	(1,940)	-	(1,940)
Exchange rate differences		-	(10,597)	(1)	(10,598)	(92)	(10,690)
Other comprehensive income, net of tax		-	83,982	(1,941)	82,041	(53)	81,988
Net result		-	-	(122,184)	(122,184)	(208)	(122,392)
Total comprehensive income		-	83,982	(124,125)	(40,143)	(261)	(40,404)
Dividends	33	-	-	-	-	(129)	(129)
Loss of control attributable to former non-controlling interest		-	-	-	-	(2,642)	(2,642)
Disposal through discontinued operations		-	-	-	-	(578)	(578)
Other movements		-	-	(4,858)	(4,858)	(582)	(5,440)
		-	-	(4,858)	(4,858)	(3,931)	(8,789)
As at 31 December 2020		839,311	(99,665)	(156,203)	583,443	1,278	584,721
Cash flow hedges	21	-	254	-	254	-	254
Remeasurements of post-employment benefit obligations	22	-	-	27,466	27,466	-	27,466
Exchange rate differences	17	-	21,927	-	21,927	28	21,955
Other comprehensive income, net of tax		-	22,181	27,466	49,647	28	49,675
Net result		-	-	18,124	18,124	(1,121)	17,003
Total comprehensive income		-	22,181	45,590	67,771	(1,093)	66,678
Dividends	33	-	-	-	-	-	-
Disposal		-	-	-	-	(1,386)	(1,386)
Other movements		-	-	2,375	2,375	1,015	3,390
		-	-	2,375	2,375	(371)	2,004
As at 31 December 2021		839,311	(77,484)	(108,238)	653,589	(186)	653,403

In 2021 Other movements the €2.4 million relates to additions arising from Performance Share Plan. See also note 39.
In 2020, the Company formed a new joint venture, AsfaltNu cv (see note 5). As a result, the Company derecognized the carrying amount of the non-controlling interests in the former subsidiaries contributed to the newly formed joint venture for an amount of approximately €3 million.

In 2020, the Company acquired all shares from a minority shareholder in an asphalt production company for the amount of approximately €5 million, increasing its interest to 100 per cent. Since this is an transaction with a minority shareholder, the amount is recognised through equity and reflected as other movements in the table above. See consolidated statement of cash flows 'other financing activities'.

The notes on pages 93 to 169 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(x €1,000)

	Notes	2021	2020*
Result for the year from continuing operations		17,003	(272,047)
Result for the year from discontinued operations	37.4	-	149,655
Net result		17,003	(122,392)
Adjustments for:			
- Income tax	31	48,844	38,488
- Depreciation of property, plant and equipment	7	51,364	54,010
- Depreciation of right-of-use assets	8	85,632	99,218
- Amortisation of intangible assets	9	8,377	6,077
- Impairment of property, plant and equipment	7,27	5,030	586
- Impairment of right-of-use assets	8,27	1,980	-
- Impairment of intangible assets	9,27	3,275	60,934
- Impairment of inventories	13,27	(1,888)	11,316
- Impairment of assets held for sale	27,37	25,976	-
- Share of impairment charges in investments	11,27	14,117	1,900
- Result on sale of PPP projects		-	(18,265)
- Result on sale of discontinued operations	37.4	-	(118,167)
- Result on sale of property, plant and equipment	7	(7,325)	(3,517)
- Share based payments	39	-	34
- Share of result of investments in associates and joint ventures	11,12	(50,151)	(5,707)
- Finance income	30	(3,864)	(19,340)
- Finance expense	30	16,103	26,468
Interest received		3,632	14,245
Dividends received from investments	11,12	34,798	19,845
Changes in provisions and pensions	22,23	(44,349)	86,040
Changes in working capital (excluding cash and cash equivalents)		141,816	503,402
Cash flow from operations		350,370	635,175
Interest paid		(25,863)	(23,830)
Income tax paid		(376)	(8,485)
Net cash flow from ordinary operations		324,131	602,860
Investments in PPP receivables	10	(4,244)	(19,043)
Repayments of PPP receivables	10	346	30,505
Net cash flow from operating activities		320,233	614,322
Purchases of property, plant and equipment	7	(64,899)	(58,538)
Proceeds from sale of property, plant and equipment	7	21,343	18,283
Purchases of intangible assets	9	(4,561)	(2,228)
Proceeds from disposal of intangible assets	9	2,398	531
Investments in non-current receivables (loans)	12	(21,617)	(36,195)
Repayments of non-current receivables (loans)	12	16,004	11,566
Investments in associates, joint ventures and other financial assets	11,12	(14,580)	(30,241)
Proceeds from disposal of associates, joint ventures and other financial assets	11,12	42	2,637
Investments in subsidiaries, net of cash required		(5,233)	-
Net proceeds from sale of subsidiares	36	(94,462)	-
Proceeds from sale of PPP projects		-	72,872
Net proceeds from sale of discontinued operations	37.4	-	81,746
Net cash flow from investing activities		(165,565)	60,433
Proceeds from borrowings	19	34,978	435,907
Repayments of borrowings	19	(609,536)	(38,660)
Repayments of principal portion of lease liabilities	20	(87,521)	(97,940)
Dividends paid to shareholders of the Company	33	-	-
Dividends paid to non-controlling interests		-	(129)
Acquisition of non-controlling interest		-	(5,000)
Net cash flow from financing activities		(662,079)	294,178
Change in cash and cash equivalents		(507,411)	968,933
Cash and cash equivalents at beginning of year	15	1,788,937	854,023
Change in cash and cash equivalents in assets and liabilities held for sale	37	(42,355)	(6,231)
Exchange rate differences on cash and cash equivalents		45,538	(27,788)
Net cash position at end of year	15	1,284,709	1,788,937

*Net cash flows from discontinued operations have been disclosed in note 37.4.

The notes on pages 93 to 169 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 the Group's participations in joint operations and investments in associates and joint ventures offers its clients a substantial package of products and services in the sectors Construction and property, Civil engineering and Public Private Partnerships ('PPP'). The Group is mainly active in the Netherlands, the United Kingdom, Ireland, Belgium, 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 Euronext Amsterdam, with its registered seat and head office in Bunnik, the Netherlands. The address of the Company's head office is Runnenburg 9, 3981 AZ, Bunnik, the Netherlands.

On 23 February 2022, the Executive Board and the Supervisory 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 on 13 April 2022.

The Company is registered in the Commercial Register of the Chamber of Commerce under number 30058019.

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.

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 Dutch Civil Code, as far as applicable.

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 make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expense. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.1 Assessment on Covid-19

On 11 March 2020, the World Health Organisation officially declared Covid-19, the disease caused by novel coronavirus, a global pandemic. Covid-19, as well as the measures introduced to slow the spread of the virus, have since had a significant impact on the global economy and the markets the Group operates in.

The pandemic significantly impacted the business and performance of the Group in 2020, but gradually recovered from the second half of 2020 and is continuing to recover to date. In 2021, the Group felt the impact on projects of certain macro-economic effect of the global pandemic, such as the delays in supply chain, overall price increases of certain building materials and higher transportation costs.

Benefits from the cost saving measures implemented in 2020 were realised in 2021, combined with the performance in construction and property, mainly in the residential market. The Group repaid in 2021 the revolving credit facility of €400 million that was drawn in 2020 as a pre-cautionary measure, as well as the subordinated convertible bond of €119 million. As of 31 December 2021, the Group assesses that whilst the world is still living in the midst of Covid-19, it currently impacts the Group's financial performance to a lesser extent than in previous year. The estimation uncertainty on the valuation of deferred tax assets, projects, land and building rights and property developments has reduced as Covid-19 has become of a lesser impact in estimating the Group's forecasts and projections. Nonetheless, the Group will continue to closely monitor the impact of Covid-19 in the operations of the business and any impact on the Group's forecasts and projections that might result from this pandemic.

Net impairments recognised during the year relate to property developments and property, plant and equipment and are not primarily driven by the impact of Covid-19. An impairment test was performed on goodwill which did not reveal any impairment losses, also not due to Covid-19, as at year end.

In 2021, there are no new temporary deferral of tax payments (value added tax and wage tax) granted by certain authorities, besides those granted in 2020 in response to Covid-19. Total repayments in 2021 amount to €115 million of which an amount of €99 million was early repaid in the Netherlands. The total deferral of tax payments amount to approximately €120 million as of 31 December 2021 (31 December 2020: €234 million). An amount of €9 million has been included in trade and other payables and the long term part amounts to €111 million, which is to be settled in 2023 up to 2027, forms part of the social security and other taxes in the non-current liabilities in the consolidated statement of financial position. The Group also received wage subsidies from certain governmental (furlough) scheme in connection with Covid-19 amounting to €3 million (2020: €12 million).

2.1.2 Assessment on Climate-related matters

The Group is taking steps to reduce footprint and create sustainable environments. The Group has a defined sustainability strategy that focuses on the themes of decarbonization, circularity, climate adaptation and biodiversity. The Group is working towards a 50 per cent relative reduction of own carbon emissions in 2030 and recycling or re-using 100 per cent of construction and office waste by 2025. On a long term basis, the group's ambition is to have a net positive impact on climate and resources by 2050. This can be achieved by supply chain collaboration, innovation and digital thinking through products and realising products through circular business models.

This paragraph is intended to explain the extent to which climate change affects the Group's financial statements. Significant judgement may be required to identify the accounting considerations that are relevant to the Group's specific facts and circumstances. The public focus on nitrogen emission and Per- and polyfluoro alkyl substances ("PFAS") in the Netherlands and perfluorooctane sulfonate ("PFOS") in Belgium is getting stronger. This could provide a hurdle for construction companies in securing construction permits as rules are evolving and getting stricter. This could lead to postponements of projects coming in the market. Although the potential implications might be significant, projects were barely affected by this in 2021. The impact of nitrogen emissions, PFAS and PFOS are closely monitored by the Group. These were also considered in our projections and forecasts and did not change the overall view of our estimates. The Group also assessed the impact of climate-related matters on the current financial performance and concluded that it did not significantly impact key areas of the financial statements. The initiatives to carry out the sustainability strategy themes mainly impact future periods' investments and expenditures and to a lesser extent the expenditures during the year. These initiatives include stimulating the use of electric vehicles, use of green energy, sourcing of sustainable materials and reducing waste. It does not currently add estimation uncertainties or result in changes to significant judgements in areas such as inventories, income taxes, fair value measurement of asset and liabilities. An impairment was identified, partly due to climate-releated matters, in AsfaltNu, an asphalt production joint venture, for which the Group's share of impairment charge is €6 million. Any impairments identified in property developments and assets under construction in property plant and equipment were not caused by the effect of climate change, but rather due to other facts and circumstances. Climate-related matters also did not lead to recognition of additional provisions or contingencies in 2021. The useful lives of right of use assets and tangible fixed assets are also not affected in 2021, but initiatives encouraging the use of electric hybrid or vehicles would gradually change the composition of the Group's fleet. The impact of climate-related matters will be continuously monitored by the Group in the future.

2.1.3 Changes in accounting policies and disclosures

(a) Application of new and revised standards
The group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Interest Rate Benchmark Reform Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments has no material impact on the consolidated financial statements of the Group. The Group did not use the practical expedients in 2021 but the Group intends to use these in future periods if they become applicable.

COVID-19-Related Rent Concessions (Amendment to IFRS 16)
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to

lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
Although the Group has received rental concessions in some contracts, this amendment has no impact on the consolidated financial statements of the Group as it has chosen not to apply and does not plan to adopt the practical expedient.

(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 2021 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)
The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.
The Group has not received Covid-19-related rent concessions in 2021, and does not plan to apply the practical expedient if it becomes applicable within allowed period of application.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The impact of this amendment for the Group is expected to be limited.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Classification of liabilities as current or non-current - Amendments to IAS 1
The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are currently effective for annual reporting periods beginning on or after 1 January 2023. However, the IASB is undertaking a project to revise the amendments and proposed to defer the effective date to no earlier than 1 January 2024. The group is monitoring these developments.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “signficant” accounting policies with a requirement to disclose their “material” accounting policies and adding guidance on how entities apply the concept of materiaity in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)
The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.
The amendments apply for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The Group is currently assessing the impact of the amendment.

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 IFRS 9 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 a business
When the Group ceases to have control in a business, 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 business 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, accompanying a shareholding of between

20 and 50 per cent of the voting rights or based on the representation on the board of directors. 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. When necessary amounts reported by associates have been adjusted to conform with the Group's accounting policies.

(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 includes 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 Property, Civil engineering and PPP (share of result of investment) 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'.

(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 exchange rate differences are recognised separately in equity in 'other 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 rate 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:

	2021	2020
Closing exchange rate		
Pound sterling	**0.83805**	0.90171
Average exchange rate		
Pound sterling	**0.86155**	0.88703

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 2.8).

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 Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing. The estimated useful life of the leased assets are as follows:

Land and buildings	The majority of the lease contracts in land and builings has a useful life up to 31 years
Cars	1 to 10 years
Equipment	1 to 11 years
IT equipment	1 to 6 years
Other	1 to 10 years

Leases regarding land and buildings mainly include office spaces and are leased for longer periods of time (10-25 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The length of the period when certainty can be achieved, differs and is dependent on the contract negotiations with the lessor and the required office space. Usually, the Group is able to be reasonably certain if an option is exercised around two years before the lease term ends.

The renewal options for leases of cars are not included as part of the lease term because the Group typically leases cars for not more than six years and, hence, is not exercising any renewal options. These cars are used both by office as project management employees.

Lease terms for equipment and installation may vary and are generally connected to the execution of projects or to housing in the offices buildings. The other leases are insignificant to the total leased asset portfolio.
See note 20. Lease liabilities for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

For several leases, the Group has renewal/extension options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

2.7 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 amount of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in business combinations is allocated, at acquisition date, to the cash- generating units (CGUs) or groups of CGUs expected to benefit from that business 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 four and ten 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 development cost and are stated at cost less accumulated amortisation and impairment losses.

Research cost are expensed as incurred. Development cost on an individual project are recognised as an intangible asset when the following can be demonstrated:
- technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Additional recognition of cost of development may apply when development continues. It is amortised over the period of expected future benefit. Amortisation is recorded in depreciation and amortisation charges. During the period of development, the asset is tested for impairment annually.

Amortisation on other intangible assets is calculated over their estimated useful lives (generally between two and ten years). The assets' useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

2.8 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.

2.9 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 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.

2.10 Financial assets

2.10.1 Classification

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired or issued. In principle, the financial assets are held in a business model whose objective is to collect contractual cash flows over the lifetime of the instrument. The Group's financial assets comprise 'PPP receivables', 'other financial assets', 'derivative financial instruments', '(trade) receivables – net', 'contract receivables, 'due from related parties', 'other receivables', 'other financial assets' and 'cash and cash equivalents' in the balance sheet.

The Group classifies its financial assets in the classes 'debt instruments at amortized costs', 'financial assets at fair value through profit and loss' and 'derivative financial instruments' (note 2.13). debt instruments at amortised costs 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 which are classified as non-current assets. Debt instruments that do not meet Solely Payments of Principal and Interest (SPPI) criterion (for which the test is performed at instrument level) are classified at other financial assets at fair value through profit or loss.

2.10.2 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, which also applicable for net changes in fair value after initial recognition. Trade receivables that do not contain a significant financing component are initially measured at the transaction price determined under IFRS 15. (See note 2.26 for revenue recognition).
Debt instruments, other than those initially measured in accordance with IFRS 15, are subsequently carried at amortised cost using the effective interest method and are subject to impairment. The Group measures debt instruments at amortised cost if both of the following conditions are met:
- the debt instruments is held with the objective to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the debt instruments give rise on specified dates to cash flows that are solely payments of principal and Interest on the principal amount outstanding.

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. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.11 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.

2.12 Impairment of financial assets

If the credit risk on a financial asset, not held at fair value through profit or loss, has not increased significantly since initial recognition, the loss allowance for that financial instrument is the 12-month expected credit losses (ECL). If the credit risk on a financial asset has significantly changed since initial recognition the loss allowance equals the lifetime expected credit losses. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Indications of increase in credit risk for financial assets are if a debtor or a group of debtors:
- experience significant financial difficulty;
- are in default or delinquency in interest or principal payments;
- have increased probability of default;
- other observable data resulting in increased credit risk.

For all financial assets, not held at fair value through profit or loss, 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, taking into account the value of collateral, if any. 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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, contract assets and contract receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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.

2.13 Derivative financial instruments and hedging activities

Derivatives are only used for economic hedging purposes and not as speculative investments. 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 or the foreign currency risk of the unrecognised Group's commitment.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective 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.
A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 21. Movements on the hedging reserve in other comprehensive income are shown in note 17. 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'. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in profit or loss within 'operating result'.

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'.

2.14 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.

2.15 Construction contracts

The Group defines a construction contract as a contract specifically negotiated for the construction of an asset. On the balance sheet, the Group reports the net contract position for each (construction) contract as either an contract asset or a contract liability. A contract asset is recognised when the Group has a right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. A contract receivable is an amount to be billed for which payment is only a matter of passage of time. A contract liability is recognised when the Group has an obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

For further guidelines regarding construction contracts see paragraph 2.26 revenue recognition under (a).

2.16 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, other than those measured in accordance to IFRS 15, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit loss.

2.17 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.

2.18 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. When share capital is repurchased in order to prevent dilution as a result of the share-based compensation plan, the consideration paid, including directly attributable costs, net of tax, is deducted from equity. Repurchased shares (treasury shares) are presented as a deduction from total equity. When treasury shares are sold or re-issued subsequently, any amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

2.19 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.

2.20 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 (in case not attributable to property development projects).

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.

The subordinated convertible bonds are separated into liability and equity components based on the terms of the contract. On issuance of the subordinated convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity (after tax). The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are deducted from equity, net of associated income tax. Transaction costs are apportioned between the liability and equity components of the subordinated convertible bonds, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2.21 Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, non-lease components related to the leased asset, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the profit and loss.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has applied judgement to determine the lease term, which affects the amount of right-of-use assets and lease liabilities recognised. See note 20 Lease liabilities.

The Group:
- has not separated non-lease components from lease components and instead each lease component and any associated non-lease components are accounted for as a single lease component. Variable lease payments such as petrol for cars or variable maintenance fees for buildings are excluded from the measurement of the lease liability;
- used a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group determined incremental borrowing rates that are currency specific and vary with the length of the contract. The Group has used a more high-level method to determine the incremental borrowing rate. The Group has assessed the impact of the incremental borrowing rate determined using this method on the value of the lease liabilities using a sensitivity analysis. Based upon this analysis, the Group concludes that the impact of using this method to determine the incremental borrowing rate has no material impact on the value of the lease liabilities.

Lease Modifications
A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease - e.g. adding or terminating the right to use one or more underlying assets. Lease modifications are accounted for either as separate leases or not separate leases.

The Group accounts for lease modifications as separate lease if both:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group shall remeasure the lease liability using a revised discount rate. The adjustment to the lease liability is accounted for against the right of use asset with no profit and loss impact, with the exception of decreases in scope of the lease. In this case, a gain or loss to reflect the partial or full termination is recognized.

Sale and leaseback transactions
A sale and leaseback transaction comprises two separate transactions:
- the sale of an asset previously held by the selling entity; and
- an agreement to lease the same asset, usually from the purchasing entity.

The Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale. When the transfer of the asset satisfies the requirements of IFRS 15, the Group, as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

2.22 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

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.

2.23 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 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. Interest expenses are included in the 'employee benefit expenses'.

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 employment obligations
Other employment obligations comprise jubilee benefits, retirement gifts, 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.

2.24 Share-based payments

Performance Share Plan
The Group operates an equity-settled share-based compensation plan.

The fair value of the employee services received in exchange for the grant of the shares is recognised as cost with a corresponding credit entry of equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The total amount to be expensed is determined by reference to the fair value of the shares granted:
- including a market performance condition based on the Company's share price;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement within 'personnel expenses', with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

These shares contain a dividend right, to which the same conditions apply as to the performance shares and are re-invested.

2.25 Provisions

Provisions for warranties, restructuring costs, claims/legal obligations, associates and joint ventures and onerous contracts 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, committed to liabilities or payment on behalf of the associate and joint venture. In that case, the excess will be provided for.

2.26 Revenue recognition

(a) Construction contracts
IFRS 15 follows a 5-step approach to recognise for revenue, which is set out below. Certain specific topics have been included or referred to the applicable note.

The core principle of IFRS 15 is a 5-step model to distinguish each distinct performance obligation within a contract that the Group has with its customer and to recognise revenue on the level of the performance obligations, reflecting the consideration that the Group expects to be entitled for, in exchange for those goods or services.
The following five steps are identified within IFRS 15:
- step 1 'Identify the contract with the client': Agreement between two or more parties that creates enforceable rights and obligations (not necessarily written);
- step 2 'Identify the performance obligations': A promise in a contract with a customer to transfer a good or service to the customer;
- step 3 'Determine the transaction price': The transaction price is the amount of consideration to which an entity expects to be entitled for in exchange for transferring promised goods or services to a client;
- step 4 'Allocate the transaction price': The objective of allocating the transaction price is for the Group to allocate the transaction price to each performance obligation;
- step 5 'Recognise revenue': the Group recognises revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (that is an asset) to a client.

Step 1 'Identify the contract with the client'
IFRS 15.9 requires that five criteria must be met before an entity accounts for a contract with a client. Once an arrangement has met the criteria, the Group does not assess the criteria again unless there are indicators of significant changes in the facts or circumstances.

The achievement of the preferred bid status is not considered as a contract. As from the achievement of the preferred bid status, costs will be capitalised as an asset if enforceability of right to payment exists. This mainly concerns costs to fulfil the contract. See note 14 for further details.

Multiple contracts are combined and accounted for as a single contract when the economics of the individual contracts cannot be understood without reference to the arrangement as a whole. Indicators that such a combination is required are:

(a) the contracts are negotiated as a package with a single commercial objective;
(b) the amount of consideration to be paid in one contract depends on the price or the performance of the other contract;
(c) the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

A change to an existing contract for a project of the Group is a modification. A contract modification could change the scope of the contract, the price of the contract, or both. A contract modification exists when the Group and the customer approve the modification either in writing, orally, or implied by customary business practices, making the modification enforceable. In accordance with IFRS 15 the Group uses three methods to account for a contract modification:

(a) as a separate contract when the modification promises distinct goods (according to IFRS 15.27) or services and the price reflects the stand alone selling price;
(b) as a cumulative catch-up adjustment when the modification does not add distinct goods or services and is part of the same performance obligation. For the Group, as common within the construction sector, modifications mainly relate to variation orders which do not result in additional distinct goods and services and have to be accounted for as cumulative catch-up adjustment. This is the most common method within the Group given the nature of the modifications; or
(c) as a prospective adjustment when the considerations from the distinct goods or services do not reflect their standalone selling prices.

Step 2 'Identify the performance obligations'
The purpose of this step is to identify all promised goods or services that are included in the contract. Examples of performance obligations are the construction of a building, the delivery of an apartment, the maintenance of a road and so on.
At contract inception, the Group assesses the goods or services promised to a customer, and identifies each promise as either:

(a) a good or service (or a bundle of goods or services) that is distinct; or
(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Promises in a contract can be explicit, or implicit if they create a valid expectation that the Group will provide a good or service based on the Group's customary business practices, published policies or specific statements.
Building and maintenance contracts are usually considered as separate performance obligations because these promises are separately identifiable and the customer can benefit from these promises on their own. Design and build contracts are usually accounted for as one performance obligation because of not meeting criterion IFRS 15.27 (b) The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. These promises usually represent a combined output for the customer (the construction) for which the design is the input. However if the purpose of the contract is to deliver a separate design after which the client is also able to contract another construction company, the design is considered to be separately identifiable.

When assets are built at clearly different (unconnected) locations these are generally considered to qualify as separate performance obligations.

Performance obligations with the same characteristics can be bundled into portfolios if the entity reasonably expects that the effects on the financial statements of applying IFRS 15 to the portfolio would not differ materially from applying the standard to all performance obligations individually (for example: apartments).

Onerous contracts:
IFRS 15 does not include specific guidance about the accounting for project losses. For the accounting of provisions for onerous contracts, IFRS 15 refers to the guidance relating to provisions in IAS 37. Based on IAS 37, a provision for an onerous contract has to be accounted for on the level of the contract as a whole. This is not necessarily the same as if evaluated on project level, because a contract may include more performance obligations.
The provision for onerous construction contracts only relates to the future loss on the performance to be delivered under the contract. In determining a provision for an onerous contract, the inclusion of variable considerations in the expected economic benefits is based on the same principles as included in step 3 hereafter, including the application of the highly probable constraint for the expected revenue. The provision for onerous contracts is presented separately in the balance sheet.

Step 3 'Determine the transaction price'
The purpose of this step is to determine the transaction price of the performance obligations promised in the contract. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price can be a fixed amount, a variable consideration or a combination of both.

If the consideration promised includes a variable amount such as an unpriced variation order, a claim, an incentive or a penalty, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. IFRS 15 provides two methods for estimating variable considerations: the sum of probability-weighted amounts in a range of possible consideration amounts or the most likely amount a range of possible consideration amounts. On the level of each performance obligation has to be decided which approach best predicts the amount of the consideration to which the Group will be entitled.

The Group includes a variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved (called the 'constraint').

The Group is often exposed to uncertainties related to variable considerations such as variation orders and contract claims to customers. The measurement of variation orders and claims requires knowledge and judgement by the Group. Based on IFRS 15, the Group interprets variation orders and contract claims as contract modifications for which the consideration is variable.

For the accounting of unpriced variation orders and claims the following elements are assessed:
(a) determine whether the rights and obligations of the parties to the contract that are created or changed by the variation order or contract claim are enforceable;
(b) estimate the change to the transaction price for the variation order or contract claim;
(c) apply the guidance relating the constraint of the estimate of variable considerations (meaning that it is highly probable that no significant reversal of revenue will occur);
(d) determine whether the variation order or contract claim should be accounted for on a prospective basis or a cumulative catch-up basis.

For considering the effects of constraining estimates of variable considerations, the Group makes a distinction between claims and variation orders. Variation orders are changes that are clearly instructed by the client creating enforceable rights to payment but for which the price change is not yet determined. Claims however relate to events for which the Group considers to have enforceable rights to a compensation from the client but these are not yet approved by the client. The uncertainty relating to claims is usually higher, because of the absence of an instruction of the client for a change. As a result the risk of a significant reversal of revenue relating to claims is considered to be higher and it might be more difficult to prove that a claim amount meets the IFRS 15 'highly probable' criterion.See note 4 b) and 4c) for the related criteria.
Other variable considerations might include bonuses and penalties, for which penalties are considered to be negative variable considerations. The same method as described above needs to be applied, including assessing the constraint.

When determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. As a practical expedient the Group does not account for a financing component if the entity expects at contract inception that the period between the delivery of goods or services and the payment is one year or less.

Step 4 'Allocate the transaction price'
The objective when allocating the transaction price is to allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

To meet the allocation objective, the Group allocates the total transaction price agreed in the contract (or combination of contracts) as determined in step 3 to the performance obligations identified in step 2. This allocation is based on the relative stand-alone selling price (SSP) of the individual performance obligations.

To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices.

The estimation method of IFRS 15 that best reflects the stand-alone selling price for design, construction and maintenance projects is the expected cost plus margin approach. This approach requires to forecast its expected costs of satisfying the performance obligation and then add an appropriate margin for that type of project or service. Costs included in the estimation should be consistent with those costs the Group would usually consider in setting standalone selling prices. Both direct and indirect costs are considered. The Group substantiates for example the average margin on bids for similar projects/services on a stand-alone basis
(not in combination with other performance obligations).

Step 5 'Recognise revenue'
The purpose of this step is to determine the amount of revenue to be recognised in a certain period.

The Group recognises revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. For each performance obligation identified in the contract, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The Group needs to determine, at contract inception, whether control of a good or service transfers to a customer over time or at a point in time.
Revenue is recognised over time if any of the following three criteria are met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
(b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

In general, the Group is building on the land of the customer or improving an asset of the customer, which results in creating an asset that the customer controls as the asset is created. This leads to recognising revenue over time. The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period for a performance obligation.
The stage of completion is measured by reference to the contract costs of fulfilling the performance obligation incurred up to the end of the reporting period as a percentage of total expected fulfilment costs under the contract, which is an input measure according to IFRS 15.
Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.
Payment terms might differ from client to client and country to country, however the Group's standard payment term states 60 days.
When applying a method for measuring progress, the Group excludes the measure of progress of any goods or services for which the entity has not transferred control to a customer. Examples of costs which have to be excluded from the progress measurement, include uninstalled materials, capitalised cost and costs of inefficiencies.

Uninstalled materials:
If a customer contributes goods or services (for example, materials, equipment or labour) to facilitate the Groups' fulfilment of the contract, the Group assesses whether it obtains control of those contributed goods or services. If so, the Group accounts for the contributed goods or services as non-cash consideration received from the customer. This is however rare, since control usually is not transferred to the Group and stays with the customer.

Capitalised cost:
The capitalised contract cost include cost to obtain the contract, cost to fulfil the contract and set-up cost. The Group recognises capitalised contract cost from the costs incurred to fulfil a contract (for example set-up or mobilisation costs) only if those costs meet all of the following criteria:
- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and;
- the costs are expected to be recovered (project result should be sufficient to cover the capitalised contract costs).

Capitalised contract costs shall be amortized over the lifetime of the contract.

Costs of inefficiencies:
The Group does not recognise revenue for costs incurred that are attributable to significant inefficiencies in the Group's performance that were not reflected in the price of the contract since these costs do not contribute to any benefits for the customer. This includes costs of unexpected amounts of wasted materials, labour or other resources that were incurred to satisfy the performance obligation.

Not all cost overruns compared to the project budget relate to inefficiencies. Cost overruns that for example relate to price increases, design changes (regardless whether compensated by the client), inaccuracies in the project budget are not inefficiencies. These expenses still contribute to value to the customer and making progress in the delivery of the project. Inefficiency costs relate to wasted items or work performed, which do not reflect any progress in the satisfaction of the performance obligation nor value to the customer. The costs incurred related to significant inefficiencies are directly charged to the income statement. Consequently, significant inefficiency costs are excluded from the measurement of 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.

Further the accounting policies for property development are the same as mentioned under (a).

(c) Service concession arrangements and other
Under the terms of IFRIC 12 'Service concession arrangements' comprise construction and/or upgrade activities, as well as operating and maintenance activities. Both activities recognise revenue in conformity with IFRS 15. The consideration (concession payments) received is allocated between construction/upgrade activities and operating/maintenance services according to the relative Stand-alone selling prices of the individual performance obligations.

The financial assets relating to service concession arrangements ('PPP receivables') are subsequently measured at amortised cost. Interest is calculated using the effective interest method and is recognised in the income statement as 'finance income'.

Sales of services are recognised when a performance obligations is satisfied. Usually, revenues from services are recognised over time by reference to the stage of completion on the basis of the actual service costs realised respective to the total expected service costs under the contract.

Other revenue includes, among other items, rental income 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.

2.27 Finance income and expenses

Finance 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. Finance income on impaired loan and receivables is recognised using the original effective interest rate.

Finance expenses comprise interest expenses on borrowings, deposits, cash positions, lease liabilities, finance lease expenses, gains and losses relating to hedging instruments and other financial expenses. Interest expenses on borrowings and lease liabilities are recognised in the income statement using the effective interest method.

2.28 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. The Group presents such government grants as a reduction to the related expenses in the income statement.

2.29 Adjusted items

Adjusted items as presented in these financial statements in amongst other the segment analysis (see note 5) is based on BAM's definition of adjusted EBITDA and relate to restructuring costs and pension one-offs. Due to the change in KPI from adjusted result to adjusted EBITDA impairment charge is now a separate adjustment between EBITDA and operating result. See notes 5 and 28.

2.30 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 operation activities. Cash flows in connection with PPP receivables are included in the cash flow from operating activities. Paid dividend is included in cash flow 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.

Cash flows from PPP's are presented under cash flow from operating activities since these projects are part of regular construction and recurring maintenance revenue for BAM's business lines and include concessions for roads, rail, education, health care and government buildings.

In the statement of cash flows the interest paid related to leases is presented as part of the cash flow from operating activities, while the repayments are presented as part of the cash flows from financing activities.

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 are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. 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.
The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to limit potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.
Financial risk management is carried out by Group treasury under policies approved by the Executive Board, which has the overall responsibility for risk management in the Group and the Enterprise Risk Management Framework. Group treasury identifies, evaluates and hedges financial risks in close collaboration 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, non-derivative financial instruments and possible 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 these non-euro countries through local subsidiaries and, to a limited extent, joint ventures. 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. Due to the increase of the

exchange rate of the pound sterling in 2021 , the reported revenue, results, equity and closing order book for the UK companies increased. Based on the value per end of 2021 of the Group's UK subsidiaries, an increase or decrease of 10 per cent of the exchange rate of the pound sterling, will have an effect on the Group's equity of approximately €44 million.

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 cash flow 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.

(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. As per 31 December 2021 the Group did not engage into any interest rate hedges.

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, and lease liabilities are excluded. Under Group policy, cash flow interest rate risks with regard to long-term borrowings are largely hedged by interest swaps. As a result of the small non-hedge component of these borrowings in combination with negative interest on part of the Groups credit positions, the Group is not entirely insensitive to movements in interest rates. At year-end 2021, 17 per cent (2020: 20 per cent) of the interest on the Group's debt position was fixed. The part not covered consists almost entirely of property financing.

If the interest rates (Euribor and Libor) had been an average of 100 basis points higher or lower during 2021, the Group's net result after tax (assuming that all other variables remained equal) would have been approximately €1.9 million higher or approximately €2.8 million lower (2020: approximately €1.1 million higher or approximately €2.0 million lower). As per 31 December 2021 the Group did not have any interest rate derivatives therefore if the interest rates (Euribor and Libor) had been 100 basis points higher or lower as per 31 December 2021, the Group's cash flow hedge reserves in Group equity (assuming that all other variables remained equal) would have been approximately €nil million higher or approximately €nil million lower (2020: approximately €1.7 million higher or approximately €1.7 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 client 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 client, the costs of land and materials, as well as the costs for subcontractors, are frequently fixed at an early stage by establishing prices and conditions in advance with the main suppliers and subcontractors.

During 2021 the Group identified increased price risks as a result of amongst others, a disruption of supplychain and inflation. 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 'non-current receivables', 'derivative financial instruments', 'trade receivables – net', 'contract assets', 'contract receivables', 'other receivables', 'financial guarantees' and 'cash and cash equivalents'. Regarding the above mentioned financial assets, the Group assessed the remaining credit risk and concluded that no further material ECL provision is deemed necessary.

‘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 ‘trade receivables – net’, ‘contract assets’ and ‘contract receivables’ 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 credit risk of the portfolio is further mitigated by broad spectrum of clients.

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 limit any concentration of credit risks involving ‘cash and cash equivalents’.

The carrying amounts of the financial assets exposed to a credit risk are as follows:

	Notes	2021	2020
Non-current assets			
PPP receivables	10	**14,713**	11,177
Non-current receivables	12	**76,894**	68,114
Current assets			
Trade receivables – net	14	**445,037**	625,788
Contract assets	14	**444,469**	450,357
Contract receivables	14	**94,956**	155,068
Amounts due from related parties	14	**51,229**	39,750
Other receivables	14	**89,390**	138,271
PPP receivables	10,14	**594**	-
Other financial assets	12	**-**	570
Derivative financial instruments	21	**463**	650
Cash and cash equivalents	15	**1,284,709**	1,789,292
		2,502,454	3,279,037

Non-current receivables predominantly concern loans granted to property and joint ventures. These loans are in general not past due at the balance sheet date. Credit losses are identified based on the financial position and forecasts 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, if applicable, are included in ‘non-current receivables’ and ‘trade receivables – net’ (notes 12 and 14). None of the other assets were overdue at year-end 2021 or subject to impairment. The maximum credit risk relating to financial instruments equals the carrying amount of the financial instrument.

The Group has entered into certain parental, see note 34.2 and financial guarantees, see note 23. A provision of 3 million has been recognised, see note 23. For further disclosures on financial guarantees with regard to the sale of BAM Deutschland AG, refer to Note 36.

(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. Credit facilities generally contain covenant obligations.

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
2021					
Syndicated credit facility	-	-	-	-	-
Non-recourse PPP loans	8,946	10,330	848	3,543	5,939
Non-recourse property financing	20,604	21,021	16,614	3,856	551
Other non-recourse financing	3,796	4,064	1,611	2,453	-
Recourse property financing	26,617	27,288	20,191	3,938	3,159
Other recourse financing	5,089	5,347	1,035	3,596	716
Lease liabilities	215,771	232,011	70,528	130,231	31,252
Derivatives (forward exchange contracts)	232	736	765	(29)	-
Provisions [1]	13,000	13,000	10,000	3,000	-
Other current liabilities	702,344	702,344	702,344	-	-
	996,399	**1,016,141**	**823,936**	**150,588**	**41,617**
2020					
Subordinated convertible bonds	118,670	122,202	122,202	-	-
Syndicated credit facility	400,000	435,000	11,000	424,000	-
Non-recourse PPP loans	2,950	3,281	360	1,383	1,538
Non-recourse property financing	70,686	72,108	64,825	4,781	2,502
Other non-recourse financing	3,877	4,242	1,663	2,579	-
Recourse property financing	38,013	39,197	22,487	13,909	2,801
Lease Liabilities	293,973	303,983	87,142	168,680	48,161
Derivatives (forward exchange contracts)	114	200	19	181	-
Other current liabilities	1,038,693	1,038,693	1,038,693	-	-
	1,966,976	**2,018,906**	**1,348,391**	**615,513**	**55,002**

[1] Consisting of financial guarantee contracts and provisions for risk sharing projects presented under the provisions. See note 23 for further disclosure.

In addition of the above mentioned expected contractual cashflows the Group also is exposed to liquidity risk for financial instruments mentioned in the paragraph 3.3 Financial Instruments by categories.

The expected cash outflows are offset by the cash inflows from operations and (re-)financing. In addition, the Group has committed syndicated and bilateral credit facilities of €400 million (2020: €400 million) respectively €128 million (2020: € 138 million) and €25 million intraday facilities (2020: €25 million) available. The revolving credit facility was fully drawn in 2020 and repaid in 2021.

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 capital ratio, among other factors.

Capital ratio 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 instruments (notes 18 and 19). At year-end 2021, the capital ratio was 14.5 per cent (2020: 13.4 per cent). For the strategic objectives regarding the capital ratio, see chapter 3.1 Financial performance of the Executive Board Report. Under the terms of our borrowings facilities the group is required to comply with financial covenants. For information on these financial covenants see note 19.

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 balance sheet items. The following summary indicates the values for which financial instruments are included for each relevant balance sheet item:

		Financial instruments				
	Notes	Receivables	Financial liabilities	Hedging	Non-financial instruments	Total
2021						
PPP receivables	10	14,713	-	-	-	14,713
Other financial assets [1]	12	78,107	-	-	-	78,107
Derivative financial instruments	21	-	-	463	-	463
Trade and other receivables	14	681,204	-	-	557,661	1,238,865
Cash and cash equivalents	15	1,284,709	-	-	-	1,284,709
Borrowings	19	-	65,052	-	-	65,052
Provisions [2]	23	-	13,000	-	196,983	209,983
Lease liabilities	20	-	215,771	-	-	215,771
Derivative financial instruments	21	-	-	695	-	695
Trade and other payables	25	-	1,581,737	-	1,400,608	2,982,345
		2,058,733	**1,875,560**	**1,158**	**2,155,252**	**6,090,703**
2020						
PPP receivables	10	11,177	-	-	-	11,177
Other financial assets [1]	12	69,490	-	-	-	69,490
Derivative financial instruments	21	-	-	650	-	650
Trade and other receivables	14	959,445	-	-	535,870	1,495,315
Cash and cash equivalents	15	1,789,292	-	-	-	1,789,292
Borrowings	19	-	634,551	-	-	634,551
Lease liabilities	20	-	293,973	-	-	293,973
Derivative financial instruments	21	-	-	764	-	764
Trade and other payables	25	-	1,764,411	-	1,463,602	3,228,013
		2,829,404	**2,692,935**	**1,414**	**1,999,472**	**7,523,225**

[1] The other financial assets consist of several types of financial assets. See note 12 for the specification of receivables based on fair value through profit or loss, receivables based on amortised cost and other.

[2] Consisting of financial guarantee contracts and provisions for risk sharing projects presented under the provisions. See note 23 for further disclosure.

All financial instruments are valued at amortised cost, with the exception of a part of the other financial assets (note 12) and the derivative instruments (note 21), which are valued at fair value through profit or loss (unless in hedge accounting relationship).

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 banks are requested for interest rate swaps.

Financial instruments valued at fair value consist of interest rate swaps, foreign exchange contracts and a portion of the other financial assets. In line with the current accounting policies the derivatives are classified as level 2. Receivables valued on fair value through profit or loss, which are part of 'Other financial assets' are classified as level 3 - the fair value is determined based on the discounted cash flow method.
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

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

A master netting agreement is applicable to a part of 'cash and cash equivalents'. At 31 December 2021 a positive balance of €700million has been offset against a negative balance of €nil (2020: positive balance of €1,304 million offset against a negative balance of nil).

3.6 Interest benchmark reform

Interest benchmark reform one of the reforms mandated by the Financial Stability Board following the financial crisis was to push for benchmark InterBank Offered Rates (IBORs), such as LIBOR and EONIA, to be replaced by new benchmark rates, known as alternative Risk Free Rates (RFRs). LIBOR and EONIA benchmark rates will be discontinued (shortly) after 31 December 2021, except for the majority of the US dollar LIBOR settings which will be discontinued after 30 June 2023. Reforms to the EURIBOR methodology were already completed in 2019. At 31 December 2021, the Group has no material financial instruments which are still to transition from IBOR to RFR and is therefore not exposed to material IBOR reform-related risks.

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 estimation 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
The group recognizes revenue from construction contracts over time as it performs its obligations. For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards full satisfaction of that performance obligation. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer (ie the satisfaction of an entity's performance obligation). The Group applies an input method to measure progress. At the end of each reporting period, the Group remeasures its progress towards complete satisfaction of a performance obligation satisfied over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the Group, with the Group having a right to payment for performance to date.

When the progress towards completion can be measured reliably, contract revenue and costs are recognised over the period of the contract, usually by reference to the stage of completion using the 'percentage-of- completion method', to determine the appropriate amount to recognise in a given period. The Group measures the progress of the satisfaction of a performance obligation based on total cost incurred divided by total expected costs, which is an input measure according to IFRS 15. When it is probable that total contract costs will exceed total contract revenue, the realised loss based on the 'percentage-of-completion method' is recognised as an expense immediately, while the future expected loss is included in a provision for onerous contracts.

In determining the stage of completion the Group has efficient, coordinated 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. Estimates and judgements are made relating to a number of factors when assessing construction contracts. These primarily include the programme of work throughout the contract period, assessment of future costs after considering changes in the scope of work, maintenance and defect liabilities and performance bonuses and penalties.
See paragraph 2.26 for further explanation regarding the recognition of revenue for construction contracts.

(b) Unpriced variation orders
Variation orders are changes that are clearly instructed by the client. The group assesses that variable considerations involving unpriced variation orders are highly probably when it has a probability of at least 75% , that a significant reversal in the amount of cumulative revenue will not occur once the uncertainty related to the variable consideration is subsequently resolved. The group recognizes variable considerations in unpriced variation orders in the following circumstances:

Variation orders that have clear evidence available that the amounts meets the highly probable criterion are usually in (but not limited to) the following circumstances:
- The instruction or approval is documented. Amounts are expected to be based on costs or costs plus regular margin or contract rates
- Amounts covered by customer payments
- Amounts covered by documented settlement offers from the customer

Variation orders where the highly probably criterion is based on judgement are present in the following circumstances:
- Changes are without documented instruction of the client but the variation order is substantiated by other evidence. In some cases, the form of the contract entitles the Group to additional remuneration in case the work changes or additional work is required.
- Additional project cost, on top off direct cost from variation orders (e.g. delays or redesign / adjustments)

When variable considerations are constrained, the Group tries to resolve these with the customer first, otherwise with the help of third parties.

In the situation that meeting the highly probable criterion is based on judgement, this judgement is supported by written evidence that demonstrates the efforts by the client to reach a settlement are at an advance stage, legal opinions or court or arbitration decisions, or other evidence which supports the highly probable criterion.

(c) Claims receivable
In the normal course of business the Group recognises contract assets in connection with claims for (partly) satisfied performance obligations due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Claims for satisfied performance obligations are part of the variable considerations under IFRS 15. Project related claims on principals are recognised when it is highly probable that no significant reversal in the cumulative revenue recognised regarding to the claim, will occur. The Group considers both the likelihood and the magnitude of a possible revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:
- the amount of consideration is highly susceptible to factors outside the entity's influence. Those factors may include the judgement or actions of third parties like the court or an arbitration committee or weather conditions;
- the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- the entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value;
- the entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances;
- the contract has a large number and broad range of possible consideration amounts.

Insurance claims can be recognised only if it is virtually certain that the amount recognised will be reimbursed. See paragraph 2.26 for further explanation regarding the recognition of variable considerations.

Several large projects are exposed to higher estimation uncertainties, given the size of these projects. These estimation uncertainties relate to unpriced variation orders and contractual claims. Constraints on variable considerations for these projects mainly relate to change orders requested by the client but not approved, contractual penalties in relation to time extension (claims) and recovery of costs in relation to design issues. The outcomes of negotiations and settlements regarding these variation orders and claims can have a broad range. Different outcomes to the assumptions applied as part of these estimates could have a significant impact on the Groups overall financial results. See Note 6.

(d) 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, temporary differences and tax credits 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. Additional information is disclosed in note 24.

(e) 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 22.

(f) 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 realisable 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 (by rotation) to benchmark 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. See note 13.

(g) 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 loss is recognised if the carrying amount of an asset of CGU exceeds its recoverable amount. See note 9.

(h) Adjustments to share of the associate's or joint venture's profit or loss after acquisition
Appropriate adjustments are made to share of result of joint venture BAM PPP relating to amortisation of assets which were based on their fair values at the acquisition date. See Note 11.

5 Segment information

The segment information reported to the Executive Board is measured in a manner consistent with the financial statements. BAM Deutschland, which was sold in 2021, was included in the Construction and Property segment. Additional information has been provided in respect of the activities of BAM International, part of the segments Construction and Property and Civil Engineering (page 117).

Revenue and results	Note	Construction and Property	Civil engineering	PPP (100 per cent owned) [1]	PPP (share of result of investment) [2]	Other including eliminations [3]	Total
2021							
Construction contracts		3,170,900	3,339,242	-	-	-	6,510,142
Property development		643,800	-	-	-	-	643,800
Service concession arrangements and other		139,804	20,963	-	-	572	161,339
Revenue from external customers		3,954,504	3,360,205	-	-	572	7,315,281
Sector revenue		15,176	30,032	-	-	(45,208)	-
Revenue from continued operation		3,969,680	3,390,237	-	-	(44,636)	7,315,281
Adjusted EBITDA		150,528	102,492	-	13,698	11,687	278,405
Adjusted items	28	676	(4,607)	-	-	(2,524)	(6,455)
EBITDA		151,204	97,885	-	13,698	9,163	**271,950**
Depreciation and amortisation		(43,723)	(78,259)	-	-	(23,391)	(145,373)
Impairment [4]	27	(11,943)	(31,455)	-	-	(5,092)	(48,490)
Operating result		95,538	(11,830)	-	13,698	(19,320)	78,087
Finance Result		1,762	(4,957)	-	-	(9,044)	(12,239)
Result before tax		**97,301**	**(16,786)**	-	**13,698**	**(28,364)**	**65,848**
2020							
Construction contracts		2,997,375	2,999,301	250	-	-	5,996,926
Property development		588,727	-	-	-	-	588,727
Service concession arrangements and other		148,938	22,046	52,482	-	324	223,790
Revenue from external customers		3,735,040	3,021,347	52,732	-	324	6,809,443
Sector revenue		22,768	17,634	-	-	(40,402)	-
Revenue		3,757,808	3,038,981	52,732	-	(40,078)	**6,809,443**
Discontinued operations		-	-	(52,732)	-	-	(52,732)
Sector revenue related to PPP		-	-	-	-	11,460	11,460
Revenue continued operations		3,757,808	3,038,981	-	-	(28,618)	**6,768,171**
Adjusted EBITDA		(48,149)	81,432	144,862	-	22,620	200,765
Adjusted items	28	(21,617)	(20,277)	-	-	(1,601)	(43,495)
EBITDA		(69,766)	61,155	144,862	-	21,019	**157,270**
Depreciation and amortisation		(46,350)	(88,640)	(306)	-	(24,009)	(159,305)
Impairment [5]	27	(13,216)	(18,125)	-	-	(43,400)	(74,741)
Operating result		(129,332)	(45,610)	144,556	-	(46,390)	(76,776)
Finance result		**5,562**	(2,046)	8,486	-	(19,130)	(7,128)
Result before tax		**(123,770)**	**(47,656)**	**153,042**	-	**(65,520)**	**(83,904)**

[1] Previously, before the transfer of 50 per cent of the shares of BAM PPP to PGGM at 31 December 2020, BAM PPP was fully consolidated (wholly-owned subsidiary).

[2] As of 31 December 2020, BAM PPP is accounted for as an equity method investment (50 per cent joint venture with PGGM).

[3] Including non-operating segments.

[4] Relating to the impairment of €2 million Right of use assets due to vacancies in a leased building and €3 million IT software for which the recoverable amount is lower than its carrying amount.

[5] Relating to the impairment of goodwill; €21 million Construction & Property and €22 millon Civil Engineering.

As of 2021, based on a benchmark on European listed Construction companies performed in 2020, BAM decided to use adjusted EBITDA as KPI to align with other peers in the industry. This new KPI are incorporated in the objectives that have been set for the strategic plan period 2021 – 2023. The 2020 figures have been restated accordingly.

Reconciliation 2020 result before tax

Result for the year from discontinued operations (see below)	149,655
Result before tax	(83,904)
Result excluding discontinued operations	(233,559)
Tax effect included in the result for the year from discontinued operations	(3,387)
2020 Result before tax	(236,937)

As per 31 December 2020, BAM PPP is classified as a discontinued operation. The following table illustrates the reconciliation of the results of BAM PPP to the consolidated income statement:

	Note	
Result for the year from discontinued operations (consolidated income statement)		149,655
Tax effect included in the result for the year from discontinued operations (consolidated income statement)	37.4	3,387
Result for the year from discontinued operations (segmented information)		**153,042**

In 2020, BAM received proceeds from a governmental institution to cease the asphalt production at a certain location. The production of asphalt was actually ceased by the end of 2020 and will no longer generate any economic benefit in future. In 2020, BAM and Heijmans nv (Heijmans) decided to combine their know-how, expertise and investments in the field of asphalt production in a newly formed joint venture, AsfaltNu cv. See also Note 11. The total net gain of both transactions amounts to €34 million and is included in the operating result in the consolidated income statement 2020.

Balance sheet disclosures	Construction and Property	Civil engineering	PPP (50 per cent owned)	Other including eliminations [1]	Total
2021					
Assets	2,140,012	2,491,761	-	(388,691)	4,243,082
Investments	104,871	75,655	125,814	(53,482)	252,858
Total assets	2,244,883	2,567,416	125,814	(442,173)	**4,495,940**
Liabilities	1,873,759	2,064,375	-	(95,597)	3,842,537
Group equity	371,124	503,041	125,814	(346,576)	653,403
Total equity and liabilities	2,244,883	2,567,416	125,814	(442,173)	**4,495,940**
2020					
Assets	2,418,541	2,251,314	-	298,415	4,968,270
Investments	113,712	87,766	116,776	(62,011)	256,243
Total assets	2,532,253	2,339,080	116,776	236,404	**5,224,513**
Liabilities	2,228,687	1,954,271	-	456,834	4,639,792
Group equity	303,566	384,809	116,776	(220,430)	584,721
Total equity and liabilities	2,532,253	2,339,080	116,776	236,404	**5,224,513**

[1] Including non-operating segments.

The balance sheet disclosures of BAM PPP as a joint venture are detailed in Note 11.

Other disclosures	Construction and Property	Civil engineering	PPP [1]	Other including eliminations [2]	Total
2021					
Additions to property, plant and equipment, right-of-use assets and intangible assets	47,609	63,562	-	13,760	**124,931**
Depreciation and amortisation charges	43,723	78,259	-	23,391	**145,373**
Share of result of investments accounted for at equity method	13,212	9,125	13,698	1	**36,036**
Average number of FTE	7,295	9,190	-	516	**17,001**
Number of FTE at year-end	6,522	8,796	-	421	**15,739**
2020					
Additions to property, plant and equipment and intangible assets	39,653	72,008	200	27,431	139,292
Depreciation and amortisation charges	44,886	90,103	306	24,009	159,305
Share of result of investments accounted for at equity method	17,216	(24,955)	11,547	1	3,809
Average number of FTE	8,076	10,299	100	356	18,831
Number of FTE at year-end	7,765	9,806	-	395	17,966

[1] BAM PPP is classified as a discontinued operation as of 31 December 2020. See note 37.

[2] Including non-operating segments.

Due to the wind-down of BAM International, which is part of continuing operations, additional information has been provided in respect of the activities of BAM International, part of the segments Construction and Property and Civil Engineering. The revenue, result before tax and adjusted result before tax of BAM International bv as included in the revenue and results can be explained as follows:

	2021			2020		
BAM International bv	Construction and Property	Civil engineering	Total	Construction and Property	Civil engineering	Total
Revenue	35,876	45,703	**81,579**	62,733	89,981	152,714
Adjusted EBITDA	(11,326)	(774)	**(12,100)**	(89,254)	(12,811)	(102,065)
Restructuring costs	-	1,300	**1,300**	-	(12,798)	(12,798)
EBITDA	(11,326)	526	**(10,800)**	(89,254)	(25,609)	(114,863)
Depreciation and amortisation	(395)	(5,660)	**(6,055)**	(23)	(8,300)	(8,323)
Impairment	-	(3,200)	**(3,200)**	-	-	-
Operating result	(11,721)	(8,334)	**(20,055)**	(89,277)	(33,909)	(123,186)
Finance result	-	(1,842)	**(1,842)**	-	77	77
Result before tax	(11,721)	(10,176)	**(21,897)**	(89,277)	(33,832)	(123,109)

Revenues from external customers by country, based on the location of the projects	Construction and Property	Civil engineering	PPP (100 per cent owned) [1]	Other including eliminations [2]	Total
2021					
Netherlands	1,657,752	1,197,828	-	(34,351)	2,821,229
United Kingdom	1,067,395	1,277,687	-	(659)	2,344,423
Belgium	333,305	222,773	-	(9,880)	546,198
Germany	314,004	236,953	-	254	551,211
Ireland	493,106	60,968	-	-	554,074
Other countries	104,118	394,028	-	-	498,146
	3,969,680	3,390,237	-	(44,636)	7,315,281
2020					
Netherlands	1,570,535	1,305,694	10,951	(26,053)	2,861,127
United Kingdom	894,226	985,278	21,812	(9,065)	1,892,251
Belgium	322,242	164,814	2,586	(2,311)	487,331
Germany	392,679	269,927	7,837	(2,649)	667,794
Ireland	425,853	33,240	9,546	-	468,639
Other countries	152,273	280,028	-	-	432,301
	3,757,808	3,038,981	52,732	(40,078)	6,809,443

[1] Revenue of BAM PPP in 2020 forms part of discontinued operation. As of 31 December 2020, BAM PPP is accounted for as an equity method investment (50 per cent joint venture with PGGM).

[2] 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:

Total assets [1]	2021	2020
Netherlands	**1,705,256**	1,737,785
United Kingdom	**1,458,007**	1,156,455
Belgium	**542,460**	655,251
Germany	**381,447**	736,760
Ireland	**375,757**	322,518
Other countries	**97,655**	168,237
Non operating companies including eliminations	**(64,642)**	447,507
Total assets	**4,495,940**	5,224,513

Additions [2]	2021	2020
Netherlands	**53,791**	82,091
United Kingdom	**25,325**	19,355
Belgium	**12,684**	12,135
Germany	**17,237**	14,901
Ireland	**8,519**	2,924
Other countries	**7,375**	7,886
Total assets	**124,931**	139,292

[1] Geographical allocations based on the location of the assets.

[2] Gross investments in tangible and intangible assets based on geographical location.

6. Projects

Construction contracts and property development

A major part of the Group's activities concerns construction contracts and property development which are reflected in various balance sheet items. An overview of the balance sheet items attributable to construction contracts and property development is stated below:

	Construction contracts	Property development	Total
2021			
Land and building rights		227,377	227,377
Property development	-	185,410	185,410
Amounts due from customers	328,243	5,066	333,309
Project assets	328,243	417,853	746,096
Non-recourse property financing	-	(20,604)	(20,604)
Recourse property financing	-	(26,617)	(26,617)
Amounts due to customers	(783,382)	(75,911)	(859,293)
Provision for onerous contracts	(128,578)	-	(128,578)
Project liabilities	(911,960)	(123,132)	(1,035,092)
As at 31 December	**(583,717)**	**294,721**	**(288,996)**
2020			
Land and building rights		257,283	257,283
Property development	-	246,262	246,262
Amounts due from customers	330,548	11,616	342,164
Project assets	330,548	515,161	845,709
Non-recourse property financing	-	(70,686)	(70,686)
Recourse property financing	-	(38,013)	(38,013)
Amounts due to customers	(729,600)	(82,751)	(812,351)
Provision for onerous contracts	(158,844)	-	(158,844)
Project liabilities	(888,444)	(191,450)	(1,079,894)
As at 31 December	(557,896)	323,711	(234,185)

As at 31 December 2021 advance payments (as included in amounts due to customers) which refers to amounts received for which work has not yet been started, in connection with construction contracts and property development amount to €159 million (2020: €160 million) respectively €2 million (2020: €2 million).

Other revenue disclosures

The consideration received that was included in the project contract liability balance at the beginning of the period, has been fully recognised as revenue in the current year. Within the construction business, regular installments will take place but within the Group never leading to significant pre-financing longer than a year.

The revenue recognised from performance obligations satisfied in previous periods amounts to €54 million (2020: €34 million). Performance obligations could be satisfied once the technical completion is final and control has been fully transferred to the client. It is common however to finalise the last pricing discussions regarding variable considerations, including claims, after control has been transferred. Due to the higher threshold to value variable considerations, claims that are settled for a higher amount than valued, might lead to revenue from previously satisfied performance obligations.

A constructive dialogue with a client is ongoing on a major contract under construction within the large project division of Civil in the Netherlands. Given the advanced stage of this dialogue the significant financial impact of the envisaged outcome has been incorporated in the results accordingly in line with the applicable IFRS on revenue recognition.

In addition, the Group is in discussion regarding the final settlement of two projects in the Middle East.

The revenue expected related to unsatisfied performance obligations (running or won projects) are as follows:
(x € million)

	2021	2020
Up to 1 year	5,911	6,010
2 to 5 years	7,332	7,750
	13,243	13,760
Over 5 years	1,526	2,134
Total	14,769	15,894

The Group has not used the practical expedient to exclude performance obligations in contracts with an original expected duration of one year or less. These are included in the above mentioned time buckets.

7. Property, plant and equipment

	Land and buildings	Plant and equipment	Construction in progress	Other assets	Total
As at 1 January 2020					
Cost	180,147	526,955	9,453	159,034	875,589
Accumulated depreciation and impairments	(84,900)	(395,385)	-	(118,160)	(598,445)
	95,247	131,570	9,453	40,874	277,144
Additions	7,475	30,159	10,445	10,576	58,655
Disposals	(9,958)	(6,126)	1,993	(674)	(14,765)
Reclassifications	650	(8,551)	(2,518)	(2,029)	(12,448)
Impairment charges	-	(411)	(175)	-	(586)
Depreciation charges	(7,278)	(29,021)	(13)	(17,698)	(54,010)
Exchange rate differences	(237)	(485)	(17)	(183)	(922)
	85,899	117,135	19,168	30,866	253,068
As at 31 December 2020					
Cost	171,524	475,577	19,343	154,086	820,530
Accumulated depreciation and impairments	(85,625)	(358,442)	(175)	(123,220)	(567,462)
	85,899	**117,135**	**19,168**	**30,866**	**253,068**
Additions	5,408	33,905	13,581	12,005	64,899
Acquisition through business combination	198	1,817	-	502	2,517
Disposals	(14,762)	(7,712)	(4,829)	(6,918)	(34,221)
Assets held for sale (Note 37)	(2,845)	(27,150)	(50)	(549)	(30,594)
Reclassifications	332	8,457	(11,876)	717	(2,370)
Impairment charges	-	(3,760)	(1,270)	-	(5,030)
Depreciation charges	(7,314)	(29,318)	(187)	(14,545)	(51,364)
Exchange rate differences	268	857	23	189	1,337
	67,184	94,231	14,560	22,267	198,242
As at 31 December 2021 [1]					
Cost	143,543	353,117	14,560	126,122	637,342
Accumulated depreciation and impairments	(76,359)	(258,886)	-	(103,855)	(439,100)
	67,184	**94,231**	**14,560**	**22,267**	**198,242**

[1] This schedule does not include the impairments related to the assets held for sale and the divestment of €10 million

Asset construction in progress mainly comprises plant and equipment. Land and buildings and plant and equipment are not pledged as a security for borrowings.

Disposals include assets that were derecognised as a result of the sale of BAM Deutschland including BAM Swiss AG amounting to €17 million.

The impairment charge of €5.0 million relate to equipment for which the recoverable amount is lower than its carrying amount, as well as certain assets under construction that will not generate any economic benefits in the future. The impairment charge forms part of the Civil Engineering segment.

8. Right-of-use assets

	Land and buildings	Equipment and installation	IT equipment	Cars	Other	Total
As at 1 January 2020	131,067	45,272	1,015	134,290	547	312,191
Additions	24,201	13,494	48	40,232	434	78,409
Disposals	-	-	-	(465)	-	(465)
Depreciation charges	(30,170)	(14,853)	(510)	(53,166)	(518)	(99,217)
Remeasurements	1,240	1,558	30	3,371	(768)	5,431
Reclassifications	(993)	(219)	(6)	(435)	782	(871)
Exchange rate differences	(1,427)	(336)	(25)	(320)	(15)	(2,123)
	(7,150)	(356)	(463)	(10,782)	(85)	(18,836)
As at 31 December 2020	**123,917**	**44,916**	**552**	**123,508**	**462**	**293,355**
Additions	16,560	7,412	35	27,040	280	51,327
Disposals	(8,414)	(581)	-	(756)	-	(9,751)
Assets held for sale (Note 37)	(9,006)	(17,975)	-	(5,227)	-	(32,208)
Depreciation charges	(23,608)	(12,443)	(426)	(48,759)	(396)	(85,632)
Impairment	(1,980)	-	-	-	-	(1,980)
Remeasurements	(3,601)	(3,433)	19	3,550	(40)	(3,505)
Reclassifications	64	(1,662)	-	(2,903)	-	(4,501)
Exchange rate differences	1,965	354	11	600	16	2,946
	(28,020)	(28,328)	(361)	(26,455)	(140)	(83,304)
As at 31 December 2021 [1]	**95,897**	**16,588**	**191**	**97,053**	**322**	**210,051**

[1] This schedule does not include the impairments related to the assets held for sale and the divestment of €16 million

Disposals include right-of-use assets amounting to €8.2 million that were derecognised as a result of the sale of BAM Deutschland, including BAM Swiss AG.

Impairment in right of use assets relate to vacancies in a leased building in the Netherlands which is no longer expected to be utilized for own use by the Group for the remaining lease term. The impairment is included in the operating results of the Other operating segement.

Reclassification relates to an equipment reclassified to property, plant and equipment, as well as adjustments for expired lease contracts.

See note 20 for the corresponding lease liabilities.

9. Intangible assets

	Goodwill	Non-integrated software	Other	Total
As at 1 January 2020				
Cost	678,069	39,799	16,017	733,885
Accumulated amortisation and impairments	(298,071)	(20,728)	(15,005)	(333,804)
	379,998	19,071	1,012	400,081
Additions	-	2,164	64	2,228
Disposals	7,141	-	9	7,150
Reclassifications	-	(530)	(1)	(531)
Impairment charges	(60,776)	(158)	-	(60,934)
Amortisation charges	-	(5,921)	(156)	(6,077)
Exchange rate differences	(7,447)	(2)	(1)	(7,450)
	318,916	14,624	927	334,467
As at 31 December 2020				
Cost	677,363	40,270	9,750	727,383
Accumulated amortisation and impairments	(358,447)	(25,646)	(8,823)	(392,916)
	318,916	**14,624**	**927**	**334,467**
Additions	3,837	704	4,164	8,705
Disposals	(2,393)	(5)	(164)	(2,562)
Amortisation charges	-	(7,158)	(1,219)	(8,377)
Transfer to assets held for sale	(71)	(343)	-	(414)
Reclassifications	-	7,866	-	7,866
Impairment charges	(18)	(3,257)	-	(3,275)
Exchange rate differences	9,972	-	-	9,972
	330,243	12,431	3,708	346,382
As at 31 December 2021				
Cost	687,548	41,316	12,222	741,086
Accumulated amortisation and impairments	(357,305)	(28,885)	(8,514)	(394,704)
	330,243	**12,431**	**3,708**	**346,382**

Goodwill acquired in business combinations is allocated, at acquisition date, to the cash-generating units (CGUs) or groups of CGUs expected to benefit from that business combination. The carrying amount of total goodwill is €330 million (2020: €319 million).

In 2021, BAM obtained control and acquired Stam & Landman bv and Gevelelementen Noord-Holland bv. The Group performed a purchase price allocation which was finalised in 2021. The goodwill of €4 million is the difference between the consideration transferred and the fair value of the net identifiable assets acquired.

During 2021 the Group performed a purchase price allocation regarding Modern Homes Ireland which was finalised in 2021. Resulting in a reclassification of 2 million in respect of other.

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 (WACC), revenue growth rate and profit before tax margin. The discount rate has been determined including the effects of IFRS 16, consistent with the other parameters of the impairment test, as this provided the most reliable manner of determining an appropriate discount rate using available market data.
The used base WACC to determine the value in use (recoverable amount) of goodwill is 6.8 per cent (31 December 2020: 7.6 per cent). The WACC,

revenue growth rate and profit before tax margin form crucial underlying assumptions for calculating the recoverable amount of each CGU. If and when these underlying assumptions would change in the future, this could have significant impact on the CGU's recoverable amount (based on value in use), which might give rise that the recoverable amount becomes lower than the carrying amount of the CGU to which goodwill is allocated.

Goodwill relates to 7 CGUs, of which BAM Construct UK €64 million (2020: €59 million) and BAM Nuttall €77 million (2020: €71 million) are deemed significant in comparison with the Group's total carrying amount of goodwill. For each of these CGUs the key assumptions used in the value-in-use calculations are as follows:

	BAM Construct UK		BAM Nuttall	
	2021	2020	**2021**	2020
Discount rate (post-tax)	**7.3%**	8.3%	**7.3%**	8.3%
Growth rate:				
- In forecast period (average)	**0.9%**	4.4%	**-2.3%**	3.3%
- Beyond forecast period	**0.0%**	0.0%	**0.0%**	0.0%
Profit before tax margin:				
- In forecast period (average)	**2.5%**	2.6%	**2.7%**	2.1%
- Beyond forecast period	**2.6%**	3.1%	**3.0%**	2.6%

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 negative growth rate in BAM Nuttall is due to a relative high 2021 revenue, relating to the completion of large construction projects. Management expects that future revenue will stabilize. 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.

The recoverable amounts for BAM Construct UK and BAM Nuttall exceed the carrying amounts of these CGUs with significant headroom.

The sensitivity analysis indicated that if the growth rate 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 recoverable amounts of the other CGUs would still be in excess of the carrying amounts with sufficient and reasonable headroom. Except for BAM's CGUs BAM Contractors Ltd. and Kairos nv (representing a goodwill amount of €55 million) that have limited headroom a partial impairment of goodwill may arise. If the profit before tax margin is reduced by 50 basis points used in the value-in-use calculation for these CGUs at 31 December 2021, the Group would have recognised an impairment of €25 million. If the discount rate used in determining the value-in-use for these CGUs had been 50 basis points higher, the headroom would have decreased with €6 million, with a remaining headroom 19 million. If the growth rate would have reduced by 50 basis points, the headroom would have decreased with €14million, with a remaining headroom 11 million.

10. PPP receivables

PPP receivables amount to €15.3 million as per 31 December 2021 (2020: €11.2 million), of which €14.7 million (2020: €11.2 million) is classified as non-current. Receivables issued during the year amount to €4.2 million whereas repayments during the year amount to €0.3 million.

The average duration of the remaining receivables is 25 years (2020: 25 years). Approximately €12.1 million of the non-current part has a duration of more than five years (2020: €9 million). The fair value of the non-current PPP receivables is approximately €14.7 million (carrying amount at amortized cost €14.7 million).

The average interest rate on PPP receivables is 2 per cent (2020: 2 per cent). At year-end 2021, the fair value of the non-current part is considered to equal the carrying amount.

11. Investments in associates and joint ventures

The amounts recognised in the balance sheet are as follows:

	2021	2020
Joint ventures	236,963	242,143
Associates	15,895	14,100
As at 31 December	252,858	256,243

11.1 Investment in joint ventures

Set out below are the joint ventures of the Group that are individually material to the Group as per 31 December 2021 or the comparing period (31 December 2020).

Nature of investment in the joint ventures in 2021 and 2020:

	Principal activity	Country of incorporation	% Share 2021	% Share 2020
BAM PPP Concessies bv	Asset management	Netherlands	50.00%	50.00%
AsfaltNu cv	Asphalt production	Netherlands	50.00%	50.00%

Set out below is the summarised financial information for the joint ventures that are individually material to the Group, including reconciliation to the carrying amount of the Group's share in the joint ventures, as recognised in the consolidated financial statements. This information reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in the Group's accounting policies and the joint ventures.

The amounts recognised in the balance sheet are as follows:

BAM PPP Concessies bv	2021	2020
Current assets	57,866	52,367
Non-current assets	268,604	264,842
Current liabilities	(29,732)	(31,905)
Non-current liabilities	(45,110)	(51,752)
Net assets	251,628	233,552
Of which:		
Cash and cash equivalents	35,929	28,254
Current financial liabilities	(7,190)	(4,035)
Non-current financial liabilities	(34,752)	(31,327)
Net assets	251,628	233,552
Share in profit rights	50%	50%
Carrying amount	125,814	116,776
Revenue	47,272	-
Profit or loss	27,396	-
Other comprehensive income	2,880	-
Total comprehensive income	30,276	-

The carrying amounts have been adjusted to reflect fair value adjustments made at the time of acquisition and subsequently as at yearend. In 2021, the share of result of investments in BAM PPP Concessies bv amounts to €14 million. This amount includes among other things appropriate adjustments for €3 million negative relating to amortisation of assets which were based on their fair values at the acquisition date. Dividends received from BAM PPP Concessies bv amounts to €6 million.

As part of the sale of Group's 50 per cent share to PGGM in 2020, the parties agreed to a Contingent Consideration of up to €25 million for the years 2021-2025. The contingent consideration becomes payable if and when the secured equity commitments will exceed a certain threshold over a period of five years with a cap of €5 million for each and every year. Given the assumed threshold along with the past level of secured equity, the fair value of the contingent consideration is estimated at €2 million (2020: €2 million) and forms part of the long term receivables as at 31 December 2021.

AsfaltNu cv	2021	2020
Current assets	30,440	3,377
Non-current assets	29,941	40,107
Current liabilities	(29,549)	(9,200)
Noncurrent liabilities	(6,200)	-
Net assets	24,632	34,284
Of which:		
Cash and cash equivalents	16,042	3,377
Net assets	24,632	34,284
Share in profit rights	50%	50%
Carrying amount	12,316	17,142
Revenue	111,076	-
Profit or loss[1]	(9,652)	-
Other comprehensive income	-	-
Total comprehensive income	(9,652)	-

Set out below are the aggregate information of joint ventures including those that are not individually material to the Group.

	2021	2020
Share in net result property development joint ventures that are not individually material to the Group	5,728	14,676
Share in net result other joint ventures that are not individually material to the Group	19,626	(23,588)
	25,354	(8,912)
Share in equity BAM PPP joint venture	125,814	116,776
Share in equity AsfaltNu joint venture	12,316	17,142
Share in equity property development joint ventures that are not individually material to the Group	79,614	54,848
Share in equity other joint ventures that are not individually material to the Group	5,126	-
	222,870	188,766
Recognised as provision for joint ventures	7,124	39,440
Recognised as impairment of non-current receivables	6,969	13,937
	236,963	242,143

[1] The profit or loss of AsfaltNu Includes impairment charge of €12 million (100%). See Note 27.

In 2020, the Group has recognised a total charge of €36 million, included in the Share of result of investments in associates and joint ventures. This relates to the non-insured contribution of the settlement of claims and damages caused by the collapse of the building of the Cologne city archive and for its share of cost for the completion of the project. Wayss & Freytag Ingenieurbau was 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.

In 2021 the Group's share in the net result of joint ventures included an impairment charge amounting to €14 million (2020: impairment €1.9 million). The share of impairment charges in joint ventures contains €6 million on the AsfaltNu asphalt production joint venture and €8 million of impairment of inventories in joint ventures. See Note 27.

Revenue of property development joint ventures amounts to €138 million (2020: €134 million) and property development recognised in the balance sheet amounts to €209 million (2020: €212 million) of which an amount of €94 million (2020: €85 million) externally financed (share of the Group).

Dividend received from joint ventures amounts to €34 million in 2021 (2020: €16.2 million).

The financial years of many joint ventures run from 1 December up to and including 30 November to ensure timely inclusion of the financial information in the Group's financial statements.

11.2 Investment in associates

There are no associates that are individually material to the group as per 31 December 2021 or the comparing period 31 December 2020. The share in net result of the Group's share in associates amount to €1.8 million (2020: €1.2 million). The carrying amount of share in associates amount to €15.9 million (2020: 14.1 million) comprise of associates not individually material to the group.

Dividend received from associates amounts to €1.0 million in 2021 (2020: €3.6 million). Cash and cash equivalents of a number of associates are subject to restrictions. These restrictions mainly concern the priority of loan repayments over dividend distribution.

12. Other financial assets

	Receivables valued on fair value through profit or loss	Receivables valued at amortised cost	Other	Total
As at 1 January 2020	44,156	64,616	1,477	110,249
Loans granted	10,919	25,276	-	36,195
Loan repayments	(7,071)	(4,495)	-	(11,566)
Disposals	-	(64,057)	(221)	(64,278)
Reclassifications	-	-	120	120
Exchange rate differences	-	(660)	-	(660)
	48,004	20,680	1,376	70,060
Of which current:	(300)	(270)	-	(570)
As at 31 December 2020	**47,704**	**20,410**	**1,376**	**69,490**
Additions	-	-	65	65
Loans granted	21,347	270	-	21,617
Loan repayments	(5,950)	(10,054)	-	(16,004)
Disposals	-	(250)	(223)	(473)
Assets held for sale (Note 37)	-	(2,321)	(5)	(2,326)
Reclassifications	-	4,176	-	4,176
Exchange rate differences	-	992	-	992
	63,401	13,493	1,213	78,107
Of which current:	-	-	-	-
As at 31 December 2021	**63,401**	**13,493**	**1,213**	**78,107**

Receivables valued on fair value through profit or loss are mainly non-recourse loans to project development joint ventures and are classified as level 3 valuation method - the fair value is determined based on the discounted cash flow method.

The fair value of receivables valued at amortised cost is €14 million (2020: €20 million).

Category 'Other' mainly comprises shares in (unlisted) investments over which the Group has no significant influence.

The effective interest rate is 0.5 per cent (2020: 0.4 per cent).

13. Inventories

	2021	2020
Land and building rights	227,377	257,283
Property development	185,410	246,262
	412,787	503,545
Raw materials	11,435	13,573
Work in progress and semi-manufactures	3,432	-
Finished products	2,471	519
	430,125	517,637

Land and building rights are to be presented as current on the balance sheet within the ordinary course of business, however by its nature, the realisation will be non-current. The majority of the investments in property development is considered to be current by nature.

The impairments during 2021 relating to the property portfolio are as follows:

	Note	2021	2020
Impairment charges		11,661	16,760
Reversal of impairment charges		(13,549)	(5,439)
	27	(1,888)	11,321

The impairment and reversals in 2021 for the net amount of €-2 million relates to several property developments in the Netherlands, that form part of the construction and property operating segment, which have been reported at their net realisable value. It comprises mainly an impairment charge of approximately €9 million of a certain land right in the Netherlands, which was mainly caused by delays due to planning and zoning discussions with governmental bodies. The impairment is compensated by an impairment reversal of €14 million. The impairment reversals relate to certain projects that benefited from favorable market circumstances.

Property development includes the following completed and unsold property:

	2021		2020	
Unsold and finished property	Number/m²	Carrying amount	Number/m²	Carrying amount
Commercial property - rented	30,766	67,157	33,717	37,092
Commercial property - unrented	2,116	2,841	13,329	17,854
		69,998		54,946

Other inventories (raw materials, work in progress, semi-manufactures and finished products) were not subject to write-down in 2021 nor 2020.

14. Trade and other receivables

	Notes	2021	2020
Trade receivables		450,632	644,416
Less: Provision for impairment of receivables		(5,595)	(18,628)
Trade receivables - net		445,037	625,788
Amounts due from customers	6	333,309	342,164
Capitalised contract cost	6	-	-
Retentions		111,160	108,193
Contract assets		444,469	450,357
Amounts to be invoiced work completed		12,724	30,600
Amounts to be invoiced work in progress		82,232	124,468
Contract receivables		94,956	155,068
Amounts due from related parties	38	51,229	39,750
PPP receivables	10	594	-
Other financial assets		(2)	568
Other receivables		89,390	138,271
Prepayments		113,192	85,513
		1,238,865	1,495,315

Trade and other receivables are due within one year, except for approximately €16 million (2020: €7 million). The fair value of this non-current part is approximately €16 million (2020: approximately €7 million) using an effective interest rate of 0.5 per cent negative (2020: 0.5 per cent negative).

Trade and other receivables decreased by €149 million as a result of the sale of BAM Deutschland. See Note 36. Trade receivables amounting to €45 million were transferred to asset held for sale. See Note 37. 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 2021 a part of the trade receivables amounting to €21 million (2020: €88 million) is past due over one year but partly impaired. These overdue receivables relate to a number of customers, predominantly in the public sector outside the Netherlands where a limited default risk exists. The duration to reach final agreement, including legal proceedings, on invoiced variation orders and claims with these customers remains long. Trade receivables are shown net of impairment losses which amount to €6 million (2020: €19 million) arising mainly from identified doubtful receivables from customers. Trade receivables were impaired taking into account the historical credit loss experience, adjusted forward looking factors of the debtors and the economic environment. See paragraph 2.12 regarding expected credit losses. Impairments of trade and other receivables in 2021 mainly related to disputed balances and final negotiations on these balances with the principal. No significant credit losses were identified.

The change in contract assets is due to normal activity in the construction business influenced by the relationship between the Group's performance and the customer's payment. Contract assets decreased by €16 million as a result of the sale of BAM Deutschland. See Note 36.

Retentions relate to amounts retained by customers on progress billings. In the United Kingdom and Ireland in particular, it is common practice to retain a previously agreed percentage until completion of the project.

Amounts to be invoiced work completed and in progress represent the gross amounts expected to be collected for contract work performed to date but awaiting confirmation from customer before actual billing.

The ageing analysis of these trade receivables is as follows:

	2021		2020	
	Trade receivables	Provision for impairment	Trade receivables	Provision for impairment
Not past due	**368,370**	**(819)**	457,664	(967)
Up to 3 months	**40,158**	**(441)**	68,279	(245)
3 to 6 months	**10,183**	**(417)**	8,773	(373)
6 to 12 months	**10,881**	**(1,030)**	21,272	(1,949)
1 to 2 years	**13,911**	**(616)**	19,932	(6,368)
Over 2 years	**7,129**	**(2,272)**	68,496	(8,726)
	450,632	**(5,595)**	644,416	(18,628)
Less: Provision for impairment of receivables	**(5,595)**		(18,628)	
Trade receivables - net	**445,037**		625,788	

Apart from trade receivables none of the other assets were subject to impairment.

Trade receivables past due over 2 years significantly decreased by €61 million mainly due to the sale of BAM Deutschland. See Note 36.

Movements in the provision for impairment of trade receivables are as follows:

	2021	2020
As at 1 January	**18,628**	10,737
Provision for impairment	**2,895**	23,995
Disposals	**(6,000)**	-
Release	**(4,838)**	(4,128)
Receivables written off during the year as uncollectable	**(3,432)**	(10,930)
Reclassifications	**(1,739)**	(986)
Exchange rate differences	**81**	(60)
As at 31 December	**5,595**	18,628

As of 31 December 2021, trade receivables of €6 million (31 December 2020: €19 million) were impaired and provided for. The individually impaired trade receivables mainly relate to customers where limited default risk is in place. It was assessed that a portion of the receivables is expected to be recovered. The provision in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off directly against the provision. Provision for impairment of receivables in 2021 mainly relate to disputed balances and final negotiations on these balances with the principal, which were significantly lower compared to last year. No significant credit losses were identified.

The creation and release of provisions for impaired receivables have been included in 'Other operating expenses' in the income statement.

Disposals relate to the sale of BAM Deutschland. See Note 36.

15. Cash and cash equivalents

	2021	2020
Cash at bank and in hand	1,284,709	1,783,639
Short-term bank deposits	-	5,653
Cash and cash equivalents (excluding bank overdrafts)	1,284,709	1,789,292

Cash and cash equivalents include the Group's share in cash of joint operations as part of the conditions in project specific funding agreements and amount to €395 million (2020: €306 million). Other cash and cash equivalents are at the free disposal of the Group.

In 2021 BAM had no short term bank deposits. In 2020 the average effective interest on short-term bank deposits was 3.7 per cent and an average remaining term to maturity of approximately 8 days.

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:

	2021	2020
Cash and cash equivalents	1,284,709	1,789,292
Bank overdrafts	-	(355)
Net cash position	1,284,709	1,788,937

16. Share capital and premium

	Number of ordinary shares	Number of treasury shares	Number of ordinary shares in issue	Ordinary shares	Share premium	Total
As at 1 January 2020	279,407,449	6,111,432	273,296,017	27,941	811,370	839,311
Repurchase of ordinary shares	-	-	-	-	-	-
Awarded LTI shares	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
As at 31 December 2020	279,407,449	6,111,432	273,296,017	27,941	811,370	839,311
Repurchase of ordinary shares	-	-	-	-	-	-
Awarded LTI shares	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
As at 31 December 2021	279,407,449	6,111,432	273,296,017	27,941	811,370	839,311

16.1 General

At year-end 2021, the authorised capital of the Group was 400 million ordinary shares (2020: 400 million) and 600 million preference shares (2020: 600 million), all with a nominal value of €0.10 per share (2020: €0.10 per share). All issued shares have been paid in full (only ordinary shares).

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.

16.2 Ordinary shares

To prevent dilution as a result of the (equity-settled) share-based compensation plan introduced in 2015, the Company's own shares were repurchased as follows:

	Repurchased shares	Price *(in €)*	Total consideration *(x €1,000)*
4 December 2015	302,488	5.10	1,543
5 December 2015	302,487	5.11	1,546
28 April 2016	588,170	4.27	2,512
28 April 2017	345,000	5.17	1,784
2 May 2017	173,940	5.23	909
26 April 2018	87,356	3.88	339

In 2021 and 2020 no shares have been bought back for the share-based compensation plan.

17. Reserves

	Hedging	Translation	Development cost	Total
As at 1 January 2020	(94,934)	(88,713)	-	(183,647)
Reclassification to the income statement due to divestment				
- Fair value of forward foreign exchange contracts	-	-	-	-
- Fair value of interest rate swaps	8,887	-	-	8,887
- Tax on fair value of cash flow hedge	(2,411)	-	-	(2,411)
Cash flow hedges				
- Fair value movement of forward foreign exchange contracts	(54)	-	-	(54)
- Fair value movement of interest rate swaps	71,876	-	-	71,876
- Tax on fair value movement	(15,505)	-	-	(15,505)
Exchange rate differences	-	(15,256)	-	(15,256)
	62,793	(15,256)	-	47,537
Reclassification to profit or loss				
- Fair value of interest rate swaps	31,786	-	-	31,786
- Exchange rate differences	-	4,659	-	4,659
	94,579	(10,597)	-	83,982
As at 31 December 2020	**(355)**	**(99,310)**	**-**	**(99,665)**
Reclassification to the income statement due to divestment				
- Fair value of forward foreign exchange contracts	-	-	-	-
- Fair value of interest rate swaps	-	-	-	-
- Tax on fair value of cash flow hedge	-	-	-	-
Cash flow hedges				
- Fair value movement of forward foreign exchange contracts	260	-	-	260
- Fair value movement of interest rate swaps	-	-	-	-
- Tax on fair value movement	(6)	-	-	(6)
Exchange rate differences	-	21,927	-	21,927
	254	21,927	-	22,181
Reclassification to profit or loss				
- Fair value of interest rate swaps	-	-	-	-
- Exchange rate differences	-	-	-	-
	-	-	-	-
As at 31 December 2021	**(101)**	**(77,383)**	**-**	**(77,484)**

The legal reserves consist of hedging reserves and translation reserve.

The positive movement in the translation reserve in 2021 is linked to the increase in the value of the pound sterling.

18. Capital base

	2021	2020
Equity attributable to the shareholders of the Company	653,589	583,443
Subordinated convertible bonds	-	118,670
	653,589	702,113

The subordinated convertible bonds was redeemed at their principal amount in June 2021.

19. Borrowings

		Changes from financing cash flows		Other changes				
	As at 1 January 2021	Proceeds from borrowings	Repayments of borrowings	Effective interest method	Transfers to/ from joint ventures	Disposals/ Held for sale	Exchange rate differences	As at 31 December 2021
Non-recourse PPP loans	2,950	6,300	(304)	-	-	-	-	8,946
Non-recourse property financing	70,686	22,672	(71,788)	-	-	(966)	-	20,604
Recourse property financing	38,013	3,589	(14,985)	-	-	-	-	26,617
Subordinated convertible bonds	118,670	-	(120,100)	1,430	-	-	-	-
Syndicated credit facility	400,000	-	(400,000)	-	-	-	-	-
Other non-recourse financing	3,877	1,798	(1,404)	-	(475)	-	-	3,796
Other recourse financing	-	619	(955)	-	5,425	-	-	5,089
Bank overdrafts	355	-	(355)	-	-	-	-	-
	634,551	34,978	(609,891)	1,430	4,950	(966)	-	65,052

		Changes from financing cash flows		Other changes				
	As at 1 January 2020	Proceeds from borrowings	Repayments of borrowings	Effective interest method	Transfers to/ from joint ventures	Disposals	Exchange rate differences	As at 31 December 2020
Non-recourse PPP loans	42,620	950	(4,095)	-	-	(34,424)	(2,101)	2,950
Non-recourse property financing	53,807	31,244	(13,865)	-	(500)	-	-	70,686
Recourse PPP loans	-	-	-	-	-	-	-	-
Recourse property financing	48,361	2,253	(12,601)	-	-	-	-	38,013
Subordinated convertible bonds	120,451	-	(4,768)	2,987	-	-	-	118,670
Syndicated credit facility	-	400,000	-	-	-	–	-	400,000
Other non-recourse financing	4,442	1,460	(1,486)	-	-	(539)	-	3,877
Other recourse financing	1,845	-	(1,845)	-	-	-	-	-
Bank overdrafts	-	355	-	-	-	-	-	355
	271,526	436,262	(38,660)	2,987	(500)	(34,963)	(2,101)	634,551

19.1 Non-recourse PPP loans

The non-recourse PPP loans relate to real estate projects in the Netherlands. Of the non-current part, €5.6 million has a term to maturity of more than five years (2020: €1.4 million). The average term to maturity of the PPP loans is 14 years (2020: 11 years). The average interest rate on PPP loans is 2.1 per cent (2020: 2.0 per cent). Interest margins of these loans depend on market fluctuations during the term of these loans.

19.2 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 1.4 years (2020: approximately 0.8 years).

Interest on these loans is based on Euribor 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 balance of these financing loans is nil (2020:nil).

The carrying amount of the related assets is approximately €140 million at year-end 2021 (2020: approximately €164 million). The assets are pledged as a security for lenders. These loans will be payable on demand if the agreed qualitative and quantitative conditions relating to interest and capital repayments, among other things, are not met.

19.3 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 1.4 years (2020: approximately 1.7 years). Interest on these loans is based on Euribor 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 balance of these financing loans is €2 million (2020: €2 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 €95 million at year-end 2021 (2020: approximately €73 million). Additional securities exist in the form of a guarantee provided by the Group, in some 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, among other things, are not met.

19.4 Subordinated convertible bonds

The Group has repaid its unsecured subordinated convertible bond on the initial agreed repayment date, 11 June 2021.

19.5 Committed syndicated credit facility

In November 2016 the Group renewed its committed revolving credit facility agreement for an amount of €400 million. The facility agreement had a remaining term to maturity of 1.3 years and ran until 31 March 2023. On 24 April 2020, the committed revolving credit facility was extended with one year to 31 March 2024, whereas from 1 April 2023 the committed amount is €360 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.

In March 2020, the Group fully drew the facility as a precautionary measure to address the extraordinary circumstances faced due to Covid-19. Variable interest rates apply to the draw-downs on this facility with a margin between 150 and 275 basis points. The facility was fully repaid within the first quarter of 2021. As at 31 December 2021 the margin was 150 basis points (2020: 175 basis points). At year-end 2021, the facility was not used (year-end 2020: fully drawn).

19.6 Other financing

Other loans relate to financing of property, plant and equipment.

19.7 Bank overdrafts

Besides the non-current committed syndicated credit facility (note 19.5), the Group holds €128 million (2020: €138 million) in bilateral credit facilities and €25 million (2020: €25 million) intraday facilities. At year-end 2021 as well as 2020 the bilateral credit facilities and the intraday facilities were not utilised.

19.8 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.

Following the finance arrangement of the €400 million Revolving Credit Facility (RCF), the financial covenant calculation should be based on financial figures which are in line with the International Financial Reporting Standards (IFRS) as applicable on the closing date (i.e. 29 November 2016). Under the documentation it is also agreed that changes in the IFRS standards after the closing date, can be reversed for covenant calculation purposes, often referred to as 'frozen GAAP'.

Since the closing date of the RCF, IFRS 15 and 16 came into force. Initially BAM calculated the covenants on a frozen GAAP basis, but during 2019 BAM agreed with the lenders to update the financial documentation for both standards. The Group agreed to continue to reverse the initial IFRS 15 impact on transition date, however to be phased out to nil in six quarters starting from the third quarter of 2019 onwards. With regard to IFRS 16, it has been agreed to leave all leases out of scope for covenant testing.

Terms and conditions for project 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 2021 as a result of not adhering to the financing conditions of project related financing.

Terms and conditions for the committed syndicated credit facility are based on the Group as a whole, excluding non-recourse elements. The ratios for this financing arrangement (all recourse) are the leverage ratio, the interest cover ratio, the solvency ratio and the guarantor covers.

In March 2020, the Group fully drew the credit facility for €400 million as a precautionary measure to Covid-19. The credit facility was repaid in the first quarter of 2021.

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. The capital base in our financial covenants (as part of the solvency ratio) is adjusted for the hedging reserve and remeasurements of post-employments benefits, among other things.

The set requirements and realisation of the recourse ratios described above, can be explained as follows:

	Calculation	Requirement	2021	2020
Temporary requirements:				
Recourse EBITDA		≥ -25 million	N/A	79 million
Recourse borrowings		≤ 0 million	N/A	(1.3) billion
Leverage ratio	Net borrowings/EBITDA	≤ 2.50	**(8.5)**	N/A
Interest cover ratio	EBITDA/net interest expense	≥ 4.00	**19.1**	N/A
Solvency ratio	Capital base/total assets	≥ 15%	**21.1%**	20.3%
Guarantor covers	EBITDA share of guarantors	≥ 60%	**98.8%**	107.8%
	Assets share of guarantors	≥ 70%	**98.1%**	78.3%

19.9 Other information

The Group's subordinated convertible bonds, classified as borrowings under the current liabilities in 2020 were part of the capital base. Repayment obligations are subordinated to not subordinated obligations. The subordinated convertible bonds have been repaid on 11 June 2021 and therefore no longer part of the capital base in 2021.

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 these loans do not differ significantly from their fair values.

The effective interest rates (including hedging instruments) are as follows:

	2021		2020	
	Euro	Pound sterling	Euro	Pound sterling
Subordinated convertible bonds	-	-	6.1%	-
Committed syndicated credit facility	**2.2%**	-	2.2%	-
Non-recourse PPP loans	**2.1%**	-	2.0%	-
Non-recourse property financing	**4.5%**	-	3.0%	-
Recourse property financing	**2.8%**	-	2.8%	-
Other non-recourse financing	**4.5%**	-	4.3%	-
Other recourse financing	**1.8%**	-	-	-

The Group contracted swaps to mitigate the exposure of borrowings.

The Group's unhedged position is as follows:

	Up to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	39,149	16,013	9,890	65,052
Fixed interest rates	(4,023)	(6,363)	(882)	(11,268)
As at 31 December 2021	**35,126**	**9,650**	**9,008**	**53,784**
Total borrowings	205,643	422,295	6,613	634,551
Fixed interest rates	(120,823)	(4,782)	(185)	(125,790)
As at 31 December 2020	**84,820**	**417,513**	**6,428**	**508,761**

The carrying amounts of the Group's borrowings are denominated in Euro's.

20. Lease liabilities

The Group leases various land and buildings, equipment and installations, IT equipment, cars and other items from third parties under non-cancellable lease agreements. The lease agreements vary in duration, termination clauses and renewal options. The average incremental borrowing rate applied is 2.1 per cent as per 31 December 2021 (2020: 2.0 per cent).

See note 8. Right-of-use assets for the corresponding right-of-use assets.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021	2020
As at 1 January	**293,973**	311,591
Additions	**49,216**	78,525
Accretion of interest	**5,151**	6,506
Payments	**(92,672)**	(104,446)
Remeasurements	**(4,422)**	5,480
Acquisition through business combinations	**(10)**	-
Disposals	**(8,280)**	-
Transfer to liability held for sale (Note 37)	**(26,167)**	-
Reclassifications	**(4,256)**	(1,468)
Exchange rate difference	**3,238**	(2,215)
As at 31 December	**215,771**	293,973
Current	**69,329**	86,528
Non-current	**146,442**	207,445
As at 31 December	**215,771**	293,973

Disposals relate to lease liabilities derecognised due to the sale of BAM Deutschland. See Note 36. Reclassification relates to an equipment reclassified to property, plant and equipment, as well as adjustments for expired lease contracts.

The undiscounted future lease payments as included in the lease liabilities, presented in time buckets, are as follows:

	2021	2020
Up to 1 year	**70,528**	87,142
1 to 5 years	**130,231**	168,680
Over 5 years	**31,252**	48,161
	232,011	303,983

In addition to the identified lease liabilities above, an amount of €43 million of lease commitments exist regarding the short-term leases (2020: €30 million). Given the applied practical expedient, these leases have not been included in the lease liabilities and are therefore not stated in the table above. The undiscounted future lease payments does not include the amounts related to liabilities held for sale, of which €8.7 million is up to 1 year, €15.6 million is 1 to 5 years and €6.3 million is over 5 years.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years	More than five years	Total
2021:			
Potential cash options not included in the leaseterm:			
- Extension options, if the options are exercised	39,574	9,718	49,292
- Termination options, if the options are not exercised	2,652	-	2,652
2020:			
Potential cash options not included in the leaseterm:			
- Extension options, if the options are exercised	15,487	50,464	**65,951**
- Termination options, if the options are not exercised	1,063	-	**1,063**

Expenses
The following are the amounts recognised in profit or loss:

	Note	2021	2020
Depreciation expense of right-of-use assets	8	**85,632**	98,918
Interest expense on lease liabilities	30	**5,581**	6,487
Impairment of right of use assets		**1,980**	-
Rent expenses – short term leases		**55,089**	45,641
Rent expenses – leases of low-value assets		**267**	1,745
Rent expenses – variable lease payments		**14,291**	13,147
Total		**162,840**	165,938

The group has lease contracts for cars that contains variable payments related to fuel and insurance.

Cash flows
Amounts recognised in the consolidated statement of cash flows:

	2021	2020
Payments	**(92,672)**	(104,446)
Interest	**5,151**	6,506
Repayments of principal portion of lease liabilities	**(87,521)**	(97,940)

The Group also had non-cash additions to right-of-use assets and lease liabilities of €51.3 million in 2021 (2020: €78.5 million). The future cash outflows relating to leases that have not yet commenced are disclosed in note 35.

21. Derivative financial instruments

	2021			2020		
	Assets	Liabilities	Fair value	Assets	Liabilities	Fair value
Forward exchange contracts	463	695	(232)	650	764	(114)
Of which current:	463	695	(232)	650	536	(114)

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2021 were €63 million (2020: €62 million). The fair value amounts to €0.2 million negative (2020: €0.1 million negative).

The terms to maturity of these contracts are up to a maximum of one year for the amount of €62 million (2020: €54 million), between one and two years for the amount of €1 million (2020: €8.0 million) and between two to four years nil (2020: €nil).

The notional principal amounts and the average forward rates of the foreign exchange contracts outstanding are:

	2021		2020	
	Notional amount	Average rates	Notional Amount	Average rates
EURGBP	9,707	0.8994	9,531	0.9159
EURUSD	65	1.2368	188	1.2261
EURAED	35,178	4.1503	37,223	4.4684
EURAUD	-	-	1,634	1.7812
EURNOK	4,301	10.1497	3,112	10.3808
EURCAD	6,875	1.4566	3,443	1.5682
EURSEK	7,060	10.3396	7,016	10.4049
	63,186		62,146	

22. Employee benefits

	2021	2020
Defined benefit asset	98,384	55,107
Defined benefit liability	61,572	85,701
Other employee benefits obligations	24,768	28,031
	86,340	113,732

The Group operates defined contribution plans in the Netherlands, United Kingdom, Belgium, Germany and Ireland under broadly similar regulatory frameworks. The legacy defined benefit pension plans in all countries are closed for new entrants. The pension risks in the plans have decreased.

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. Due to 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 carried out by external parties and relates to defined contribution schemes.

At year-end 2021, the (twelve-month average) coverage rate of the industry pension fund for construction is 119 per cent (2020: 106 per cent). The industry pension fund for metal & technology has a (twelve-month average) coverage rate of 101 per cent at year-end 2021 (2020: 91 per cent). The (twelve-month average) coverage rate of the industry pension fund for railways is 117 per cent (2020: 102 per cent).

With effect from 2006, the 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 has been terminated in 2020. It is financed by the employer based on a percentage of the pensionable salaries of the employees.

The Group has established an accountability committee, with representation from the Central Works Council (CWC) and the Socio-Economic Committee of the BAM pensioners association (SEC).

United Kingdom

In the United Kingdom, the Group makes contributions to defined benefit plans as well as defined contribution plans. The Group is 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 in March 2016 and led to supplementary contributions in 2021 to the amount of approximately €7 million (2020: approximately €4 million).

The Group replaced the closed defined benefit pension schemes with defined contribution schemes, which are 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. 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 2021 nor 2020.

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.
Belgian defined contribution plans are subject to the Law of 28 April 2003 on occupational pensions, due to changes in the law in December 2015 defined contribution are classified and accounted for as defined benefit plans under IAS 19 'Employee Benefits'. Due to the intended sale of BAM Gàlere and BAM Contractors defined benefit obligations of €1m have been reclassified to liabilities held for sale

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.
In 2021, the Group divested BAM Deutschland, which resulted in a reduction of the net defined benefit obligation of €21 million.

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 for new entrants.
The Group is 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 in 2017. This has led to a yearly supplementary contribution of approximately €2 million (2020: €2 million).

Movements in the defined benefit pension plans over the year is as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
As at 31 December 2021						
Defined benefit liability	21,698	972	407	30,014	8,481	61,572
Defined benefit asset	-	98,384	-	-	-	98,384
	21,698	**(97,412)**	**407**	**30,014**	**8,481**	**(36,812)**
Present value of obligation						
As at 1 January 2021	**409,768**	**1,066,775**	**28,946**	71,232	105,294	1,682,015
Service cost	-	(214)	1,402	12	1,787	2,987
Interest expense	1,527	16,314	170	630	1,300	19,941
Remeasurements	(10,784)	(26,355)	(308)	(185)	787	(36,845)
Plan participants contributions	-	-	548	-	319	867
Benefit payments	(13,658)	(39,038)	(1,573)	(3,838)	(10,870)	(68,977)
Changes and plan amendments	-	-	-	-	-	-
Settlements	(29,588)	-	-	-	-	(29,588)
Disposals	-	-	-	(30,810)	-	(30,810)
Transfer to held for sale	-	-	(19,894)	-	-	(19,894)
Exchange rate differences	-	79,614	-	-	-	79,614
As at 31 December 2021	**357,265**	**1,097,096**	**9,291**	**37,041**	**98,617**	**1,599,310**
Fair value of plan assets						
As at 1 January 2021	392,623	1,121,882	25,651	17,243	94,022	1,651,421
Interest income	1,463	17,397	158	151	1,183	20,352
Remeasurements	(18,860)	4,336	984	21	1,018	(12,501)
Employer contributions	3,805	6,658	1,754	3,268	4,464	19,949
Plan participants contributions	-	-	548	-	319	867
Benefit payments	(13,658)	(39,038)	(1,573)	(3,838)	(10,870)	(68,977)
Administration cost	(218)	(1,562)	(107)	-	-	(1,887)
Settlements	(29,588)	-	-	-	-	(29,588)
Disposals	-	-	-	(9,818)	-	(9,818)
Transfer to held for sale	-	-	(18,531)	-	-	(18,531)
Exchange rate differences	-	84,835	-	-	-	84,835
As at 31 December 2021	**335,567**	**1,194,508**	**8,884**	**7,027**	**90,136**	**1,636,122**
Present value of obligation	357,265	1,097,096	9,291	37,041	98,617	1,599,310
Fair value of plan assets	335,567	1,194,508	8,884	7,027	90,136	1,636,122
As at 31 December 2021	**21,698**	**(97,412)**	**407**	**30,014**	**8,481**	**(36,812)**
Amounts recognised in the income statement						
Service cost	-	(214)	1,402	12	1,787	2,987
Net interest expense	64	(1,083)	12	479	117	(411)
Changes and plan amendments and settlements	-	-	-	-	-	-
Administration cost	218	1,562	107	-	-	1,887
	282	**265**	**1,521**	**491**	**1,904**	**4,463**
Amounts recognised in other comprehensive income						
Remeasurements:						
- Return on plan assets, excluding interest income	18,860	(4,336)	(984)	(21)	(1,018)	12,501
- (Gain)/loss from change in demographic assumptions	(15)	(11,639)	(46)	-	-	(11,700)
- (Gain)/loss from change in financial assumptions	(10,743)	(2,627)	(1,000)	802	654	(12,914)
- Experience (gains)/losses	(26)	(12,089)	738	(987)	133	(12,231)
	8,076	(30,691)	(1,292)	(206)	(231)	(24,344)
Income tax	(2,020)	(1,696)	383	211	-	(3,122)
Remeasurement net of tax	**6,056**	**(32,387)**	**(909)**	**5**	**(231)**	**(27,466)**

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
As at 31 December 2020						
Defined benefit liability	17,145	-	3,295	53,989	11,272	85,701
Defined benefit asset	-	55,107	-	-	-	55,107
	17,145	**(55,107)**	**3,295**	**53,989**	**11,272**	**30,594**
Present value of obligation						
As at 1 January 2020	414,737	1,024,186	27,521	74,662	106,187	1,647,293
Service cost	1,096	(1,215)	1,468	12	2,087	3,448
Interest expense	3,663	19,892	176	734	1,467	25,932
Remeasurements	16,733	130,963	1,114	198	(1,704)	147,304
Plan participants contributions	-	-	444	-	352	796
Benefit payments	(14,440)	(50,460)	(1,411)	(4,374)	(3,095)	(73,780)
Changes and plan amendments	-	-	-	-	-	-
Settlements	(12,021)	-	-	-	-	(12,021)
Disposals	-	-	(366)	-	-	(366)
Exchange rate differences	-	(56,591)	-	-	-	(56,591)
As at 31 December 2020	**409,768**	**1,066,775**	**28,946**	**71,232**	**105,294**	**1,682,015**
Fair value of plan assets						
As at 1 January 2020	401,045	1,093,114	24,232	17,254	82,495	1,618,140
Interest income	3,575	21,283	161	169	1,164	26,352
Remeasurements	11,244	116,304	833	379	9,048	137,808
Employer contributions	4,110	4,212	1,796	3,815	4,058	17,991
Plan participants contributions	-	-	444	-	352	796
Benefit payments	(14,440)	(50,460)	(1,411)	(4,374)	(3,095)	(73,780)
Administration cost	(890)	(2,449)	(38)	-	-	(3,377)
Settlements	(12,021)	-	-	-	-	(12,021)
Disposals	-	-	(366)	-	-	(366)
Exchange rate differences	-	(60,122)	-	-	-	(60,122)
As at 31 December 2020	**392,623**	**1,121,882**	**25,651**	**17,243**	**94,022**	**1,651,421**
Present value of obligation	409,768	1,066,775	28,946	71,232	105,294	1,682,015
Fair value of plan assets	392,623	1,121,882	25,651	17,243	94,022	1,651,421
As at 31 December 2020	**17,145**	**(55,107)**	**3,295**	**53,989**	**11,272**	**30,594**
Amounts recognised in the income statement						
Service cost	1,096	(1,215)	1,468	12	2,087	3,448
Net interest expense	88	(1,391)	15	565	303	(420)
Changes and plan amendments and settlements	-	-	-	-	-	-
Administration cost	890	2,449	38	-	-	3,377
	2,074	**(158)**	**1,521**	**577**	**2,390**	**6,404**
Amounts recognised in other comprehensive income						
Remeasurements:						
- Return on plan assets, excluding interest income	(11,244)	(116,303)	(832)	(379)	(9,048)	(137,806)
- (Gain)/loss from change in demographic assumptions	(7,907)	(573)	-	-	-	(8,480)
- (Gain)/loss from change in financial assumptions	29,102	134,347	122	-	1,965	165,536
- Experience (gains)/losses	(4,462)	(2,811)	992	198	(3,669)	(9,752)
	5,489	14,660	282	(181)	(10,752)	9,498
Income tax	(1,372)	(6,597)	(307)	(625)	1,343	(7,558)
Remeasurement net of tax	**4,117**	**8,063**	**(25)**	**(806)**	**(9,409)**	**1,940**

The average duration of the defined benefit obligations per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
2021					
Average duration (in years)	**15**	**19**	**16**	**11**	**22**
2020					
Average duration (in years)	16	20	17	12	22

The significant actuarial assumptions per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
2021					
Discount rate	0.9%	1.8%	1.0%	1.1%	1.6%
Salary growth rate	0-1.9%	-	1.9%	1.5%	-
Pension growth rate	0-1.9%	2.2-3.4%	-	1.5%	0-2.1%
2020					
Discount rate	0.4%	1.4%	0.6%	1.0%	1.3%
Salary growth rate	0-1.7%	0-3.6%	1.7%	1.5%	-
Pension growth rate	0-1.2%	2.1-2.9%	-	1.5%	0-1.3%

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 higher (lower), the pension liability will decrease by approximately €136 million (increase by approximately €155 million).
- If the expected salary increase is 0.5 per cent higher (lower), the pension liability will increase by approximately €1 million (decrease by approximately €1 million).
- If the expected indexation is 0.5 per cent higher (lower), the pension liability will increase by approximately €59 million (decrease by approximately €54 million).
- If the life expectancy increases (decreases) by 1 year, the pension liability will increase by approximately €72 million (decrease by approximately €69 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
2021						
Equity instruments (quoted)	-	132,535	-	-	26,745	159,280
Debt instruments (quoted)	-	898,040	-	-	52,175	950,215
Property (quoted)	-	19,187	-	-	3,662	22,849
Qualifying insurance policies (unquoted)	335,567	103,482	8,884	7,027	398	455,358
Cash and cash equivalents	-	41,264	-	-	7,156	48,420
	335,567	1,194,508	8,884	7,027	90,136	**1,636,122**
2020						
Equity instruments (quoted)	-	123,021	-	-	33,523	156,544
Debt instruments (quoted)	-	856,389	-	-	47,938	904,327
Property (quoted)	-	18,402	-	-	3,375	21,777
Qualifying insurance policies (unquoted)	392,623	102,327	25,651	17,243	470	538,314
Cash and cash equivalents	-	21,743	-	-	8,716	30,459
	392,623	**1,121,882**	**25,651**	**17,243**	**94,022**	**1,651,421**

Plan assets do not include the Company's ordinary shares. The Group applies IAS 19.115 for the valuation of the plan assets 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.

With regard to 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.

Employer contributions to post-employment benefit plans for the year ending 31 December 2022 are expected to be higher than 2021 by €9 million to €10 million, due to higher contributions in the Netherlands and United Kindom.

23. Provisions

	Warranty	Restructuring	Claims / legal obligations	Associates and joint ventures	Onerous contracts	Other	Total
As at 1 January 2020	32,025	7,775	28,675	77,466	118,837	10,239	275,017
Charged/(credited) to the income statement:							
- Additional provisions	16,457	44,878	8,530	7,381	104,287	13,190	194,723
- Release	(812)	(202)	(2,582)	-	(21,136)	(21)	(24,753)
Used during the year	(11,566)	(8,831)	(3,852)	(1,325)	(39,735)	(2,402)	(67,711)
Reclassifications	71	(3,464)	-	(43,949)	(913)	1,456	(46,799)
Transfer to liabilities held for sale	-	-	(897)	-	(1,732)	-	(2,629)
Exchange rate differences	-	(2)	-	(133)	(764)	(12)	(911)
As at 31 December 2020	**36,175**	**40,154**	**29,874**	**39,440**	**158,844**	**22,450**	**326,937**
Charged/(credited) to the income statement:							
- Additional provisions	13,200	9,869	3,552	3,651	61,730	19,514	111,516
- Release	(2,736)	(3,414)	(1,046)	-	(18,484)	(6,328)	(32,008)
Used during the year	(8,558)	(24,121)	(4,142)	(2,663)	(56,228)	(5,439)	(101,151)
Reclassifications	119	(6,100)	-	-	461	1,685	(3,835)
Exchange rate differences	-	5	-	-	1,011	27	1,043
Disposals	(5,415)	-	(23,763)	(33,304)	(4,934)	(10.571)	(77,987)
Transfer to liabilities held for sale	-	(181)	-	-	(13,822)	(528)	(14,531)
As at 31 December 2021	**32,785**	**16,212**	**4,475**	**7,124**	**128,578**	**20,809**	**209,983**

Provisions are classified in the balance sheet as follows:

	2021	2020
Non-current	**116,967**	133,268
Current	**93,016**	193,669
	209,983	326,937

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 50 per cent of the provision is current in nature (2020: approximately 47 per cent).

The provision for restructuring concerns the best estimate of the expenditure associated with reorganisation plans already initiated. This provision has significantly decreased due to restucturing payments of €24 million. Approximately 99 per cent of the provision is current in nature (2020: approximately 99 per cent). The estimated staff restructuring costs to be incurred are recognised under 'personnel expenses' for an amount of €6 million (2020: €41 million). Other direct costs attributable to the restructuring are recognised under 'other operating expenses'. The reclassifications under restructuring comprise amounts reclassified to other liabilities.

Claims and legal obligations mainly relate to legal cases of closed projects. These are related to active and at-risk cases. The uncertainties related to this provision are linked to the duration and the extent of the amount to be incurred. Approximately 0 per cent of the provision is current in nature (2020: 64 per cent).

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). An amount of €7 million (2020: €39 million) is attributable to joint ventures and €0.0 million (2020: €0.0 million) to associates.

A provision for onerous contracts is related to projects for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits. Approximately 37 per cent of the provision is current in nature (2020: approximately 63 per cent). See Note 2.26 step 2.

As part of the sale of BAM Deutschland AG the Group provided a financial guarantee of €3 million on outstanding receivables (€38 million), and as part of the sale, engaged into a risk sharing contract of €10 million, both presented in the other provisions. See Note 36. The remaining other provisions relate to various individual immaterial amounts and nature, such as various guarantees agreed upon with the buyer of BAM Deutschland AG, decommissioning obligations and minor disputes. Approximately 65 per cent of the provision is current in nature (2020: approximately 79 per cent). An amount of €10 million in "Disposals/other" relates to the sale of BAM Swiss AG. in 2021.

The non-current part of the provisions has been discounted at an interest rate in the range of approximately 0 to 3 per cent (2020: approximately 0 to 3 per cent).

24. Deferred tax assets and liabilities

	2021	2020
Deferred tax assets	**86,760**	106,182
Deferred tax liabilities	**(24,384)**	(13,623)
Deferred tax assets (net)	**62,376**	92,559

The gross movement on the deferred income tax assets and liabilities is as follows:

	2021	2020
As at 1 January	**92,559**	117,973
Income statement charge/(credit)	**(17,789)**	(43,053)
Tax charge/(credit) relating to components of other comprehensive income	**(4,690)**	6,056
Changes in enacted tax rates	**(2,254)**	7,420
Acquired/disposed in business combination	**938**	4,161
Other / reclass	**(5,514)**	(698)
Exchange rate differences	**(874)**	700
As at 31 December	**62,376**	92,559

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	Derivatives	Employee benefit obligations	Other	Total
Deferred tax assets						
As at 1 January 2020	5,957	114,488	1,749	11,288	24,185	157,677
(Charged)/credited to the income statement	6,704	(40,052)	1,627	1,087	(4,341)	(34,975)
(Charged)/credited to other comprehensive income	-	-	(1,502)	2,033	-	531
Changes in enacted tax rates	-	9,003	-	-	450	9,453
Reclassifications	-	-	(1,661)		(698)	(2,359)
Exchange rate differences	(65)	-	(89)	-	(116)	(270)
As at 31 December 2020	**12,596**	**83,439**	**124**	**14,408**	**19,480**	**130,047**
(Charged)/credited to the income statement	(232)	(22,012)	17	(943)	9,880	(13,290)
(Charged)/credited to other comprehensive income	-	-	74	1,390	-	1,464
Changes in enacted tax rates	559	1,648	1	173	1,219	3,600
Disposal of subsidiary	-	-	-	(5,321)	(7,653)	(12,974)
Transfer to assets held for sale	(51)	(5,069)	-	(316)	(500)	(5,936)
Other movement	(224)	9,660	-	-	(3,219)	6,217
Exchange rate differences	110	-	-	-	168	278
As at 31 December 2021	**12,758**	**67,666**	**216**	**9,391**	**19,375**	**109,406**
Netting						(22,646)
As at 31 December 2021						86,760

	Construction contracts	Accelerated tax depreciation	Derivatives	Employee benefit assets	Other	Total
Deferred tax liabilities						
As at 1 January 2020	11,398	7,699	12	12,538	8,047	39,694
Charged/(credited) to the income statement	6,718	(664)	-	2,103	(80)	8,077
Charged/(credited) to other comprehensive income	-	-	-	(5,525)	-	(5,525)
Changes in enacted tax rates	-	30	-	2,003	-	2,033
Reclassifications	-	(5,822)	-	-		(5,822)
Exchange rate differences	-	(319)	-	(650)	-	(969)
As at 31 December 2020	**18,116**	**924**	**12**	**10,469**	**7,967**	**37,488**
Charged/(credited) to the income statement	4,112	588	20	1,215	(1,436)	4,499
Charged/(credited) to other comprehensive income	-	-	92	6,062	-	6,154
Changes in enacted tax rates	-	20	1	5,455	378	5,854
Acquisition	-	159	-	-	-	159
Disposal of subsidiary	(9,891)	-	-	-	(3,101)	(12,992)
Transfer to liabilities held for sale	(541)				(22)	(563)
Other movement	-	(661)	(6)	-	5,946	5,279
Exchange rate differences	-	-	-	1,152	-	1,152
As at 31 December 2021	**11,796**	**1,030**	**119**	**24,353**	**9,732**	**47,030**
Netting						(22,646)
As at 31 December 2021						24,384

Deferred 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 deductible temporary differences, available tax credits and available tax losses carry-forwards can be utilised. The assessment as to whether an entity will have sufficient taxable profits in the future is a matter requiring careful judgement based on the facts and circumstances available. Although the profit forecast shows that sufficient profit should be available in coming years to recognize a deferred tax asset for compensating losses, we performed further analysis of all positive and negative evidence to substantiate the position taken. The nature of the convincing evidence did not change significantly compared to 31 December 2020, except for the forecasted future taxable profits.

The Group's forecasted taxable profits for the years 2022 through 2026 have given rise to additional recognition of deferred tax assets in the amount of € 16.6 million, mainly relating to the Netherlands and Germany. On the other hand new tax loss settlement rules enacted in the Netherlands limit the utilisation of available tax losses to only 50% for any taxable profit over € 1 million. As a result the deferred tax asset has been derecognized for € 28 million in this respect. The remaining carrying amount (after impairment and recognition of net operating losses) of the deferred tax asset is €86.8 million as at 31 December 2021.

With the enactment of the new tax loss settlement rules in the Netherlands, the allocation of the net deferred tax asset between tax losses, tax credits and temporary difference has become more relevant. Therefore, we have processed a more detailed reporting for temporary differences, resulting in some significant reclassifications between the different categories, but balancing out to nil for the total deferred tax position.

The gross movements through other comprehensive income have a deferred tax impact of €4.7 million negative, mainly relating to pensions. Furthermore, the tax rate change in the UK and the Netherlands have a total impact of €2.3 million, of which € 7.8 million is also recognized through OCI. Therefore, the total deferred tax impact on OCI is € 3.1 million positive.

The deferred tax position that is transferred to assets held for sale relates to BAM Galère and BAM Contractors.

Netherlands
Tax losses available to the fiscal unity in the Netherlands for carry-forward losses at year-end 2021 amount to approximately €551 million. These unused tax losses relate to the years 2013 up to and including 2017 and result to a large extent from identifiable causes, which are unlikely to recur, including significant impairments on properties and significant restructuring costs during these years.
In 2021 new tax loss settlement rules enacted in the Netherlands limit the utilisation of available tax losses to only 50% for any taxable profit over € 1 million. However, now the availably losses may be carried forward to be offset against future profits indefinitely.
Based on estimates and timing of future taxable profits within the fiscal unity in the Netherlands for the upcoming five years, approximately €156 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 take into account external market data and benchmark information and 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. Subsequently these forecasts have been reduced to meet the recognition criteria under IFRS in respect of deferred tax assets. No specific tax planning opportunities have been taken into account.

Also in 2021 the Dutch government enacted the increase of the Dutch corporate income tax rate from 25% to 25.8%. The impact of the tax rate increase has been reflected in the value of the deferred tax assets in the 2021 annual report. This resulted in an increase in deferred tax asset relating to operating losses by €1.6 million.

Germany
Tax losses to a minimum of €250 million are expected to remain available for the companies in Germany, which can be offset against future taxable profits. Based on estimates of the level and timing of future taxable profits per operating company and per fiscal unity, approximately € 31.5 million of these losses are recognized. 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.

25. Trade and other payables

	Notes	2021	2020
Trade payables		624,980	898,623
Amounts due to customers (contract liabilities)	6	859,293	812,351
Amounts due to related parties	38	76,627	133,292
Social security and other taxes		283,487	371,155
Pension premiums		8,185	9,183
Amounts due for work completed		222,179	167,066
Amounts due for work in progress		572,891	461,216
Other financial liabilities		737	6,778
Other liabilities		84,323	97,436
Accrued expenses and deferred income		249,643	270,913
		2,982,345	3,228,013

In response to Covid-19 in 2020, the Group made use of the temporary deferral of tax payments (value added tax and wage tax) granted by certain tax authorities. An amount of €9 million (2020: € 50 million) is included in Social security and other taxes as part of the current liabilities and €111 million (2020: €184 million) is included in Social security and other taxes as part of non-current liabilities in the consolidated statement of financial position.

The increase in amounts due to customers (contract liabilities) mainly relates to some large prepayments on certain contracts, offset by the impact of the sale of BAM Deutschland. See note 36.

The amounts due for work completed and for work in progress relate to suppliers of the Group for contract work performed.

26. Employee benefit expenses

	Note	2021	2020
Wages and salaries		1,135,778	1,152,018
Social security costs		161,146	170,301
Pension costs - defined contribution plans		86,517	89,923
Pension costs - defined benefit plans	22	4,463	6,404
Other post-employment benefits		2,571	(477)
		1,390,475	1,418,169

Employee benefit expenses include restructuring costs and other termination benefits of €6.3 million (2020: €41 million) of which €5.9 million is included in wages and salaries, €0.2 million in social security costs and €0.2 million in pension costs and other post-employment benefits. See further note 28.

Certain governmental (furlough) schemes were used in connection with Covid-19 for a total amount of approximately €3 million (2020: €12 million), which is fully reflected in wages and salaries. An amount of €3 million in respect of Ireland (2020: €2 million) and United Kingdom €0m (2020: €8 million) has been received and is deducted from wages and salaries. In 2020 also €2 million is reflected as a reduction of the wages and salaries as part of the employee benefit expenses, given the fact that grants in Belgium were directly paid to employees. See note 41.

At year-end 2021, the Group had 15,739 employees in FTE (2020: 17,966 , excluding 98 in BAM PPP). The average number of employees in FTE amounted to 17,001 (2020: 18,731, excluding discontinued operations), of which 9,781 in other countries than the Netherlands (2020: 10,185).

27. Impairment charges

	Notes	2021	2020
Impairment of Intangible assets	9	**3,275**	60,934
Impairment of Property, plant and equipment	7	**5,030**	586
Impairment of ROU assets	8	**1,980**	-
Impairment of Assets held for sale and disposals	36 / 37	**25,976**	-
Impairment of Inventories	13	**(1,888)**	11,321
Impairment charges		**34,373**	72,841
Share of impairment charges in investments	11	**14,117**	1,900
		48,490	74,741

The impairment charges of intangible assets of €3 million mainly relate to IT software for which the recoverable amount is lower than its carrying amount. In 2020, deteriorating market conditions (including Covid-19) gave rise to further assess future performance of the Group. Poor performance of certain underlying CGUs (to which goodwill is allocated) led to an impairment loss of goodwill of €61 million. See Note 9.

The property, plant and equipment impairment charges of €5 million mainly relate to BAM International equipment that will not generate any economic benefits in the future. Immediately after the impairment charge the assets were classified to Assets held for sale. See note 37.

In 2021, Right of use assets were impaired due to vacancies in a leased building which is not expected to be used by the Group for the remaining lease term which resulted in an impairment charge of €2 million.

The group announced 18 October that it has sold its German operating company BAM Deutschland, resulting in an €5 million impairment charge. On 2 December, the Group decided to divest its wholly owned subsidiary BAM Galère srl, including other non-core related assets. Accordingly, all its assets and liabilities are classified as held for sale in the consolidated statement of financial position as at 31 December 2021 (see Note 37). Upon the classification to held for sale, an impairment of €4 million was recognised for the disposal group to lower its carrying amount to its fair value less costs to sell.

During 2021 the Group decided to divest its wholly owned subsidiary BAM Contractors bv, including other non-core related assets. Accordingly, all its assets and liabilities are classified as held for sale in the consolidated statement of financial position as at 31 December 2021(see Note 37). Upon the classification to held for sale, an impairment of €16 million was recognised for the disposal group to lower its carrying amount to its fair value less costs to sell. See note 37.

The net impairment charges in connection with inventories are related to property developments in the Netherlands. See Note 13.

The share of impairment charges in investments contains €6 million on the AsfaltNu asphalt production joint venture and €8 miliion of impairment of inventories in joint ventures.

28. Adjusted items

The following items have been adjusted on EBITDA and relate to restructuring costs and pension one-offs as detailed below:

	Notes	2021	2020
	23		
Restructuring costs		**6,455**	44,676
Pension one-off	22	**-**	(1,181)
		6,455	43,495

Restructuring costs
Restructuring costs relate to the major restructuring programme, announced in September 2020. Further, due to the wind down of activities in BAM International a number of employees have been made redundant in 2020. Total restructuring costs related to the major restructuring programme as well as the wind down of BAM International amount to approximately €6 million (2020: €45 million) of which €6.3 million (2020: €41 million) is included in employee benefit expenses and €**0.2** million (2020: €4 million) is included in other operating expenses.

Pension one-off
In 2020, the pension one-off relates to the UK Civil release of pension liability due to a change of indexation of future salary increases, which had a positive effect of €1.2 million.

In 2020, Adjusted items included impairment charges. However, due to the change in KPI from adjusted result to adjusted EBITDA, impairment charge is now a separate adjustment between EBITDA and operating result. Therefore, impairment charges are no longer part of the adjusted items. See Note 5.

29. Audit fees

The total fees for the audit of the consolidated financial statements 2021 are listed below. The fees stated below for the audit of the financial statements are based on the total fees for the audit of the financial statements, regardless of whether the procedures were already performed in the financial year.

Expenses for services provided by the Company's current independent auditor, Ernst & Young Accountants LLP (EY) and its foreign member firms to the Group are specified as follows:

	2021			2020		
	EY Netherlands	EY foreign member firms	Total	EY Netherlands	EY foreign member firms	Total
Audit fees	**3,938**	**2,220**	**6,158**	4,053	2,181	6,234
Audit-related fees	**93**	**33**	**126**	90	109	199
Tax fees	-	-	-	-	-	-
Other non-audit fees	-	-	-	-	-	-
			6,284			6,433

30. Finance income and expense

	2021	2020
Finance income		
- Interest income - cash at banks	**1,039**	1,251
- Interest income - other financial assets	**426**	1,117
- Other finance income	**2,399**	5,873
	3,864	8,242
Finance expense		
- Subordinated convertible bonds	**3,313**	7,365
- Committed syndicated credit facility	**3,707**	6,126
- Bank fees - committed syndicated credit facility	**-**	1,411
- Non-recourse property financing	**2,659**	2,230
- Other non-recourse financing	**151**	198
- Interest expense - bank overdrafts and deposits	**1,711**	2,378
- Interest expense on lease liabilties	**5,581**	6,487
- Recourse property financing	**1,082**	622
- Other recourse financing	**1,764**	2,981
- Interest expense - other liabilities	**1,284**	50
	21,252	29,849
Less: capitalised interest on the Group's own projects	**(5,149)**	(5,993)
	16,103	23,856
Net finance result	**(12,239)**	(15,614)

An overview of the applicable effective interest rates on borrowings are disclosed in note 19 to the consolidated financial statements. The Group encounters various negative interest rates on deposits.

31. Income tax

	2021	2020
Current tax	21,045	(533)
Deferred tax	27,799	35,633
	48,844	35,100

Income tax on the Group's result before tax differs from the theoretical amount that would arise using the Dutch applicable tax rate applicable to profits of the consolidated companies as follows:

	2021	2020
Result before tax	65,847	(236,947)
Tax calculated at Dutch tax rate	16,462	(59,237)
Tax effects of:		
- Tax rates in other countries	(937)	20,833
- Non deductible goodwill impairment	-	15,000
- Non deductible expenses	3,780	-
- Remeasurement of deferred tax – changes in enacted tax rates	10,010	(7,420)
- Return to provision adjustments	(3,613)	-
- Previously unrecognised tax losses	(17,297)	(920)
- Tax losses no(t) (longer) recognised	36,570	69,061
- Results of investments and other participations, net of tax	1,597	(1,566)
- Change in uncertain tax provisions	1,298	-
- Other including expenses not deductible for tax purposes	974	(651)
Tax charge/(gain)	48,844	35,100
Effective tax rate	74.2%	-14.8%

The weighted average tax rate applicable was 23.6 per cent (2020: 16.2 per cent). The difference with the Dutch statutory tax rate (25 per cent) is attributable to a different spread of results over the countries.

Income tax on the group's result before tax differs from the theoretical amount that would arise using BAM's weighted average tax rate as follows:

In 2021 the tax charge was influenced by the change in tax loss settlement rules enacted in the Netherlands, non-deductible participations related results, tax rate change impact in the UK and the Netherlands and the (de)recognition of tax losses available for carry-forward.

According to the new rules in the Netherlands, taxable profits of over €1 million can only be settled for 50% with available tax losses, resulting in a decrease of the deferred tax asset related to tax loss carry forwards. On balance the deferred tax asset for tax loss carry forward has decreased with € 19.3 million. On the other hand increased profitable forecast in the Netherlands and Germany have given rise to an increase of the deferred tax asset.

Tax rate changes have been enacted during the year in both the UK (from 19% to 25%) and the Netherlands (from 25% to 25.8%). The corporate income tax rate effect in the Netherlands and UK has a negative impact on the deferred tax positions of the Group for €2.3 million, of which €10 million charge has been recognized through profit and loss and € 7.3 million benefit through other comprehensive income.

32. Earnings per share

	2021	2020
Weighted average number of ordinary shares in issue (x 1,000)	**273,296**	273,296
Net result attributable to shareholders	**18,125**	(122,184)
Basic earnings per share (in €)	**0.07**	(0.45)
Net result from continuing operations attributable to shareholders	**18,125**	(271,760)
Basic earnings per share from continuing operations (in €)	**0.07**	(1.00)
Net result from discontinued operations attributable to shareholders	-	149,577
Basic earnings per share from discontinued operations (in €)	-	0.55

Allowing for dilution, the earnings per share are as follows:

	2021	2020
Diluted weighted average number of ordinary shares in issue (x 1,000)	**284,461**	299,124
Net result attributable to shareholders (diluted)	**20,610**	(116,659)
Diluted earnings per share (in €)	**0.07**	(0.45)
Net result from continuing operations attributable to shareholders (diluted)	**20,610**	(266,236)
Diluted earnings from continuing operations per share (in €)	**0.07**	(1.00)
Net result from discontinued operations attributable to shareholders (diluted)	-	149,577
Diluted earnings from discontinued operations per share (in €)	-	0.55

The Group has repaid its unsecured subordinated convertible bond on the initial agreed repayment date, 11 June 2021. In the calculation of the diluted weighted average number of ordinary shares only the portion of these potential shares are included for the period during which they were outstanding. In 2021 and 2020, the potential ordinary shares are antidilutive because their conversion to ordinary shares would improve the result per share from continuing operations. Therefore in both years, no conversion is assumed and the diluted earnings per share are equal to the basic earnings per share.

33. Dividends per share and proposed appropriation of result

The net result for 2021 that amounts to €18.1 million has been attributed to the shareholders' equity.

Over 2021, no dividend is proposed to be declared as the capital ratio is below strategic target.

In 2021, no dividend has been paid over 2020.

34. Contingencies

34.1 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.

Ethical misconduct or non-compliance with applicable laws and regulations (such as competition, bribery and corruption) could expose BAM to liabilities or have a negative impact on its business and reputation. BAM may be subject to administrative, civil or criminal liabilities including significant fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time.

34.2 Guarantees

Bonds and Guarantees are provided in the ordinary course of business to our clients, either by the Company (parental guarantees), by banks (bank guarantees), or by surety companies (surety bonds), securing due performance of the obligations under the contracts by the subsidiaries of the Company.

It is not expected that any material risks will arise from these securities. These securities are limited in amount and can only be called upon in case of (proven) default.

The parent company guarantees issued amount to €169 million (2020: €186 million). Guarantees issued by banks and surety companies amount to €1.5 billion (2020: €2.1 billion). Guarantee facilities amount to €2.9 billion (2020: €2.9 billion).

35. Commitments

35.1 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:

	2021	2020
Property, plant and equipment	5,790	2,733
Land	155,863	154,047
	161,653	156,780

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.

35.2 Lease commitments

The future undiscounted lease payments regarding lease commitments are included in note 20. Lease liabilities.

The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future undiscounted lease payments for these non-cancellable lease contracts are €3.9 million within one year, €15.8 million within five years and €1.3 million thereafter (2020: €1.7 million within one year, €4.9 million within five years and €0.2 million thereafter).

The Group has variable lease payments amounting to €31.8 million which are not recognised in lease liabilities, but are recognised as expense in profit and loss. The expected future costs related to these variable lease payments are €11.4 million within one year, €19.7 million within five years and €0.7 million thereafter (2020: €11.9 million within one year, €21.3 million within five years and €1.3 million thereafter). Variable leases mainly relate to fuel costs which is based on usage. The variability of these costs depend on the number of vehicles driven, their actual usage and any changes in rates.

36. Sale of BAM Deutschland AG and BAM Swiss AG

During 2021 the Group sold its shares in BAM Deutschland AG and its direct holder, to Zech Group SE and Gustav Zech Foundation. The sale was completed on 15 October 2021. Due to the loss of control of BAM Germany, all the assets and liabilities of the former subsidiaries were fully derecognised as of 15 October 2021. BAM Deutschland AG was included in the operating segment Construction and Property.
The shares were sold for an amount of €1, with related costs to sell of €3 million. Before the completion of the transaction an impairment loss of €5 million was recognised to lower the carrying amount to its fair value less costs to sell. The impairment loss forms part of the impairment charges as reflected in the consolidated income statement. See note 27. The net cash outflow for the sale of BAM Deutschland amounts to €86 million and is included in the Proceeds from sale of Subsidiaries in the Consolidated Cashflow statement. Total revenue up to 15 October 2021 amounts to €318 million with a total (adjusted) EBITDA of €2 million.

As per transaction date 15 October 2021 the following major categories of assets and liabilities that are derecognized following the loss of control are summarized below:

(in € million)	15 October 2021
Non current assets	32
Current assets	149
Cash and cash equivalents	86
Total assets derecognised	266
Non current liabilities	96
Current liabilities	173
Total liabilities derecognised	269

The Group made various guarantees to the buyer:
- The Group, by way of a financial guarantee, guaranteed that the outstanding receivables older that one year as at 31 December 2020 (€63.2 million) are at least collectible for 90 per cent. The maximum exposure as at 31 December 2021 amounts to €37 million for which the Group has recognized a provision of €3 million. These costs are included in the other expenses. See note 23 provisions.
- For certain projects, the Group and the buyer agreed to share the profits and losses resulting from these projects till a cap. When expected losses exceed the cap, the Group bears all the risks. In the last quarter of 2021, the Group has recognized an additional provision of €10 million in this respect. The costs are included in the other expenses. See note 23 provisions.
- The Group has indemnified the purchasers of BAM Deutschland for various risks that are within the normal course of sale transaction. As at 31 December 2021, the Group has not recognized any liability for these indemnifications.

In 2021 BAM completed the sale of the shares of BAM Swiss AG (a subsidiary of BAM Deutschland AG) to Implenia AG and therefore the assets and liabilities involved have been fully derecognised. As per 31 December 2020, these assets and liabilities were classified as held for sale. There was no gain or loss on the sale of BAM Swiss AG in 2021. See note 23 provisions. With the sale of BAM Swiss AG. The net cash outflow amounted to €11 million and is included in Proceeds from sale of Subsidiaries in the Consolidated Cashflow statement.

37. Assets held for sale and discontinued operations

37.1 Assets held for sale inventories and Property, plant and equipment

	2021	2020
Inventories	6,580	7,819
Property, plant and equipment	16,539	-
Assets classified as held for sale	23,119	7,819

(i) Inventories
At year-end 2021 and 2020, the assets classified as held for sale for inventories relate to one remaining property development position in the East part of the Netherlands, which have not been transferred yet. A part of the position has been transferred during 2021. It is expected that the remainder will follow in 2022. The carrying amount representing the fair value is based on the sale price.

(ii) Property, plant and equipment
In connection with the winddown of BAM International certain crane barges are going to be sold in 2022 and therefore these assets have been classified to held for sale. Upon the classification to held for sale, an impairment of €3 million was recognised on these assets to bring the carrying amount to its fair value less costs to sell. The impairment of €3 million has been included in the impairment charges in the consolidated income statement. See note 27.

37.2 Assets held for sale BAM Galère srl

During 2021 the Group decided to divest its wholly owned subsidiary BAM Galère srl of BAM Belgium to the Belgian construction company Thomas & Piron Group. Accordingly, all its assets and liabilities are classified as held for sale in the consolidated statement of financial position as at 31 December 2021. The business of BAM Galère srl is presented in the Construction and Property and Civil Engineering segment. The related revenue and adjusted EBITDA for the Construction and Property segment is €117 million (2020: €89 million) revenue and €3 million (2020: €2 million) adjusted EBITDA and for the Civil Engineering segment the revenue is €97 million (2020: €69 million) and adjusted EBITDA €5 million (2020: €2 million).
Upon the classification to held for sale, an impairment of €4 million was recognised for BAM Galerè srl to lower its carrying amount to its fair value less costs to sell. See note 27.
The fair value of the BAM Galerè srl of €32 million is based on the signed share purchase agreement and is categorized as a Level 2 fair value as at 31 December 2021.

At 31 December 2021, the major classes of assets and liabilities classified as held for sale of BAM Galère srl, after elimination of an intercompany receivable of €16 million, are as follows:

(in € million)	2021
Non current assets	20,495
Current assets	79,531
Cash and cash equivalents	21,008
Assets classified as held for sale	121,034
Borrowings	13,759
Provisions	8,063
Current liabilities	83,442
Liabilities classified as held for sale	105,264

The Group has indemnified the Thomas & Piron Group and provided various guarantees in the normal course of selling a business. As at 31 December 2021 these indemnifications and guarantees have no significant impact on the fair value less cost to sell. There are no cumulative income or expenses included in OCI relating to the disposal group. See note 43 events after the reporting period.

37.3 Assets held for sale BAM Contractors bv

During 2021 the Group decided to divest its wholly owned subsidiary BAM Contractors bv of BAM Belgium to the Belgian construction company NV Desiré Stadsbader. Accordingly, all its assets and liabilities are classified as held for sale in the consolidated statement of financial position as at 31 December 2021. The business of BAM Contractors bv is fully presented in the Civil Engineering segment. Upon the classification to held for sale, an impairment of €16 million was recognised for BAM Contractors bv to lower its carrying amount to its fair value less costs to sell. See note 27.
The fair value of the measurement of BAM Contractors bv of €32 million has been determined on a non-binding basis, the key terms of the transaction and has been categorized as a Level 3 fair value, as at 31 December 2021.

At 31 December 2021, the major classes of assets and liabilities classified as held for sale of BAM Contractors bv, after elimination of an intercompany receivable of €65 million, are as follows:

(in € million)	2021
Non current assets	13,382
Current assets	73,791
Cash and cash equivalents	21,347
Assets classified as held for sale	108,520
Borrowings	13,374
Provisions	8,107
Current liabilities	120,369
Liabilities classified as held for sale	141,850

There are no cumulative income or expenses included in OCI relating to the disposal group. See note 43 events after the reporting period.

37.4 Discontinued operations of BAM PPP

Following the transfer of 50 per cent interest in BAM PPP to PGGM in December 2020, the remaining 50 per cent interest in BAM PPP is accounted for as an equity method investment. The results of BAM PPP were reported as discontinued operation in 2020 and were presented separately in the consolidated income statement.

The result in 2020 from discontinued operations can be detailed as follows:

	2020
Revenue	52,732
Operating result	26,389
Finance result	8,486
Result before tax	34,875
Tax benefit/(expense)	(3,387)
Total	31,488
Gain on the transaction	118,167
Result for the year from discontinued operations	149,655
Non-controlling interest	(78)
Net result for the year from discontinued operations attributable to the shareholders of the Company	149,577

Total comprehensive income from discontinued operations in 2020 amounts to €248 million, comprising of the net result from discontinued operations of €150 million and other comprehensive income of €98 million.

The net cash flows incurred by BAM PPP (excluding the cash consideration), are as follows:

	2020
Operating	7,037
Investing	54,682
Financing	(99,825)
Net cash (outflow) / inflow	(38,106)

38. Related parties

The Group identifies subsidiaries, associates, joint arrangements, 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:

38.1 Sales and purchase of goods and services

A major part of the Group's activities is carried out in joint arrangements. 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 arrangements related to the sale of goods and services for €319.4 million (2020: €369.4 million) and related to the purchase of goods and services for €58.5 million (2020: €6.8 million).

The 2021 year-end balance of short term receivables amounts to €51.2 million (2020: €39.8 million) and the short term liabilities amounts to €76.6 million (2020:€133.3 million). In 2020, short term receivables by BAM PPP for the amount of €2 million, were derecognised as a result of the transfer by BAM of 50 per cent of the shares of BAM PPP to PGGM.

38.2 Loans to related parties

At year-end 2021, the Group granted loans to related parties (mainly relating to associates and joint ventures) for the amount of

€76 million (2020: €64 million). These transactions were made on normal commercial terms and conditions, except that for a number of loans there are no fixed terms for the repayment of loans between the parties. Interests for these loans are at arm's length. Loans to related parties are included in 'Other financial assets' in the statement of financial position.

In 2020, loans granted by BAM PPP for the amount of €34 million, were derecognised as a result of the transfer by BAM of 50 per cent of the shares of BAM PPP to PGGM.

38.3 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:

(in € thousand)	2021					
	Fixed remuneration	Short-term incentive	Long-term incentive	Other benefits [3]	Post-employment benefits	Total
R.J.M. Joosten [1]	725	517	272	18	159	1,691
L.F. den Houter	518	369	266	20	114	1,287
	1,243	886	538	38	273	2,978

	2020					
	Fixed remuneration	Short-term incentive	Long-term incentive	Other benefits	Post-employment benefits	Total
R.J.M. Joosten	222	75	5	2	51	355
L.F. den Houter	608	212	82	5	221	1,128
R.P. van Wingerden [2]	292	112	(27)	704	65	1,146
	1,122	399	60	711	337	2.629

1 Mr Joosten was appointed as Chairman of the Executive Board with effect from 1 September 2020.

2 Mr Van Wingerden was not nominated for a next term as CEO on the General Meeting of 15 April 2020, the management services agreement ended per 1 June 2020.

3 The amount shown under Other benefits consists for 2021 of the car allowance (as of September 2021) and the actual cost of the company car (until September 2021).

The short-term incentive ('STI') is part of the remuneration package of the Executive Board and is based on financial objectives (70 per cent) and non-financial objectives (30 per cent). At the beginning of each financial year, the Supervisory Board determines the financial and non-financial STI objectives, their relative weighting and the performance incentive zones (i.e. threshold, at target and excellent performance levels). Payout gradually increases with performance, starting with a payout of 35 per cent of the fixed annual remuneration at threshold performance, 55 per cent at target performance and potentially going up to 75 per cent when performance is excellent. Below threshold there will be zero payout. The Supervisory Board determined the payout for 2021 at 69.0 per cent (2020: 32.3 per cent).

Post-employment benefits relate to the pension costs of the defined benefit plans recognized in the income statement and, if no pension arrangements were made, paid contributions for personal pension arrangements. Cost of defined benefit plans 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.

The actual and necessarily incurred costs in the performance of the duties for the Group are reimbursed.

The long-term incentive relates to the Performance Share Plan. Additional information is disclosed in note 39.

No share options have been awarded to the members of the Executive Board. No loans or advances have been granted to the members of the Executive Board. Per 31 December 2021, Mr Joosten held 100,000 privately acquired BAM shares and Mr Den Houter held 25,000 privately acquired BAM shares.

Supervisory Board

The compensation paid or payable to the Supervisory Board for services is shown below:

(in € thousand)	**2021**	2020
H.Th.E.M. Rottinghuis, Chairman	**102**	48
G. Boon, Vice-Chairman	**67**	59
B. Elfring	**62**	20
D. Koopmans	**65**	23
N.M. Skorupska	**42**	-
C.M.C. Mahieu	**-**	54
H.L.J. Noy, former Chairman (former member)	**-**	46
M.P. Sheffield	**59**	164
H. Valentin (former member)	**16**	59
	413	473

The actual and necessarily incurred costs in the performance of the duties for the Group are reimbursed.

No share options have been awarded to the members of the Supervisory Board. Per 31 December 2021, Mr Boon held 100,000 privately acquired BAM shares and Mrs Koopmans held 15,000 privately acquired BAM shares and Mr Rottinghuis held 100,000 privately acquired BAM shares. The other active members of the Supervisory Board do not hold any shares in the Company nor have loans or advances been granted as per 31 December 2021.

38.4 Other related parties

The Group has regular transactions with third parties executing the Group's defined benefit pension plans as disclosed in note 22. The Group has not entered into any material transaction with other related parties.

39. Share-based payments

The Company operates a Performance Share Plan for members of the Executive Board and a limited group of senior management positions below the Executive Board.

Under the Performance Share Plan, each year performance shares are conditionally awarded subject to performance over a vesting period of three financial years. The number of awarded performance shares is calculated by dividing the award value (expressed as a percentage of fixed remuneration) by the average closing price of the BAM share on Euronext Amsterdam on the five days after the General Meeting in the year of award.

Performance is based on two financial objectives, being relative total shareholder return (TSR) and adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) as of the Performance Share Plan 2021-2023 (up to and including 2020 this was ROCE) and one non-financial objective, being sustainability. TSR is defined as the share price increase, including dividends and measured over a three year period based on the three month average share price before the start and the end of the three year performance period. The relative position within the peer group determines the vesting percentage. The TSR peer group comprises of Balfour Beatty, Boskalis, Eiffage, Heijmans, Hochtief, NCC, PORR, Skanska, Strabag, Vinci (and BAM).

At the beginning of each performance period, based upon a proposal from the Remuneration Committee, the Supervisory Board determines the performance incentive zones (i.e. threshold, at target and excellent performance levels) for adjusted EBITDA (up to and including 2020: ROCE) and sustainability.
To align the objectives of the long-term incentive for the Executive Board with the objectives of the new BAM strategy, the financial objective ROCE was replaced by adjusted EBITDA as of the Performance Share Plan 2021-2023 (as approved by the General Meeting of 14 April 2021). To further align with market standards, the circuit breaker and vesting cap were removed from all existing plans for 2019-2021 and onwards in the General Shareholder Meeting of 2021. The circuit breaker determined that all vesting was to be nullified in case BAM ranked at the bottom two places of the

TSR peer group, regardless of the performance on other objectives. The vesting cap prevented that the value of the performance shares – as the combined result of the number of performance shares that will vest and the share price at the moment of vesting – that will become unconditional to a participant would not exceed two and a half times the award value.
After the three year performance period, the Supervisory Board will assess the extent to which the performance objectives have been achieved. This results in a vesting percentage for each of the three performance objectives, each determining one third of the vesting of the conditionally awarded performance shares. For excellent performance, the number of performance shares that vests may amount to a maximum of 150 per cent of the 'at target' number of performance shares. This percentage may be reduced to 50 per cent (on a sliding scale) for threshold performance and to 0 below that.

The three-year performance period will be followed by a two-year lock-up period. In addition, there is a minimum share ownership requirement. Executive Board members are not allowed to divest any shareholding until the two-year lock-up period has lapsed and the minimum share ownership requirements are met, with the exception of any sale of shares during the lock-up period required to meet any tax obligations and social security premiums (including any other duties and levies) as a consequence of the vesting.

The table below indicates the percentage of conditional shares that could vest in connection with the pre-determined performance conditions:

TSR		Adjusted EBITDA[1]		Sustainability	
Ranking	Vesting	Score	Vesting	Score	Vesting
1	150%	Excellent and above	150%	Excellent and above	150%
2	125%	Target	100%	Target	100%
3	100%	Threshold	50%	Threshold	50%
4	75%	Below threshold	0%	Below threshold	0%
5	50%				
6	25%				
7	0%				
8	0%				
9	0%				
10	0%				
11	0%				

[1] Up to and including the Performance Share Plan 2020 - 2022 this performance condition was ROCE.

In 2021, the Company introduced a Special Incentive Plan. Under this Special Incentive Plan, the Company awarded conditional performance shares to a limited group of senior management positions below the Executive Board to motivate them to deliver on the new strategy as well as on the objectives that have been set for the strategic period 2021-2023. If and in so far these positions were also participant in the regular Performance Share Plan, the Special Incentive Plan 2021-2023 replaced any awards under the Performance Share Plan 2021-2023. Performance relates to the strategic financial objectives based on adjusted EBITDA for the full company and home countries. The performance shares vest three years after the award date provided that the participant is still employed with the Company. For excellent performance, the number of performance shares that vests may amount to a maximum of 150 per cent of the 'at target' number of performance shares. This percentage may be reduced to 50 per cent (on a sliding scale) for threshold performance and to zero below that.

At the end of each reporting period, BAM revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions (financial and non-financial) and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In principle, conditionally awarded shares are forfeited if the participant is no longer employed by the company, however upon termination of employment due to retirement, disability or death the participant (or his or her heirs) reserves the right on the pro rata number of conditionally awarded shares to become unconditionally pursuant to the same vesting conditions as described above (pro rata means the number of full months that the participant was engaged by the Company during the performance period divided by 36 months). For the performance shares, the most recent expected results of the group were included to calculate the expected vesting of performance shares.
Conditional shares in the PSP include a dividend right like ordinary shares, however these dividends will be paid out in shares at the vesting date. Therefore the dividend yield on the conditional shares equals nil. Conditional shares in the SIP do not include a dividend right like ordinary shares.

The movement of the Performance Share Plan and Special Incentive Plan (in number of shares) during 2021 for the (former) members of the Executive Board and for all other participants is shown below:

	As at 1 January 2021	Awarded	Vested (including dividend)	Forfeited	As at 31 December 2021
R.J.M. Joosten	285,734	221,961	-	-	507,695
L.F. den Houter	435,764	135,894	-	-	571,658
Other participants [1]	2.267.709	2,429,070	-	(601,917)	4,094,862
	2,989,207	**2,786,925**	-	**(601,917)**	**5,174,215**

[1] Including former member of the Executive Board. Mr R.P van Wingerden held 139,738 shares as at 1 January and 47,886 shares as at 31 December.

The movement of the Performance Share Plan and Special Incentive Plan (in number of shares) during 2021 per Share Based Plan year-layer is shown below:

	As at 1 January 2021	Awarded	Vested (including dividend)	Forfeited	As at 31 December 2021
2018 - 2020	336,672	-	-	(336,672)	-
2019 - 2021	466,290	-	-	(31,405)	434,885
2020 - 2022	2,186,245	-	-	(100,390)	2,085,855
2021 - 2023	-	2,786,925	-	(133,450)	2,653,475
	2,989,207	**2,786,925**	-	**(601,917)**	**5,174,215**

The fair value per share of the 2021 award, for the participants, in connection with the TSR performance part amounted to €2.10 per share and is determined using a Monte Carlo simulation model. For the other financial and non-financial performance part, the fair value equals the share price at the date of award.
For the Performance Share Plan 2018-2020 the 'circuit breaker' was applicable, leading to the full plan of 336,672 (remaining) shares to be forfeited as at the vesting date 26 April 2021. The most important assumptions used in the valuations of the fair values were as follows:

	2021
Share price at award date (in €)	**2.17**
Risk-free interest rate (in %)	**(0.61)**
Volatility (in %)	**43.61**

Expected volatility has been determined based on historical volatilities for a period of five years.

In 2021, an amount of €2,374,000 was charged (2020: €34,000 released) to the income statement arising from the Performance Share Plan. The removal of the circuit breaker and vesting cap in 2021 resulted in an additional charge in 2021 of €1.3 million.

40. Joint operations

A part of the Group's activities is carried out in joint arrangements and 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.

Based on assessment of balance sheet total, revenue and result, none of the joint operations is material to the Group. The Group's share of the revenue of these joint operations amounts to approximately €1.2 billion in 2021 (2020: approximately €1.0 billion), which represents approximately 16 per cent of the Group's revenue (2020: 15 per cent).
The Group's share of the balance sheets of joint operations is indicated below:

(in € million)		**2021**	
	Construction and Property	Civil engineering	Total
Assets			
- Non-current assets	-	4.1	4.1
- Current assets	335.6	450.7	786.3
	335.6	454.8	790.4
Liabilities			
- Non-current liabilities	14.4	-	14.4
- Current liabilities	315.2	473.0	788.2
	329.6	473.0	802.6
Net balance	6.0	(18.2)	(12.2)

(in € million)		2020	
	Construction and Property	Civil engineering	Total
Assets			
- Non-current assets	-	4.2	**4.2**
- Current assets	369.8	510.7	**880.5**
	369.8	514.9	**884.7**
Liabilities			
- Non-current liabilities	19.8	0.3	**20.1**
- Current liabilities	344.2	523.5	**867.7**
	364.0	523.8	**887.8**
Net balance	5.8	(8.9)	**(3.1)**

The group has capital commitments under joint operations amount to €13 million (2020: €14 million). Guarantees issued by banks and surety companies amount to €20 million (2020: €29 million). Transfers of funds and/or other assets are made in consultation with the partners of the joint operations.

41. Government grants

Government grants received in 2021 amount to €7 million (2020: €13 million), of wich an amount of €3 million (2020: €10 million) is related to Covid-19, €2 million (2020: €2 million) is related to R&D and €2 million (2020: €1 million) to education.

In 2021, there were no new temporary deferral of tax payments (value added tax and wage tax) granted by tax authorities in response to Covid-19 in 2020. The total deferral of tax payments amount to €120 million (2020: €234 million). The majority is related to The Netherlands and partly United Kingdom. See note 25. The company also made use of the employee wage subsidy scheme in Ireland where an amount of €3 million was received in 2021.

42. 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 €0.4 million (2020: approximately €0.2 million), are recognised in the income statement.

43. Events after the reporting period

On 3 February 2022, the Group sold its wholly owned subsidiary BAM Galère srl to the Belgian construction company Thomas & Piron Group. The assets and liabilities of BAM Galerè srl are presented as held for sale as at 31 December 2021. The financial impact of this transaction is deemed limited. The related revenue and adjusted EBITDA for 2021 were €214 million (2020: €158 million) and €9 million (2020: €4 million) respectively.

On 15 February 2022, the Group has reached agreement to sell the shares of BAM Contractors bv to the Belgian construction company NV Desiré Stadsbader. The transaction, which is subject to approval of the competition authorities, is expected to close in the second quarter of 2022. The assets and liabilities of BAM Contractors bv are presented as held for sale as at 31 December 2021. The financial impact of this transaction is reflected in note 37. The related revenue and adjusted EBITDA for 2021 were €193 million (2020: €162 million) and €7 million (2020: €2 million) respectively.

Company statement of financial position as at 31 December

(before appropriation of result, x €1,000)

	Notes	31 December 2021	31 December 2020
Non-current assets			
Property, plant and equipment	2	8,095	15,844
Right-of-use assets	3	2,521	3,896
Intangible assets	4	330,121	317,667
Financial assets	5	1,018,832	943,061
Deferred tax assets	6	64,903	79,494
		1,424,472	1,359,962
Current assets			
Receivables	7	36,676	46,587
Cash and cash equivalents	8	582,264	1,167,229
		618,940	1,213,816
Total assets		2,043,412	2,573,778
Equity attributable to shareholders of the Company			
Issued and paid capital	9	27,941	27,941
Share premium		811,370	811,370
Reserves		5,922	(16,259)
Retained earnings		(189,030)	(117,425)
Net result		(2,614)	(101,445)
		653,589	604,182
Provisions			
Subsidiaries	10	2,756	62,371
Employee benefits	10	22,522	18,193
Other	10	2,138	1,600
		27,416	82,164
Non-current liabilities			
Borrowings	11	-	400,000
Other liabilities	13	5,857	5,133
Lease liabilities	12	1,714	2,283
		7,571	407,416
Current liabilities			
Lease liabilities	12	843	1,648
Other liabilities	13	1,353,993	1,478,368
		1,354,836	1,480,016
Total equity and liabilities		2,043,412	2,573,778

Company income statement

(x €1,000)

	Notes	2021	2020
Internal charges	14	145,834	144,786
Other income*		-	118,167
External charges		(11,100)	(14,774)
Employee benefit expenses	15	(41,801)	(42,993)
Depreciation and amortisation charges	2,3,4	(9,005)	(9,052)
Impairment charges		(3,112)	(43,400)
Other operating expenses		(94,816)	(82,852)
Exchange rate differences		188	(2)
		(159,646)	(193,073)
Operating result		(13,812)	69,880
Finance income	16	6,859	7,896
Finance expense	16	(10,261)	(20,950)
		(3,402)	(13,054)
Share of result of investments	5	22,871	(137,342)
Result before tax		5,657	(80,516)
Income tax		(8,271)	(20,929)
Result for the year from operations		(2,614)	(101,445)

*Other income relates to the gain on the transaction following the transfer of 50 per cent of the shares of BAM PPP to PGGM. See note 37.4 of the notes to the consolidated financial statements.

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 Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch 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).

Regarding IFRS 9 combination 3, the Group has applied the Dutch 'RJ 100.107a' regarding expected credit losses. Therefore the expected credit losses on receivables from subsidiaries have not been included in the company financial statements, since these have been eliminated within the book value of the receivables.

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.

1.3 Income tax

Corporate income tax is allocated to the subsidiaries forming part of the fiscal unit, as if they were independent taxable entities.

2. Property, plant and equipment

	Other assets
As at 1 January 2020	
Cost	36,193
Accumulated depreciation and impairments	(23,873)
	12,320
Additions	8,785
Disposals	(1)
Reclassifications	-
Depreciation charges	(5,260)
	3,524
As at 31 December 2020	
Cost	44,977
Accumulated depreciation and impairments	(29,133)
	15,844
Additions	4,520
Disposals	-
Reclassifications*	(7,628)
Depreciation charges	(4,641)
	8,095
As at 31 December 2021	
Cost	41,868
Accumulated depreciation and impairments	(33,773)
	8,095

* Relates to investments in Non-integrated software.

3. Right-of-use assets

	Land and buildings	Cars	Total
As at 1 January 2020	98	4,216	4,314
Additions	11	1,704	1,715
Remeasurement	(44)	(186)	(230)
Depreciation charges	(47)	(1,841)	(1,888)
Reclassifications	-	(15)	(15)
	(80)	(338)	(418)
As at 31 December 2020	**18**	**3,878**	**3,896**
Additions		753	753
Disposals / retirements	(2)		(2)
Remeasurement	(8)	(21)	(29)
Depreciation charges	(8)	(1,672)	(1,680)
Reclassifications	-	(417)	(417)
	(18)	(1,357)	(1,375)
As at 31 December 2021	**-**	**2,521**	**2,521**

Additional information on right-of-use assets is disclosed in Note 8 to the consolidated financial statements.

4. Intangible assets

	Goodwill	Non-integrated software	Other	Total
As at 1 January 2020				
Cost	519,915	7,946	883	528,744
Accumulated amortisation and impairments	(157,088)	(2,613)	(331)	(160,032)
	362,827	5,333	552	368,712
Additions	-	1,705	-	1,705
Amortisation charges	-	(1,816)	(88)	(1,904)
Impairment charges*	(43,400)	-	-	(43,400)
Exchange rate differences	(7,446)	-	-	(7,446)
	(50,846)	(111)	(88)	(51,045)
As at 31 December 2020				
Cost	512,469	9,651	883	523,003
Accumulated amortisation and impairments	(200,488)	(4,429)	(419)	(205,336)
	311,981	**5,222**	**464**	**317,667**
Additions	-	651	-	651
Amortisation charges	-	(2,596)	(88)	(2,684)
Reclassifications**	-	7,628	-	7,628
Impairment charges***	-	(3,112)	-	(3,112)
Exchange rate differences	9,971	-	-	9,971
	9,971	2,571	(88)	12,454
As at 31 December 2021				
Cost	522,440	17,930	883	541,253
Accumulated amortisation and impairments	(200,488)	(10,137)	(507)	(211,132)
	321,952	**7,793**	**376**	**330,121**

* Impairment charges relates to the goodwill of BAM International (€22 million), BAM Deutschland (€12 million) and Kairos nv (€9 million). See note 27 of the notes to the consolidated financial statements.

** Relates to investments in Non-integrated software and has been reclassed from Property Plant & Equipment.

*** Impairment charges relates to Non-integrated software and are related, due to the divestments the software is not put to use as such it was impaired in 2021.

5. Financial assets

	Shares in subsidiaries	Receivables from subsidiaries	Other participating interests	Total
As at 1 January 2020	726,955	306,192	648	1,033,795
Net result for the year	(137,342)	-	-	(137,342)
Dividends	(95,156)	-	-	(95,156)
Adjustments in group structure	(90,828)	68,174	116,776	94,122
Capital contributions	-	-	-	-
Loans granted and repayments	-	(9,516)	-	(9,516)
Hedging reserve	62,793	-	-	62,793
Remeasurements of post-employment benefit obligations	2,176	-	-	2,176
Exchange rate differences	(7,811)	-	-	(7,811)
As at 31 December 2020	**460,787**	**364,850**	**117,424**	**943,061**
Net result for the year	9,173	-	13,698	22,871
Dividends	(15,000)	-	(6,100)	(21,100)
Reclassifications	(70,334)	19,254	-	(51,080)
Capital contributions	110,231	-	-	110,231
Loans granted and repayments	-	(30,945)	-	(30,945)
Hedging reserve	254	-	-	254
Remeasurements of post-employment benefit obligations	33,520	-	-	33,520
Exchange rate differences	10,518	-	1,501	12,019
As at 31 December 2021	**539,150**	**353,159**	**126,523**	**1,018,832**

In 2021 the impairment of the long term receivables of BAM International bv of €28.9 million, done in 2020, has been reversed because of a capital contribution in 2021. For the provision of BAM International as per year end 2022 refer to Note 10.

The reclassifications under the other participating interests concerns the fair value of the 50 per cent interest in BAM PPP which is qualified as discontinued operation in 2020.

A list of the principal subsidiaries is disclosed in section Other information, paragraph 8.5.

6. Deferred tax assets

	2021	2020
Deferred tax assets	**64,903**	79,494
	64,903	79,494

Deferred tax assets include the liquidation of old property development activities in Germany and the tax loss carry-forwards of the operations in the Netherlands 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 24 to the consolidated financial statements.

7. Receivables

	2021	2020
Amounts due from subsidiaries	15,632	22,513
Amounts due from joint ventures	-	2,310
Prepayments and accrued income	21,044	21,764
	36,676	46,587

Receivables are due within one year.

8. Cash and cash equivalents

	2021	2020
Cash at bank and in hand	582,264	1,167,229
	582,264	1,167,229

Cash and cash equivalents are at the free disposal of the Company.

9. Equity attributable to shareholders of the Company

At year-end 2021, the authorised capital of the Group was 400 million ordinary shares (2020: 400 million) and 600 million preference shares (2020: 600 million), all with a nominal value of €0.10 per share (2020: €0.10 per share).

All issued shares have been paid in full.

Movements in the number of ordinary shares are as follows:

	Number of ordinary shares	Number of treasury shares	Number of ordinary shares in issue
As at 1 January 2020	279,407,449	6,111,432	273,296,017
Repurchase of ordinary shares	-	-	-
Awarded LTI shares	-	-	-
Dividends	-	-	-
As at 31 December 2020	279,407,449	6,111,432	273,296,017
Repurchase of ordinary shares	-	-	-
Awarded LTI shares	-	-	-
Dividends	-	-	-
As at 31 December 2021	279,407,449	6,111,432	273,296,017

Movements in shareholders' equity are as follows:

	Attributable to the shareholders of the Company					
	Issued and paid capital	Share premium	Reserves	Retained earnings	Net result	Total
As at 1 January 2020	27,941	811,370	(183,647)	(39,066)	11,846	628,444
Net result for the year	-	-	-	-	(101,445)	(101,445)
Appropriation of result	-	-	-	11,846	(11,846)	-
Dividends	-	-	-	-	-	-
Remeasurements of post-employment benefit obligations	-	-	-	(1,940)	-	(1,940)
Cash flow hedges	-	-	94,579	-	-	94,579
Repurchase of ordinary shares	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Exchange rate differences	-	-	(10,597)	-	-	(10,597)
Other	-	-	83,406	(88,265)	-	(4,859)
As at 31 December 2020	**27,941**	**811,370**	**(16,259)**	**(117,425)**	**(101,445)**	**604,182**
Net result for the year	-	-	-	-	(2,614)	(2,614)
Appropriation of result				(101,445)	101,445	-
Dividends	-	-	-	-	-	-
Remeasurements of post-employment benefit obligations	-	-	-	27,465	-	27,465
Cash flow hedges	-	-	255	-	-	255
Repurchase of ordinary shares	-	-	-	-	-	-
Share-based payments	-	-	-	2,374	-	2,374
Exchange rate differences	-	-	21,927	-	-	21,927
Other	-	-	-	-	-	-
As at 31 December 2021	**27,941**	**811,370**	**5,923**	**(189,031)**	**(2,614)**	**653,589**

9.1 Reserves and retained earnings

Reserves comprise amounts for (cash flow) hedging, translation differences and legal reserve related to joint ventures. The legal reserves are required by Dutch law. Distributions to the shareholders of the Company are restricted to the extent of the balance.

The hedging reserve amounts to nil (2020: nil) and the translation reserve €77 million negative (2020: €99 million negative). The total reserves include the legal reserve of €86 million (2020: €83 million) consisting of AsfaltNu of €1 million (2020: €6 million) and in respect of the joint venture BAM PPP of €85 million (2020: €77 million).

For a further breakdown of the reserves see Note 16 and 17 of the Notes to the consolidated financial statements.

In 2020 the total equity attributable to the shareholders of the Company amounts to €604 million and differs from the consolidated equity attributable to the shareholders of the Company with €21 million. The difference relates to the negative equity value of a certain subsidiary which has been valued at nil. The Company does not foresee an outflow of cash and expects that the equity will be positive in near future.
As the equity value of the subsidiary has increased and became positive, the difference has been recognised in the net result for the year 2021.

In 2021 the result for the year of the Company accounts amounts to €2.6 million negative and differs from the consolidated result for the year with €20.7 million. The difference relates to the reversal in 2021 of the beforementioned negative equity value of a certain subsidiary which has been valued at nil in 2020.

9.2 Dividends per share

Over 2021, no dividend is proposed to be declared as the capital ratio is below strategic target.

10. Provisions

	2021	2020
Subsidiaries	2,756	62,371
Employee benefits	22,522	18,193
Other provisions	2,138	1,600
	27,416	82,164

The provision for subsidiaries relates to the negative equity value of BAM International bv which has been valued at nil. The decrease is mainly caused by a Capital contribution and reversal of write-off on receivables. The Company does foresee an outflow of cash for the amount of the negative equity value.

11. Borrowings

	2021	2020
Subordinated convertible bonds	-	-
Revolving credit facility	-	400,000
	-	400,000

The facility was fully repaid within the first quarter of 2021. At year-end 2021, the facility was not used (year-end 2020: fully drawn). Additional information on borrowings is disclosed in Note 19 to the consolidated financial statements.

12. Lease liabilities

	2021	2020
Lease liabilities	2,557	3,931
	2,557	3,931

Additional information on lease liabilities is disclosed in Note 20 to the consolidated financial statements.

13. Other liabilities

	2021	2020
Amounts due to subsidiaries	1,298,670	1,322,349
Subordinated convertible bonds	-	118,670
Other liabilities	61,180	42,482
	1,359,850	1,483,501

In response to Covid-19, the Group made use of the temporary deferral of tax payments (value added tax and wage tax) granted by certain tax authorities for a total amount of €6 million (2020: €6 million). An amount of €6 million (2020: €5 million) has been reflected under the non-current liabilities.
The other liabilities mainly consist of trade and other payables.

14. Internal charges

The internal charges represent services that have been charged to the other Group companies.

15. Employee benefit expenses

	2021	2020
Wages and salaries	36,461	36,178
Social security costs	2,764	3,731
Pension costs - defined contribution plans	2,548	2,942
Pension costs - defined benefit plans	28	142
	41,801	42,993

At year-end 2021, the Company had 286 employees in FTE (2020: 339). The average number of employees in FTE amounted to 303 (2020: 323). There are no employees in other countries than the Netherlands.

16. Finance income and expense

	2021	2020
Finance income		
- Interest income - intercompany	6,477	6,819
- Interest income - cash at banks	377	-
- Interest income - other financial assets	4	-
- Other finance income	1	1,077
	6,859	7,896
Finance expense		
- Subordinated convertible bonds	3,313	7,365
- Committed syndicated credit facility	3,707	6,126
- Bank fees - committed syndicated credit facility	-	1,411
- Interest expense - cash at banks	1,443	2,326
- Interest expense - intercompany	367	1,478
- Interest expense on lease liabilities	33	52
- Recourse property financing	79	93
- Other recourse financing	1,319	2,099
	10,261	20,950
Net finance result	(3,402)	(13,054)

Additional information on finance income and expense is disclosed in Note 30 to the consolidated financial statements.

17. 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 38 to the consolidated financial statements.

18. Commitments and contingencies

18.1 Guarantees

The Company has issued parent company guarantees amounting to €169 million (2020: €186 million) at year-end.

18.2 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 Dutch 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 and Dutch VAT liabilities of the whole fiscal unity.

Bunnik, the Netherlands, 23 February 2022

Supervisory Board:
H.Th.E.M. Rottinghuis
G. Boon
B. Elfring
D. Koopmans
N.M. Skorupska
M.P. Sheffield

Executive Board:
R.J.M. Joosten
L.F. den Houter

Station Hasselt, Hasselt, Belgium - BAM Contractors bv

8

Other information

> *New escalator and temporary roof were installed at Hasselt station in November 2021*

8.1 Combined independent auditor's report on the 2021 financial statements and non-financial information

To: the shareholders and Supervisory Board of Royal BAM Group nv

Our conclusions

We have audited the financial statements 2021 of Royal BAM Group nv based in Bunnik. The financial statements include the consolidated financial statements and the company financial statements.

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 2021 and of its result and its cash flows for 2021 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 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code

We have reviewed the non-financial information in the annual report for the year 2021 of Royal BAM Group nv (the Report). The scope is described in the section Our Scope. A review is aimed at obtaining a limited level of assurance.

Based on our review nothing has come to our attention that causes us to believe that the non-financial information does not present, in all material respects, a reliable and adequate view of the policy and business operations with regard to corporate social responsibility and the thereto related events and achievements for the year 2021 in accordance with the Sustainability Reporting Standards (core option) of the Global Reporting Initiative (hereafter: GRI Standards) and the applied supplemental reporting criteria as disclosed in appendix 9.6 Non-financial reporting process and methods of the Report.

Based on our procedures performed according to the requirements of Part 9 of Book 2 of the Dutch Civil Code, section 2:135b sub-section 7 of the Dutch Civil Code and the Dutch Standard 720, we conclude that the other information included in the Report, including the Executive Board report and the report from the Supervisory Board:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 for the management board report, the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code for the remuneration report.

Basis for our conclusions

We conducted our assurance engagements in accordance with Dutch law, including the Dutch Standards on Auditing and the Dutch Standard 3810N "Assurance-opdrachten inzake maatschappelijke verslagen" (Assurance engagements relating to sustainability reports), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. Our responsibilities under those standards are further described in the section Our responsibilities in this report.

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Our independence

We are independent of Royal BAM Group nv in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagements. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

Our scope

Our engagements scope

The Report of Royal BAM Group nv consists of the financial statements and other information, including the Executive Board report and the report from the Supervisory Board, that provides altogether an overview of the policy, activities, events and performances related to both the financial position and the sustainable development of Royal BAM Group nv during reporting year 2021. The following information in the Report has been in scope for our assurance engagements:

The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2021
- The following statements for 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:
- The company statement of financial position as at 31 December 2021
- The company income statement for 2021
- The notes comprising a summary of the accounting policies and other explanatory information

The non-financial information comprises:

- Limited assurance – All other non-financial information reported in the paragraphs/chapters Business model (pages 9-10), Strategy 2021-2023 (pages 11-13), Stakeholder engagement and material themes (pages 14-17), Social performance (pages 30-38), Environmental performance (pages 40-45), Non-financial reporting process and methods (pages 206-207), Material themes and management approach (pages 208-211) and the GRI Disclosures as disclosed on the website of Royal BAM Group nv – hereafter: 'the other non-financial information'

The other information comprises:

- Key figures
- Executive Board report (chapters 1 to 5)
- Supervisory Board report (chapter 6)
- Chapter 8.2, 8.3, 8.4 and 8.5 Other information
- Chapter 9.1, 9.2, 9.7 and 9.8

Limitations to the scope of our assurance engagement on the non-financial information

The non-financial information includes prospective information, such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the non-financial information.

The references to external sources or websites in the non-financial information, except for the GRI Disclosures which are available on the website of Royal BAM Group nv, are not part of the non-financial information as reviewed by us. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect of these matters.

Reporting criteria

The financial statements and the non-financial information need to be read and understood together with the reporting criteria. Royal BAM Group nv is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The absence of an 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.

The reporting criteria used for the preparation of the financial statements and the non-financial information are presented below.

Consolidated financial statements	International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code
Company financial statements, report by the board of management and report of the Supervisory Board	Part 9 of Book 2 of the Dutch Civil Code
Non-financial information	GRI Standards and the applied supplemental reporting criteria as disclosed in appendix 9.6 Non-financial reporting process and methods on pages 206-207 of the Report.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion on these matters.

Our understanding of the business

Royal BAM Group nv (hereinafter: the Company or Royal BAM Group nv) offers its clients a substantial package of products and services in the sectors Construction and Property, Civil Engineering and Public Private Partnerships. The Company is structured in components and is mainly active in the Netherlands, the United Kingdom, Ireland, Belgium and Germany, and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the Company and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain 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 override of internal control.

In 2021 we continued to perform our procedures to a greater extent remotely due to the Covid-19 measures. We adapted our approach and procedures during the year considering the applicable restrictions per country in which Royal BAM Group nv is performing activities.

Performing our procedures remotely limits our observations and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality financial statement audit
For the audit of the financial statements our considerations regarding the materiality are as follows:

Materiality	€35 million (2020: €30 million)
Benchmark used	0.5 per cent of revenue
Additional explanation	Based on our analyses of the common information needs of users of the financial statements, we consider profit before tax the most appropriate benchmark to determine materiality. However, profit before tax has been volatile in recent years and is not yet at a representative level, given the nature and size of the business. For this reason we considered revenues to be a more appropriate benchmark to determine the materiality.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of €1.75 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our scope for the group audit of the financial statements
Royal BAM Group nv is the head of a group of entities primarily located in the Company's home countries (the Netherlands, the United Kingdom, Ireland, Belgium and Germany), along with certain corporate functions part of Royal BAM Group nv's headquarters. The financial information of this group is included in the consolidated financial statements of Royal BAM Group nv.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit focused on significant group entities. Entities are considered significant either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. On this basis, we selected entities for which an audit or review had to be carried out on the complete set of financial information or on specific items. In establishing the overall approach to the audit, we determined the audit procedures required to be performed by us, as Group auditors or by (non-)EY Global member firms operating under our instructions.

For the foreign Royal BAM Group nv home countries, we involved EY component auditors, who are familiar with local laws and regulations and who applied full scope audits. Because of the (international) travel restrictions and social distancing due to the Covid-19 pandemic, we had to restrict or were unable to visit foreign local management and foreign component auditors to discuss, among others, the business activities and the identified significant risks or to review and evaluate relevant parts of the component auditor's audit documentation and to discuss significant matters arising from that evaluation on site. In these extraordinary circumstances we predominantly used electronic communication technology and written information exchange.

In order to take responsibility as group auditor in line with current auditing standards, and to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. We intensified communication with component teams, required more granular reporting (including detailed work programs), reviewed electronic audit files of component auditors in the United Kingdom, Ireland and Belgium, performed audit procedures centrally, and intensified communication with management and those charged with governance. For the year-end audit of specific complex projects we performed digital site visits (using webcams and drones) and involved our own quantity surveyors and internal construction experts. We concluded that we can rely on both the EY and non-EY component auditors and their work performed in relation to the audit of the consolidated financial statements of Royal BAM Group nv.

We have performed audit procedures ourselves for entities within the Group located in the Netherlands, thereby focusing on the key risk areas.

As a result of the above mentioned procedures, we have covered all entities and foreign locations that are significant to the consolidated financial statements of Royal BAM Group nv. In addition, we have performed analytical review procedures and made inquiries with the Executive Board with respect to some smaller locations that are not material and made sure that there are no developments or exposures that should have been covered.

By performing the procedures mentioned above at entities within the Group, together with additional procedures at Group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists for the audit of the financial statements
We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the real estate and construction industry. We included specialists in the areas of IT audit, corporate finance, income tax, pensions, construction

projects, land and building rights, share based payments and forensics.

Our focus on climate risks and the energy transition
Climate objectives will be high on the public agenda in the next decades. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets ('stranded assets') and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint.

Our audit procedures to address the assessed climate-related risks and the possible effects of the energy transition did not result in a key audit matter. However, we do include the impact of climate-related risks and possible effects of the energy transition in our overall audit approach due to the importance of climate objectives and issues such as CO_2 reduction in the coming decades.

We evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in estimates and significant assumptions as well as in the design of relevant internal control measures by Royal BAM Group nv. Furthermore, we read the Executive Board report and considered whether there is any material inconsistency between the non-financial information in sections 2.1, 2.2, 2.3, 3.2, 3.3 and 4 and the financial statements.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility
Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Our audit response related to fraud risks
We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.
We refer to section 4 of the annual report for management's fraud risk assessment and section Risk Management of the report from the Supervisory Board (paragraph 6.1 of the annual report) in which the Supervisory Board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We identified the following fraud risks and performed the following specific procedures:

Risks related to management override of controls and revenue recognition	
Fraud risk	We addressed the risks related to management override of controls. In our audit approach we considered that this fraud risk would primarily impact the incorrect valuation of work in progress and revenue recognition due to over-estimation and/or under-estimation of the project results (including contract provisions). The risk predominantly relates to projects that are considered key due to their relative size and complexity. This risk is specifically related to the over-estimation and/or under-estimation of project results (based on (component) management's tendencies – taking into consideration managements adjustments) due to: • Incorrect valuation of variable considerations (i.e. variation orders, claims, penalties and bonuses); and • Incorrect estimation of costs to complete.
Our audit approach	We describe the audit procedures responsive to the this fraud risk in the description of our audit approach for the key audit matter *Valuation of projects and revenue recognition*

Compliance with anti-fraud and laws and regulations	
Fraud risk and our audit approach	We identified a fraud risk that the Company does not comply with anti-fraud and bribery laws and regulations in jurisdictions where it does business, both as a result of active transactions and/or passive transactions in which it is involved. The Company may be subject to administrative, civil or criminal liabilities including fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time. The risk with regard to active transactions concerns the risk that the Company e.g. makes illegal payments (bribery) to induce the recipient to act or refrain from acting. The risk particularly relates to tender processes for (larger) projects and making use of agents in the relationship with principals and settlement of variable considerations. Given the winddown of BAM International this risk is shifted from focusing on tenders to the involvement of agents in settlement of variable considerations. Due to the size of the company Royal BAM Group nv is a very large customer for its suppliers and subcontractors. Therefore suppliers and subcontractors have an incentive to become a preferred supplier or subcontractor for work on specific projects or in general. This leads to the risk that the company or its employees accept payments (bribery) from suppliers or subcontractors. We obtained an understanding of the entity level controls and the legal and regulatory framework of the Company and executed procedures to confirm that they have been properly implemented. On a periodic basis, we enquired with the Executive Board, internal audit department, risk and compliance department and legal department to understand and assess existing and potentially non-compliance matters and new constructive and legal obligations. We inspected legal and compliance management reports. We read the minutes of the Executive Board and Supervisory Board. For the specific risks identified we involved forensic specialists to design a tailored work program to address the risks identified, containing among others the following procedures: • inquiry with management, compliance officer and tender desk manager; • review of minutes of local management; • performing analytical procedures, including data analytics; • performing substantive test of details regarding the tender costs and costs related to agents incurred in 2021; • performing substantive test of details regarding significant contracts with suppliers in 2021; • review of correspondence with relevant authorities (e.g. relating to compliance with anti-bribery and anti-competition laws and regulations in jurisdictions where it does business); • assessment of (potential) cases identified or suspected by the Company.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and local management) and the Supervisory Board.
There are (remaining) compliance, regulatory and reputation risks inherent to doing business in jurisdictions around the world as disclosed in Note 34 to the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the Executive Board, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section 'Going concern' in Note 2 to the financial statements, the Executive Board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the specific assessment with the Executive Board exercising professional judgment and maintaining professional skepticism. We considered whether the Executive Board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events 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.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next 12 months.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

As a consequence of the increased debt covenant headroom and the financial performance of the company, the key audit matter 'Going concern and compliance with debt covenants' which was included in our last year's auditor's report, is no longer included as a key audit matter for this year.

The company released its Strategic Agenda 2021-2023 in February 2021. This agenda includes a divestment plan. The audit of the impact of this plan on the financial statements is considered a new key audit matter 'Classification and valuation of assets held for sale and/or accounting for results from disposal of subsidiaries'.

Valuation of projects and revenue recognition

Refer to pages 49-53 (Executive Board report), pages 116-118 (Critical accounting judgements and key sources of estimation uncertainties) and pages 123-124 (Note 6. Projects)

Risk	Our audit approach	Key observations
The valuation of projects and revenue recognition are significant to the financial statements based on the quantitative materiality and the degree of management judgment required to account for complex projects and to apply the percentage of completion method. We therefore considered this to be a key audit matter. Royal BAM Group nv is involved in large and complex construction projects for which the Company applies the percentage of completion method. The amount of project revenue, profit recognised as well as provisions for onerous contracts in a year is dependent, inter alia, on the actual costs incurred, the assessment of the percentage of completion of (long-term) contracts and the forecasted contract revenue and costs to complete of each project. Furthermore, the amount of revenue and result is influenced by the valuation of variation orders and claims. This often involves a high degree of judgment due to the complexity of projects, uncertainty about costs to complete and uncertainty about the outcome of discussions with clients on variation orders and claims, thereby taking into account the various parts of the world Royal BAM Group nv operates in.	Our audit procedures included an assessment of the internal control environment of Royal BAM Group nv, testing existence of relevant controls, performing physical and digital site visits (using webcams and drones), vouching project valuations and testing the Executive Board's position against supporting documentation and Royal BAM Group nv's accounting policy. For long-term contracts, we also compared the position Royal BAM Group nv is currently taking to the positions taken in previous year, to ensure consistency in the valuation and to perform back testing on this estimate. In cases where a high amount of judgment is involved, we gained additional comfort by comparing the Executive Board's positions to opinions from external parties such as lawyers or surveyors. For specific complex projects we involved our own quantity surveyors and internal construction experts to determine the reasonableness of the Executive Board's estimations of variable considerations and costs to complete.	Overall, in our view projects have been valued in accordance with EU-IFRS, thereby taking into account the disclosures with respect to risk and uncertainty mentioned on the pages referred to above.

Valuation of goodwill and deferred tax assets

Refer to page 25 (Executive Board report), pages 116-118 (Critical accounting judgements and key sources of estimation uncertainties), pages 126-127 (Note 9. Intangible assets) and pages 151-153 (Note 24. Deferred tax assets and liabilities)

Risk	Our audit approach	Key observations
As per 31 December 2021, Royal BAM Group nv recognised goodwill (€330 million) and net deferred tax assets (€86 million). The valuation of both goodwill and deferred tax assets is primarily based on expected future cashflows and forecasted results, among others derived from the 2022 operating plan and strategic agenda 2021-2023 as approved by the Supervisory Board, and the Executive Board's outlook based on order intake and expected margins for new projects for 2022 and beyond. Estimation of future cashflows and results inherently involves a high degree of judgment. We therefore considered this to be a key audit matter. For goodwill valuation purposes, Royal BAM Group nv's reassessment did not lead to an impairment in 2021. CGU's with limited headroom are disclosed on page 127 of the Report. An impairment of €11 million of the recognized deferred tax assets related to tax losses carried forward is recognized, mainly as a result of the enactment of tax loss utilization legislation in the Netherlands.	Our audit procedures included an assessment of the Company's assumptions underlying the estimated future (taxable) results for their reasonableness and consistency with operating plans, strategic plans for future years, order intake and expected margins for new projects for 2022 and beyond. We also challenged the Executive Board's expectations of future (taxable) results, challenged risk adjustments made by the Executive Board and we assessed the historical accuracy of the Executive Board's assumptions (back-testing) and analysed the rationale for differences between expected results and the actual results. We involved corporate finance and tax specialists to determine the reasonableness of the assumptions and appropriateness of the models used by Royal BAM Group nv in determining the valuation of respectively goodwill and deferred tax assets.	In our view, the Executive Board's assessment on the recognised goodwill and deferred tax assets is reasonable and within the acceptable range taken into account the requirements of EU-IFRS.

Valuation of land and building rights

Refer to pages 116-118 (Critical accounting judgements and key sources of estimation uncertainties) and pages 123-124 (Note 6. Projects)

Risk	Our audit approach	Key observations
The estimates supporting the value of land and building rights relate to terms which vary from one year to more than thirty years, due to which the estimation uncertainty is significant. We therefore considered this to be a key audit matter.	We have assessed the calculations of the net realizable values of the land and building rights and challenged the reasonableness and consistency of the assumptions used by the Executive Board. We also determined consistency with prior years and external available information such as external appraisals and plans and decisions of government bodies. We also compared the Executive Board's assumptions concerning the development of prices of residential housing with independent expectations of external parties and institutions. We involved valuation specialists to determine the reasonableness of the assumptions and models used by Royal BAM Group nv to support the value of land and building rights.	In our view the valuation applied by Royal BAM Group nv is in accordance with EU-IFRS.

Classification and valuation of assets held for sale and/or accounting for results from disposal of subsidiaries

Refer to pages page 13 (Executive Board report), pages 160-161 (Note 36. Sale of BAM Deutschland AG and BAM Swiss AG), pages 161-163 (Note 37. Assets held for sale and discontinued operations)

Risk	Our audit approach	Key observations
The company divested BAM Swiss and BAM Deutschland and expects further divestments in the coming year(s). Divestments trigger derecognition of certain assets and liabilities and recognition of results from disposals. Anticipated divestments may impact classification of certain assets and liabilities as held for sale and may also impact the valuation of these assets and liabilities. Considering the transactions deemed outside the normal course of business, the complexity of these transactions and level of judgement involved, we identified this to be a key audit matter.	We have inquired group management (including the Executive Board) and local management and inspected significant contracts and agreements relating to (potential) divestments. We assessed the evaluation of management whether the expected transactions qualify as assets held for sale and/or discontinued operations. We also performed substantive testing procedures to verify the proper measurement of assets held for sale at the lower of its carrying amount and fair value less costs to sell taking into consideration the agreed fixed and variable considerations. Additionally we performed substantive testing procedures to verify the valuation of results from disposal of subsidiaries and the initial and subsequent measurement of specific indemnities that were agreed upon. Furthermore we performed procedures to determine the proper presentation and to determine the complete and accurate disclosure of information regarding results from disposal of subsidiaries and assets held for sale.	In our view the accounting treatment of assets held for sale and accounting for results from disposal of subsidiaries is applied by Royal BAM Group nv in accordance with EU-IFRS.

Information in support of our conclusion

We designed our assurance procedures in the context of our review of the non-financial information as a whole and in forming our conclusion thereon. The following information in support of our conclusion and any findings were addressed in this context, and we do not provide a separate conclusion on these matters.

Our understanding of the business
Royal BAM Group nv offers its clients a substantial package of products and services in the sectors Construction and Property, Civil Engineering and Public Private Partnerships. The Company is structured in components and is mainly active in the Netherlands, the United Kingdom, Ireland, Belgium and Germany, and we tailored our assurance approach accordingly. We paid specific attention in our review to a number of areas driven by the operations and characteristics of the Company and its external environment, including obtaining an understanding of relevant social themes and issues.

We start by determining materiality and identifying and assessing the risks of material misstatement of the non-financial information, whether due to fraud or error in order to design assurance procedures responsive to those risks and to obtain assurance evidence that is sufficient and appropriate to provide a basis for our conclusion. The risk that the non-financial information is misleading or unbalanced resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In 2021 we continued to perform our procedures to a greater extent remotely due to the Covid-19 measures. We adapted our approach and procedures during the year considering the applicable restrictions per country in which Royal BAM Group nv is performing activities.

Performing our procedures remotely limits our observations and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain assurance evidence that is sufficient and appropriate to provide a basis for our conclusion.

Materiality non-financial information
Based on our professional judgment we determined materiality levels for each relevant part of the non-financial information and for the non-financial information as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the Company.

We agreed with the Supervisory Board that misstatements which are identified during our work and which in our view must be reported on quantitative or qualitative grounds, would be reported to them.

Our key assurance matters

Key assurance matters are those matters that, in our professional judgment, were of most significance in our assurance procedures for the non-financial information. We have communicated the key assurance matters to the Supervisory Board. The key assurance matters are not a comprehensive reflection of all matters discussed.

We have reformulated the key assurance matter 'Correct registration of safety incidents' and how we addressed the matter as a result of the reduced assurance level Royal BAM Group nv requested on the KPI Incident Frequency BAM ('IF BAM') and the number of serious accidents for 2021 compared to 2020.

Correct registration of safety incidents

Refer to pages 30-33 (Executive Board report) and pages 206-207 (Appendix 9.6 Non-financial reporting process and methods)

Key assurance matter	How our assurance engagement addressed the matter	Key observations
Royal BAM Group nv uses and discloses own reporting criteria for the KPI Incident Frequency BAM ('IF BAM') and the number of serious accidents. The complexity of the scoping of the indicators and the decentralised organisation of Royal BAM Group nv inherently involves risk that not all reported safety incidents are correctly included in the registration process of incidents. We therefore considered this to be a key assurance matter.	Our assurance procedures focused on the definitions for the KPI IF BAM and the number of serious accidents used both on the level of Royal BAM Group nv's operating companies and on corporate level, inquiry of responsible personnel from different levels within the organisation on how Royal BAM Group nv monitors this inherent risk and obtain a general understanding of controls that are in place to mitigate this risk. We reviewed internal documentation on a limited test basis on group and operating company level, to verify the correctness of the registered safety incidents. We have also reviewed whether the disclosures in the Report, including any inherent limitations in measurement, are adequate.	Nothing has come to our attention that causes us to believe that IF BAM and the number of serious accidents are not prepared in accordance with the reporting criteria as disclosed in appendix 9.6 Non-financial reporting process and methods of the Report.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the shareholders meeting on 22 April 2015 as auditors of Royal BAM Group nv as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements we mainly provided the following services:

- Agreed upon procedures on debt covenants and other financial ratios
- Assurance on other items than the consolidated financial statements of Royal BAM Group nv (such as local statutory audits)
- Assurance on non-financial information as described in the section 'Our scope' of this report

All non-prohibited services provided have been pre-approved by the audit committee.

European Single Electronic Reporting Format (ESEF)

Royal BAM Group nv has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Royal BAM Group nv, complies in all material respects with the RTS on ESEF.

The Executive Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Executive Board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities

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 Part 9 of Book 2 of the Dutch Civil Code and for the preparation of the other information, including the Executive Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information required by Part 9 of Book 2 of the Dutch Civil Code. The Executive Board and the Supervisory Board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

The Executive Board is also responsible for the preparation of reliable and adequate non-financial information in accordance with the GRI Standards and the applied supplemental reporting criteria, including the identification of the stakeholders and the determination of material issues. The choices made by the Executive Board with respect to the scope of the non-financial information are included in appendix 9.6 Non-financial reporting processes and methods (pages 206-207) of the Report.

Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements and the non-financial information 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 (financial) reporting process of Royal BAM Group nv.

Our responsibilities
Our responsibility is to plan and perform the assurance engagements in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusions.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit. The assurance procedures performed to obtain a limited level of assurance (review) are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit.

We apply the Nadere voorschriften kwaliteitssystemen (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

An informative summary of the work performed and communication as the basis of our conclusions is included in the Annex to the combined independent auditor's report.

Amsterdam, 23 February 2022

Ernst & Young Accountants LLP

A.A. van Eimeren

Annex to the combined independent auditor's report

Work performed
We have exercised professional judgment and have maintained professional skepticism throughout the assurance engagements performed by a multi-disciplinary team, in accordance with the Dutch Standards on Auditing and the Dutch assurance standards, ethical requirements and independence requirements. The 'Information in support of our opinion' section and the 'Information in support of our conclusion' section in the combined independent auditor's report includes an informative summary of our responsibilities and the work performed and should be read in conjunction with the information in this annex as the basis for our conclusions.

Our audit to obtain reasonable assurance about the financial statements (consolidated and company) included the following:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion

- 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
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our review to obtain limited assurance about the non-financial information included the following:
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board.
- Obtaining an understanding of the reporting processes for the non-financial information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the non-financial information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or errors. Designing and performing further procedures aimed at determining the plausibility of the non-financial information responsive to this risk analysis. These further review procedures consisted of:
- Interviewing the Executive Board and relevant staff at corporate and local levels responsible for the sustainability strategy, policies and results.
- Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the non-financial information.
- Determining the nature and extent of the review procedures for locations. For this, the nature, extent and/or risk profile of these locations are decisive. Based thereon we selected the locations to visit virtually. The virtual visits to multiple sites and offices of Royal BAM Group nv's operating companies in the Netherlands, the United Kingdom and Belgium are aimed at, on local level, valuating source data and evaluating the design of internal controls and validation procedures
- Obtaining assurance information that the non-financial information reconciles with underlying records of the company
- Reviewing, on a limited test basis, relevant internal and external documentation
- Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level
- Evaluating the consistency of the non-financial information with the information in the Report which is not included in the scope of our review.
- Evaluating the overall presentation, structure and content of the non-financial information.
- Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed on the other information is substantially less than the scope of those performed in our audit of the financial statements or in our review of the non-financial information.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for entities within the Group. Decisive were the size and/or the risk profile of the entities within the Group or operations. On this basis, we selected entities within the Group for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the assurance procedures and significant findings, including any significant findings in internal control that we identify during our assurance engagements. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 the key audit and assurance matters: those matters that were of most significance in the audit of the financial statements and the assurance engagement on the non-financial information of the current period and are therefore the key audit and assurance matters. We describe these matters in our combined independent 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.

8.2 Proposed appropriation of result

The net result for 2021, amounting to €18.1 million, has been accounted for in shareholders' equity. The capital ratio of the Company is 14.5 per cent, which is well below the strategic target. Therefore, the Company proposes to pay no dividend over the financial year 2021.

Fifth lock chamber, Brunsbüttel, Germany - Wayss & Freytag Ingenieurbau

Renovating the 100-year-old lock complex: 722 piles with a total tonnage of 16,500 t have been installed since the start of the project

8.3 Articles of Association provisions governing the distribution of profit

(Summary of Article 31 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, 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 in on the financing preference share issued in the series concerned at the time of initial issue of the financing preference shares of that 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 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 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 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 two percentage points.

The above percentages may be increased or reduced by an amount of no more than 300 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 31 paragraph 6(c) of the Articles of Association.

The Supervisory Board shall determine, based on 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 31 of the Articles of Association.

8.4 Anti-takeover measures

Royal BAM Group nv 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 Company and the group of companies associated with the Company.

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 objective of the Foundation is to look after the interests of the Group. Specifically, the Foundation seeks to ensure that the interests of the Company, the Group and all their stakeholders are safeguarded as much as possible, and that influences which could undermine the independence and/or continuity and/or identity of the Group and which conflict with those interests are averted to the best of the Foundation's ability. The Foundation attempts to achieve its objective by acquiring 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 board of the Foundation has the exclusive right to determine whether or not to exercise this right to acquire class B cumulative preference shares. No class B cumulative preference shares have been issued at this time.

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 Supervisory Board and the Executive Board reserve the right, in the interests of the Company and its associated companies, to resolve to take alternative measures in order to protect the Group 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.

The Foundation's board consists of three members who are appointed by the Foundation's board, after notification to the Executive Board. The Foundation is supported by its own legal and communication advisors.

The composition of the board as per the end of this financial year is:

J.J. Nooitgedagt, chairman;
F.K. Buijn;
P. van Riel.

The chairman of the Foundation's board 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 board.

The particulars of the board members per the end of 2021 are:

J.J. (Jan) Nooitgedagt (1953)
Mr Nooitgedagt has served on the Foundation's board since 2017 and was appointed chairman in that same year. He is a Dutch national. A former member of the Executive Board and chief financial officer of Aegon, Mr Nooitgedagt is Vice Chairman of the Supervisory of Rabobank, Chairman of the Supervisory Board of PostNL and a member of the Board of Stichting Beschermingspreferente Aandelen Fugro. He is also Chairman of the Supervisory Board of Invest-NL

F.K. (Frederik) Buijn (1950)
Mr Buijn has been a member of the Foundation's board since 2012. He is a Dutch national. Due to his long-term experience as a qualified civil-law notary Mr Buijn is well-versed in commercial law. Mr Buijn is a member of the Board of the Stichting Preferente Aandelen Arcadis N.V. He is involved in various family companies as chairman or member of foundation trust offices and is also Chairman of the Board of the Stichting Instituut Gak.

P. (Paul) van Riel (1956)
Mr Van Riel has been a member of the Foundation's board since 2019. He is a Dutch national. He is a former CEO and Chairman of the Board of Management of Fugro. He is also Chairman of the Board of Stichting Preferente Aandelen Arcadis N.V.

8.5 List of principal subsidiaries, joint arrangements and associates

Subsidiaries	%
BAM Bouw en Techniek bv*, Bunnik (Netherlands)	100
BAM Residential bv*, Bunnik (Netherlands)	100
uniting the activities of:	
BAM Wonen bv*, Bunnik	100
Homestudios bv*, Utrecht	100
AM bv*, Utrecht	100
BAM Specials bv*, Bunnik (Netherlands)	100
BAM Energie & Water bv*, Zwolle	100
BAM Telecom bv*, Zwammerdam	100
BAM Infra Nederland bv*, Gouda (Netherlands)	100
uniting the activities of:	
BAM Infra bv*, Gouda	100
BAM Infra Rail bv*, Breda	100
BAM Infraconsult bv*, Gouda	100
BAM Belgium bv, Brussels (Belgium)	100
uniting the activities of:	
BAM Interbuild bv, Antwerp	100
BAM Galère bv, Chaudfontaine	100
BAM Contractors bv, Brussels	100
Kairos nv, Antwerp	100
BAM Construct UK Ltd, Hemel Hempstead (United Kingdom)	100
BAM Nuttall Ltd, Camberley, Surrey (United Kingdom)	100
Wayss & Freytag Ingenieurbau AG, Frankfurt am Main (Germany)	100
BAM International bv*, The Hague (Netherlands)	100
BAM Contractors Ltd, Kill, County Kildare (Ireland)	100

Joint arrangements	%
BAM PPP Concessies bv, Bunnik (Netherlands)	50.0
AsfaltNu cv, Culemborg (Netherlands)	50.0

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.

9

Appendices

Hospital ZNA Cadix BAM Interbuild
Dock tower, Kairos Antwerp, Belgium

”Hospital ZNA Cadix (115,200 m²) and Doktoren (81m high, 154 apartments) in construction on ‘het Eilandje’ in Antwerp

9.1 Royal BAM Group nv shares

Stock exchange listing

BAM has been listed on Euronext Amsterdam since 1959 (symbol: BAMNB; ISIN code: NL0000337319). The share is included in the AScX index and options are traded by Liffe, the Euronext derivatives exchange. The market capitalisation was €735 million at year-end 2021 (year-end 2020: €466 million).

Investor relations policy

The purpose of the investor relations policy is to provide accurate, transparent and consistent information simultaneously and timely to stakeholders, which include existing and potential shareholders, financial institutions, brokers and the media. BAM wants to ensure a clear understanding about its strategy, performance and decisions to create awareness and confidence. Information is made available through the annual integrated report, quarterly (financial) information, press releases and presentations to investors, which are all available on the website. BAM discloses price-sensitive information without delay by press release and on its site.

BAM publishes quarterly (financial) information. The full-year and half-year results are presented at analyst meetings. The trading updates for the first quarter and the nine months are presented during conference calls. These events are held in the English language and can be followed live or on demand on the website. BAM organises road shows and participates in investor conferences to meet existing and potential investors. All data and venues are published on the website.

BAM observes a closed period in which the Company exercises restraint concerning the entering into contact with investors, analysts and press about the general business of the Company. This closed period starts each period of six weeks prior to the publication of each annual report and half-year report and in each period of three weeks prior to the publication of the first and third quarter trading updates.

BAM is covered by analysts of all major Dutch brokers; they are key in distributing information to support the investment case to their clients. Research reports about BAM are available through these brokers. Contact details are available on the website.

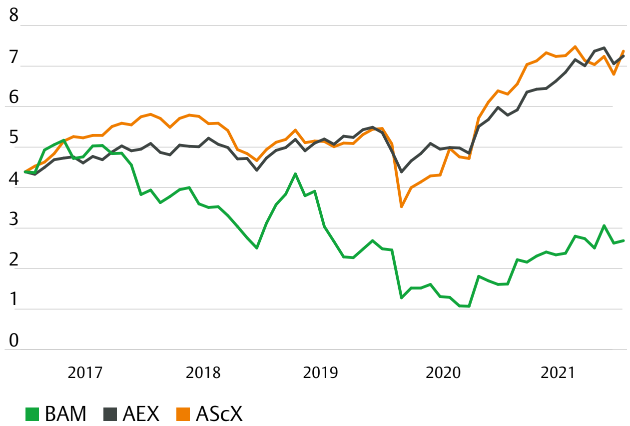
All activities comply with the rules and regulations of Euronext Amsterdam and the Dutch Authority for the Financial Markets (AFM). More information about investor relations is available on www.bam.com under the link Investor relations or from Manager Investor Relations Michel Aupers, ir@bam.com, +31 (0)30 659 89 88.

Share price

The 2021 closing price of the ordinary share was €2.69, which was 57 per cent above the closing price at year-end 2020 (€1.71). The AScX index ended the year 23 per cent higher. BAM's share price decreased by 39 per cent over the last five years. By way of comparison, the AEX and the AScX index rose by 65 per cent and 87 per cent in the same period.

Graph 45 shows the history of the BAM ordinary share price over the past five years.

45 Ordinary share price movement
(in €)



Trading volume on Euronext Amsterdam

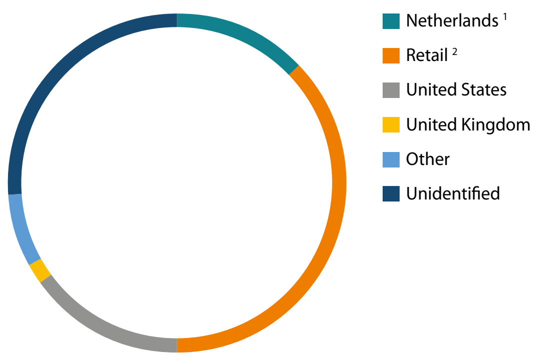
The average daily trade was 2,021,000 ordinary shares (2020: 3,331,000). In 2021 the average daily trade in BAM shares was €4.8 million (2020: €5.3 million).

46 Information per share
(in € per share, unless otherwise indicated)

	2021	2020	2019	2018	2017 [4]
Number of ordinary shares ranking for dividend	**273,296,017**	273,296,017	273,296,017	273,296,017	273,213,334
Average number of ordinary shares	**273,296,017**	273,296,017	273,495,636	273,490,657	272,215,432
Net result ranking for dividend	**0.07**	(0.45)	0.04	0.09	(0.05)
Net result from continued operations	**0.07**	(1.00)	0.04	0.09	(0.05)
Average number of ordinary shares (diluted)	**284,460,568**	299,124,151	299,039,187	298,269,233	296,427,682
Number of ordinary shares ranking for dividend (diluted)	**273,296,017**	298,143,950	299,157,729	298,297,517	297,584,081
Net result (diluted)	**0.07**	0.45	0.04	0.09	(0.05)
Net result from continued operations (diluted)	**0.07**	1.00	0.04	0.09	(0.05)
Cash flow before dividend	**0.78**	0.41	0.69	0.43	0.18
Equity attributable to shareholders	**2.39**	2.13	2.30	2.61	2.64
Dividend [1]	**-**	-	-	0.14	0.10
Pay-out *(in %)*	**-**	-	-	40	50
Dividend yield (in %) [2]	**-**	-	-	5.6	2.6
Highest closing price	**3.03**	2.68	4.38	4.16	5.46
Lowest closing price	**1.61**	1.03	2.16	2.37	3.45
Price on 31 December	**2.69**	1.71	2.69	2.51	3.83
Average daily trade *(in number of shares)*	**2,021,000**	3,331,000	2,528,000	1,723,000	1,926,000
Market capitalisation at year-end (x €1,000) [3]	**735,166**	465,970	734,074	687,066	1,053,239

[1] Dividend proposal 2021 [2] Based on share price at year-end. [3] Based on total number of ordinary shares in issue. [4] Adjusted for IFRS 15.

47 Geographical distribution shareholders as at 31 December 2021



[1] Netherlands including treasury shares
[2] Retail, Primary Dutch shareholders

Shareholders

BAM closely monitors the development in its shareholder base by following public market information and a yearly shareholder identification report. Under the Dutch Financial Supervision Act, shareholders must disclose to the Dutch Authority for the Financial Markets (AFM) when they hold 3 per cent or more of shares and when they transfer to a different threshold level. At the end of 2021 no shareholders disclosed a position surpassing 3 per cent in BAM's share capital. The Company holds 6,111,432 (2 per cent) treasury shares, of which 5,174,216 shares for the long-term incentive plan of management.

Number of outstanding ordinary shares

48 The movement in the number of outstanding shares

	2021	2020
Outstanding ordinary shares as at 1 January	279,407,449	279,407,449
Shares issued for stock dividend	-	-
Outstanding ordinary shares as at 31 December	279,407,449	279,407,449
Treasury shares to offset dilution stock dividend	(937,216)	(3,311,432)
Treasury shares held for performance share plan	(5,174,216)	(2,800,000)
Ordinary shares ranking for dividend as at 31 December	273,296,017	273,296,017
Percentage ordinary shares ranking for dividend	97.8%	97.8%

Subordinated unsecured convertible bonds

On 15 June 2021, BAM redeemed the remaining €120 million of the subordinated unsecured convertible bonds with an annual coupon of 3.5 per cent, which were placed in 2016, at their principal amount.

Dividend policy

BAM has a dividend policy to distribute a dividend between 30 and 50 per cent of the net result for the year. When deciding upon the dividend, the Company considers the balance sheet structure supporting the strategic agenda. The proposal is to distribute no dividend over 2021 (2020: no dividend distributed).

9.2 Five-year overview

(x € million, unless otherwise stated)

	2021	2020*	2019*	2018	2017
Revenue	**7,315**	6,768	7,176	7,208	6,535
Total Revenue including discontinued operations	**7,315**	6,809	7,209	7,208	6,535
Operating result	**78.1**	(221.3)	34.6	105.2	10.4
Result before tax	**65.8**	(236.9)	23.4	114.5	20.0
Result for the year from continuing operations	**17.0**	(272.0)	(13.3)	-	-
Net result attributable to the shareholders of the Company	**18.1**	(122.2)	11.8	23.8	(13.8)
Basic earnings per share *(in €1)*	**0.07**	(1.00)	(0.05)	0.09	(0.05)
Diluted earnings per share *(in €1)*	**0.07**	(1.00)	(0.05)	0.09	(0.05)
Dividend per ordinary share *(in €1)* [1]	**-**	-	-	0.14	0.10
Equity attributable to the shareholders of the Company	**653.6**	583.4	628.4	729.0	721.3
Subordinated convertible bonds	**-**	118.7	120.5	117.6	115.0
Capital base	**653.6**	702.1	748.9	846.7	836.3
Net investment in property, plant and equipment	**33.2**	43.9	67.7	72.2	70.7
Net additions right-of-use assets	**41.6**	77.9	115.8	-	-
Depreciation, amortisation and impairment charges of:					
- Property, plant and equipment	**56.4**	54.6	54.0	63.7	55.0
- Right-of-use assets	**87.6**	99.2	99.7	-	-
- Intangible assets	**11.7**	67.0	16.2	6.0	5.2
- Other impairment charges	**38.2**	13.2	8.2	20.6	3.9
Cash flow before dividend	**210.9**	111.6	189.9	117.4	50.5
Total impairment charges	**48.5**	74.7	18.5	23.8	4.8
Order book [2]	**13,243**	13,760	12,659	12,692	11,636
Number of employees as at 31 December *(in FTE)*	**15,739**	17,966	19,517	20,194	19,720
Average number of employees *(in FTE)*	**17,001**	18,731	19,433	20,156	19,837
Ratios *(in %)*					
Adjusted EBITDA [3] as % of total revenue	**3.8**	2.9	3.3	3.0	1.1
Net result to the shareholders of the Company as % of revenue	**0.2**	(1.8)	0.2	0.3	(0.2)
Net result to the shareholders of the Company as % average equity	**2.9**	(20.2)	1.7	3.3	(1.8)
Solvency ratios *(in %)*					
Equity attributable to shareholders as % of total assets	**14.5**	11.2	13.8	15.9	16.1
Capital base as % of total assets	**14.5**	13.4	16.5	18.5	18.6
Current ratio as current assets divided by current liabilities	**0.96**	1.08	0.95	1.02	1.00

*On a continuing basis unless otherwise stated.

[1] For 2021 dividend proposal.

[2] Order book comprises both signed contracts and agreed-upon orders.

[3] Result before tax excluding restructuring costs, impairment charges, pension one-off, interest, depreciation and amortisation. As of 2021, based on a benchmark on European listed Construction companies performed in 2020, BAM decided to use adjusted EBITDA as APM to align with other peers in the industry.

9.3 Non-financial information* and diversity information reference table

Topic	Sub topic	Included (yes/no)	Page reference
Business model	n/a	Yes	9-10
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due diligence	Yes	14-17, 30-38
	The outcome of those policies	Yes	17, 30-38
	Principal risks in own operations and within value chain and how risks are managed	Yes	17, 47-52, 208-211
	Non-financial key performance indicators	Yes	17, 30-38
Relevant environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence	Yes	14- 17, 40-45, 208-211
	The outcome of those policies	Yes	17, 40-45
	Principal risks in own operations and within value chain and how risks are managed	Yes	47-52, 208-211
	Non-financial key performance indicators	Yes	40-45
Relevant matters with respect to human rights (e.g. labour protection)	A description of the policies pursued, including due diligence	Yes	14-17, 30-38, 208-211
	The outcome of those policies	Yes	30-38, 208-211
	Principal risks in own operations and within value chain and how risks are managed	Yes	30-38, 208-211
	Non-financial key performance indicators	Yes	30-38, 208-211
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence	Yes	14-17, 30-38, 208-211
	The outcome of those policies	Yes	30-38
	Principal risks in own operations and within value chain and how risks are managed	Yes	30-38, 40-45, 208-211
	Non-financial key performance indicators	Yes	30-38
Insight into diversity (Supervisory Board and Executive Board)	A description of the policies pursued, including due diligence	Yes	62-65, 67-73
	The outcome of those policies	Yes	62-65, 67-73
	Principal risks in own operations and within value chain and how risks are managed	Yes	62-65, 67-73
	Non-financial key performance indicators	Yes	62-65, 67-73

* In compliance with 'Besluit bekendmaking niet-financiële informatie' which is the implementation of the EU Directive 2014/95/EU on Non-Financial information.

9.4 Key financial dates

13 April 2022	Annual general meeting of shareholders
5 May 2022	Trading update first quarter 2022
18 August 2022	Publication of half-year results 2022
3 November 2022	Trading update first nine months 2022
16 February 2023	Publication of annual results 2022
12 April 2023	Annual general meeting of shareholders
4 May 2023	Trading update first quarter 2023
17 August 2023	Publication of half-year results 2023
2 November 2023	Trading update first nine months 2023

Office building Runcorn, United Kingdom - BAM Construct UK

New facilities in Runcorn for chemical giant INOVYN completed in 2021

9.5 Glossary

Adjusted EBITDA	Result before tax excluding restructuring costs, impairment charges, pension one-off, interest, depreciation and amortisation.
Adjusted result before tax	Result before tax excluding restructuring costs, impairment charges and pension one-off.
Adjusted pre-tax margin	Adjusted result before tax divided by rolling-year revenue.
Capital base	Equity attributable to the shareholders of the Company plus subordinated convertible bond.
Capital employed	Non-current assets plus net working capital and cash and cash equivalents.
Capital ratio	Capital base divided by total assets.
Carbon footprint	Total amount of greenhouse gas (GHG) emissions caused during a defined period, or across the total or part of the duration of a project. It is expressed in terms of the amount of carbon dioxide equivalents CO_2 (e) emitted.
Cash flow before dividend	Net result attributable to the shareholders of the Company adjusted for depreciation, amortisation and impairment charges.
Community engagement	The process by which community benefit organisations and individuals build ongoing, permanent relationships with the purpose of applying a collective vision for the benefit of a (local) community.
Comprehensive income	The change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with shareholders in their capacity as shareholders.
Current ratio	Current assets including assets held for sale divided by current liabilities including liabilities held for sale.
Earnings per share	Net result attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year.
EBIT	Earnings before interest and tax.
Emissions and waste	BAM solely reports CO_2 emissions. Other greenhouse substances, such as CH4 (methane), N2O (nitrous oxide) are excluded as they are considered not material. BAM reports all waste leaving its sites and offices.
General Meeting	Annual general meeting of shareholders.
GHG	Greenhouse gases which have a global warming impact.
HSE	Health, safety and environment.
IF BAM	Incident frequency including all BAM site employees on own work and joint ventures.
Incident frequency (IF)	The total number of industrial accidents leading to absence from work per million hours worked on construction sites.
Industrial accident	An unintended occurrence during a period of paid work that results in physical injury or illness, including accidents that occur during business trips (during working hours, no commuting). In case of an accident involving multiple victims the number of accidents is considered equal to the number of victims.
Net debt	Long-term borrowings plus short-term borrowings less cash and cash equivalents.
Net working capital	Current assets (excluding cash and cash equivalents) minus current liabilities (excluding current borrowings and current lease liabilities).
Return on capital employed (ROCE)	Rolling-year EBIT divided by the average four-quarter rolling capital employed.
Return on equity (ROE)	Rolling-year net result divided by the average four-quarter rolling invested equity.
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 and without lost time.
Solvency	Equity attributable to shareholders of the Company divided by total assets.
Total shareholder return (TSR)	Metric used to compare the performance of companies in BAM's peer group's shares over time. The relative TSR position reflects the market perception of overall performance relative to the peer group.
Trade working capital	Net working capital excluding land and building rights, property development, PPP receivables, other financial assets, other receivables, taxes, derivative financial instruments, provisions, other liabilities and assets and liabilities held for sale.
Trade working capital efficiency	The average four-quarters' trade working capital divided by rolling-year revenue.

9.6 Non-financial reporting process and methods

Reporting criteria: GRI Standards - Core
This report has been prepared in accordance with the GRI Standards: Core option. An overview of the GRI disclosures covered by this report is available on BAM's website (www.bam.com/en/sustainability/reports-and-policies). In this overview, more information is disclosed on the nature and coverage of reporting per GRI disclosure (e.g. quantitatively or qualitatively).

Reporting period and reporting frequency
This report presents both quantitative and qualitative data for the calendar year 2021. The data for BAM Deutschland has been included until the date of the completion of divestment (18th of October). For CO_2 and waste, the final days in October have been extrapolated based on the data until October. No other significant changes from previous reporting periods in the scope and boundaries have been incorporated.

Reporting boundaries
In general, BAM applies the share of equity approach to account for non-financial performance and data. As an exception to this rule, BAM International reports all non-financial data for joint arrangement projects in which it is the leading party. In general, BAM views disclosure regarding acquisitions and divestments on a case-by-case basis.

Reporting process
The annual report, including all material aspects, is compiled by the Executive Board and discussed with the Supervisory Board. BAM uses a reporting system for non-financial information (including safety, CO_2, waste and HR), as an extension of the financial reporting system. The applied reporting processes and definitions are formalised in BAM's non-financial reporting manual, which provides guidance on how to collect, consolidate and report data. BAM's main non-financial topics and indicators are described below.

Reporting indicators
For BAM's main non-financial indicators this chapter provides further insight below. For other quantitative indicators disclosures on the reporting scope and methods used are given elsewhere in this report.

Safety
BAM defines its incident frequency (IF BAM) as the number of BAM employees (not including site employees outsourced to external companies) involved in industrial incidents leading to absence from work, per million exposure hours on construction sites. Reportable incidents are based on actual occurrences and are never extrapolated or estimated. Despite all measures and an open safety culture there is an inherent risk of incomplete accident reporting. BAM is partially dependent on information provided by the person involved in an accident. The exposure hours are measured, calculated or estimated.

The absolute number of reported serious accidents covers:
- People working on sites managed by BAM: BAM employees, subcontractors, hired employees and thirds;
- Joint ventures: BAM employees, BAM subcontractors and employees directly hired by BAM.

Business conduct and transparency
BAM has selected the percentage of employees that completed the Code of Conduct e-learning as KPI for business conduct and transparency. The definition of this KPI is: percentage of selected BAM employees that have completed the Code of Conduct e-learning since the launch in November 2019, to embed the training and awareness on the Code of Conduct requirements and reporting, potential dilemma's and guiding employees in their decisions on Code of Conduct-related matters. The scope of the selected employees for the e-learning are all BAM employees in offices and project offices and excludes blue-collar employees (e.g. carpenters, technicians) who are trained via a toolbox session. The e-learning is also not applied to subcontractors and suppliers on site.

Human Resources (HR)
HR data are mostly derived from the BAM Group HR system, called BAM People, supplemented with figures from local systems in Belgium, Germany and for BAM International. Employee engagement figures are derived from our system named Glint.

The totals from BAM People source system may occasionaly vary, depending on when a report was generated. This can lead to small differences without a significant impact on conclusions and insights.

Energy consumption and CO_2 emissions
BAM's energy consumption and greenhouse gas inventory are based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition as issued by the World Business Council for Sustainable Development and the World Resources Institute. BAM reports its greenhouse gas emissions as CO_2 equivalent, considering other greenhouse gasses than CO_2. BAM calculates the energy consumption (in terajoules) and CO_2 emissions associated with BAM's energy consumption, using conversion factors from reputable and authoritative sources. BAM applies country-specific conversion factors for electricity and natural gas, based on GHG emissions reported in national inventory reports (NIR). BAM uses tank-to-wheel emission factors. All conversion factors are reviewed annually and updated if necessary.

BAM's reporting scope includes its direct CO_2 emissions (scope 1 emissions, from BAM's own sources), indirect CO_2 emissions from the generation of purchased electricity consumed by BAM (scope 2 emissions) and employee travel-related scope 3 emissions. The GHG Corporate value chain (scope 3) accounting and reporting standard for full scope 3 reporting has not been implemented, but BAM does disclose its full scope 3 emissions in its annual CDP response which is publicly available. 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 they are therefore not included in BAM's overall energy consumption and related CO_2 emissions. Activity data, mostly based on meter readings, invoices and data provided by suppliers, are used to calculate BAM's footprint. Where complete and accurate data are not available, BAM uses calculations or estimations using reliable methods and input data.

Where clients provide BAM with electricity and BAM receives reliable information on its client-supplied electricity consumption, the Company includes this consumption in its carbon footprint. It occurs on projects that BAM supplies fuel and electricity to subcontractors. In accordance with BAM's non-financial reporting manual the supplied fuel and electricity to subcontractors should be measured and excluded from reported figures, unless fuel and electricity are supplied under the supervision of BAM. In practice, however, it is not always possible to determine how much fuel is supplied to subcontractors. In that case BAM accounts for all CO_2 emissions.

Waste

The reporting scope includes all waste leaving BAM's sites and offices, mainly based on waste tickets and data provided by suppliers. 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. Excavation waste and demolition waste are especially difficult to measure and are more often calculated.

Construction and office waste consist of temporary and permanent (construction) materials and packaging brought on to sites which are to be discarded and subsequently leave offices, construction sites and/or BAM sites such as depots or premises.

Materials

BAM reports the amount of materials used and the recycled content of various materials used by Dutch operating companies. Raw materials which are consumed in large quantities and which have a significant impact on natural resources have been selected. The Company reports on concrete, timber, asphalt and steel.

Raw material consumption in the Netherlands was determined using supplier reports. Extrapolation of data was applied to cover all suppliers. BAM aspires to keep the extrapolated data below 20 per cent. The results are verified against BAM's procurement database, internal and external experts. The recycled content was determined based on information provided by suppliers.

Verification

The Executive Board has appointed Ernst & Young Accountants LLP (EY) to provide independent assurance of the report to provide BAM's stakeholders comfort over BAM's non-financial information.

BAM has obtained limited assurance for all non-financial information reported in chapters 2.1, 2.2, 2.3, 3.2, 3.3, 9.6, 9.7 and on the GRI disclosures as published on BAM's website.

Foot bridge Reston station, Reston, United Kingdom - BAM Nuttall

BAM Nuttall delivered the footbridge over the East Coast Mainline as part of the new Reston station development in 2021

9.7 Material themes and management approach

The content of this chapter is an integral part of the Executive Board report as required under EU directive.
The numbering of the material themes corresponds to the numbers in figure 5, paragraph 2.3.

Definition	Impact	Management approach
1 Project and product quality and control		
Promoting predictable performance, quality of tender process, efficient project management and effective project execution with the aim to meet and exceed client expectations.	In order to meet and exceed client expectations, BAM must continuously improve the experienced performance of its products. Product quality means that BAM does what it has promised to do, within budget and on time. Operational performance is crucial for achieving the right level of financial and non-financial results for construction projects.	BAM has focused the tender process on the quality of its tenders in order to guarantee the current and future results of construction projects. Evaluations of the internal governance framework have resulted in the updating of the business principles and management guidelines, including the strengthening of project selection and BAM's tender process for large and high-risk projects. In connection with this development, peer reviews are carried out on project estimates under the leadership of the tender desk director. In order to comply with product responsibility, BAM assures that 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. System 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 chapter 3.2 Social performance.

Definition	Impact	Management approach
2 Financial performance		
Generating overall financial health, including balance sheet, profit & loss, property divestment and working capital improvement.	A healthy financial performance provides BAM with the means to undertake transactions with its supply chain partners, leading to the possibility to develop new activities and to pay BAM's employees and shareholders.	Constant attention is paid to strengthening BAM's balance sheet and net results by improving financial processes to ensure a solid track record of project execution and margin stability, including rigorous monitoring of the cost base in line with BAM's portfolio. Other key elements are working capital management and the execution of a property divestment programme.

Example KPI: Return on capital employed (ROCE) >10 per cent by 2021. For BAM's performance, see chapter 3.1 Financial performance.

Definition	Impact	Management approach
3 Decarbonisation		
Reducing carbon emissions to limit global warming and its effects.	The construction industry has a high energy consumption and carbon footprint compared to others; therefore, BAM's energy use and carbon footprint contribute to climate change. Climate adaptation and mitigation options can help address climate change, but no single option is sufficient by itself. Effective implementation depends on policies and cooperation from governmental bodies. Urgent action is needed to significantly reduce greenhouse gas emissions and BAM supports global developments like the UN's Sustainable Development Goals, the Paris Agreement, the EU Emissions Trading System and the Science Based Target Initiative.	BAM innovates and works with value chain partners to identify possible reductions in both upstream and downstream manufacturing and operational processes. 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 ambitious scope 1,2 and 3 reduction targets in line with climate science and externally verified (by the Science Based Target initiative). BAM monitors and benchmarks progress on these targets on a quarterly basis for different activities within the Company. The Company focuses on reducing its direct CO_2 emissions by lowering energy consumption during the construction process. The Group also maintains its efforts to use higher proportions of renewable energy.
Example KPI: CO_2 intensity For BAM's performance, see chapter 3.3 Environmental performance.		
4 Digitalisation and industrialisation		
Integrating digital technologies (e.g. digital construction, cybersecurity, big data) to scale-up and automate project execution and the development of solutions.	Digitalisation and industrialisation are key elements in a changing society, where data and digital solutions become increasingly important. In the construction sector, a digital approach is becoming essential in scaling-up and automate processes to increase efficiencies and develop new solutions.	BAM embraces digitalisation and industrialisation to optimise building processes and support a lifecycle approach towards (information) management in its operations. BAM's efforts aim to create the most effective and efficient way of working, reduce waste, get the most out of data in order to improve business performance and add value to BAM's stakeholders. BAM applies technological innovations, such as BIM, robotics, virtual and augmented reality and modular and offsite construction practices, to build digitally before building on site, therefore reducing risks during construction and supporting a safer working environment for employees on construction sites. BAM has not yet a quantitative KPI in place for digitalisation and industrialisation in place, as current measurements are unfortunately insufficient to provide a clear insight in BAM's performance on this theme. BAM discloses details of an example of the Company pushing digitalisation, the DigiCon21 event, in chapter 2.3.

Definition	Impact	Management approach
5 Employee recruitment, development and retention		
Empowering employees to use their skills, abilities and experience in a way that adds value to the business and provides personal growth, sustainable innovation and profit.	BAM increases its intellectual capital and the human capital of its stakeholders by investing in employee development. Although the impact of the development of employees on society in general is minimal, it is much greater within BAM, where it contributes to the involvement of employees and lifelong learning. BAM recognises the importance of Group-wide development and implementation of the talent strategy and agenda, succession planning and internal mobility, based on BAM's organisational development and strategic objectives. Talent management allows BAM to attract, develop, motivate and retain productive, engaged employees, now and in the future. BAM is committed to the principles of equal opportunity and diversity. The Group believes that diverse teams are better aligned with the wishes and expectations of its clients and with society in all BAM markets. In line with its vision on diversity, BAM wants to attract people with different profiles and backgrounds to build teams that are suitable for future challenges and will contribute to the achievement of BAM's strategic goals.	The Group's development approach is aimed at encouraging employees to take their development into their own hands, with the manager/company taking on a supporting and facilitating role. The employee's personal development is recorded in a personal learning and development plan. These plans are evaluated regularly between manager and employee. BAM offers employees various tools that can be used in their personal development, which are all accessible via BAM's intranet Connect. With BAM Learning, BAM offers an integrated approach to support employees in achieving their professional development goals. The training portfolio enables employees to keep up with their professional knowledge and to further develop the broader skills related to their role and career paths. Courses include topics such as integrity, entrepreneurship, commerce, new contract forms, project and risk management, procurement and financial management. The Group 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 within BAM as well as providing on-the-job development opportunities. For business and project leadership development (including early career), the Group has specialised programmes.

For BAM's performance, see chapter 3.2 Social performance.

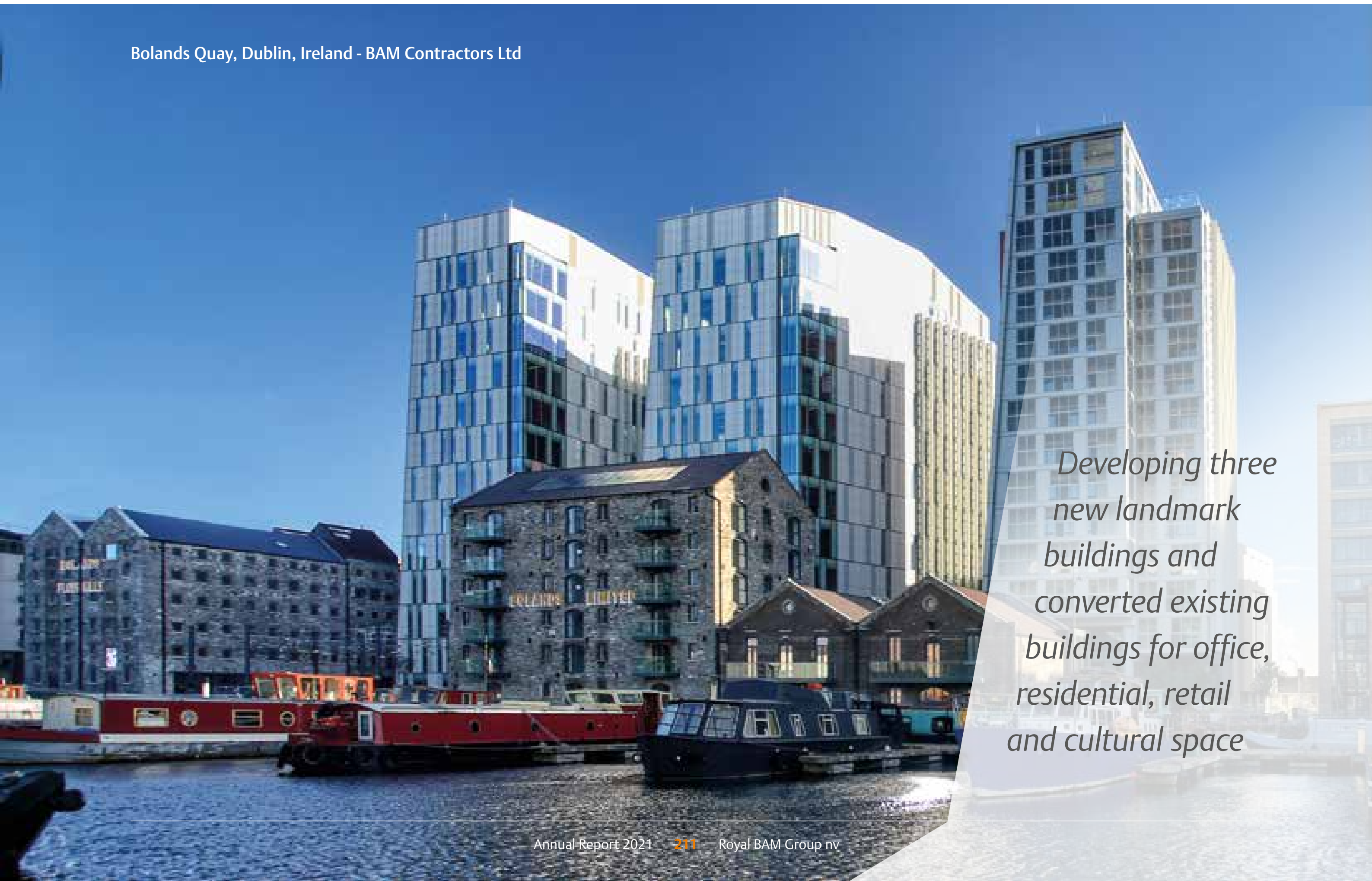
Definition	Impact	Management approach
7 Health, Safety and well-being		
Fostering healthy and safe working and living environments.	BAM is responsible for the occupational safety of everyone who works for BAM. This includes all people directly employed by BAM, but also everyone else working on sites managed by BAM. Health and safety at work contribute to employee satisfaction. A high level of safety performance gives BAM a competitive advantage. Incidents and adhering to rules and regulations regarding safety strongly affects BAM's reputation.	BAM has developed a Group-wide guideline for safety reporting. All safety management systems from operational companies must comply with this guideline. The design of the safety management system is responsibility of the operating companies, so safety processes are appropriate for local challenges and regulations. Safety performance is consolidated at Group level and discussed with the Executive Committee every quarter.

For BAM's performance, see chapter 3.2 Social performance.

Definition	Impact	Management approach
8 Circularity		
Reducing resource consumption, eliminating waste and enabling continual material use to limit material depletion.	BAM has a continuous need for raw materials, water and energy. This means that primary processes are influenced by the increasing volatility of raw materials and energy prices. The products made by the Group must also comply with current and future requirements, with particular attention to the significant influence of changing laws and regulations. Waste production influences BAM's licence to operate and is an indicator of the efficiency of the business processes. In addition, waste products lead to costs due to the low value of residual material. BAM being a large construction company, its waste production has an impact on society. BAM has identified opportunities for innovation based on changing customer requests, especially regarding greater attention for the recycling of materials and the use of sustainable materials, including certified timber from sustainable forests.	BAM is innovating to reduce material consumption during the design process. The Group works with its supply chain partners to identify more sustainable alternatives for production and operational processes, both upstream and downstream. BAM focuses on improving the recycling potential of materials and renewable materials by asking its most important suppliers to provide insight into their origin. BAM has set targets for waste reduction, waste recycling and responsible sourcing. The Group monitors and benchmarks progress on these targets on a quarterly basis for various activities within the Company.

Example KPI: Construction and office waste intensity For BAM's performance, see chapter 3.3 Environmental performance.

Bolands Quay, Dublin, Ireland - BAM Contractors Ltd



Developing three new landmark buildings and converted existing buildings for office, residential, retail and cultural space

9.8 EU taxonomy

Definitions eligibility and alignment

In order to classify an activity as environmentally sustainable in terms of the EU taxonomy, a distinction between taxonomy-eligibility and taxonomy-alignment must be made. It is required to examine whether an activity is described in the Delegated Acts by the European Commission. These activities are taxonomy-eligible. This does not mean that the activity is environmentally sustainable. It merely indicates that the activity is included in the classification system of the EU taxonomy. To classify an activity as taxonomy-aligned, it must meet the technical screening criteria in the Delegated Regulation for one of the objectives and not cause significant harm to one of the other five environmental objectives. From reporting year 2022 onwards, BAM is required to report on environmental sustainability under the EU taxonomy (taxonomy-alignment).

Process eligibility scan

The analysis with regard to taxonomy-eligibility is carried out based on project descriptions of revenue, capital expenditure, and operating expenditure. BAM mapped the projects on NACE-codes (codes defined by the European Union to classify economic activities). Next, BAM compared the project descriptions per NACE-category with Annex I (substantial contribution to climate change mitigation) and Annex II (substantial contribution to climate change adaptation) of the Delegated Regulation of (EU) 2020/852. The sum of the additions that reflect a taxonomy-eligible operational expenditure, capital expenditure or revenue stream forms the numerator of the KPIs. Please refer to table 49 for an elaborate description of the numerators and denominators of the three KPIs.

Results

Revenue

The revenue KPI is calculated based on the proportion of net revenue generated from products and services that qualify for the EU taxonomy. Revenue related to Joint Ventures (as reported in Note 11 of the Financial statements) is not included in the scope of the assessment. The percentage of revenue that is eligible for the taxonomy is 89 per cent. 1 per cent is not eligible. For the remaining 10 per cent descriptions in the system used for the analysis were insufficient to determine eligibility of economic activities. The categories of BAM's taxonomy-eligible activities under the revenue KPI include the construction of: bridges and tunnels, railways and underground railways, residential and non-residential buildings, roads and motorways, utility projects for electricity and telecommunications, utility projects for fluids, and the construction of water projects.

Capital expenditure

BAM estimated that the eligibility for the EU taxonomy of the capital expenditure KPI is 81 per cent. 8 per cent is not eligible. For the remaining 11 per cent of the capital expenditure further investigation is needed to determine eligibility for the EU taxonomy as descriptions in the system used for the analysis were insufficient to determine eligibility of economic activities. For each of the additions is determined if there is a specific allocation possible to an economic activity in the EU taxonomy. Eligibility for the remaining additions is estimated based on the propotion of the capital expenditure associated with taxonomy-eligible activities. Capital expenditure related to Joint Ventures (as reported in Note 11 of the Financial statements) is not included in the scope of the assessment.

Operational Expenditure

The definition of the operational expenditure KPI is, unlike the other KPIs, not aligned with the definition under IFRS. The operational expenditures-KPI is calculated by the proportion of the operating expenditure associated with taxonomy-eligible activities. The operational expenditure KPI eligibility for EU taxonomy is estimated at 89 per cent and 1 per cent is not eligible. For the remaining 10 per cent further investigation is required as descriptions in the system used for the analysis were insufficient to determine eligibility of economic activities.

Further clarifications and definitions of KPIs

The consolidated financial statements of BAM have been prepared as of 31 December 2021 in accordance with IFRS. BAM consolidated the denominators for revenue, capital expenditures, and operational expenditures with the reported data in the consolidated financial statements to mitigate the risk of double counting.

Definitions revenue, capital expenditure, operational expenditure

Table 49 provides the basis for the numerator and denominator of EU taxonomy eligibility for respectively revenue, capital expenditures and operational expenditures.

Prospects

The current taxonomy screening is based on BAM's interpretation of EU taxonomy guidelines available during 2021. From fiscal year 2022 onwards, a more extensive analyses will be required, not only to determine eligibility, but also alignment of eligible activities. Furthermore, the remaining four environmental objectives (water and marine resources; the transition to a circular economy; pollution prevention and control, and biodiversity and ecosystems) will be in scope. Guidelines of EU taxonomy are still in development and some elements are open to interpretation. The above will potentially effect BAM's interpretation of the EU taxonomy and possibly impact the reported figures of taxonomy eligibility. Management is therefore committed to keep monitoring EU taxonomy developments closely to ensure correct assessments for its annual disclosures. Not all sustainability efforts are (yet) recognised under the EU taxonomy regulation. BAM is committed to continuously improve its sustainability performance, refer to paragraph 3.3 Environmental performance.

49 Numerators and denominators of EU taxonomy KPIs

	Revenue	Capital Expenditures	Operational Expenditures
Numerator	Revenues derived from products and/or services associated with EU taxonomy-eligible activities.	Capital expenditures that: • are related to assets or processes associated with the EU taxonomy-eligible activities; • are part of a plan to expand taxonomy-eligible economic activities, or; • that enable taxonomy-eligible activities to become taxonomy-aligned.	Operating expenses that are related to assets or processes associated with the EU taxonomy-eligible activities.
Denominator	Revenues accounted for in the Consolidated Income Statement under IFRS (included in Note 5 in the Financial Statements)	Additions to tangible and intangible assets accounted for in the Consolidated Financial Statements under IFRS during the financial year, considered before depreciation, amortisation and any re-measurements, excluding Goodwill (included in Note 7, 8 and 9 in the Financial Statements).	Direct non-capitalised costs recorded in the Consolidated Income Statement under IFRS that relate to research and development, building renovation measures, short-term lease, maintenance and repair (excluding expenses reported as raw materials and consumables used), and any other direct expenditures relating to the day-to-day servicing of assets or Property, Plant, and Equipment (PPE).
Taxonomy-eligible percentage (in %)	89	81	89
Total value denominator	€7.3 billion	€121 million	€72 million

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23-02

BAM is subject to the structure regime as intended in Part 4, Book 2 of the Dutch Civil Code. The Executive Board Report as intended in Part 9 of Book 2 of the Dutch Civil Code consists of chapters 1-5, 8.4, 9.1, 9.2, 9.7 and 9.8.

‘Building a sustainable tomorrow’