Royal BAM Group nv

Integrated Report 2020

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17-02

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 and 9.7.

Contents

Key figures

(x € million, unless otherwise stated)

Profit

Profit	2020	2019
Total operations		
Revenue	6,809	7,209
Adjusted result before tax	34.3	74.1
Net result attributable to the shareholders of the Company	(122.2)	11.8
Continuing operations		
Revenue	6,768	7,176
Result before tax	(236.9)	23.4
Result for the year from continuing operations	(272.0)	(13.3)
Result for the year from discontinued operations	149.7	25.3
Earnings per share *(in €1)*	(0.45)	0.04
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)*	1.71	2.69
Equity attributable to the shareholders of the Company	583.4	628.4
Capital base	702.1	748.9
Total assets	5,224.5	4,540.2
Order book	13,760	12,659
Net investment in property, plant and equipment	43.9	67.7
Net additions right-of-use assets	77.9	115.8
Depreciation charges property, plant and equipment	54.0	54.0
Depreciation charges right-of-use assets	99.2	99.7
Amortisation charges intangible assets	6.1	5.9
Impairment charges	74.7	18.5
Cash flow before dividend	111.6	189.9
Ratios		
Adjusted result before tax as % of revenue	0.5	1.0
Net result attributable to the shareholders of the Company as % of revenue	(1.8)	0.2
Net result attributable to the shareholders of the Company as % of average equity	(20.2)	1.7
ROCE *(in %)*	(4.2)	3.4
Capital ratios		
Equity attributable to the shareholders of the Company as % of total assets	11.2	13.8
Capital base as % of total assets	13.4	16.5

People

People	2020	2019
Human resources		
Number of employees as at 31 December *(in FTE)*	17,966	19,517
Average number of employees *(in FTE)*	18,731	19,433
Training costs per employee *(in €1)*	541	819
Female/male employees *(in %)*	17/83	17/83
Safety		
Incident frequency (IF BAM)	5.3	4.8

Planet

Planet	2020	2019
Climate positive		
CO_2 emissions intensity *(in tonnes per € million revenue)*	20.0	23.5
CO_2 emissions *(in kilotonnes)*	136	170
Energy consumption *(in terajoules)*	2,047	2,442
Resource positive		
Construction and office waste intensity *(in tonnes per € million revenue)*	14.6	17.7
Construction and office waste *(in kilotonnes)*	100	128
Construction and office waste reused or recycled *(in %)*	76	75
Certified sustainable timber *(in %)*	99	99

See paragraph 9.5 Glossary for definitions.

Key figures

Revenue	Adjusted result before tax	Net result	Order book
6,809	34.3	(122.2)	13,760
2019 - 7,209	2019 - 74.1	2019 - 11.8	2019 - 12,659

Ratios

Adjusted result *(before tax as % of revenue)*	**Net result** *(attributable to the shareholders of the Company as % of revenue)*	**Capital base** *(as % of total assets)*	**ROCE** *(in %)*
0.5	(1.8)	13.4	(4.2)
2019 - 1.0	2019 - 0.2	2019 - 16.5	2019 - 3.4

Shares

Earnings per share	Dividend per ordinary share
(0.45)	-
2019 - 0.04	2019 - -

Trade working capital

(in % of rolling revenue)

(13.9)
2019 - (10.4)

Resource positive

Construction and office waste intensity *(in tonnes per € million revenue)*	**Construction and office waste** *(in kilotonnes)*	**Certified sustainable timber (FSC and PEFC)** *(in %)*
14.6	100	99
2019 - 17.7	2019 - 128	2019 - 99
2018 - 17.9	2018 - 129	2018 - 94

Climate positive

CO_2 emissions intensity *(in tonnes per € million revenue)*	**CO_2 emissions** *(in kilotonnes)*	**Energy consumption** *(in terajoules)*
20.0	136	2,047
2019 - 23.5	2019 - 170	2019 - 2,442
2018 - 26.8	2018 - 193	2018 - 2,744

Human resources

Female/male employees
(in %)

17/83
2019 - 17/83
2018 - 17/83

Training costs per employee
(in €1)

541
2019 - 819
2018 - 703

Number of employees
(at 31 December, in FTE)

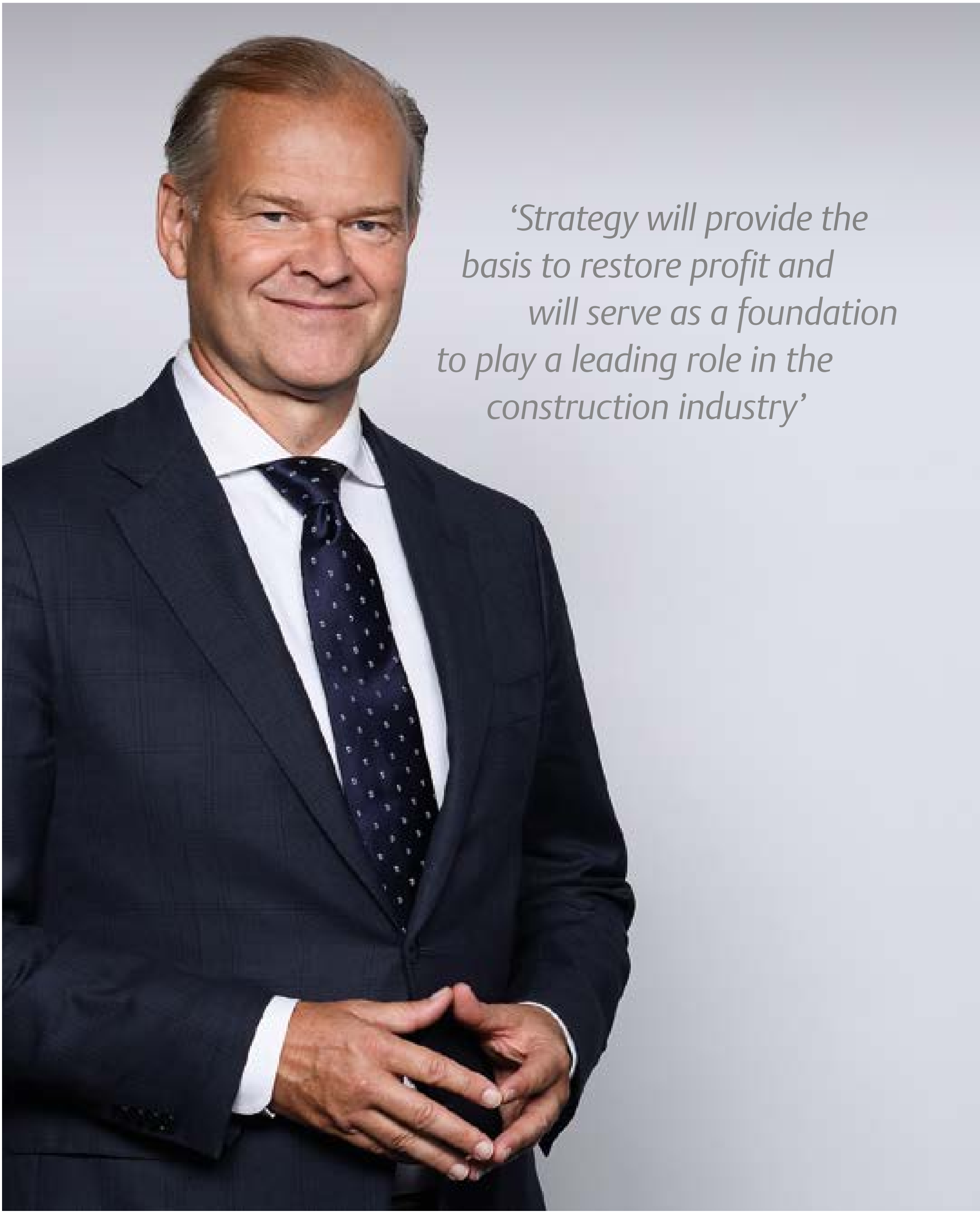
17,966
2019 - 19,517
2018 - 20,194

Safety

Incident frequency
(IF BAM)

5.3
2019 - 4.8
2018 - 4.2

1 Message from the CEO



Ruud Joosten, CEO Royal BAM Group nv.

Message from the CEO

BAM's results in the past year do not reflect the underlying potential of the Group. Especially, Covid-19 has been a cloud over our markets, businesses, clients and colleagues in 2020, and continues to drive uncertainty in our markets. I am really impressed with how our people have responded to the challenge by adapting our operations, preserving our resilience and supporting our communities.

BAM's adjusted result before tax for the year 2020 was €34.3 million (2019: €74.1 million). The adjusted pre-tax margin was 0.5 per cent (2019: 1.0 per cent). The overall order book was €13,800 million at year-end 2020 (year-end 2019: €12,659 million).

From an operational perspective, our activities in Dutch Construction and Property and BAM PPP contributed well in 2020. In our other businesses, there is clearly room for improvement. The additional loss by BAM International was disappointing.

In July 2020, BAM decided to wind down the operating company BAM International, active outside our European markets, given the lack of a positive outlook. This wind-down and the Cologne metro settlement resulted in a significant improvement of BAM's risk profile.

In December, we announced the extension of our partnership with PGGM. PGGM Infrastructure Fund has acquired a 50 per cent interest in BAM PPP. We were pleased to announce this important milestone, which will deliver accelerated growth benefiting both shareholders. BAM PPP will continue to work closely with its BAM sister companies to offer our clients the best whole-life solutions. The expertise and global networks of both organisations will also support the development of new investment opportunities.

We are on track with our cost reduction programme, announced at the end of September, with a target of €100 million annually. Although the necessity is widely accepted, for many of our staff it has been (and for some it still is) an uncertain period.

This integrated report illustrates positive developments in areas such as digital construction, innovation and sustainability. BAM's inclusion in CDP's Climate A list (Carbon Disclosure Project, January 2021) is again a recognition of our efforts to reduce emissions and to achieve a net-positive impact.

Ensuring a safe working environment remains our top priority. It is very regrettable that in 2020 a long-standing colleague died in an accident at a BAM site, and our thoughts are with his family. BAM recognises and values the benefits that diversity brings. In 2020, BAM appointed women managing directors at two operating companies, BAM Infra Nederland and BAM Interbuild.

Since my appointment as CEO on 1 September, we have started to define our new strategic agenda in order to create more value for our shareholders and solid prospects for all our stakeholders, including our employees.

Under our new strategy for 2021-2023, 'Building a sustainable tomorrow', 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 our projects' risk profile. Serving all our stakeholders – employees, clients, partners, suppliers and the communities in which we do business – BAM will structurally improve the profitability and predictability of the Group as a client- and service-driven business.

When visiting some of BAM's projects, I saw that our teams are well-prepared and extremely motivated. BAM is a company with good capabilities and much potential.

I therefore firmly believe that our strategy for success will provide the basis, not only for the restoration of profit and cash conversion, but also serve as a foundation to play a leading role in the construction industry in the years to come. I look forward to working closely with my colleagues to achieve this ambition.

BAM will provide its outlook for 2021 in due course.

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, 17 February 2021

Ruud Joosten,
CEO Royal BAM Group nv

2 Value creation

100 Embankment, Salford City (United Kingdom) - BAM Construct UK

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 Company employs approximately 17,966 people.

BAM's activities are in five European home markets: the Netherlands, Belgium, the United Kingdom, Ireland and Germany. The Company also has a presence in Denmark, Luxembourg and Switzerland.

In July 2020, BAM announced it would wind down the operating company BAM International, active outside the Company's European markets, given the lack of a positive outlook.

Construction and Property
BAM carries out non-residential construction activities in all its home markets and also in Switzerland and Denmark. In addition, BAM delivers residential construction projects (apartment buildings) primarily in the Netherlands 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 7,765 people.

Civil engineering
The civil engineering activities cover all BAM's home markets and also Denmark and Luxembourg. The business line Civil engineering employs approximately 9,806 people.

Public-private partnerships
BAM is a well-respected player in the European market for public-private partnership (PPP) projects. BAM PPP delivers construction and recurring maintenance revenue for both business lines, and operates concessions for roads, rail, education, health care and government buildings. BAM PPP employs approximately 100 people. On 23 December 2020 it was announced that PGGM Infrastructure Fund had acquired a 50 per cent interest in BAM PPP and that from 1 January 2021 BAM PPP would operate as a joint venture between Royal BAM Group and PGGM Infrastructure Fund.

BAM's top structure
The Company's top structure consists of two governing bodies: the Executive Committee and the two-person Executive Board. The Executive Committee consists of the Executive Board members, the chief operating officers of both business lines, the chief business excellence officer and the chief human resources officer. 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.

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

1 - Organisational structure

Business line Construction and Property

- **Netherlands**: BAM Bouw en Vastgoed Nederland
- **United Kingdom**: BAM Construct UK
- **Germany**: BAM Deutschland
- **Belgium**: BAM Interbuild - BAM Galère - Kairos
- **Ireland**: BAM Contractors Ltd
- **Worldwide**: BAM International*

Business line Civil engineering

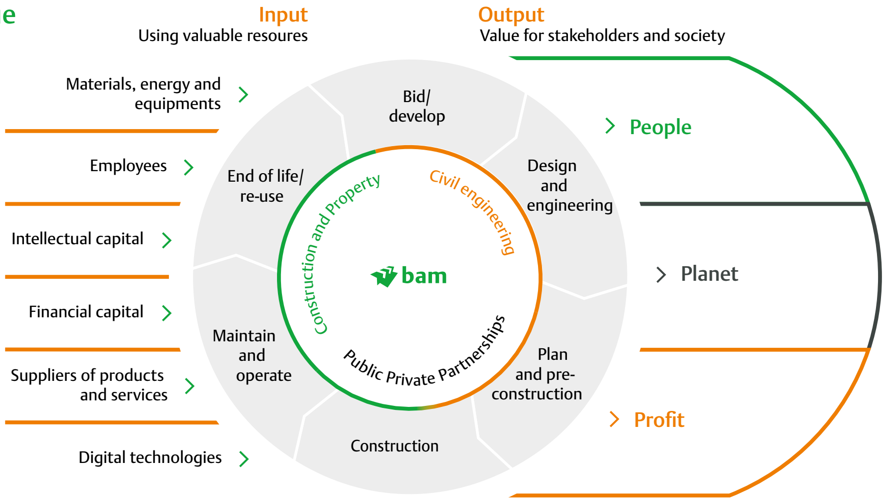
- **Netherlands**: BAM Infra Nederland
- **United Kingdom**: BAM Nuttall
- **Germany**: Wayss & Freytag Ingenieurbau
- **Belgium**: BAM Contractors bv

Public Private Partnerships
BAM PPP (50%)

*Process started to wind down BAM International

What we do and how we create value

2 - Value creation model



BAM's value creation model is based on the International Integrated Reporting Council's Integrated Reporting <IR> framework and gives an overview of how BAM creates value.

The cycle of integrated thinking and reporting supports financial and sustainability results. BAM discloses a combination of quantitative and qualitative information to describe how value is created.

People
Creating social value

BAM's approach to sustainability delivers benefits to clients and communities in which the Group works. BAM aims to create a safe and more sustainable built environment. Within communities, the Company wants to positively enhance the lives of more than one million people by 2020 by creating skills and learning opportunities and through voluntary and charitable work. BAM continues to target talent to maintain its position as one of the best companies to work for.

For BAM's social performance, see paragraph 3.2.

Planet
Creating environmental value

BAM wants to mitigate the impact of its operations on climate change and resource consumption. The Company is working towards having a net positive impact by reducing carbon emissions and waste intensity, as well as by adopting circular business principles and implementing innovative solutions.
BAM works in close collaboration with its supply chain in achieving common goals and addressing global environmental challenges (see paragraph 3.2).

For BAM's environmental performance, see paragraph 3.3.

Profit
Creating financial value

Shareholders and financial institutions provide funds that BAM invests in its two business lines as well as in PPP, with a divestment strategy for a part of BAM's current land bank and property investments.

For BAM's financial performance, see paragraph 3.1.

2.2 Strategy 2016-2020

Review strategic plan

In early 2016, BAM launched the strategy ‘Building the present, creating the future’. This strategy was based on three pillars (focus the project portfolio, shape the business portfolio and create the future portfolio) supported by a foundation of differentiating capabilities and BAM’s unique culture. Based on this strategy, BAM set specific targets for financial (profit) and non-financial (people and planet) performance in the period 2016-2020.

Although the Group delivered improvements in each of these areas, progress has been mixed across the different operating companies. In addition, there were operational challenges on some larger projects in the portfolio, mainly related to tenders awarded before the strategic period 2016-2020. Furthermore, the Group has faced some severe external headwinds during this period, most notably Covid-19 and new regulations in the Netherlands regarding nitrogen and PFAS.

As a result, the financial performance of the Group in 2016-2020 has been disappointing and mainly below the goals set in 2016. For 2020, BAM did not achieve its targets for three of the four key financial indicators: adjusted result before tax margin, investment in land bank and property development and the capital ratio. The target of the fourth indicator, trade working capital efficiency, was met in 2020 and in four out of the five years altogether.

Progress in the areas of people and planet over the past five years has generally been more steady. BAM has worked hard to foster a strong safety leadership culture through continuous ‘Your Safety is My Safety’ campaigning. However, after two fatalities on BAM projects in 2019, regrettably BAM had to report one fatality in 2020. BAM did not meet its general targets on the incident frequency (see page 27 - Incident frequency in 2020). Therefore, Your Safety is My Safety remains top priority for BAM. There is positive momentum on other important indicators such as investment in training, gender diversity, carbon emissions and resource efficiency and BAM managed to remain on the A-list of CDP (Carbon Disclosure Project).

Focus the project portfolio
As the first pillar of the strategy (‘Doing things better’), BAM developed a structural approach on tenders and projects under construction. For winning projects, the main drivers for performance improvement are either scale (cost leadership) or differentiation through specialisation (knowledge partnership). For complex projects, BAM uses its know-how, digital leadership, innovative drive and quality assurance as differentiating factors.

The tender stage gate process has been implemented with a selective tendering policy and a start has been made on the implementation of the Uniform Project Approach. Unfortunately, the improvement seen in the vast majority of tenders and projects over the past five years was partly undermined by significant operational challenges at a limited number of projects, most of which had been awarded prior to the existing strategic period. In 2020, there was a small number of underperforming projects, mainly within BAM International. This was one of the factors that led to the decision, announced in July 2020, to wind down BAM International.

Shape the business portfolio
The second pillar of the strategy has been to shape the business portfolio (‘Doing better things’) by supporting the operating companies in developing new propositions in the home markets as extensions of projects along the lifecycle and leveraging specialisms in international markets. At the same time, BAM looked to improve or exit from operational activities not offering enough opportunities to use scale or distinctiveness as critical success factors.

In 2020, BAM undertook a comprehensive analysis of product-market combinations for its Construction and Property and Civil engineering business lines. This revealed several strategic choices to be made regarding in which home markets BAM can differentiate itself, which are the key differentiators and how to create more synergy in the portfolio. This analysis is a key component in formulating the new strategy for 2021-2023.

Also in 2020, BAM extended its long-term successful PPP partnership with Dutch pension provider PGGM when PGGM Infrastructure Fund acquired a 50 per cent interest in BAM PPP. This will generate significant potential for BAM PPP to accelerate growth in existing European and new global markets by providing BAM PPP with a broader remit and greater flexibility to expand its portfolio. At the same time, BAM PPP will continue to provide first-class services for its clients along the entire lifetime of the concession.

Create the future portfolio
In the third pillar of the strategy, BAM aimed to create its future portfolio (‘Doing new things’) by integrating digital construction solutions in its construction process and by accelerating innovative solutions for its clients. In the area of digital construction, BAM has invested in training with a strong focus on technology, processes and people and in digital tooling. All operating companies have advanced with the adoption of new digital construction techniques, and all BAM’s operating companies have been BIM level 2-certified. BAM has been nominated in the categorie ‘Digitale Bouwbedrijf 2020’ by Real Estate & Building Futureproof. The Digital Construction team in Ireland won the Irish Construction Excellence Award in 2020.

In 2016, BAM set up a new funnel for innovations. In total, 69 innovations have been considered as part of the process. Of these 69, approximately one third were terminated and two thirds are being followed up. The latter group includes 3D printing, Hardt Hyperloop, XBlocPlus, Dynamic Infrastructure & Mobility, Dutch Analytics and bio-based asphalt cleaning.

2.3 Strategy 2021-2023

Strategic plan: Building a sustainable tomorrow

Increased profitability and continued de-risking by focus on markets and projects where BAM has proven competitive strengths, creating a platform for future growth.

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, potentially, 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.

Mid-term financial targets (by 2023):

- Adjusted EBITDA margin to increase to approximately 5%;
- Revenue to decrease to approximately €5.5 billion;
- ROCE >10%;
- Trade working capital efficiency <-10%;
- Grow capital ratio to 20% over strategic period;
- Maintain dividend policy of 30-50% pay-out of net result.

Commitment to sustainability and safety:

- Sustainability: Maintain ranking CPD A-list and, in line with Science-Based Targets initiative (SBTi), reduce the CO_2 intensity of BAM's operations by 50% in 2030 compared to the 2015 base year;
- Employee safety: incident frequency <3.5 and zero fatalities.

Serving BAM's corporate purpose

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.

Strategy driven by market opportunities

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 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.

Platform for growth

BAM will focus on growing its business in the Netherlands, United Kingdom and Ireland. These are the markets where BAM has by far the largest scale. In these countries, BAM starts with top-three positions in both the Construction and Property (and the Civil engineering business lines and with a strong and growing 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 (ESCos);
- Focusing on two-stage tenders, framework agreements and repeat business.

Managing for value

BAM's activities in Germany and Belgium, markets where scale, risks and competitive dynamics have been more challenging, will be managed for value through further operational improvement actions and, potentially, divestments. BAM will be selective in its order intake while maintaining optimal services to clients, efficiency of operations and commitment to employee safety and development.

De-risking

The strategic plan will specifically focus on improving BAM's risk/reward profile. As such, BAM will move its project portfolio away from large unrewarded risk by limiting the size of single-stage, lump-sum tenders in which it will participate in its Construction and Property and Civil engineering businesses to €150 million.

Organisational commitment

BAM's new Executive Board has confidence that the Group, based on this strategic plan, can create greater and more sustainable value for its clients, employees, communities and investors. Tangible progress will be reported over the course of 2021.

3 - Strategy 2021-2023

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

- Approx. €5.5 billion revenue
- Stable adjusted EBITDA of approx. 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

2.4 Stakeholder engagement and material themes

Stakeholder engagement

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

BAM's stakeholders are interest groups which significantly influence or are influenced by the economic, environmental and social performance of the Company.

In 2020, Covid-19 restricted the Companies' stakeholder engagement options, as large events in which stakeholders could be physically present were not possible. However, engagement activities did continue in smaller groups and through digital meetings.

Clients
BAM is in constant dialogue with its clients about project expectations and projections. In addition, BAM organises client meetings to share knowledge and best practices. This is done through account management and business development at each operating company. Maximum value for money is of utmost importance to the clients and this extends beyond simply delivering a project at the lowest price. BAM tries to exceed clients' sustainability expectations or to suggest an enhanced approach where none exists or where no targets have been set. Typically, this is done in the complex and multidisciplinary projects BAM undertakes.

Providers of financial capital
Communication with investors, financial institutions and the financial community at large is actively pursued and usually takes place through meetings, project visits, road shows, seminars, presentations, investment meetings and press releases. The main recurring topics of discussion are financial performance, transparency and control. Due to Covid-19 restrictions in 2020, engagement mostly took place through individual digital meetings.

Employees
As part of the performance management process, personal learning and development plans of employees are evaluated annually between manager and employee. Progress to meet annual targets together with personal growth and career development are discussed. BAM has active works councils within its operating companies to discuss organisational changes and other employee-related matters. Employee engagement is facilitated through multiple platforms such as Young BAM events, open collaboration days, senior management meetings and online surveys through BAM Panel. BAM aims to share learnings from projects, inspire employees with new ideas and collect feedback on what can be improved (▶ pages 29-31).

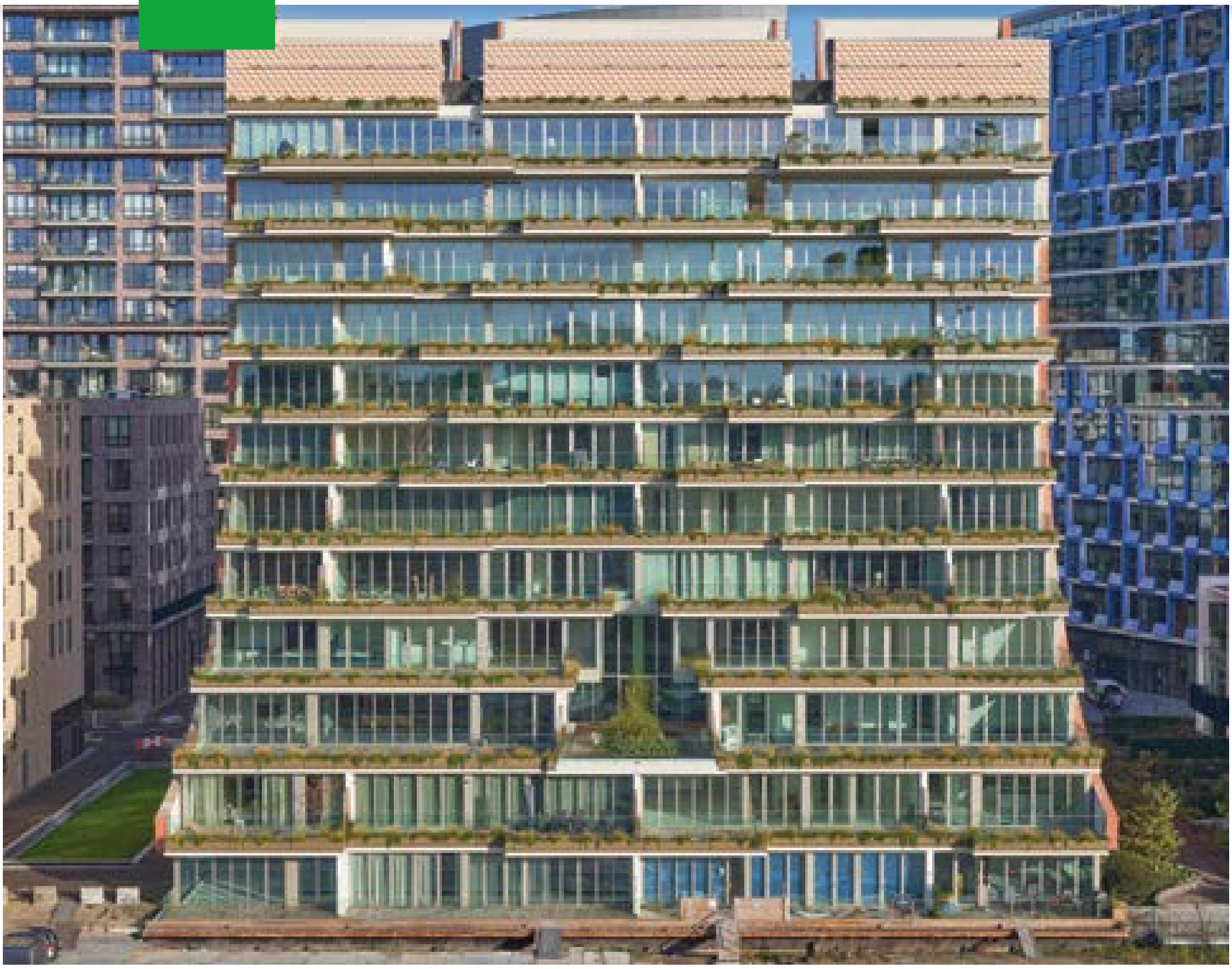
Suppliers and subcontractors
Supply chain partners are essential to BAM and therefore the Company engages with almost all of its suppliers. At projects, BAM is in constant dialogue with its suppliers about project expectations and the carbon footprint of supplied goods. In 2020, BAM engaged with suppliers to reduce the environmental impact of projects by implementing lifecycle assessments on product level. This is taking place throughout projects in both business lines.

Society
By their nature, the construction and civil engineering works of BAM have an impact on local communities. BAM builds facilities which society needs, such as housing, hospitals, schools, leisure and industrial facilities, utilities and infrastructure. Discussion points differ per governmental body, but health and safety as well as human rights are common. Paragraph 3.2 of this report describes BAM's performance and provides examples of its activities for social involvement in 2020. BAM's programme on enhancing lives is an example of the Company's ambition to increase its positive impact on local communities.

Regulators
By delivering projects, BAM is in constant contact with (local) government authorities about issuing permits, compliance with regulations and monitoring of activities. BAM is involved in many governmental initiatives including several Green Deals throughout Europe. The Group aims to engage regulators in issues such as health and safety management, carbon-free buildings, carbon impact in the infrastructure lifecycle and other sustainability-related issues within the built environment. An example is platform CB23, which BAM joined in 2019, whose goal it is to develop and implement circular building regulations for the entire Dutch construction industry by 2023. In 2020, BAM engaged in different dialogue sessions to further develop an evident circularity framework.

Cross-sectoral collaboration

For BAM, stakeholder engagement is about transparency, a deeper understanding of requirements and expectations and, ideally, future-proof partnerships in the supply chain. During 2020, 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. In 2020, BAM engaged in discussions around the following themes: smart cities and mobility, circular economy, healthy urban living, lifecycle values, energy transition and digital construction. These themes are all societal challenges that no single party in the value chain can solve on its own. Tackling these challenges requires cross-sectoral collaboration, which can only be achieved if organisations and people from different sectors are willing and able to think, learn, communicate and collaborate across the boundaries that used to divide them.



The George, Zuidas, Amsterdam (the Netherlands) - BAM Bouw en Vastgoed Nederland

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 believes it has a moral obligation to support 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.

To that end BAM has identified seven goals that fit its strategy and impact best:

3 – Good health and well-being
4 – Quality education
8 – Decent work and economic growth
9 – Industry, innovation and infrastructure
11 – Sustainable cities and communities
12 – Responsible production and consumption
13 – Climate action

The link between BAM's performance indicators, material themes, risks and the SDGs is explained in figure 5.

Currently, BAM does not explicitly monitor its impact on the SDGs. Monitoring performance in relation to the SDGs requires an accurate insight in both the positive and negative impact of BAMs operations. Gaining detailed insight throughout the business is something BAM is not currently working on.

Material themes

As part of the strategic agenda for 2016-2020, the Group carried out a materiality assessment in which 12 material 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. A detailed description of the 12 material themes, their impact on BAM and the management approach can be found in paragraph 9.7.

Materiality assessment
As in 2019, BAM sent out an extended stakeholder survey in 2020. On top of the 12 themes that were specified in BAM's strategic agenda 2016-2020, seven additional topics that were considered important in relation to market trends were selected and added to the survey. The only significant change made compared to 2019 is a broader definition of the theme 'global events' 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.

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 both risk management and digitalisation, as these are important for BAM's long-term value creation. Additionally it was discussed to emphasise the impact of global events in 2020, covering Covid-19 and local events such as Brexit and the nitrogen and PFAS issues in the Netherlands. A detailed description of BAM's approach and 2020 strategic initiatives on risk management can be found in chapter 4. A reflection on digitalisation can be found in the paragraph strategy (pages 11).

An ambition of the 2020 stakeholder engagement (19 identified themes) was to use the output as an inspiration for the new strategic agenda process. In addition, the output was used for product-market combination discussions to define (future) market risks and opportunities for both BAMs business lines.

In this year's report, BAM does not monitor its impact on the seven new themes with KPIs because these are not part of its current strategic agenda. The prevailing 12 remain material.

Material themes
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.

Stakeholders identified financial performance, risk management, digitalisation, business conduct and tranparancy and sustainable procurement as most material themes. Of the new themes, risk management, digitalisation and global events (mainly due to Covid-19) appear important and have a high impact on BAM and its stakeholders. Climate adaptation and business disruption have a limited impact. Diversity and inclusion and biodiversity appear less important for BAM's stakeholders.

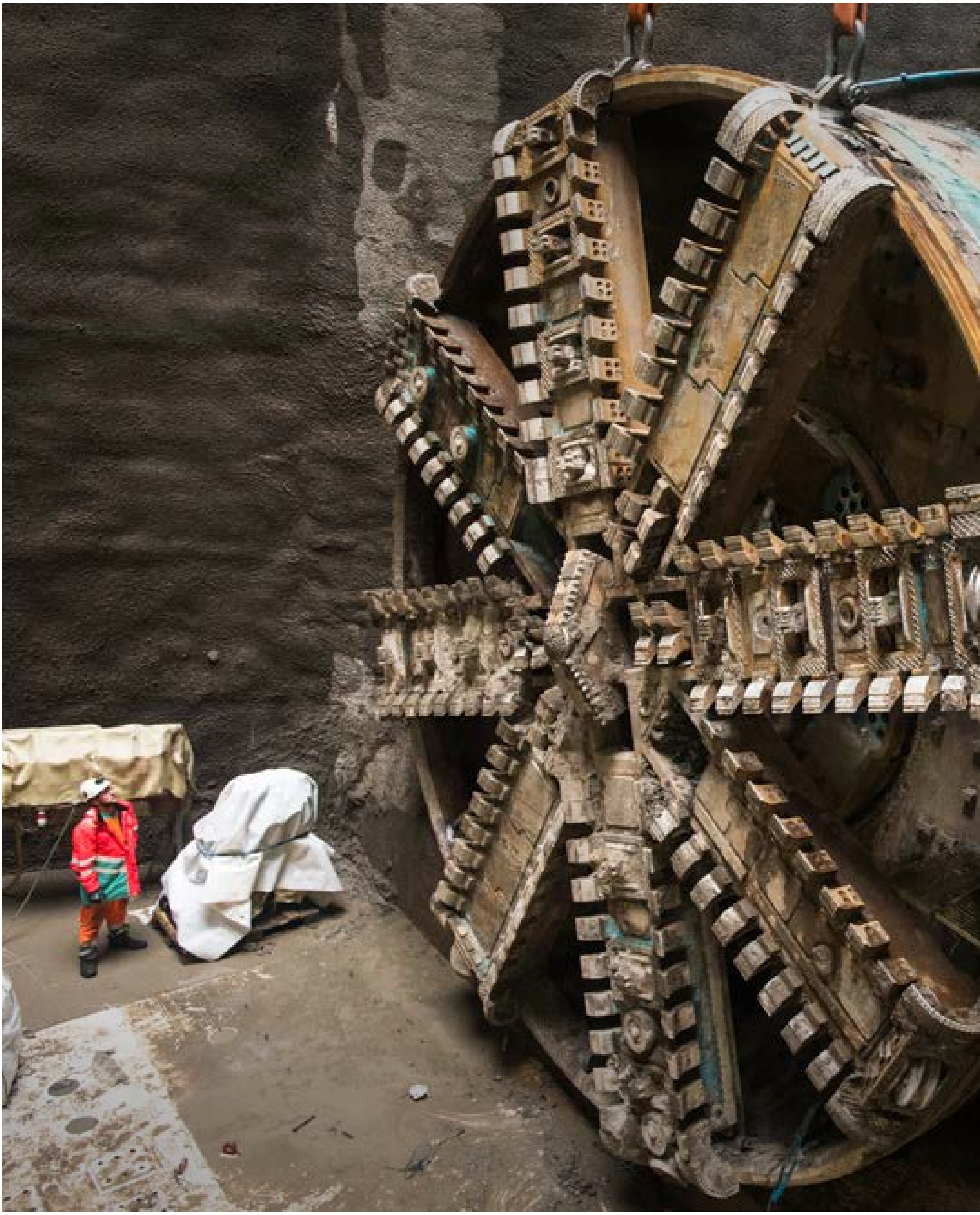
The most relevant theme for the client group was project and product quality and control. The employee group specifically indicated employee recruitment, development and retention as the most important material theme. Providers of financial capital indicated that BAM's financial performance is most relevant to their organisations, in addition to risk management. BAM's subcontractors and suppliers as well as the group representing society in general (NGOs, government and knowledge institutes) specifically indicated sustainable procurement as material themes. Additionally, 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, building information modelling (BIM) and industrialised construction.

4 - Materiality matrix

5 - Link between performance indicators, material themes in strategic agenda, risks and SDGs

Indicator	Material themes	Risks	Sustainable Development Goals (SDGs)	Performance in paragraph
Innovations in innovation funnel	Innovation	Innovation, IT	9 Industry, innovation and infrastructure; 11 Sustainable cities and communities	2.2
ROCE	Financial performance	Market, project, financial, property development	8 Decent work and economic growth	3.1
ROCE	Project and product quality and control	Project, financial	9 Industry, innovation and infrastructure; 11 Sustainable cities and communities	3.1
Diversity of staff	Employee recruitment, development and retention	Reputation, people	3 Good health and well-being; 4 Quality education	3.2
IF BAM Safety behaviour audits	Health and safety	People, health and safety	3 Good health and well-being	3.2
Trainings on Code of Conduct	Business conduct and transparency	Reputation	4 Quality education; 12 Responsible consumption and production	3.2
Number of supplier performance assessments	Procurement strategy	Project, financial, supply chain	12 Responsible consumption and production; 13 Climate action	3.2
Number of lives enhanced	Local community engagement	Reputation, health and safety	3 Good health and well-being; 11 Sustainable cities and communities	3.2
Number of social audits	Human rights	Reputation, project	3 Good health and well-being; 8 Decent work and economic growth	3.2
Fair distribution of tax	Fair tax	Reputation, financial	8 Decent work and economic growth; 11 Sustainable cities and communities	3.1
Number of circular products/services Construction and office waste intensity	Circular economy	Market, sustainability	12 Responsible consumption and production	3.3
CO_2 emissions intensity	Energy and emissions	Market, sustainability	13 Climate action	3.3

3 Business performance



Thames Tideway Tunnel, London (United Kingdom) - BAM Nuttall and BAM Wayss & Freytag Ingenieurbau

3.1 Financial performance

Targets	Performance in 2020	Progress
Return on capital employed (ROCE)* >10 per cent.	ROCE in 2020 amounted to -/- 4.2 per cent (2019: 3.4 per cent).	●○○
Key performance indicators (KPIs): • Return: BAM aims to get its results on projects into a 2 to 4 per cent range.	The margin on the adjusted result before tax for 2020 was 0.5 per cent, compared to 1.0 at year-end 2019.	●○○
• Capital employed*: increase trade working capital efficiency below -/- 10 per cent of revenue.	The trade working capital efficiency improved to -/- 13.9 per cent at year-end 2020 compared to -/- 10.4 per cent at year-end 2019.	○○●
• Capital employed*: reduce investment in land bank and property development below €500 million by 2020.	BAM achieved net divestments of land bank and property for a total of €27 million in 2020 (2019: €33 million). Balance sheet value for land bank and property down to €504 million (2019: €531 million).	○●○
• Improve capital ratio* towards 25 per cent by 2020.	Capital ratio amounted to 13.4 per cent compared to 16.5 per cent at year-end 2019.	●○○

* Refer to 9.5 Glossary for definitions.

Management summary

The extraordinary circumstances caused by the Covid-19 crisis have had a considerable impact on our 2020 result. In addition, the Company's performance was impacted by continued losses at BAM International, the underperformance of the German construction business (including a provision for a smaller asset, which is qualified as held for sale) and to a lesser extent by the Cologne metro settlement which led to a special market update in July 2020.

As a consequence, the Executive Committee decided to start the process of winding down BAM International, active outside BAM's European home markets, given the disappointing results and the ambition of the Company to focus on the Western European home markets. Furthermore, the Company announced a major restructuring programme in September in order to bring organizational costs in line with the lower revenue caused by Covid-19 and selective tendering. This programme aims to reduce costs of at least €100 million annually with most savings coming from substantial headcount reductions (1,000 FTEs). The progress of this programme is on schedule.

BAM's operational performance recovered after the disappointing first half year and the Group recorded a positive adjusted result before tax in the second half of 2020, in line with its outlook. The 50 per cent transfer of our shares of BAM PPP to PGGM, subsequent deconsolidation of the assets from the balance sheet and revaluation of the retained 50% interest in the joint venture had a major impact on the full-year result. In the same period, the Company concluded upon a deal with Heijmans to create a joint venture on asphalt plants in the Netherlands and decided to discontinue production at the asphalt plant in The Hague. Despite the above-mentioned initiatives, net income was negatively impacted by non-cash impairments and restructuring costs. BAM believes that the new strategic plan for 2021-2023 will result in a smaller but more profitable and sustainable Company, with a predictable performance, while creating a platform for future growth.

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

	2020	2019
Revenue	**6,809**	7,209
Adjusted result before tax	**34.3**	74.1
Margin *(%)*	**0.5**	1.0
Result before tax	**(83.9)**	50.6
Net result attributable to the shareholders of the Company	**(122.2)**	11.8
Order book	**13,760**	12,659
Earnings per share	**(45) cents**	4 cents
Dividend proposal	**0 cents**	0 cents

The total year-end position on cash and cash equivalents was high. The Company drew the revolving credit facility (RCF) in March and benefited from a Covid-19-related opportunity to delay in tax payments in the Netherlands and the UK. The trade working capital efficiency improved further during the year, due to effective steering, client pre-payments and provisions for losses.

In the business line Construction and Property, the performance of the Dutch property development and residential construction activities remained very strong. Germany and Belgium operated disappointingly with losses on several projects. This was also the case in the United Kingdom, Belgium and Ireland, where some project sites were closed for several weeks resulting in revenue losses.

In the business line Civil engineering, overall performance was impacted by severe project losses at BAM International, the Cologne metro settlement and the de-risking of some major projects due to settlements. Strong positive contributions included The Hague asphalt plant transactions and a the positive effects of German claim settlement.

The figures presented in chapter 3.1 include both continued- and discontinued operations. As a consequence the results of BAM PPP are reported as discontinued operations in the consolidated income statement in the financial statements. See also note 37 of the financial statements.

Revenue

Revenue declined by 6 per cent to €6,809 million in 2020 compared to 2019, mainly by the extraordinary circumstances caused by Covid-19 (resulting in 19% lower revenues in the second quarter compared to the same period last year) and the decision to wind down BAM International. Revenue recovered in the second half-year to €3,701 million, 1.4 per cent below the comparative period in the previous year.

Result

The adjusted result before tax for the year 2020 was mainly impacted by the continued losses at several projects in the Middle East and the Cologne metro settlement in Germany. This was partly offset by the 50 per cent transfer of our shares of BAM PPP to PGGM (and subsequent revaluation of the remaining 50% shares), the settlement of some major claims of which a German claim settlement and The Hague asphalt plant transactions. The transfer of 50 per cent of BAM PPP to PGGM in December resulted in a net gain of €118 million, after a reclassification of €36 million of hedge reserves.

8 - Result before tax
(x € million, unless otherwise stated)

	2020	2019
Adjusted result before tax, depreciation and amortisation charges	**193.3**	233.7
Depreciation and amortisation charges	**(159.0)**	(159.6)
Adjusted result before tax	**34.3**	74.1
Impairment charges	**(74.7)**	(18.5)
Restructuring and other exceptional costs	**(44.7)**	(5.0)
Pension one-off	**1.2**	-
Result before tax	**(83.9)**	50.6
Income tax	**(38.5)**	(38.7)
Result for the year	**(122.4)**	11.9
Non-controlling interests	**0.2**	0.1
Net result attributable to shareholders of the Company	**(122.2)**	11.8

As a result, the adjusted result before tax declined from €74.1 million (2019) to €34.3 million. This equates to an adjusted result before tax margin of 0.5 per cent (2019: 1 per cent), which is in line with the expected positive result for the second half of 2020, as communicated by the company in July.

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

	Revenues		Adjusted result before tax	
	2020	2019	2020	2019
Construction and Property	**3,695**	4,102	**0.3**	67.7
Civil engineering	**2,949**	2,884	**11.8**	20.8
BAM International	**153**	252	**(110.3)**	(38.6)
Eliminations and miscellaneous	**(29)**	(62)	**(20.5)**	(3)
Total sectors excluding PPP	**6,768**	7,176	**(118.7)**	46.9
Public-private partnerships (PPP)	**53**	45	**34.8**	27.2
Transfer of BAM PPP shares to PGGM	**-**	-	**118.2**	-
Total Public-private partnerships	**53**	45	**153.0**	27.2
Eliminations	**(12)**	(12)		
Total sectors including PPP	**6,809**	7,209	**34.3**	74.1

Net income was impacted by non-cash impairments and restructuring costs. The restructuring charge of €44.7 million in 2020 relates for a great part to our a major restructuring programme and were booked across in most operating companies. The impairments of €74.7 million includes for €60.8 million impairment of goodwill, mainly based upon the assessment as executed mid-year 2020. Another significant part of the impairment (€11.3 million) represents impairments and value adjustments on several regional land positions and a commercial development.

Income tax in 2020 included a non-cash impairment of deferred tax assets (DTA) of €50.8 million, mainly in the Dutch fiscal unity. The gain on the BAM PPP transaction was exempt from taxes.

Order book

The overall order book increased to a strong position of €13,760 million. In Civil engineering, the order book increased with €1.2 billion, of which €826 million in the UK and €340 million in Germany, offset by several other movements. Construction and Property remains relatively stable, except in Ireland, where a significant increase of €113 million is visible.

The margin on the new order intake continued to improve. Of the current total order book position, €6.0 billion (2019: €5.7 billion) is expected to be carried out in 2021 and €9.9 billion (2019: €7.0 billion) in the years after. Growth is particularly noticeable in Civil engineering.

Earnings per share

The number of outstanding ordinary shares of the Group amounted to 273.3 million in 2020, which was in line with 2019. Earnings per share amounted to minus 45 euro cents (2019: 4 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. BAM's net result for 2020 amounts to (€122.2) million. BAM proposes not to pay dividend for 2020. This is subject to approval by the Annual General Meeting on 14 April 2021.

Cash and cash equivalents

In 2020, the Group generated a business cash flow of €512 million (2019: €141 million) driven by a positive net cash result, a strong trade working capital development and tax payments delays. Furthermore, this high cashflow is a result of a strengthened focus on cash during the year, optimal use of governmental support schemes, significant cost savings and capex reduction programme and exceptional results from working capital improvement efforts. In addition, the Company made use of the revolving credit facility (RCF), meaning a full draw of this facility.

Cash from trade working capital improved significantly due to the improved balance between accounts payable and accounts receivable and the benefit of advanced payments on a few new contracts. On average, BAM's payment performance to suppliers was in line according to contractual terms.

9 - Business cash flow
(x € million, unless otherwise stated)

	2020	2019
Group: net cash result	81	137
Investments (in)tangible fixed assets	(137)	(170)
Trade working capital	279	177
Net investment property	39	(1)
Net investment PPP	55	14
Other changes in working capital	195	(16)
Business cash flow	512	141
Dividend	-	(19)
Restructuring	(9)	(5)
Pensions (additional)	(5)	(9)
Other	436	2
Change in cash position	934	110

Borrowings

As at 31 December 2020 a net cash position was achieved of €1,154 million (2019: €583 million net cash position). This position comprised of cash and cash equivalents of €1,789 million minus borrowings of €635 million. The Group had two credit facilities as at 31 December 2020 which are fully drawn: unsecured subordinated convertible bonds for €119 million and a committed syndicated credit facility of €400 million.

In 2020, the Group managed to buy back bonds with a notional value of €4.9 million in the open market. The outstanding bonds will be convertible into ordinary shares of BAM with a nominal value of €0.10 each. The bonds are subordinated to BAM's senior payment obligations and carry an annual coupon of 3.5 per cent, payable semi-annually. The bonds will be redeemed at their principal amount on or around 13 June 2021. From 28 June 2019, BAM has had the option to call all but not some of the outstanding bonds at their principal amount plus interest, if the value of a BAM share exceeds for a specified period of time a price which is 30 per cent higher than the conversion price (31/12/2020: €4.8334). Based on the share price as per 31 December 2020, the subordinated convertible bonds were out-of-the-money. If the bonds remain out-of-the-money, the bond holders will hold the bond until maturity and get repaid the face value. The committed syndicated credit facility will mature at 31 March 2024 and was fully drawn in March 2020 for the remainder of the year.

As at 31 December 2020, total borrowings amounted to €929 million (2019: €583 million), of which €78 million (2019: €101 million) concerned non-recourse debt. Non-recourse loans associated with PPP projects decreased significantly to €3 million (2019: €43 million) as a result of the transfer of 50 per cent of our shares in BAM PPP to PGGM. Non-recourse debt related to property development increased with €17 million in 2020 (see table 11). The recourse net debt, part of the recourse leverage ratio in BAM's financing arrangements, mainly comprising property loans of €38 million on a recourse basis minus cash and cash equivalents, amounted to a total borrowings position of €929 million as at 31 December 2020, including the draw of the syndicated credit facility.

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

	2020	2019
Cash position	1,789	854
Interest-bearing debt	(635)	(271)
Net cash position (excl. leases)	1,154	583
Lease liabilities	(294)	(312)
Net cash (incl. leases)	860	271
Shareholders' equity	583	628
Capital base	702	749
Balance sheet total	5,225	4,540
Capital ratio	13.4%	16.5%
Capital employed	1,959	1,537
Return on average capital employed	(4.2%)	3.4%

11 - Borrowings
(x € million, unless otherwise stated)

	2020	2019
Non-recourse debt		
PPP	3	43
Property	71	54
Other	4	4
	78	101
Subordinated convertible bonds	119	120
Syndicated credit facility	400	-
Recourse debt		
Property	38	50
Lease liabilities	294	312
	332	362
Borrowings	929	583

Capital employed

Non-current assets
On balance, the non-current assets decreased in the year with €134 million (2019: increase with €243 million). The carrying amount of property, plant and equipment decreased with €24 million to €253 million. The majority of the capital expenditures concerned the asset category plant and equipment in Civil engineering.

The intangible assets predominantly contains goodwill with a carrying amount of €335 million, a decrease of €66 million compared with 2019. Goodwill is tested bi-annually and this resulted in an impairment of €61 million. The total carrying amount of intangible assets decreased with €66 million, mainly due to the above mentioned impairment on goodwill. In addition, the decrease of the GBP had an impact of minus €7 million, offset by the increase of goodwill of €7 million due to investment in Modern Homes Ireland (MHI).

The carrying amounts of joint venture investments (accounted for using the equity method) increased in the year with €121 million (from €135 million to €256 million), mainly due to the newly created JV BAM PPP. In addition, the same transaction caused a decrease to the other financial assets with €40 million (from €110 million to €70 million).

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 2020 amounted to minus €1,210 million (2019: minus €830 million).

Gross investment in property development was reduced with €27 million in 2020 to €504 million (2019: €531 million), as a consequence of property sales, divestments and an impairment charge of €11.3 million. Net investment in property development, taking into account associated borrowings, amounted to €395 million (2019: €429 million).

Shareholders' equity and capital base

Mainly due to the negative net income of €122.2 million our equity position deteriorated to €583 million. The following non-cash elements explain the other movements in shareholders' equity of the Group;

- Difference in accounting treatment of the hedges on PPP and transfer of 50 per cent of the shares of BAM PPP to PGGM led to a positive impact on equity of €95 million;
- The actuarial results decreased, mainly due to lower discount rates, with a negative impact of €2 million after taxes on equity;
- Depreciation of exchange rates, mainly due to FX rates decrease, which was partly offset by FX gain at BAM International leading to a net impact on equity of minus €11 million.

The capital base, which includes the subordinated convertible bonds, decreased with €47 million to €702 million (2019: 749 million).

Pont-à-Ponts, Tournai (Belgium) - BAM Galère

The book value of the convertible bond is €119 million (2019: €120 million). The difference with the nominal value of €120 million relates to the valuation of the conversion right and transaction cost.

Solvency

As at 31 December 2020, solvency was 13.4 per cent (2019: 16.5 per cent), determined by using the capital base. The solvency ratio was mainly influenced by the full draw of the revolving credit facility, lowering the solvency by 1.2 per cent point.

Recourse solvency, the ratio in accordance with the bank covenants, decreased to 20.3 per cent as at 31 December 2020 (2019: 28.5 per cent) which comfortably exceeds the required minimum of 15 per cent.

Other balance sheet items

Post-employment benefits
The net benefit liability amounted to €31 million as at 31 December 2020, a change of €2 million compared to 2019.

Provisions
Provisions, other than post-employment benefits, increased by €52 million to €327 million as at 31 December 2020, predominantly due to the net increase of the restructuring provision of €32 million. In addition the onerous contracts provision increased with €40 million.

Joint ventures
On 23 December 2020, BAM completed the sale of a 50 per cent interest in BAM PPP to PGGM. As a result of this transaction, BAM has classified and revalued the remaining 50 per cent interest in BAM PPP as a joint venture, which is accounted for as an equity method investment. This means that as of year-end 2020, BAM PPP is no longer consolidated in the financial statements of the Company.

Deferred tax assets and liabilities
The Group has a deferred tax asset of €106 million (2019: €136 million). The decrease in the deferred tax asset was predominantly related due to the impairment of Dutch and German deferred tax assets for tax losses of €51 million and the non-recognition of tax losses of the German Construction and Property unit of €15 million. On the other hand the tax rate increase in the Netherlands for 2021 and following years led to an increase of €8 million.

Tax

In 2020, BAM recognised a tax expense of €38.5 million (2019: €38.7 million), heavily impacted by one-off items. Excluding the impairment of Dutch and German deferred tax assets of €51 million, the non-recognition of tax losses of the German Construction and Property unit of €15 million, the effects of goodwill impairment and exempt gain on the sale of BAM PPP, the effective tax rate of the Group for 2020 is 12.4 per cent (2019: 14.3 per cent), influenced predominantly by the mix of results in various countries.

On corporate income tax, taxes on wages, social security contributions and VAT, the Group paid a total amount of €577 million in 2020 (2019: €849 million). Cash tax paid is seriously impacted by government measures to allow companies to defer tax payments. In the Netherlands and the UK, BAM has opted to make use of such deferral possibility resulting in approximately €230 million unpaid taxes, of which €214 million in the Netherlands and the remainder in the UK per 31 December 2020.

12 - Total taxes paid in 2020
(x € million, unless otherwise stated)

	Taxes	%	Revenue	%
Netherlands	219	38	2,931	43
United Kingdom	189	33	1,867	27
Belgium	24	4	553	8
Germany	122	21	801	12
Ireland	(2)	-	469	7
Rest of the world	25	4	188	3
Total	577	**100**	**6,809**	**100**

Construction and Property

13 - Analysis by geography

(x € million, unless otherwise stated)

	2020		2019	
	Revenues	Adjusted Result before tax	Revenues	Adjusted Result before tax
Netherlands	1,629	60.8	1,612	65.6
United Kingdom	894	(3.3)	1,061	35.7
Belgium	322	(7.7)	445	3.9
Ireland	399	(5.1)	508	20.0
Germany	451	(44.4)	476	(57.5)
Sub-total	3,695	0.3	4,102	67.7
International	63	(89.3)	124	(21.4)
Total	3,758	(89.0)	4,226	46.3

	2020	2019
Result margin	(2.4%)	1.1%
TWC (% 4-Q rolling)	(16.3%)	(14.9%)
Order book	6,229	6,268

Revenue in Construction and Property decreased by €468 million (11 per cent) to €3,758 million, driven by the impact of Covid-19 mainly in the United Kingdom and Belgium, specifically due to the fact that some sites were forced to close for several weeks. Revenue in the Netherlands was more or less in line with 2019 and the same applied to Germany. BAM International was heavily impacted by the wind-down and disappointing progress in a few larger projects.

The adjusted result before tax for 2020 amount to minus €89 million (2019: €46.3 million), mainly due to the severe losses in Germany and negative results in Belgium.

Strong contributions included the performance in The Netherlands especially with strong performance in property, residential construction and large projects. Dutch home sales were up by 10 per cent to €3,121 million. Impairments and value adjustments of property positions had an effect of €11.3 million. This related to several regional land positions and a commercial development. Including these impairments, BAM's gross investment in property declined by €27 million to €504 million at the end of 2020.

The disappointing performance in Germany resulted in a loss of €44 million. During the year there were additional costs on (older) projects in execution offset by an over-recovery of overhead costs. Furthermore, the German results were impacted by a provision for a smaller asset, which is qualified as held for sale. Despite the impact of Covid-19, revenue remained flat compared to 2019.

The loss of €89 million in BAM International's construction and property activities was disappointing. This performance is mainly explained by the impact of Covid-19 and additional cost overruns on two projects in the Middle East. In addition, under-coverage of company tied costs also had a negative impact.

Covid-19 had a severe impact in Belgium; revenue dropped with 28% compared to 2019. Despite the settlement on a large claim, result was negative due to cost overruns and challenges on specific projects.

The order book in Construction and Property remained flat at €6.3 billion. The order backlog in Ireland increased strongly (+14 per cent) due to the continuing strong demand in a variety of market segments, from industrial to residential. The order book in Germany decreased with €139 million, in line with strategic initiatives.

Civil engineering

14 - Analysis by geography

(x € million, unless otherwise stated)

	2020		2019	
	Revenues	Adjusted Result before tax	Revenues	Adjusted Result before tax
Netherlands	1,325	21.9	1,283	(17.3)
United Kingdom	974	12.3	876	23.0
Belgium	233	(3.7)	294	5.3
Ireland	70	(5.8)	95	(4.3)
Germany	350	(12.9)	340	14.1
Other	(3)	-	(4)	-
Sub-total	2,949	11.8	2,884	20.8
International	90	(21.0)	128	(17.2)
Total	3,030	(9.2)	3,012	3.6

	2020	2019
Result margin	(0.3%)	0.1%
TWC (% 4-Q rolling)	(11.7%)	(4.5%)
Order book	7,558	6,382

In contrast to Construction and Property, the revenue in Civil engineering was more or less in line with 2019, which is remarkable given the circumstances due to Covid-19. In fact, the revenue in the Netherlands even increased with €42 million.

Despite the increase in revenue, the adjusted result before tax decreased significantly towards minus €89 million (2019: €3.6 million) due to project losses and pro-active de-risking of Civil engineering. This result included the losses at

BAM International, including the settlement on one major project. In addition, the Cologne metro settlement also impacted the result.

In line with Construction and Property, the Netherlands had a positive contribution to the result with €22 million. This result benefitted from the deal with Heijmans to create a joint venture on asphalt plants in the Netherlands and the decision to discontinue production at the asphalt plant in The Hague. Furthermore, the settlement of a major project in Germany contributed to the result. This was offset by the development of long-term maintenance contracts and one specific project.

The result in Germany was mainly impacted by the Cologne metro settlement and a project in the tunnelling division. The settlement of a major project that benefited the Netherlands also had a positive impact on Germany. The performance of the Belgium activities in Civil engineering were also disappointing from a financial result point of view. During 2020, the result on several larger and mid-sized projects deteriorated, which was partly offset by an over-recovery of overheads.

In the United Kingdom, BAM Nuttall delivered a positive result. The underlying performance of the activities remained strong, however the result in the second half-year was impacted by two provisions, which led to a positive result of €12 million.

The order book in Civil engineering increased to €7.6 billion. The overall strong order intake in the UK led to an increase of 22 per cent and a total order backlog in the UK of almost €4 billion, driven by increasing government investment in infrastructure. The order book in Germany also improved during the year, mainly due to the award of a major tunnelling project. The order backlog of BAM International declined by €270 million as a consequence of the announced winddown. The order backlog in the Netherlands remained stable.

PPP

BAM PPP

(x € million, unless otherwise stated)

	2020	2019
Adjusted result before tax excluding transfer of 50 per cent of the shares	**34.8**	27.2
Transfer of 50 per cent of the shares to PGGM	**118.2**	-
Adjusted result before tax	**153.0**	27.2
Invested equity	**56**	80
Number of operational projects	**41**	40
Projects under construction	**7**	9
Total number of PPP projects	**48**	49

BAM PPP delivered a strong performance in 2020, with an adjusted result before tax of €34.8 million, without the transfer of 50 per cent of the shares to PGGM. However, this included €13.6 million from the partial transfer of 21 investments to PGGM in the first half year, reducing BAM's interest in these projects from 20 per cent to 10 per cent. In addition, three projects were transferred to the joint venture with PGGM in the second half year having reached their completion dates. All the operational projects have remained available throughout Covid-19 to date.

In 2020, one new project was added to the portfolio with the financial close of the Dendermonde prison in Belgium. On 31 December 2020 BAM PPP handed back the A59 in the Netherlands to the client at concession completion. At the end of 2020, BAM had 41 operational projects, of which 36 with an equity stake, and 7 under construction. The PPP portfolio also provides recurring operations and maintenance revenues for other BAM companies.

BAM PPP and PGGM

On 23 December 2020, BAM completed the transfer of 50 per cent of the shares of BAM PPP to PGGM. As a result of this transaction, BAM has classified the remaining 50 per cent interest in BAM PPP as a joint venture, which is accounted for as an equity method investment. This means that as of year-end 2020, BAM PPP is no longer consolidated in the financial statements of our Company.

The gain on this transaction, before the reclassification of reserves on cash flow hedging and exchange rate differences, amounts to €155 million. Fifty per cent of this gain accounts for a 'fair value step up' on the remaining interest in the former subsidiary from its carrying amount to fair value. This step up shall systematically be allocated as costs to the future Group's share of the profit and losses of the entity. The reserves involved are reclassified to the profit or loss for the amount €32 million (negative) and €5 million (negative) respectively and are attributed to the transaction resulting in a total gain of this transaction of €118 million. There is no income tax on this gain.

BAM expects that the enhanced strategic partnership with PGGM will generate significant potential to accelerate growth in existing European and new global markets.

3.2 Social performance

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

Targets	Performance in 2020	Progress
• Fully incorporate safety in daily activities to achieve a BAM incident frequency (IF BAM) of ≤ 3.5 for 2020.	IF BAM of 5.3 (2019: 4.8).	●○○
• Leadership development programme for top business management in 2020.	The Accelerated Leadership Programme was developed in 2020, but kick-off was delayed as a result of Covid-19. The kick-off will be held in the first half of 2021.	○●○
• Olympus: project management development programme for senior project managers in 2020.	A new 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.	○○●
• Enhance one million lives in local communities by 2020.	The Group has reported 158,000 enhanced lives in 2020 and 510,000 enhanced lives to date.	●○○

Management summary

BAM aims to prevent all accidents. However, the target for incident frequency (IF) of BAM employees at risk on projects was not achieved in 2020. BAM regrets one fatality in 2020 on its projects.
The Company is working hard to foster a genuine and strong safety leadership culture within senior management. 'Your Safety is My Safety', BAM's ongoing safety campaign, aims at zero accidents. This can only be achieved through a joint approach and responsibility at all sites, at home, while travelling to work and in the offices. Despite a strong reduction in the number of hours worked in 2020, smaller (lost time) accidents have not decreased proportionally, resulting in a higher incident frequency.

One of the areas of attention is to learn from accidents and near-miss situations that have occurred and to take corrective actions to prevent repetition. Learning from best practices and positive developments also helps people to react to similar situations in future. Accident investigations are a crucial learning tool. Workplaces with positive pro-safety attitudes carry out similar investigations into near-miss cases as they do for actual accidents. Furthermore, BAM aims to increase the focus on mental health-related matters in future.

BAM also targets social performance in other parts of the business, highlighted by its leadership programmes, the updated Code of Conduct and improved reporting on activities aimed at enhancing lives. BAM can improve its monitoring of human rights (via social audits) and other social aspects in its supply chain.

Social value for BAM

BAM's activities have an impact on local communities, occupants and other users of buildings and infrastructure and society as a whole. BAM aims to create sustainable environments that enhance people's lives. This chapter describes how all social subjects are interrelated and how BAM actively collaborates with all stakeholders to create long-term (social) value. Health and safety is the most important element of the Company's social performance: every employee should be able to return home safe every day. This requires excellent performance from all employees and supply chain partners on the construction sites every day. The construction supply chain is increasingly complex and fragmented and needs active collaboration to manage responsible supply chain management, human rights and ethical business conduct.

The Group increases intellectual capital and human capital by investing in its employees and in the development of the supply chain. BAM recognises the importance of Group-wide development and implementation of its talent strategy, based on BAM's organisational development and strategic objectives. The positive legacy to society is also reflected in the programme for enhancing lives.

Health and safety

Creating the right environment for knowledge-sharing and scalable learning throughout BAM's supply chain is most important to reach the Group's safety targets.

This is done by:

Developing leadership and behaviour by carrying out safety behaviour audits (SBAs)

Due to Covid-19, no SBAs took place in 2020.

An SBA consists of the following steps:

- Assessment (audit);
- Interview, assessment of records and compliance analysis on site;
- Close-out and final score;
- Report;
- Improvement plan with actions and areas that require special attention;
- Benchmarking and sharing outcome.

Rewarding excellence

Safety behaviour audits (SBAs) will make excellence count and reward (safety) innovations. By disclosing the results through the safety portal, safety excellence becomes visible to other operating companies with an emphasis on continuous improvement within organisations and throughout the Group.

SBA scores focus on three areas: safe environment, management system and site conditions. Excellent performance in leading and lagging indicators (IF) in operating companies will result in less control by Royal BAM Group's SBAs, but should increase commitment to share excellence performance by organising a safety exchange.

Recognition of performance by carrying out safety exchanges (SEs)

In 2020, one SE took place as scheduled. The other SEs were cancelled due to Covid-19. SEs or safety reviews are peer reviews and focus on creating a debate aimed at challenging and learning (themes from the maturity model). This dialogue between two operating companies who have to develop best practices together will result in a customised knowledge exchange.

Strengthening BAM's (safety) culture supported by uniform safety communication processes, methods and channels

In 2018, BAM launched the safety campaign 'Your Safety is My Safety'. This campaign was continued in 2019, when the Company made safety more personal by conducting safety conversations. In 2019, BAM launched the new Code of Conduct, 'Doing things right'. These worldwide BAM campaigns are about the way BAM acts and behaves. It is important to have a dialogue about this together. On 1 September 2020, BAM launched the 'Speak Up' campaign, including the 'Speak Up' video, in which colleagues play a leading role. 'Speak Up' is the basis for many other themes in the field of safety, the Code of Conduct, and mental health and wellbeing. In this next step in the 'Your Safety is My Safety' campaign the Company focuses on psychological safety. BAM employees talk about their experiences in relation to safety, the Code of Conduct, and mental health and wellbeing. By this approach BAM wants to invite more employees to do the same and speak up. Not only speaking up is important. An important basis for a speak up-culture is listening up.

Summer campaign

In the summer of 2020, a Company-wide campaign was held to remind everyone why it's important to drink enough water, protect yourself with sun cream, to not work in direct sunlight for too long, take enough rest during the day and wear the right protective clothing. In addition, employees were asked to encourage each other to do the same and to talk to each other about the consequences of working in summer conditions. To illustrate just how important being safe in the sun is, a story was shared of a colleague at BAM Infra Nederland who has been working at BAM since 1979. He was diagnosed with skin cancer in 2017. In a personal and touching way, he explained how he experienced what working in the direct sun can do to someone.

Worldwide BAM Safety Day

On 6 October 2020, Worldwide BAM Safety Day was organised for the eleventh time. The aim of this yearly event is to reflect together on the importance of a safe working environment to improve employees' awareness. This year's Safety Day focused on speaking up and listening up. It was the first time mental health and psychological safety were addressed. BAM is committed to supporting, promoting and maintaining the overall wellbeing of its employees through awareness-raising, training, webinars, and workplace practices, and encouraging individuals to take ownership of their own mental health and wellbeing, particularly with the challenges of Covid-19 in 2020. For Worldwide BAM Safety Day 2020, a new content platform was launched to raise awareness on speaking up. During the day all BAM employees were invited to organise a safety conversation about 'Speak Up' by using the new set of 20 safety conversation starters. Conversations could be held in-office, remotely or virtually via Microsoft Teams. In addition, an online webinar with senior management was organised to discuss the importance of speaking up and listening up and how senior management plays an important role in leading by example.

Incident frequency in 2020

BAM's incident frequency (IF) is determined by the total number of industrial accidents leading to absence from work per million hours worked on construction sites (all BAM site employees on own work and joint ventures on risk). In 2020, IF increased to 5.3 (2019: 4.8), which was above the 2020 target of 3.5.

In challenging times in the economy, people tend to increase their risk appetite, due to job uncertainty or loyalty towards team members and supervisors. Other contributing factors may include less adequate work preparation and misjudgement of risks during the Covid-19 period with less adequate supervision on project sites. However, this is hard to measure.

Good practices - sharing and learning across the Group

BAM Plant UK has created a skincare stand following a request from the team at the BAM Ritchies, Lower Thames Crossing site for a suncream dispensing stand. The site already makes full use of BAM Plants fire and first aid stands and now has an SPF skincare stand to add to the collection.

BAM Infra Verkeerstechniek wants to prevent accidents proactively and has therefore invested in the Flister application. By inputting a warning message in the navigation systems or navigation applications of approaching road users, the company increases the safety of its road workers.

Mid-January 2020, BAM Belgium organised its BAM Belgium Safety Weeks. In those two weeks, all operational colleagues participated in six workshops. Fourteen different topics were covered during the Safety Weeks. All topics fell under the following three pillars: organisational safety, technical safety and cultural safety.

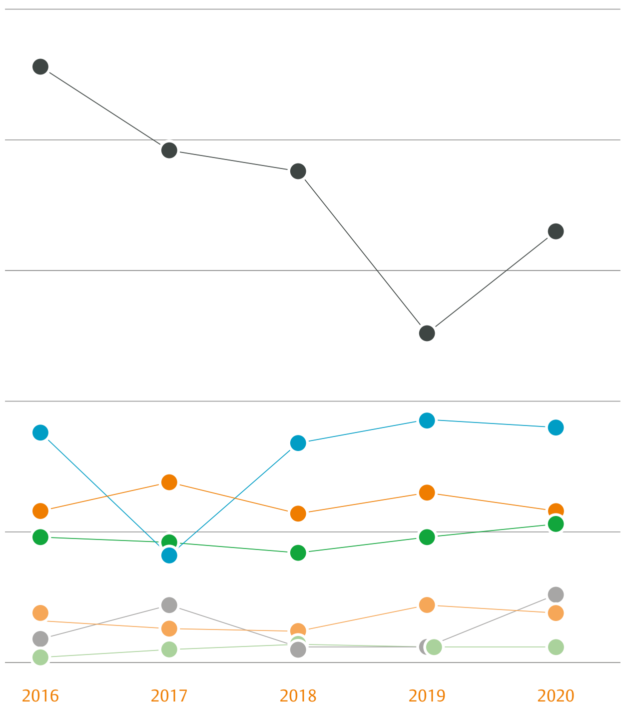
The Group-wide safety portal was updated to facilitate knowledge-sharing between the operating companies with regard to Covid-19. The operating companies have been sharing good practices such as briefings, risk assessments, business continuity management plans and national guidelines.

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. BAM regrettably had to report one fatal occupational accident on a BAM site in 2020. This was extensively evaluated with the Executive Committee and the Supervisory Board. Furthermore, the number of serious accidents (BAM employees, hired, subcontractors' employees, or other) in 2020 was 112 (2019: 143). The fatal accident is included in the number of serious accidents. An accident is classified as serious when an employee is admitted to

Tramline Brabo 2, Antwerp (Belgium) - BAM PPP and BAM Contractors nv hospital for more than 24 hours or when it results in electrocution (with enter and exit mark on the body), amputation or a fracture with and without lost time.

Setting minimum health management requirements
More insidious than the fatal and serious occupational accidents is the number of employees with a health damage or a long-term illness that were caused or worsened by work. Many of these diseases manifest themselves only years after exposure and some are ultimately deadly. BAM believes that all injuries, deaths and illnesses should be prevented. BAM is in the process of setting minimum health management requirements. Within ENCORD (Europe's forum for industry-led research, development and innovation in the construction industry) the Group has put research and development in the field of quartz dust and asbestos inhalation, diabetes and skin cancer on the agenda.

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



- Belgium 21.5 (lost days: 2,380)
- Germany 9.0 (lost days: 1,622)
- Netherlands 5.8 (lost days 3,170)
- United Kingdom 1.9 (lost days 1,697)
- Ireland 2.6 (lost days 417)
- Rest of the world 0.6 (lost days 205)
- Total, consolidated 5.3 (lost days 9,491)

Although the number of serious accidents dropped by 22 per cent, smaller (lost time) accidents have not decreased proportionally. 2020's IF has been adversely affected by the Covid-19-related fluctuation in reported hours and BAM anticipates strong improvement in 2021 as the Company continues to embed operational safety standards in each geography. It remains BAM's overall aspiration to progressively achieve and improve on an IF of 3.5 in the short to medium term.

Organisational development and employee engagement

From a human resources perspective, 'Building the present, creating the future' required harmonised and modern ways of working, standardised and automated processes across all operating companies, leveraging self-service and a platform that provides (predictive) people analytics and reporting and also supports employees in development programmes. BAM wants to create a safe and engaging working environment and a talented workforce and aims to become the employer of choice in its key markets so that BAM can enhance the life of employees and everyone around BAM.

Covid-19 provided challenges for BAM in connection with human resources, mainly due to lockdown measures that led to the temporary closure of construction sites. As a result of these measures, BAM Nuttal and BAM Construct UK sent workers on temporary leave or 'furloughed' status, BAM Contractors Ltd (Ireland) has made use of the possibility of temporarily suspending the employment contract and BAM in Belgium made use of temporary unemployment based on governmental support. Furthermore, office-based employees have been working from home as much as possible across the Group.

The new senior leadership team took shape in 2020 with the appointments of a new Group CEO and COO for the business line Civil engineering. In addition, numerous changes have been made in the leadership teams of operating companies such as BAM Nuttall, BAM Deutschland, BAM Infra Nederland and BAM Interbuild.

BAM People
BAM People is the human resources self-service portal, which is now live in the Netherlands, United Kingdom, Ireland and Belgium. In 2020, despite Covid-19 and often in remote sessions, the programme of implementing BAM People was continued and delivered according to the adjusted timelines. BAM People contributes to the achievement of BAM's strategy through uniform processes, digital collaboration and unambiguous reports.

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, Ireland, Belgium and Germany during 2020. An e-learning programme for the Code of Conduct is mandatory for selected employees. Since

the launch in November 2019 more than 13,000 employees completed the Code of Conduct e-learning, which is around 91 per cent of the selected employees. The target for 2021 is to reach a minimum of 95 per cent completeness.

Employee engagement
BAM attaches great value to the engagement of its employees. Via a digital and rotating panel approach a standardised set of questions is sent out periodically. Outcomes are available in real time in an online dashboard. With smart analytics and algorithms, BAM aims to predict the future development of its employees and use these insights to improve the most important people-related KPIs. During Covid-19, BAM pro-actively added additional questions to monitor the safety and wellbeing of employees.

Labour relations - European Works Council
The European Works Council *(EWC)* has shown itself to be a constructive partner on several topics in 2020. Several meetings took place, for example on the cost reduction programme. The EWC's input on a wide range of topics such as global mobility and the development of performance management within BAM has been very valuable.

Recruitment
BAM strives to diversify its workforce and find potential talent with different capabilities, various degrees of experience and different genders, ages, nationalities and cultural backgrounds. Together, they will help BAM mirror its client base and execute its strategic agenda. By adopting a data-driven approach and the use of smart recruitment technology BAM will be able to understand its key strategic target groups, maintain its position as an employer of choice and improve its recruitment practices.

Diversity and inclusion
BAM recognises and values the benefits that diversity brings in terms of ensuring BAM has a sustainable business and can reflect the communities in which the Company works. An inclusive culture ensures that BAM can make better decisions to deliver the best innovation and insights to our customers, by attracting the best talent with diverse perspectives.

BAM's inclusive approach means that all stakeholders are treated with fairness, dignity and respect. The Company aims to avoid being adversely influenced or prejudiced in any way by an individual's age, gender identity, marital or civil partnership status, ethnic origin, sexual orientation, disability (physical or mental), religion or belief, working patterns, caring responsibilities, pregnancy or trade union membership.

BAM mainly focuses on gender diversification, as this is the most challenging aspect of diversity in the construction sector. In 2020, BAM increased its efforts to attract women into its business and enable them to progress into senior roles, with KPIs in place to measure and review the progress and approach.

Mental health
BAM is committed to supporting, promoting and maintaining the overall wellbeing of its employees through awareness raising, training, guidance, and workplace practices, encouraging individuals to take ownership of their own mental health and wellbeing 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: company doctors, employee assistance programmes, telephone numbers, one-to-one and on-line counselling, mental health first aiders and wellbeing champions, line managers and Human Resources. 2020's Worldwide BAM Safety Day addressed wellbeing and psychological safety specifically. 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, wellbeing days and a volunteering day and promote wellbeing within their supply chain.

Leadership programmes
In 2020 BAM continued with several leadership programmes that were developed in the last three years: Olympus Leadership Programme (for senior project managers), Enterprise Leaders Programme (for directors and managers) and Future Leaders Programme (for young professionals identified as talent with management potential).
So far, a total of 161 senior project managers have attended the Olympus programme. In all leadership programmes, blended personal coaching is an integrated part of the journey and beyond.

Due to Covid-19 BAM decided in March 2020 to postpone all leadership programmes (face-to-face delivery). This action has been taken in line with general measures to control the spread of the virus, and to safeguard the health of BAM employees. From September 2020, the leadership development journeys of programmes that were already started in the beginning of the year were completed virtually. All leadership programmes will be available with a virtual delivery option in future.

For senior management within BAM, the Accelerated Leadership programme will kick off in the first half of 2021. One of the foundation elements of the programme is the Leadership Compass, a set of attitudes and behaviours to establish common leadership and culture, aligned with BAM values. The programme is developed to accelerate purpose-driven and collective leadership and enable our most senior leaders to lead the business aligned to BAM's strategy as well as to develop a mindset that stimulates personal growth and continuous improvement.

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

	2020	2019
Netherlands	**13/87**	13/87
United Kingdom	**26/74**	26/74
Belgium	**16/84**	12/88
Germany	**24/76**	23/77
Ireland	**23/77**	22/78
Rest of the world	**7/93**	6/94

17 - Employees per gender by employment type
(in %)

	♂ **2020**	♂ 2019	♀ **2020**	♀ 2019
Full-time	**93**	93	**57**	57
Part-time	**7**	7	**43**	43

18 - Employees per employment contract by gender in 2020
(in %)

	Permanent contract	**Temporary contract**
♀	94	6
♂	96	4

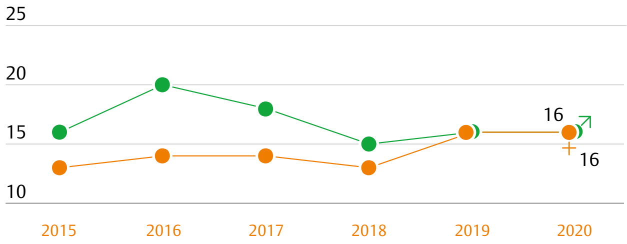
19 - Employees per employee category by gender in 2020
(in %)

	Senior management	**Middle management**
♀	17	14
♂	83	86

20 - Employees by age group
(in %)

Age group	**2020**	2019
<29	**15**	14
30-39	**22**	23
40-49	**25**	25
50-59	**27**	27
60-64	**9**	9
65>	**2**	2

21 - Average hours of training per employee
(in hours)



Annual total compensation by country
In 2020, the annual total compensation ratios decreased in most countries of operation. This indicates that the gap between the highest paid individual and the average annual total compensation for all employees increased. The relatively high ratio for BAM's international business can be explained due to the fact that the salary ratio of BAM International is subject to locations / areas BAM International works (high vs low salary countries) and the total of employees working in those countries. The exchange rate also influences the salary ratio. And due to the wind down of BAM International, many employees have left the company. Overall, the contracts of employees with relatively low salaries were terminated / not extended, which also affects the salary ratio.

22 - Annual total compensation by country

	Ratio of percentage Increase	**2020 ratio**	2019 ratio
Netherlands	1%	**13**	13
United Kingdom	-1%	**7**	7
Belgium	15%	**3**	3
Germany	-14%	**5**	5
Ireland	- 4%	**6**	7
Rest of the world	- 22%	**13**	16

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 English, German, French and Dutch, is mandatory for (new) white-collar BAM employees. Progress is closely monitored and reported to management. The aim to achieve 95% completeness of the e-learning by the selected employees has not been reached yet in 2020 (see page 29 - Learning), but remains the focus in 2021. 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. Employees are encouraged to discuss dilemmas. Together with safety and wellbeing functions, an updated 'Speak Up' campaign was launched in 2020, which reached out to almost 15,000 colleagues. This campaign is kept active with a speak-up platform, communication of stories and possibility to discuss dilemmas based on conversation starter cards.

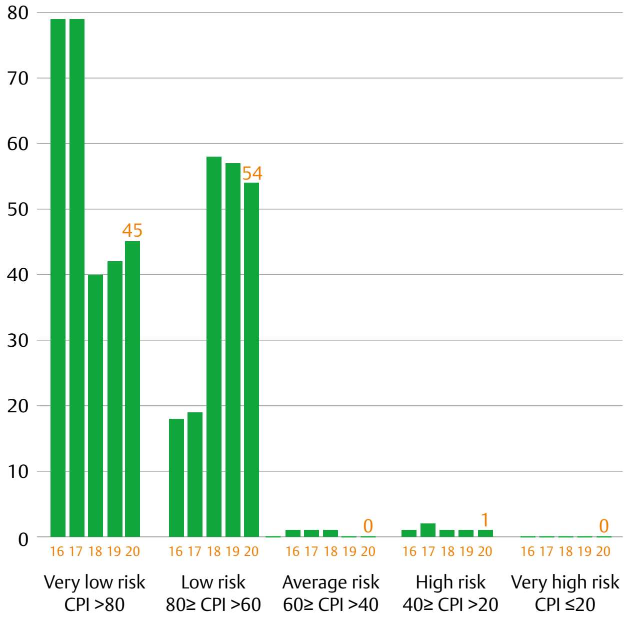
In 2020, several cases were reported within the various operating companies. This was in line with previous years. The reported suspicions of misconduct have been assessed and where needed sanctions have been taken, up to and including dismissal. Reported cases dealt with issues such as inappropriate use of company assets, equal treatment 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, and to ensure 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 governance, risk and compliance (GRC) 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.

23 - Revenue according to Corruption Perception Index *(in %)*



Human rights

BAM's policy to protect human rights is integrated in the Code of Conduct. In addition, the Company underwrites the importance of the standards of the International Finance Corporation, in particularly with regard to labour and working conditions and the promotion of sound worker-management relations. BAM believes that fair treatment of workers (which includes providing them with an extensive safety programme on site, avoiding discrimination in employment, not using child labour, paying fair wages, offering education and training opportunities and creating healthy, decent working conditions) will result in tangible benefits for all, such as enhancement of efficiency and productivity of our business.

A possible risk of violation of BAM's human rights principles lies in the chain of subcontractors and suppliers. To limit that risk, suppliers and subcontractors are bound by BAM's general purchasing conditions. More details on human right risks are are included in the description of the material theme 'human rights' in chapter 9.7 (see page 216).

For practical reasons related to Covid-19 and partly due to the decision-making in connection with the decision to wind down BAM International, it has not been possible to carry out a social audit in 2020. Moreover, in 2020 there was no substantive response from BWI (Building and Wood Worker's International) to the text proposed by BAM for a new framework agreement. Of course the 2006 framework agreement with BWI remains fully

Le MontLégia hospital, Liege (Belgium) - BAM Galère

applicable. BAM still has the ambition to reach a new framework agreement with BWI.

Combatting slavery
BAM is committed to prevent slavery and human trafficking throughout its operations and those associated with its business. Modern slavery is also an issue for BAM and its supply chains. BAM is a partner member of the Supply Chain Sustainability School (www.supplychainschool.co.uk), where help and advice are freely available to assist suppliers within the construction industry. Combating slavery is not a standalone issue, but one that is part of BAM's approach to ensure that people are treated with dignity and respect, that goods and services are purchased responsibly, that transparency is promoted and that business is done with the highest professional and ethical standards. With its speak-up procedure, BAM has an adequate whistleblower process in place, which encourages employees to report on any suspicions of misconduct.

Supply chain management

The Company is involved in many stages of the construction value chain, from development, engineering and construction to maintenance and operation. Suppliers are essential to BAM. Their knowledge, people and other resources provide more than 70 per cent of the turnover BAM brings as value to its clients. Large supply categories include concrete works, steel construction, mechanical and electrical engineering and façades. Most of these are typically sourced from preferred suppliers close to the sites.

BAM aims to increase social and environmental awareness and continiously looks for opportunities to jointly improve sustainability performance of both BAM and its suppliers.

Suppliers and subcontractors are subject to BAM's general purchasing terms and conditions, which covers commitments on safety, human rights and the environment.

The Group's Procurement department continues to further develop its spend-and-contract tool, called 'Bravo'. The number of yearly supplier and subcontractor performance reviews continues to increase: In 2020, 2475 performance reviews were carried out (2019: 1391). The system also provides digital construction assessments of the supply chain, which again contributed to successful third party (re-)certification. Additional functionalities to improve the quality of vendor information have been considered, tested and prepared.

In 2020, a procurement data warehouse was implemented, bringing together multiple data sources from which better dashboards and reports can be obtained with detailed information regarding the supply chain to the various stakeholders. Procurement involvement of operating companies during the tender phase is still increasing. A new uniform reporting structure to determine and communicate strategies, risks and opportunities was implemented together with Procurement taking part in the multi-disciplinary reviews of major tenders.

An example of supply chain engagement is the ongoing engagement with car leasing companies across the Group. BAM's vehicle fleet accounts for circa 30 per cent of BAM's direct CO_2 emissions. In line with BAM's science-based target, the company has the ambition to further increase the share of electric vehicles in the vehicle fleet. As a result of this engagement, the amount of electric vehicles within BAM increased from 143 (december 2019) to 269 (december 2020).

Enhancing lives

Playing a part in addressing social issues in its home countries is part of BAM's sustainability strategy. The 'Enhancing lives' programme was launched in 2016 with the aim to structure efforts on community engagement. The programme aims to monitor the value added to the lives of people with whom the Company comes into contact through its activities and connections with local communities. BAM's enhancing lives activities are mainly focused on employment opportunities, training, education, community involvement and charity. BAM has set a target of enhancing one million lives by 2020.

Progress to date
Over the past five years, BAM has developed an approach to monitor and report the number of lives enhanced. This approach included defining and categorising activities that contribute to life enhancement, for the sake of consistent reporting. But even with defined categories and reporting guidelines in place, safeguarding the consistency and quality of reported enhancing lives figures remains challenging. The reported number of lives enhanced (see table 25) is therefore not included in the scope of the external assurance engagement.

In total, BAM has reported 510,000 enhanced lives in the past three years. During this period, BAM recognised what enhancing lives means and that quality is more important than quantity. For example, activities that were considered to have too little impact to be qualified as life-enhancing activities (such as social media), were discarded. The decision to focus on quality over quantity and a delay in setting up the enhancing lives reporting processes have been the main reasons why BAM was not able to meet the target of one million enhanced lives.

Although BAM was not able to successfully complete the programme in terms of validation of the reported figures and reaching the one million lives, developing and trying to improve the programme has been an educational experience. It has helped BAM to better understand how it can enhance the lives of people in a meaningful way and has provided useful insights how BAM can measure social value going forward.

Community engagement progress
In 2020, local community engagement programmes regarding the impact of building projects on the local environment were implemented in 28 per cent of BAM's projects. These were initiatives as 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 of engagement managers on projects and site-specific sponsoring or charity work.

In the United Kingdom, 11 CCS projects were registered in 2020 and nine awards were won: one gold, six silver and two bronze. Based on the success of the United Kingdom's Considerate Constructors Scheme, BAM was one of the companies that introduced the scheme Bewuste Bouwers in the Netherlands in 2009. In 2020, 58 sites were registered under the scheme in the Netherlands (2019: 60). The average audit score in 2020 was 8.1, well above the industry benchmark of 7.4.

24 - Reported number of enhanced lives

Lives	2018	2019	**2020**
Total	139,174	213,199	**158,110**

De Zalmhaven, Rotterdam (the Netherlands) - BAM Bouw en Vastgoed Nederland

3.3 Environmental performance

Targets	Performance in 2020	
• Achieve 25 per cent relative emissions reduction in scopes 1, 2 and 3 (employee travel) by 2020 (base year 2015).	BAM reduced its CO_2 intensity by 35 per cent compared to 2015.	
• Be included in the CDP Climate A List Leadership Index by achieving performance band A.	In 2020, BAM again received an A and achieved leadership status on CDP's climate change benchmark.	
• Deliver at least one product or service contributing to wider emissions reduction (zero-carbon product) per operating company by 2020.	In total BAM has delivered four (2019: four) products/service classified as zero carbon. BAM delivered 313 zero-energy homes in the Netherlands in 2020.	
• Recycle or re-use 100 per cent of construction and office waste by 2025.	BAM increased the recycle or re-use rate of its construction and office waste to 76 per cent (2019: 75 percent).	
• Deliver at least one BAM circular project, product or service per operating company by 2020.	In total, BAM has delivered 16 (2019: 14) circular projects. BAM delivered two circular projects in the Construction and Property business line in the Netherlands and the United Kingdom in 2020.	
• Source 100 per cent sustainable timber by 2020.	BAM's completeness of its timber analysis is 81 per cent. Of the covered timber, 99 per cent is certified sustainable.	

Management summary

BAM has delivered on its climate positive 2020 targets, as the CO_2 intensity was well below the target and BAM was again included in the prestigious CDP A List. Covid-19 impacts such as working from home and temporary closures of construction sites have significantly contributed to the large reduction in CO_2, but BAM has estimated that even without Covid-19 impacts the 2020 target for CO_2 reduction would have been achieved.

The amount of construction waste also decreased substantially in 2020, mostly due to a shift in project phases. The reduction is also partly caused by the wind-down of BAM International and temporaryl closures of construction sites due to Covid-19. The recycle or re-use rate slightly increased to 76 per cent. Improving waste management and further pursuing reduction measures will be required to bring the Company closer to its goal of zero construction and office waste to landfill and incineration by 2025.

BAM did not meet the target of developing zero carbon products and services in all operating companies. So far, these products and services have only been developed in the Construction and Property sector in the Netherlands and the United Kingdom. BAM delivered circular projects in the Netherlands, Belgium and the United Kingdom. BAM expects the market demand for zero carbon and circular products to grow across the business, and aims to continue to develop and scale up successful solutions.

Although BAM did manage to increase the coverage and sustainable timber use in the past years, BAM did not meet its target of 100 per cent as parts of BAM's operations in Germany and Ireland have not yet been included. BAM aims to continue to put effort in working towards sourcing of 100 per cent sustainable timber.

Sustainability strategy

BAM's ambition is to have a net positive impact on climate and resources in 2050. The Company aims to reduce its impact on the environment and people, by collaborating with the supply chain, encouraging innovative and digital thinking through its products, and realising benefits of circular business models. This chapter describes the Company's performance towards creating a sustainable built environment from an environmental perspective. The sustainability strategy emphasises both climate change (see 'Climate positive') and resource constraints (see 'Resource positive').

BAM is preparing for a low-carbon economy and intends to reduce its own emissions as well as supply chain emissions. BAM can have a large impact on the lifecycle carbon footprint of buildings and infrastructure, for example through material selection, design and/or asset management. The Company is working towards a circular economy and believes the industry could leave a positive legacy to the environment if it is able to work from reversible designs that are regenerative. BAM aims to reduce construction waste by becoming more efficient, utilising off-site manufacturing and by working with its supply chain to eliminate waste throughout the lifecycle of its projects.

Impact of Covid-19

Covid-19 has also impacted BAM's sustainability performance. Most measures to contain Covid-19 directly led to a reduction of the Company's environmental footprint. The temporary closure of construction sites in countries which implemented a lockdown (Belgium, Ireland and partially the United Kingdom), led to a reduction in activity but also to less energy consumption and waste production on these sites. Travel restrictions and working-from-home policies have reduced CO_2 emissions. These reductions might be more structural as the increase in people working from home and the number of digital meetings is expected to (partly) remain after Covid-19.

In total, Covid-19 has been responsible for circa 60 per cent of BAM's CO_2 footprint reduction in 2020. Temporary closures of some construction sites have slightly lowered the amount of waste coming from these sites, but overall the effects of Covid-19 affected the total amount of construction and office waste only to a limited extent.

Climate positive

BAM focuses on reducing its own carbon emissions and helping others to reduce emissions more widely. Its carbon footprint is monitored by measuring carbon emissions using the greenhouse gas (GHG) protocol. The GHG protocol 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).

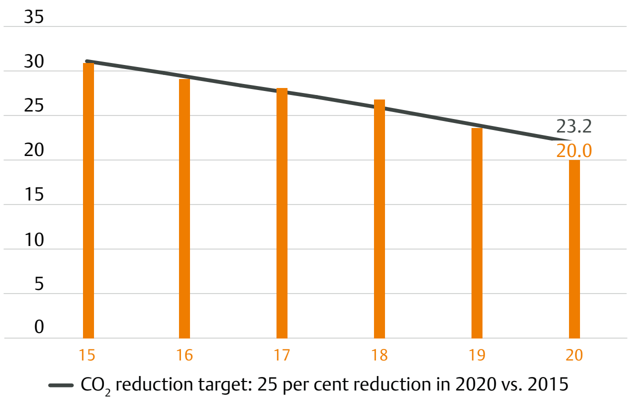
BAM reports all material emissions (scopes 1 and 2) and employee transport emissions (scope 3).

CO_2 reduction targets
To reduce its direct impact on climate change, BAM has set a target to reduce CO_2 emissions intensity by 25 per cent by 2020 compared to 2015 levels (scope 1, 2 and travel-related scope 3).

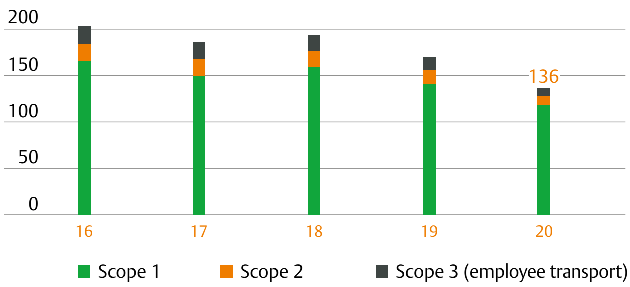
A longer-term science-based target is also in place to ensure that the CO_2 reduction ambition is in line with climate change science. This science-based target has been set for 2030 and provides a pathway towards BAM's long-term climate positive ambition. By 2030, BAM aims to:
- Reduce scope 1 and scope 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 is continiously pursuing CO_2 reduction measures to lower its CO_2 footprint and to meet its CO_2 reduction targets, the Company's main efforts to reduce CO_2 emissions include:
- Improve energy efficiency at project sites, offices and asphalt plants;
- Work towards procurement of 100 per cent renewable electricity in all offices, facilities and project sites;
- Reduce diesel use in generators by establishing early-stage grid connections in all projects where this is possible;
- Reduce the use of energy by digitalising business operations and by improving the efficiency of the operations;
- Work with clients and supply chain partners to reduce carbon emissions in the value chain;
- Bring low- or zero-carbon products and services to the market to scale up its positive impact.

25 - CO_2 emissions intensity
(in tonnes per € million revenue)



26 - Total absolute CO_2 emissions
(in kilotonnes)



CO_2 footprint
The CO_2 intensity decreased to 20.0 tonnes per € million revenue, a 15 per cent reduction compared to 2019. With a 35 per cent reduction compared to 2015, BAM has exceeded its 2020 target of 25 per cent reduction. Covid-19 impacts have significantly contributed to the achieved reduction in 2020. However, BAM analysed a scenario without Covid-19 impacts and concluded that the 2020 target would also have been met in this scenario: the CO_2

intensity would have been approximately 2 tonnes per € million higher (22.0 tonnes per € million) without Covid-19 impacts. In total, absolute CO_2 emissions decreased by 20 per cent to 136 kilotonnes (2019: 170 kilotonnes).

Ongoing CO_2 reduction activities, an increased share of green electricity use (63 per cent in 2020 versus 53 per cent in 2019), Covid-19 impacts and a less energy-intensive project in the civil business line were the main reasons for the CO_2 footprint reduction. BAM's energy intensity was 0.30 TJ per million revenue (2019: 0.34). The absolute energy consumption decreased to 2,047 TJ (2019: 2,442).

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 2020, absolute emissions from construction sites decreased by 20 per cent compared to 2019 due to carrying out less energy-intensive civil engineering projects in the United Kingdom and the Netherlands, the wind-down of BAM International, Covid-19 impacts and ongoing CO_2 reduction efforts. Key aspects of BAM's CO_2 reduction strategy are to lower the reliance on diesel and gasoil and to procure renewable electricity.

Emissions from vehicle fleet
The emissions from the vehicle fleet, which account for 31 per cent of BAM's total CO_2 emissions, decreased by 22 per cent compared to 2019. This decrease can mainly be attributed to working from home and employee travel reductions as a result of Covid-19. BAM also continued to pursue a more efficient and sustainable vehicle fleet, by optimising travel distances of employees and deploying more energy-efficient vehicles. BAM has almost doubled the amount of fully electric vehicles in its lease fleet: from 143 in 2019 to 269 in 2020 (a share of five per cent of the total lease fleet).

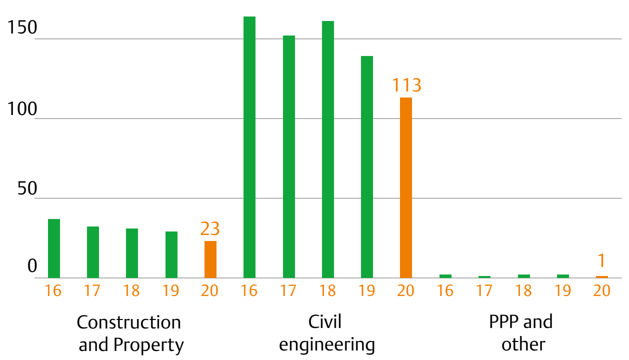
Emissions from asphalt plants
The emissions from asphalt production account for 17 per cent of BAM's total CO_2 emissions. In 2020, CO_2 emissions were six per cent lower than in 2019. Even though more asphalt was produced in 2020, ongoing efforts to improve energy efficiency and the use of less carbon-intensive fuels led to a reduction of CO_2 emissions in asphalt plants.

Emissions from offices and air travel
Working from home policies due to Covid-19 led to a CO_2 emission reduction in offices of circa 10 per cent compared to 2019. The largest impact of Covid-19 on BAM's CO_2 footprint was on air travel: CO_2 emissions from air travel were 57 per cent lower than in 2019.

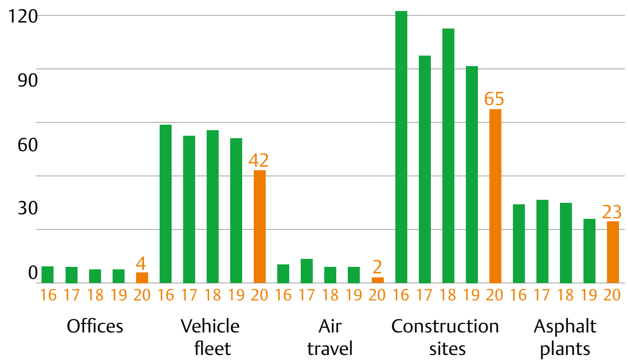
Green revenue
BAM supports clients in the reduction of footprint and environmental impact. In 2020, 19 per cent of BAM's revenue, approximately €1.3 billion (€1.5 billion in 2019), came from projects that were registered with third-party green building or sustainable construction rating organisations, such as the US Green Building Council's Leadership in Energy and Environmental Design (LEED) standards, the United Kingdom's Building Research Establishment Environmental Assessment Method (BREEAM), Germany's Passivhaus standards and other objective and third-party standards or BAM's green building products.

BAM's climate action acknowledged
BAM was again acknowledged for its climate initiatives in 2020, as it achieved a place on CDP's prestigious 'A List' for climate change. This global ranking evaluates corporate efforts to address and mitigate climate change. The index is produced by CDP (Carbon Disclosure Project), a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts at the request of 515 investors. Information provided by almost 10,000 companies was independently assessed on the basis of the CDP scoring methodology and ranked accordingly. BAM was recognised for its actions to reduce carbon emissions and assess the potential role of climate change on the business strategy and performance.

27 - CO_2 emissions per business activity
(in kilotonnes)



28 - CO_2 emissions per source
(in kilotonnes)



BAM supports the focus on more ambitious targets to drive longer-term progress towards a low-carbon future. Emissions in the value chain outside BAM's activities are an important aspect of a low-carbon future. BAM discloses these so-called scope 3 emissions as part of its CDP submission every year, 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 measurements that focus on these areas.

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 trough 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.

Identified key risks and opportunities in 2020 include:
- Market-related risks and opportunities (e.g. changing client behaviour leading to an increased demand for low carbon products and zero energy solutions);
- Products- 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 BAMs products and operations).

Reducing nitrogen emissions
By signing the Dutch 'Malieveld' agreement in 2019, BAM committed to nitrogen emission-free property development, design and construction. A challenge BAM identified in aiming to tackle nitrogen emissions is multidisciplinary cooperation throughout the construction sector (architects, real estate developers, construction companies and suppliers).

Within the taskforce PAS/PFAS that BAM started within its Dutch Civil engineering business line, analyses at project level are made to assess the potential impact of nitrogen on the projects BAM undertakes. Measures to reduce nitrogen and carbon emissions, such as electrification of equipment, are implemented at individual level both in the design and construction phase.

Resource positive

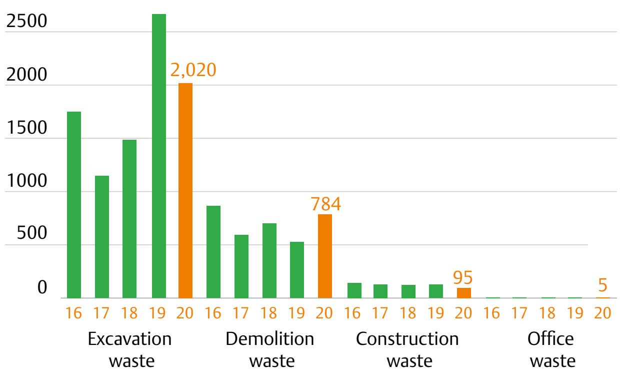
BAM strives to achieve a net positive impact on resources by 2050, eliminating waste over the lifecycle of developments by the way it designs and builds projects.

BAM aims to preserve raw materials and resources over the lifecycle of its built environment and deliver projects using safe, healthy and natural 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.

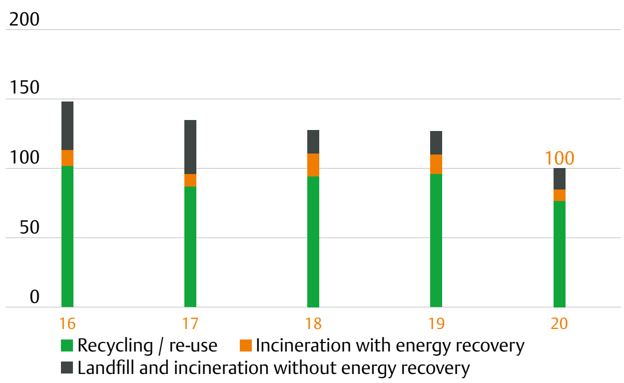
Waste
BAM distinguishes its waste in excavation, demolition, construction and office waste. The Company considers excavation and demolition waste to be less relevant indicators of operational performance and sustainability as these types of waste are present at sites before the Company takes on a project. BAM has limited impact on the amounts of these waste types and it is merely a part of its business model to efficiently re-use or remove these materials.

BAM focuses on construction and office waste as performance indicators. All construction and office materials are initially brought to BAM's sites and offices on its behalf, in contrast to excavation and demolition waste. In 2020, BAM produced less construction and office waste than in 2019, at 100 kilotonnes (2019:128 kilotonnes). The construction and office waste intensity was 14.6 tonnes per € million revenue, a 17% decrease compared to 2019 (construction and office waste intensity in 2019: 17.7).

29 - Total waste production per source *(in kilotonnes)*



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



The largest contribution to this decrease was made in Belgium, and was caused by a more common project portfolio compared to 2019: 2019 was a year of exceptionnally large waste volumes due to many large projects being in their finalisation phase at the same time. The wind-down of BAM International and temporary closure of construction sites due to Covid-19 also contributed to the decrease in construction waste. In most other countries, construction waste levels were only slightly lower in 2020 compared to 2019. Efforts to improve the efficiency of the production process by the use of prefabricated building elements are ongoing.

BAM has set an objective to completely recycle or re-use its construction and office waste by 2025. In 2020, 76 per cent of BAM's construction and office waste was recycled or re-used (2018: 75 per cent). A total of 15 kilotonnes (2019: 18 kilotonnes) was landfilled or incinerated without energy recovery. By engaging with its waste contractors, BAM pursues to improve the waste treatment process and further increase recycling and re-usage ratios. BAM also stimulates its projects and offices to improve waste separation and recycling/re-usage.

Construction materials

BAM has identified the quantities of materials used in its construction projects in the Netherlands, its largest home market, since 2011. The Company has identified the main categories of procured materials as shown in table 32. The material quantities and recycled content are based on supplier data, industry averages and data from BAM's asphalt plants.

Circularity

Circularity is becoming an important topic in the construction sector and BAM is well placed in the industry to build on its past circular economic achievements. Within the Company, circularity is an upcoming theme with opportunities for new market potential, primarily in the Netherlands, Belgium and the United Kingdom. BAM is in the process of further defining its strategy towards circularity to demonstrate the opportunities and benefits through design, construction and operation of buildings and infrastructure assets using new circular economic business models. BAM's main challenge is how to realise the transition from linear to circular patterns and increase the scale of circularity. Close collaboration with clients and supply chain partners is essential for BAM to seize circular opportunities.

An example of a circular initiative is the Taskforce Circular Development, which was started with the goal to investigate the circular challenge for the Dutch Construction and Property business. The taskforce researched circular trends and focus areas and created a benchmark to compare BAM's current position with innovative disruptors in the industry. Within the Dutch Civil engineering business line, BAM is actively working on the development of integrated circular concepts and showcasing the benefits to clients.

In 2020, different circularity initiatives and products were rolled out. A few significant initiatives are described below:

- Circular design and construction new head office CURE

In November 2020, BAM realised the new headquarter office for CURE waste management in the Netherlands. Waste is given a new lease of life in this new building. Innovative solutions in the field of re-use have been chosen. For example, the façade is cladded with recycled pallet wood and glass panels are made of partly recycled glass. In the façade, innumerable old concrete tiles have been sawn into masonry stones and the inner walls consist of recycled wood. The new CURE office is energy neutral: it can independently generate and distribute energy thanks to the 340 square metres of solar panels on the roof. A heat pump is also used that can heat and cool.

- King's Cross Sports Hall, BAM's first all-timber building

This all-timber sports hall in King's Cross, built by BAM Construct UK, is primarily constructed using a cross-laminated timber (CLT) frame and glulam timber columns, a natural alternative to steel and concrete that is both lightweight and carbon friendly. It is clad in zinc and has a super-lightweight concrete substructure.

31 - Material consumption in the Netherlands

Consumption		2016	2017	2018	2019	**2020**
Ready-mix concrete	m^3	189,000	173,000	208,000	203,000	**231,500**
Timber	m^3	23,500	19,000	19,500	34,500	**21,000**
Asphalt	t	1,450,000	1,300,000	1,250,000	1,100,000	**1,400,000**
Steel	t	54,000	61,000	72,500	76,000	**77,000**
Recycled content						
Ready-mix concrete	%	18	15	12	10	**5**
Timber	%	3	1	0	0	**0**
Asphalt	%	42	37	41	42	**39**
Steel	%	71	72	66	70	**70**

Designed to meet a near-zero carbon target, the building has several innovative features, including various methods of ventilation and the use of glazing to provide daylight while reducing heat gains. The building also benefits from its connection to the King's Cross Central District Heating and Cooling Network, an efficient system for heating all the buildings at King's Cross, which means that conventional boilers are not required.

Circular asphalt mixture LEAB
BAM's sustainable process to produce low-energy asphalt concrete (LEAB) received the official seal of approval of CROW, the Dutch technology platform for transport, infrastructure and public space in April 2020. This certification by the experts of CROW's asphalt quality steering group validates BAMs claims regarding reduced CO_2 emissions, costs of environmental impact, civil engineering qualities and processability.

BAM's asphalt plants have the capacity for large-scale sustainable production of almost every type of asphalt mixture, including circular LEAB. In 2020, BAM applied 56,706 tonnes of LEAB in the Netherlands, corresponding to five per cent of the total asphalt production (2019: 32,500 and three per cent). In total, BAM has already applied more than 680,000 tonnes of LEAB-produced asphalt in its projects in the Netherlands, thanks to the close collaboration with clients who are equally convinced of the value of this innovative and sustainable method of asphalt production.

The application of LEAB is also increasingly being considered in BAM's other home markets, most noticeably in the United Kingdom. A research trajectory with Highways England was successfully completed in 2020: English asphalt mixtures can be produced following the LEAB method with equal characteristics and quality as conventional asphalt mixtures. This is an important first step to apply LEAB asphalt in the United Kingdom.

In 2020, BAM and Heijmans agreed to transfer their existing asphalt plants in the Netherlands to a new joint asphalt company. By establishing this new asphalt company, the knowledge, expertise and investments in innovation of both companies will be combined. Increasing sustainability of the asphalt chain is an important objective, from lowering CO_2 emissions to circularity and re-use of raw materials and semi-finished products. Collaboration offers opportunities to make better use of the available capacity and to improve the utilisation rate of the asphalt plants, aimed at efficiency and better returns.

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 support forest conservation and biodiversity and helps to combat climate change. The Company has committed 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 2020, BAM again reached a certified sustainable timber use of 99 per cent. Although this is very close to the 2020 target of 100 per cent sustainable timber use, BAM has not met this target as not yet all operations are covered. Over the past few years, BAM has improved the coverage of its timber use measurement to over 80 per cent of its operations (based on revenue) in 2020. All home countries are covered, except Germany and Ireland. BAM has started measuring (sustainable) timber use in Germany in 2020, but the obtained figures are not yet sufficiently reliable to include in BAM's overall figures. Obtaining certifications for sustainable timber in Germany and especially Ireland remains challenging, as the use of sustainable certificates as FSC and PEFC are not yet as common in those countries as in the Netherlands, Belgium and the United Kingdom. Sourcing only certified sustainable timber will remain an important sustainability target for BAM, and BAM aims continue its efforts to increase its coverage to 100 per cent.

In 2020, BAM used 99.5 per cent certified sustainable timber in the Netherlands (90 per cent FSC). Timber use by subcontractors and in subcontracted projects is not included. In the United Kingdom, 98.5 per cent of timber was from verified legal and sustainable sources, of which 91 per cent per cent was delivered with full FSC or PEFC Chain of Custody certification. Certified sustainable timber use in Belgium is estimated at 96.0 per cent and BAM International's projects used 91.2 per cent sustainable timber.

In 2020, BAM obtained leadership status on the CDP forest timber benchmark (score A-). This global ranking evaluates corporate efforts to address and mitigate deforestation and forest degradation. The Company is recognised for its business strategy to only use certified sustainable timber, transparent reporting and progress towards achieving this target.

32 - Certified sustainable timber use
(in %)

	2016	2017	2018	2019	**2020**
Organisational coverage	68	65	79	80	**81**
Sustainable timber	98	98	94	99	**99**

3.4 Outlook

Markets

In the business line Construction and Property, the short-term investment sentiment deteriorated due to the Covid-19 crisis, especially from the private sector for new commercial buildings and retail space. The longer-term impact is currently difficult to forecast.

In the Netherlands, the demand for new homes continues to be larger than the supply while interest rates remain relatively low. Uncertainty regarding nitrogen and PFAS continues, which is causing delays in the issuance of building permits.

In the United Kingdom, competition has increased due to Covid-19 and the end of the UK/EU transition period. Public sector clients continue as before, with competition for key new frameworks for health and education while there is a mixed picture for the private sector. Recently, BAM was appointed major Manchester hospital project under the Procure22 Health Framework and the contract for Sky Studios Elstree, the most sustainable film and TV studio in the world.

In Belgium the public building market is stable with opportunities in health care while the private market might come under pressure due to Covid-19. In Ireland, the construction outlook remains positive. The government continuous to focus on education and health care and Ireland remains an attractive home base for multinationals. The market in Germany remains generally stable but competitive. Most governments are expected to increase their investments in infrastructure in response to the Covid-19 crisis.

In the business line Civil engineering, the Dutch market remains competitive and the uncertainty regarding nitrogen legislation and PFAS continues. BAM continues discussions with public sector clients in order to achieve an improvement in risk/reward balance of future projects. Until that is resolved, BAM remains extremely cautious about tendering for large projects.

In the United Kingdom, the expected growth across all infrastructure sectors in strengthening. In December, the Government published its Construction Playbook setting out how it will work with the construction sector to make sure public sector works are delivered faster, better and greener. As a leading player in United Kingdom construction, BAM will support the British recovery from the pandemic and its progress towards net zero carbon. There has been minimal disruption to BAM's operations since the start of the new UK/EU trade agreement. The civil market in Belgium shows a mixed picture, with regional markets slowing due to lower spending of regional public clients and some larger projects in Flanders and Brussels. In Ireland, public sector investments in infrastructure are at a low level. Regarding Germany, the market is subdued but BAM's existing order book is at a high level.

For BAM PPP, the pipeline of prospects and active bids remains healthy. In the longer term, BAM expects a global increase in government use of PPP/private finance models to stimulate economies and develop infrastructure assets. This will provide opportunities in new markets for the BAM PPP/PGGM joint venture.

Sustainability

Across operating companies in both business lines, sustainability is an increasingly important theme for BAM's clients. For instance, in many markets the demand for alternative power generation, adjustments to distribution networks and zero-emission homes is sharply increasing. Instead of a construction-only focus, the demand for sustainable products and services and a trend towards lifecycle focus are on the rise.

The challenge for BAM is to improve its financial performance in the short term (2021), while simultaneously implement its sustainability strategy and achieve a net positive impact in the long term. BAM is further focusing on bringing down its own emissions and helping other parties in the value chain to reduce theirs. This is in line with BAM's science-based CO_2 reduction target (SBT) and the 2015 Paris Agreement.

The concept of circularity is increasingly gaining attention in the construction sector. Linear consumption patterns ('take-make-dispose') of products are beginning to cause constraints on the availability of resources. The construction sector needs to develop new opportunities and realise its circular economy ambitions faster, which requires a vigorous innovation of design and construction methods.

Employees

BAM continues to face a tight labour market, especially in the field of technology, where the Company finds it increasingly challenging to find skilled people. This will be addressed in BAM's employer branding approach, in which specifically defined key target groups are made aware of relevant job opportunities and employee stories via recruitment marketing activities.

Simultaneously, BAM will continue to stimulate employee development by offering learning and personal development programmes. To understand the needs and interests of BAM's employees, regular engagement surveys are held, and actions are defined based on the outcome of these. BAM focuses on fostering an attractive company culture to offer talent a rewarding career.

Financing and investments

BAM will redeem the outstanding subordinated unsecured convertible bonds in June 2021. Under the new strategic plan 2021-2023 ('Building a sustainable tomorrow'), BAM will

O'Sea Charme residential tower, Oostende (Belgium) - BAM Interbuild

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. The company continues to invest in strategic initiatives and project specific equipment.

Outlook 2021

Looking ahead, for 2021 BAM sees signs of recovery in its markets, although there are differences in pace per country and sector, and Covid-19 related uncertainty persists. BAM will provide its outlook for 2021 in due course.

Bunnik, the Netherlands, 17 February 2021

Executive Board

4 Risk management

Stadhouderskade Amsterdam (the Netherlands) - BAM Infra Nederland

4. Risk management

In essence, doing business is an act of balancing business opportunities with risks and control activities. BAM has formal and standardised processes in place to facilitate and coordinate these activities. In this chapter BAM's approach to risk management is explained. Additionally, an overview is provided of the main risks that BAM faces and what the Company is doing to mitigate them.

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 portfolio 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. An additional assessment has been performed for emerging and low-probability risks as a consequence of the Covid-19 pandemic. Covid-19 has caused unprecedented challenges for society, our industry and BAM. BAM responded with a multidisciplinary crisis team to coordinate the risk mitigating measures, scenario planning, cross-operating company collaboration and monitoring. Lessons learned from the first Covid-19 wave were implemented as part of mitigation during the second wave. Also the uncertainty about Brexit continued during the year. BAM has performed a risk analysis on potential impacts from a contract, supply chain, trade tariffs and customs, regulation and people perspective, including follow-up actions to mitigate risks. The effect of Brexit so far remained limited.

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 first two stages in the process focus on 'Are we doing the right tender or project?', while the other stages address the question 'Are we doing the tender or project right?' 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.

BAM's risk management framework is reviewed on a semi-annual basis. In 2020 the review resulted in adjustments based on changes in the organisation, processes, systems (e.g. development shared services, new stage gate requirements, system improvements for tendering). These changes have been translated in new or updated policies, procedures and processes. They are also incorporated in the internal control framework as part of the yearly assessment cycle. The risk management and control systems provide a platform for the structured sharing of knowledge and expertise in the business, so that risk management 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.

BAM's risk management and internal control systems are supported by BAM's core values. These values steer the behaviour of BAM's people and help to ensure that BAM's risk profile remains in line with the risk appetite.

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.

The risk appetite is being discussed between the Supervisory Board and Executive Board as part of the discussion on the business and project portfolio, which is translated in a stricter selection of new opportunities and tenders. The risk appetite will be further assessed in relation to the development of the new strategic agenda to further de-risk the company. It has already been restricted, in particular with respect to large projects and the wind-down of BAM International, during 2020.

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 technologies and digital construction.
- 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 semi-annual assessment of the requirements in the framework. BAM has derived its internal control framework from the business model (see page 9) 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 made an assessment of 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 page 42).

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 we will achieve our 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. 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 risk			
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 strategy, BAM applies a disciplined focus on market segments and projects where it can use either scale or expertise as a critical success factor. For its future business portfolio, BAM rationalises its propositions and develops new solutions for clients and invests in digitalisation to be a market leader in how and what BAM builds.	
Transformation risk			
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 other strategic initiatives and 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 risk			
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's management measures with regard to innovation risk are described in paragraph 9.7, 'Material themes and management approach'.	
Pandemic risk			
The recent Covid-19 pandemic continues to evolve and has resulted in the implementation of significant measures by governments, including lockdowns, closures, quarantines and travel bans intended to control the spread of the virus.	Disruptions related to widespread public health concerns (e.g. Covid-19 pandemic) can materially adversely impact BAM's results of operations.	The Executive Board is closely steering and monitoring this crisis, together with its multidisciplinary crisis team, with a focus on a safe and healthy working environment on project sites, in offices and at home, managing costs and capex, preserving cash and strengthening liquidity in cooperation with its key stakeholders.	

Risk description	Possible impact	Management measures	Risk appetite
Operational risks			
Property development risk			○●○○○
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, for example due to the Covid-19 crisis.	Property development projects can be postponed or completed at higher costs than budgeted. Furthermore the realisable value of our land bank and property development positions may be lower than book value. Planned divestments of commercial property may take longer due to Covid-19 uncertainty. This has consequences for the financial results (level and duration of the capital employed, profit).	The Executive Board decides on the basis of 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, especially in the area of commercial property, due to Covid-19 uncertainty.	
Safety risk			●○○○○
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 ▶ paragraph 9.7, 'Material themes and management approach'.	
Project risk			○●○○○
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 several 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 and during the execution phase with focus on, among other things, design management, schedule management, contract management. During 2020 BAM further de-risked the company with the wind down of the activities of BAM International, which is operating outside the company's European home markets, and with claim settlements to bring down open exposure to clients on variable considerations.	
Supply chain risk			○●○○○
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 the cost of 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's management measures with regard to procurement and supply chain risk are described in ▶ paragraph 9.7, 'Material themes and management approach'.	

Risk description	Possible impact	Management measures	Risk appetite
People risk			○●○○○
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 together 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 risk			○●●○○
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 implementing and testing of an information security framework to ensure confidentiality, integrity and continuity of data.	
Sustainability risk			○●○○○
The construction industry relies heavily on natural resources, which will be depleted when consumption goes faster than the natural supplement. 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 (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 our 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.	

Risk description	Possible impact	Management measures	Risk appetite
Finance risks **Financial risk**			○●○○○
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 has taken actions to mitigate financial risks following the extraordinary circumstances in 2020 to ensure sufficient liquidity to run its operations. There was additional focus on cash by implementing a cost-savings programme, limiting capex and obtaining available governmental support. Furthermore, the revolving credit facility (RCF) has been extended by one year to March 2024. The RCF was fully drawn as a precautionary measure in response to Covid-19, increasing flexibility and financial resilience. The extraordinary circumstances in 2020 required close monitoring of the relevant bank covenant ratios. As a result, BAM obtained a waiver from its lenders. Also, the bonding facilities have been closely monitored to ensure sufficient headroom under the credit facilities to issue bonds and bank guarantees. Furthermore, a major restructuring programme was initiated to deliver cost savings of €100 million annually. 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. More information on deferred tax assets and liabilities is disclosed under note 24 of the financial statement , a specific tax risk is the expected enactment of the new tax rules in 2021 since the new legislation in the Netherlands has not been fully enacted as per 31 December 2020. When it substantially enacts in 2021, the actual impact will be further analysed.	
Compliance risks **Reputation risk**			●○○○○
The trust of clients, shareholders, lenders, construction partners and employees in BAM is vital to ensure the continuity of the Company.	BAM's reputation may be damaged if it fails to successfully mitigate the main reputational risks, such as fraud, bribery and corruption.	BAM's management measures with regard to business conduct and transparency are described in paragraph 9.7, 'Material themes and management approach'.	

What impacted BAM in 2020?

Some risks and uncertainties related to the nature and complexity of the business environment, but also opportunities had an impact on BAM in 2020. The major events are given in this section.

Safety
BAM is highly committed to preventing incidents. However, the company still faced incidents at project sites in 2020. BAM regrettably had to record one fatal occupational accident on a BAM site. This was extensively evaluated by operating company management, the Executive Committee and the Supervisory Board. Creating and maintaining a safe working environment remains a continuous focus area to reach the Group's safety targets and to prevent incidents.

Asymmetric risk-reward balance
The results of some large projects in the Netherlands (civil engineering), Germany (construction), Ireland (construction) and its non-European activities (construction) were impacted by an asymmetric risk/reward balance, including discussions on variation orders. Due to Covid-19 and the mentioned performance of the Group in the first half of the year the Group obtained a waiver from the providers of the RCF for the recourse interest ratio and for the recourse leverage ratio. Furthermore, there were non-cash impairments of goodwill, property and deferred tax assets (DTA). BAM is defining a new strategic agenda in order to create more value for our shareholders and solid prospects for all our stakeholders, including our employees. In 2020, BAM already performed some de-risking and improvement initiatives that resulted in a somewhat better performance in German construction and Dutch civil engineering, while BAM also decided to wind down BAM International, active outside BAM's European home markets, given the lack of a positive outlook.

Covid-19 pandemic
The extraordinary circumstances caused by the Covid-19 pandemic had a considerable impact on BAM. BAM adapted to different governmental restrictions across our various markets in close cooperation with its stakeholders. The focus was on ensuring a safe working environment, reducing costs and capex, preserving cash and strengthening liquidity. BAM has been able to safeguard the health of its employees and no BAM employees deceased due to Covid-19 in 2020. However, the various markets were impacted, which resulted in a decrease in operational efficiency, especially during the second quarter of 2020. Revenue was most heavily impacted in Construction and Property in Belgium, Ireland and the United Kingdom, where governments had imposed lock-downs. The liquidity position and trade working capital efficiency remained strong.

Restructuring
In September 2020, BAM announced a major restructuring programme aimed at mitigating the lower revenue caused by Covid-19 and selective tendering. BAM expects this programme to result in cost savings of €100 million annually. The majority of savings will come from headcount reductions. BAM expects to see significant savings as soon as in 2021.

Settlement of material claim with the City of Cologne
BAM's operating company Wayss & Freytag Ingenieurbau reached agreement on a long-standing and highly complex claim with the City of Cologne and de-risked BAM with this settlement. Wayss & Freytag Ingenieurbau was a one-third partner in the joint venture carrying out this project. The joint venture ('Arge') constructed a section of Cologne's North/South metro line and reached an agreement to settle all outstanding claims with regard to this project, including damages caused by the collapse of the building of the City archives on 3 March 2009. A substantial part of Wayss & Freytag Ingenieurbau's share was covered by insurance payments and the remaining part (€36 million) is taken as an exceptional charge in the 2020 accounts.

Extended partnership between BAM PPP and PGGM
BAM extended its long-term PPP partnership with Dutch pension fund service provider PGGM. A first step was during the half-year period with a positive financial impact. The second step was, when PGGM Infrastructure Fund acquired a 50 per cent interest in BAM PPP. The extended partnership is expected to generate significant potential to accelerate growth in existing European and new global markets by providing BAM PPP with a broader remit and greater flexibility to expand its portfolio. Closing this transaction resulted in an increase of shareholders' equity and strengthened the financial resilience of BAM in 2020.

Farringdon station, London (United Kingdom) - BAM Nuttall

5 Governance

Station Driebergen-Zeist (the Netherlands) - BAM Infra Nederland

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 paragraphs 5.3 and 6.1 and the diversity policy for both boards is explained in this chapter and paragraph 6.1. A declaration with regard to 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 paragraph 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 2020

The corporate governance structure of the Company was reviewed by the Executive Board and Supervisory Board in January 2020, assisted by the company secretary. The BAM corporate governance compliance overview was updated per 20 February 2020.

Diversity

Best practice 2.1.5 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. Per 31 December 2020 three out of seven members are 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. Regrettably, the composition of the Executive Committee is not (yet) in line with the target as far as gender participation is concerned as the Executive Committee currently only consists of male members.

In the search for suitable candidates for the Executive Committee, the Supervisory Board put a great deal of emphasis on identifying female candidates in order to ensure we had the very best talent available. This was expressed in the instructions to the external recruitment agency and in the subsequent review of the resumes and candidates. In the end however, it proved very difficult to identify and attract female candidates.

Given the above, it was concluded that even more emphasis should be put on this topic. In order to put this into effect, a director for diversity and inclusion has been appointed, with the CEO taking the lead as sponsor of diversity and inclusion. A BAM-wide programme for diversity and inclusion will be developed and implemented. BAM will increase its attention to women in our management development programmes to assure that the rise of women to our senior management positions is warranted. In addition, external recruitment agencies are instructed to identify capable female candidates for senior management positions. Finally, the Company will give preference to women in case of equal suitability in support of positive action.

New KPIs have been put in place in order to track and encourage growth in the numbers of new female hires, women in senior leadership roles and the overall female demographic. These apply to all of the BAM operating companies and will provide stretch of performance. A review of our senior talent has shown an increase in female representation in succession plans, with a target ratio of 1:3 women to men and BAM continues to monitor and improve on this. Notwithstanding the above, it should be noted that especially at the executive level, achieving the gender target is proving to be difficult due to the nature of the business and the lack of female candidates with sufficient management experience in the construction industry. It is therefore difficult to predict when this target is likely to be achieved.

However, it is within our gift to consider future needs today, and diversity has a major focus in how BAM is planning what the future leadership will, and needs to look like.

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 planned reporting cycles, or whenever more urgency is required. Topics such as the reduction of CO_2 emissions and waste, enhancing lives, 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.

Hotel The Dean, Cork (Ireland) - BAM Contractors Ltd

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 page 198 onward with regard to the reasons behind protecting the Company and the manner in which this is done.

Substantial interests
The Company is aware of the following interests in its equity, which are now reported under the provisions concerning the reporting of controlling interests under the Disclosure of the Financial Supervision Act. See table 48 on page 202.

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 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 a maximum number of fifteen senior executive positions below the Executive Board.

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 15 April 2020 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 15 April 2020 granted authority to the Executive Board for a period of eighteen months to repurchase shares in the Company, within the limitations imposed by the law and the Articles of Association and subject to the approval of the Supervisory Board. In principle, the General Meeting is asked to grant these authorisations every year. Resolutions to amend the Articles of Association, or to dissolve the Company may only be passed by the General Meeting on the basis of a proposal put forward by the Executive Board and approved by the Supervisory Board.

Change of control provisions in important agreements
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). See for further details note 19 of the financial statements. The RCF agreements stipulate that in the event of a change of control, the loans/amounts outstanding under these arrangements are immediately due;
- In June 2016, Royal BAM Group issued €125 million in subordinated unsecured convertible bonds (see note 19 of the financial statements). This agreement also contains a change of control which gives the holder of each bond the right to require BAM to redeem that bond;
- 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.

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. Mr Rottinghuis joined Pon in 1993 and became a member of its executive board in 1999. Before that, he fulfilled senior management roles at Royal Nedlloyd Group. Since 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 is a Dutch national and did not own shares in the Company's capital per 31 December 2020.

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 a master's degree 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 other things 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. Mr Elfring is a Dutch national and did not own shares in the Company's capital per 31 December 2020.

Other office: advisor at CVC Capital Partners.

Mr Elfring was appointed to the Supervisory Board in 2020.

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

Mr Boon studied both quantitative business economics and Dutch law at Erasmus University Rotterdam. He also completed his RA (Chartered Accountant) studies at this same university. Mr Boon started his career at Unilever. From 1983 to 2000, he fulfilled various senior positions within that company, lastly as the CFO of Unilever Brazil. In 2000, Mr Boon was appointed CEO of DiverseyLever Netherlands, a position he fulfilled until 2004. Subsequently, Mr Boon held the position of CFO and member of the Executive Board of Rijnmond Waste Processing and Van Gansewinkel Group respectively. In 2010, he transferred to Nutreco, where he was appointed CFO and member of the executive board in 2011. In 2015, following the delisting of Nutreco, he decided to leave the company. He is a Dutch national and held 80,000 shares in the Company's capital per 31 December 2020.

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 is a Dutch national and did not own shares in the Company's capital per 31 December 2020.

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

Mrs Koopmans was appointed to the Supervisory Board in 2020.

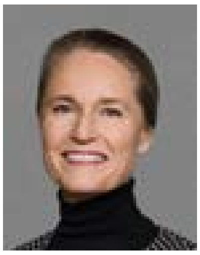
M.P. (Paul) Sheffield (1961)

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 and was president of that Institution during 2019/20. 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 is a British national and did not own shares in the Company's capital per 31 December 2020.

Other office: non-executive director at Southern Water Services.

Mr Sheffield was appointed to the Supervisory Board in 2017.

H. (Helle) Valentin (1967)



Mrs Valentin started her career with IBM in 1992, after obtaining a master's degree in engineering at the Technical University of Denmark and has held many international executive positions within IBM. She holds the position of general manager of Global Business Services, Nordic, at IBM. Since 2018, Mrs Valentin has served as managing director within IBM and in that capacity has held overall responsibility for one of IBM's global accounts. Prior to this, Mrs Valentin served as global COO of IBM's Watson Internet of Things, with responsibility for founding the business and designing and building the business structure and product portfolio of this new IBM division. Before that, she was the COO of IBM's Germany/Austria/Switzerland region in the period of 2013-2016, also responsible for strategy and business transformation. Mrs Valentin is a Danish national and held 30,000 shares in the Company's capital per 31 December 2020.

Other offices: member of the supervisory board of IBM Denmark Aps, member of the board of directors of PFA Holding and PFA Pension.

Mrs Valentin was appointed to the Supervisory Board in 2017.

33 - 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	15-04-2020	-	2024	2028
G. Boon	AC	19-04-2017	-	2021	2025
B. Elfring	AC	24-08-2020	-	2024	2028
D. Koopmans*	RC, NC	24-08-2020	-	2024	2028
M.P. Sheffield	AC	24-08-2017	-	2021	2025
H. Valentin	RC, NC	19-04-2017		2021	2025
C.M.C. Mahieu**	-	20-04-2011	2015, 2019	31-12-2020	-

* Right of recommendation of Central Works Council.

** Stepped down per 31 December 2020.

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 is a Dutch national. Information about Mr Joosten's shareholding position is on pages 77-79.

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. He 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 held consecutive positions 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 its finance and control manager and then held the position of senior vice-president of finance before being appointed as CFO in 2012. Mr Den Houter has been a member of the Executive Board of Royal BAM Group since August 2018. He is a Dutch national. Information about Mr Den Houter's shareholding position is on pages 77-79.

34 - 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 the business line Construction and Property;
- J.D. (John) Wilkinson, Chief Operating Officer (COO) for the business line Civil engineering;
- S.E. (Simon) Finnie, Chief Business Excellence Officer (CBEO);
- S.J.J. (Sven) Van de Wynkele, Chief Human Resource Officer (CHRO).

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, pursuant to which Supervisory Board meetings shall generally be attended by all members of the Executive Committee.

J.G. (Joost) Nelis (1967), COO Construction and Property

Mr Nelis was appointed COO for the business line Construction and Property, effective 1 April 2019. 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 Civil engineering

Mr Wilkinson was appointed COO for the business line Civil engineering, effective 5 October 2020. 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 UK infrastructure, executive director services and managing director. He holds a bachelor of science (honours) degree in construction management from Reading University and is a graduate of the Advanced Leadership Programme from Cambridge Judge Business School.

S.E. (Simon) Finnie (1974), CBEO

Mr Finnie was appointed CBEO, effective 15 April 2019. He has over 20 years of experience in designing and delivering sustainable operational transformation and cost efficiency improvement. Previously he was executive director at Laing O'Rourke and Kier Group, both large engineering companies based in the United Kingdom, where he was responsible for digital transformation and for driving strategic improvements. He holds a master's degree in business administration (MBA) from Warwick Business School and a bachelor of science (honours) in psychology, philosophy and computer science.

S.J.J. (Sven) Van de Wynkele (1969), CHRO

Mr Van de Wynkele was appointed CHRO, effective 20 August 2018. He has extensive international expertise in human resources and in business transformation. He has held global HR leadership roles with General Electric, Philips and TP Vision. Prior to BAM, Mr Van de Wynkele was group HR vice-president and transformation programme co-leader at the international design and engineering company Khatib & Alami based in Beirut, Lebanon. He holds a master's degree in military and naval sciences from the Royal Military Academy in Brussels.

From the left: Joost Nelis, Sven Van de Wynkele, Simon Finnie, Ruud Joosten, John Wilkinson and Frans den Houter

6 Supervisory Board

Museum of the future, Dubai (United Arab Emirates) - BAM International

6.1 Report of the Supervisory Board to shareholders

As for many other companies and society at large, the year 2020 was very turbulent for Royal BAM Group, with many developments and events. The extraordinary circumstances caused by the Covid-19 crisis had a considerable impact on all home markets of the Company due to reduced operational efficiency and additional costs. The effect was however significantly stronger in countries with a temporary lockdown, such as Belgium and Ireland. As a precautionary measure, the Company drew down the full recourse credit facility in March in order to strengthen its cash position. The Company obtained a waiver on the interest and leverage ratios from the lending banks due to the possible breach of the recourse interest ratio convenant. In addition, non-essential capital expenditure was cut, and Company-tied costs were reduced. The Executive Committee took the difficult decision to wind down BAM International, active outside BAM's European home markets, following continued losses over the last years, the deterioration of the oil and gas market, the lack of attractive alternative opportunities and the unbalanced risks and rewards of the projects.

Besides the continued losses at BAM International, the Group's performance in the first half year was also impacted by the long-running Cologne metro settlement and to a lesser extent by underperformance of the German construction and Dutch civil engineering business. As a result, the Company reported for the first half of 2020 an adjusted loss before tax of €134 million. Although the results in the second half of the year improved, an adjusted result before tax for the full year of €34 million is highly disappointing. With the extension of the strategic partnership with PGGM through its participation in BAM's PPP-vehicle, BAM has preserved its opportunities to monetise its international experience and know-how of the PPP market. This is considered to be a strategic pillar for the future of BAM to operate beyond its home markets whilst de-risking the international exposure in the construction itself.

In September BAM announced a major restructuring programme in order to mitigate lower revenue caused by Covid-19 and by a more selective approach to tendering. This programme aims to reduce costs by €100 million annually with most savings coming from substantial headcount reductions.

2020 was also a year that saw a substantial number of changes in the executive bodies of the Company. After the Supervisory Board took the decision not to nominate Rob van Wingerden for another term of four years as chief executive officer (CEO), Chief Financial Officer (CFO) Frans den Houter did an excellent job in steering the Company through the difficult period caused by Covid-19, while Supervisory Board member Paul Sheffield assisted the Executive Committee in his capacity as a delegated member ('*gedelegeerd commissaris*') of the Supervisory Board. In September, Ruud Joosten started as the new CEO with the key priority to develop a new strategy that will make BAM a more profitable and stable company. The process of developing this new strategy, in which the Supervisory Board was closely involved, has resulted in a new three-year strategic plan which will be presented to the market in February 2021.

The composition of the Supervisory Board changed considerably. After eight and nine years of membership respectively, Harrie Noy and Carla Mahieu stepped down. The Supervisory Board and the Company are grateful for their dedication and contribution over this long period of involvement with the Group. With the appointments of Denise Koopmans and Bob Elfring as Board members and Henk Rottinghuis taking over chairmanship from Harrie Noy in August, the Supervisory Board has brought in new capabilities and experience.

The decision to wind down BAM International, the impact of Covid-19 and the Group-wide restructuring programme have all had a major impact on BAM's greatest asset, its employees. The resilience and dedication of the workforce has filled the Supervisory Board with gratitude, and we cannot thank our people enough for their contribution in this difficult year.

2020 Financial statements and dividend

This integrated report, which is based on the International Integrated Reporting Framework, includes the 2020 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 paragraph 8.1 of this report.

The Audit Committee discussed the draft financial statements with the CEO, the CFOand the external auditor. The Audit Committee also discussed the auditor's report, the management letter and the quality of internal risk management and control systems and had a discussion with the external auditor without BAM's management being present. Subsequently, the Supervisory Board discussed this integrated report, including the financial statements with the Executive Board in the presence of the external auditor. We 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. We concluded that we agree with the 2020 financial statements.

Given the financial performance of the Company, the Supervisory Board concurs with the proposal of the Executive Board not to distribute a dividend over the year 2020, in line with the existing dividend policy. This decision was not taken lightly, also considering that BAM would apply for governmental support.

The Supervisory Board recommends the Annual General Meeting, to be held on 14 April 2021, to adopt the 2020 financial statements. We are 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 2020 marked the end of BAM's strategy for the period 2016–2020, 'Building the present, creating the future'. In this period the Company has not been able to deliver results within the strategic target of two per cent to four per cent, notwithstanding strengthening of tender and project management processes and other initiatives, such as the introduction of One BAM initiatives, which are aimed at improving management control and reaping the benefits of scale by sharing knowledge, resources, systems, processes and innovations across the Group.

Together with the Executive Committee under its new leadership, we have concluded that more fundamental and rigorous choices must be made. The new strategy incorporates these choices. The chances we see for BAM are based on its market position in specific segments and countries, as well as on the undeniable trends towards sustainability and solutions for climate change. The Supervisory Board feels the Company is well positioned because of its innovative capability and highly developed engineering skills.

The Supervisory Board continues to support management's position that BAM will no longer tender for projects where the rewards are not in line with the risks it is willing to assume. We frequently see that large civil projects are put on the market with a poor balance between risks and opportunities. The Board calls upon the governments in some of BAM's home markets to adjust their approach to the market. Continuation of the current approach will ultimately lead to a definite withdrawal from this market of major projects.

Considering the impact that the new BAM strategy may have, the operating companies and corporate functions prepared operating plans for 2021, which were consolidated into the operating plan for the Company. The Supervisory Board discussed the outlines and 2021 priorities in its meeting in November and approved the 2021 operating plan in an extraordinary meeting in December 2020.

Risk management

As proper risk management is the key to predictable performance and therefore shareholder value, this continued to be high on the Board's agenda. De-risking a portfolio with long-running projects is BAM's first priority. The tender stage gate process plays a pivotal role in the early identification of potential risks and taking appropriate measures to mitigate at the tendering level. The Supervisory Board closely monitored the continuous development and improvement of this process and fully supported

Landscronerhof, Weesp (the Netherlands) - BAM Bouw en Vastgoed Nederland management's actions to become more critical and selective in the early phase of tendering processes. We reviewed these projects with a main focus on risks, how these were managed and how these impacted the pricing of the projects. A well-defined risk appetite should align all layers of management and prevent different interpretations of the amount of risk that is deemed appropriate.

There has also been close attention to the effects of the implementation of the Uniform Project Approach (UPA) for strengthening the execution of large existing projects. Next to its customary activities and reviews of internal processes, the Internal Audit team continued with auditing a number of high-exposure projects, resulting in recommendations to improve project control.

As part of the Supervisory Board's annual risk management review, we discussed in our November meeting the outcome of the enterprise risk management assessment in the presence of the governance, risk and compliance officer. This annual assessment provides an overview of the biggest risks the Company is facing in relation to achieving its objectives, both strategic and operational. The top five risks and related mitigation measures were discussed. The governance, risk and compliance officer also informed the Board about the status of the adherence to the BAM requirements framework, which is used to assess the internal risk management and control system throughout the Company.

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. We regret that the Company had to report one fatality in Belgium in the second half of 2020. We discussed this tragic accident with management extensively and appreciated how it was handled and lessons learned were applied.

This fatality and other (serious) accidents that occurred show that safety requires permanent attention. Although the number of serious accidents dropped by 22 per cent, smaller (lost-time) accidents did not decrease proportionally. The 2020 incident frequency (IF) was adversely affected by the Covid-19-related fluctuation in reported hours and the Company anticipates a strong improvement in 2021 as it continues to embed its operational safety standard in each geography. It remains the Group's overall aspiration to progressively achieve and improve on an average of 3.5 in the short to medium term. Performance varies within the Company, which will be a point of attention in 2021.

The Board fully supports management in its continuous efforts to further increase safety, not only through guidelines and instructions but especially by giving it consistent management attention and emphasizing the behavioural aspects. We took note of the positive feedback on Worldwide BAM Safety Day, which is meant to increase awareness of the importance of safety.
In order to further support attention to matters such as safety and sustainability, the Supervisory Board in December resolved to establish a committee for health, safety and sustainability (HSS) as per 2021, which will be a permanent committee of the Supervisory Board. In next year's report, we will provide more information on the activities and composition of this committee.

Shareholders and investor relations

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

Together with the Executive Board, the Supervisory Board prepared the Annual General Meeting in April and Extraordinary General Meeting in August which were evaluated afterwards. We were pleased to note that all proposals were adopted.

The importance of a satisfactory relationship with the financial markets is high on our agenda, as we realise that the results of BAM over the last years have been disappointing for shareholders.

Corporate governance

Each year, at the time of the publication of the integrated report, 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 Royal BAM Group's corporate governance is up to standard. Please refer to the corporate governance statement in this integrated report.

Discussions with external auditor

BAM's auditor Ernst & Young Accountants LLP reported on its 2019 audit, attended the quarterly meetings with the Audit Committee as well as the Annual General Meeting of 15 April 2020 digitally (due to Covid-19 restrictions). In the course of 2020, we 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 Company and operating company finance leaders. Based on this assessment, our 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, we recommended the General Meeting to re-appoint Ernst & Young Accountants LLP as external auditor responsible for auditing the 2021 financial statements of Royal BAM Group, which the General Meeting subsequently approved.

The audit plan for 2020 was presented to and discussed with the Audit Committee and the full Supervisory Board and subsequently approved. During the review of the 2019 full-year results and the 2020 half-year results, the 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 were based in a timely manner and noted that the external auditor had discussed the information provided with BAM officers and the Executive Board. We took note of the reports and management letters as prepared by the external auditor and focused upon the follow-up of the identified action points.

We were happy to note that, although certain items still need to be addressed, the auditor reported a constant improvement in quality of our accounting systems and financial reporting. The Supervisory Board acknowledges the efforts made by the CFO and all those who contributed to this achievement.

In its February 2020 meeting, the Supervisory Board discussed with the external auditor and the Executive Board the areas of emphasis related to the 2019 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, adoption of IFRS 16 and the financial statement closing process. Several of these topics were also discussed with the external auditor during the subsequent quarters in 2020. Following the results of the second quarter, in the August meeting, we discussed formally and in more depth the analysis on the Company's going concern, the compliance with the agreed bank covenants, the different project positions, including related accounting treatment, and the development in the quality of the (financial) risk management. In addition, compliance with laws and regulations 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 operating companies, 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. If applicable, the meetings also featured a report on what had been discussed in meetings of the committees of our Board.

Other matters discussed included the integrated report and financial statements for 2019, the 2020 half-year report and interim statements, the reserve and dividend policy and the dividend proposal for 2019, the various effects of changes in the International Financial Reporting Standards (IFRS) on BAM's financial reports, as well as compliance reports and material legal proceedings in which the Company is engaged.

The Executive Committee regularly updated us on the situation regarding a number of critical projects and tenders. In a number of instances, management of operating companies and key staff involved were invited to provide further information. 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 2020 spent ample time on a number of specific topics, which included the impact of the Covid-19 pandemic on the employees and operations, the drawing of the recourse credit facility, compliance with banking covenants and subsequent process to receive waivers, the settlement of the Cologne metro claim, the profit warning in July, the decision to start the process of winding down BAM International, the process to nominate Ruud Joosten as CEO, the Group-wide restructuring programme, the extended cooperation with PGGM through the sale of 50 per cent of BAM PPP and the strategy process. We also discussed and agreed with the proposal to join forces with Heijmans for asphalt production in the Netherlands.

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 we receive the right information. The chairman of the 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 HR, finance, corporate governance, internal audits on the tender stage gate process (TSGP) and Uniform Project Approach (UPA). In February the Supervisory Board decided to appoint Paul Sheffield as a delegated board member in order to support and advise the Executive Committee in the crisis caused by Covid-19 and the period until a new CEO was appointed. He held this position until 1 November. The Supervisory Board is very grateful for his dedication and contribution. In addition to the regular Board meetings, we have introduced periodical educational sessions in order to take deep dives on specific topics relevant for the Company and the industry.

We approved the remuneration report prepared by the Remuneration Committee. The remuneration report is included in paragraph 6.2 of this integrated report. The remuneration policy was amended slightly, as the current arrangement regarding post-employment benefits for Executive Board members was replaced by a pension contribution which is based on an age independent flat rate of 22 per cent of fixed remuneration. This change was approved by shareholders in the extraordinary general meeting on 24 August.

The Executive Committee decided independently of the Supervisory Board to cut its members' salaries at the outbreak of the Covid-19 crisis. As one of the few listed companies, BAM saw both its boards independently from each other take a voluntary discount of 20 per cent on base salary. As of the fourth quarter the levels were adjusted to their agreed conditions.

In 2020, the Supervisory Board met on 13 occasions in the presence of the Executive Board or Executive Committee. In addition, a number of telephone conference calls between the full Supervisory Board or delegated members and the Executive Board took place in relation to the developments regarding Covid-19, performance of the Executive Committee, the Cologne metro claim and the financial situation of the Company.

The attendance rate of the individual members at the meetings was as follows:

35 - The attendance rate of the individual members at the meeting

	SB	AC	RC	NC
Mr H.L.J. Noy*	100%	n.a.	100%	100%
Mr H.Th.E.M. Rottinghuis	100%	n.a.	100%	100%
Mr G. Boon	100%	100%	n.a.	n.a.
Mrs C.M.C. Mahieu*	92%	n.a.	100%	100%
Mr M.P. Sheffield	100%	100%	n.a.	n.a.
Mrs H. Valentin	92%	n.a.	100%	100%
Mr B. Elfring	100%	100%	n.a.	n.a.
Mrs D. Koopmans	100%	n.a.	100%	100%

*Mr Noy stepped down after the extraordinary shareholder meeting on 24 August 2020 and Mrs Mahieu stepped down per 31 December 2020.

The Supervisory Board met five times without the Executive Board being present, to discuss the CEO succession, to evaluate the functioning of the Executive Board, to perform its self-assessment, to discuss 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 2019 and the targets for 2020.

The Supervisory Board's committees

The Supervisory Board has three permanent committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. 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.

The Audit Committee

During 2020 the Audit Committee was composed of Gosse Boon (Chairman), Paul Sheffield and Bob Elfring (per 24 August 2020). The composition is in line with the relevant provisions of the Code. As part of his induction program also the chairman of the Supervisory Board attended these meetings.

The Committee met four times. The external auditor was present at all of these meetings. The chairman of the Executive Board, the CFO, the Group controller and the internal audit director also attended all 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 2020 of the external auditor EY, the internal audit plan for 2021, the impact of new reporting standard IFRS 16 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 2020 the Remuneration Committee was composed of Carla Mahieu (Chairwoman), Helle Valentin, Henk Rottinghuis (per 24 August 2020), Denise Koopmans (per 24 August 2020) and Harrie Noy (until 24 August 2020). The composition is in line with the relevant provisions of the Code.

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, are also subject to the approval of the Supervisory Board.

Upon the departure of Rob van Wingerden as CEO of the Company, the Remuneration Committee decided on a temporary upgrade of the remuneration package for interim CEO Frans den Houter in line with the remuneration policy. Additionally, the Remuneration Committee reconfirmed the remuneration package for Ruud Joosten in line with the remuneration policy except for the post- employment benefits for which a policy adjustment for the Executive Board was confirmed by shareholders on 24 August 2020.

In February 2021, the Remuneration Committee submitted a proposal to the Supervisory Board regarding the short-term incentive for members of the Executive Board, based on the 2020 performance and the applicable criteria. The Committee also prepared a proposal for the vesting of the long-term incentive plan 2018-2020. In addition, the Committee submitted a proposal for the objective setting for the 2021 short-term incentive and the 2021-2023 long-term incentive.

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 chairman of the Executive Board was present during parts of these meetings as were the chief human resource officer (CHRO) and the director compensation and benefits. The committee members consulted each other a number of times outside the context of a formal meeting.

Nomination Committee
Until 24 August 2020 the Nomination Committee was composed of Harrie Noy (Chairman), Carla Mahieu and Helle Valentin. After that date Harrie Noy stepped down, Henk Rottinghuis and Denise Koopmans joined the Committee and Henk Rottinghuis became chairman.

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, shall also be subject to the approval of the Supervisory Board.

The Nomination 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 of the Executive Committee, the nomination of Henk Rottinghuis, Denise Koopmans and Bob Elfring as members of the Supervisory Board, the appointment of Henk Rottinghuis as chairman of the Supervisory Board, the appointment of Ruud Joosten as CEO and chairman of the Executive Board and the appointment of John Wilkinson as successor of Roel Vollebregt as chief operating officer(COO) for Civil engineering. In addition, the Committee discussed with the CEO and with the CHRO about succession planning for senior management roles and the talent development programme.

HSS Committee
In 2021 a committee for health, safety and sustainability (HSS) will be established, the terms of reference of which are part of a discussion with the Executive Committee on safety and sustainability. The Supervisory Board has expressed its support for the management in its endeavours to bring these items forward and will follow developments critically.

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

Executive Board and Executive Committee
On 17 February 2020 the Company announced that Rob van Wingerden would not be nominated for a next term as CEO as the end of the strategic cycle provided a natural moment for Van Wingerden to transfer the helm. On 6 July we announced the nomination of Ruud Joosten as the new CEO and chairman of the Executive Board, who was appointed successively on 24 August (effective per 1 September). Per 31 December 2020 the Executive Board consisted of Ruud Joosten (CEO) and Frans den Houter (CFO).

Information about the individual members of the Executive Board is available in paragraph 5.3 of the integrated report.

Roel Vollebregt decide to pursue his career outside BAM per 3 June 2020. He was succeeded by John Wilkinson as COO for Civil engineering per 5 October 2020. Per 31 December 2020 the Executive Committee was composed of the following persons besides the members of the Executive Board: Joost Nelis as COO for Construction and Property, John Wilkinson as COO for Civil engineering, Simon Finnie as chief business excellence officer (CBEO) and Sven van de Wynkele as CHRO.

Information about the individual members of the Executive Committee is available in paragraph 5.4 of the integrated 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 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 reported.

Supervisory Board
At the Annual General Meeting on 15 April 2020, Henk Rottinghuis was appointed as a member of the Supervisory Board and Harrie Noy was re-appointed for a period of another two years. On 24 August, Denise Koopmans and Bob Elfring were appointed as members of the Supervisory Board and Harrie Noy handed over the chairmanship to Henk Rottinghuis and subsequently stepped down as a member of the Supervisory Board. On 31 December Carla Mahieu stepped down as a member of the Supervisory Board. We thank both for their dedication to BAM.

Information about the individual members of the Supervisory Board is available in paragraph 5.3 of the integrated report. The Supervisory Board meets the requirements of the Code regarding independence. In 2020, 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 2021, we performed our annual self-assessment of the year 2020, which was an intense year during which 50 per cent of the Supervisory Board was succeeded. The self-assessment was based on an extensive questionnaire that was completed by all members prior to the evaluation session. We concluded that the Board is operating well, with open discussions and constructive contributions from all members. This became quite evident in the strategic sessions with the Executive Committee. We 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 the composition of the Supervisory Board, talent management and succession planning (especially with regard to the Executive Board), financial and business reporting.

Diversity
The Supervisory Board, the Executive Board and the Executive Committee recognise the benefits and importance of diversity in their composition. Diversity is not limited to gender, but also includes (among other things) skills, background, experience and nationality. The profile for our 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 profile for our Board. We meet the specific target on gender diversity and comply with the upcoming legal quota for female representation in supervisory boards of Dutch listed companies. This year has seen significant change to the Executive Board and Executive Committee. In the appointments of a new CEO and a new COO, we have not been successful in introducing more diversity, notwithstanding the fact that we explicitly requested the executive search agent to pay specific attention to identifying and shortlisting female candidates. The fact that ultimately male candidates were selected has to be attributed to limited availability of suitable female candidates, who are also heavily pursued by other companies. On a positive note we would like to point out that we were able to attract and appoint Carla Rodenburg and Sofie Muyldermans as the first women managing directors of BAM operating companies (respectively BAM Infra Nederland and BAM Interbuild).

We remain committed to ensuring our internal development of talent into senior roles and have applied key performance indicators and gender ratios in our succession planning to support the acceleration of our plans. Clear guidance for the selection and assessment of senior leadership has been created, focusing on the mitigation of bias and mandating of diverse shortlists and selection panels. A specific senior leadership role for diversity and inclusion will support these ambitions.

Final comments

On behalf of my colleagues I can say it was highly motivating to see the energy and dedication all employees showed to keep BAM going in this difficult year. It says something about the enormous potential the Company has, and it strengthens our belief this Company can do much better.

We are grateful to all for their efforts and loyalty and invite them to join us on the road to new success.

Bunnik, the Netherlands, 17 February 2021

On behalf of the Supervisory Board,
Henk Rottinghuis, Chairman

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 17 February 2021. It contains:
- The remuneration policy for the Executive Board;
- The remuneration of the Executive Board in 2020;
- The internal pay ratio in 2020;
- The terms of appointment of the Executive Board members;
- The share ownership of the Executive Board members;
- The remuneration of the Executive Board in 2021;
- The remuneration policy for the Supervisory Board;
- The share ownership of the Supervisory Board members;
- The remuneration of the Supervisory Board in 2020.

Given the positive vote of shareholders on the remuneration report over 2019 at the General Meeting of 15 April 2020, 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 somewhat adjusted with its approval on 24 August 2020 (as described under *'Post-employment benefits and other benefits'*).

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. 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.

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 36 is based on industry, ownership structure, geographical business scope and size parameters.

36 - 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 evaluated together and do not have individual weights or performance incentive zones. 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.

37 - 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% Value at vesting is capped at 2.5 x award value 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

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 each 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) qualify as commercially sensitive information and will not be disclosed.

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. The Supervisory Board has concluded that these percentages are no longer in line with the labour market reference group but will consider to propose changes only per 2022 in light of current circumstances.

Performance is based on two financial objectives, being relative total shareholder return (TSR) and return on capital employed (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 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 each 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 ROCE 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. The TSR objective will also operate as a 'circuit breaker' for the vesting linked to the other two performance objectives: in case BAM ranks at the bottom two places of the TSR peer group, the other two objectives will not result in vesting regardless of the performance. 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 will at vesting never exceed two and a half times the award value in order to avoid inappropriate pay-outs.

In accordance with the 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 39 and 40. 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
As approved by the Extraordinary General Meeting of 24 August 2020, Executive Board members receive an age-independent gross

38 - The performance incentive zones (in %)

Relative TSR		ROCE		Sustainability	
TSR ranking[1]	Vesting[1 2]	Score	Vesting[1 2]	Score	Vesting[1 2]
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.
[2] If TSR would be at position 10 or 11, no vesting can occur for the other parts.

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.

Given his long-term employment with the Company, Mr Van Wingerden participated until the end date of the management services agreement, 1 June 2020, in the Company's Dutch pension schemes for regular employees: the pension scheme for the construction industry, a supplementary defined contribution pension scheme and an uncapped annual gross compensation which can be used to participate in a net pension scheme or to make own retirement savings. The pension schemes include 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 scheme 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.

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 operating companies 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 concern the objective setting and pay-out of the short-term and long-term incentive plans.

Remuneration Executive Board in 2020

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 24 August 2020.

Covid-19
The Executive Board and the Executive Committee voluntarily chose to apply a 20 per cent pay reduction for the months April until September 2020 to mitigate the impact of Covid-19 on BAM. This resulted in a 20 per cent reduction of fixed remuneration for Mr Den Houter (April up until and including September) and Mr Joosten (September). The unchanged fixed remuneration remained the basis for the calculation of other terms and conditions. In addition, it was decided to postpone the 2019 STI payment to Mr Den Houter until September 2020. The pay reduction ended per 1 October 2020 since construction sites had become fully operational again.

Fixed remuneration
The fixed remuneration of Mr Joosten is set at the CEO policy level of €700,000 gross per annum. The fixed remuneration of

Mr Den Houter was increased to €500,000 gross per annum as of 1 January 2020, considering personal performance and developments in the labour market reference group.

Mr Den Houter served as CEO on an interim basis until the appointment of Mr Joosten, safeguarding continuity of leadership and ensuring that Mr Joosten could quickly come up to speed in his new role. Mr Den Houter therefore received a temporary CEO allowance of €200,000 gross per annum from mid-February 2020 until 30 November 2020, which was also included in the basis for calculation of the STI over 2020. Additionally, 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.

Short-term incentive
Based on input from the Remuneration Committee, the Supervisory Board evaluated the performance of the Executive Board in 2020 in relation to the objectives that had been set for the year. The financial objectives that had been selected were: adjusted result before tax (weight 45 per cent), trade working capital (weight 15 per cent) and business cash flow (weight 10 per cent). The non-financial objectives (weight 30 per cent) were related to the implementation of the One BAM strategy, the Uniform Project Approach (UPA) and the enhancement of the overall performance culture. These criteria have all been made concrete and measurable for this purpose. Additionally it was agreed at the beginning of the year that the Supervisory Board would take into account the specific circumstances caused by the Covid-19 crisis.

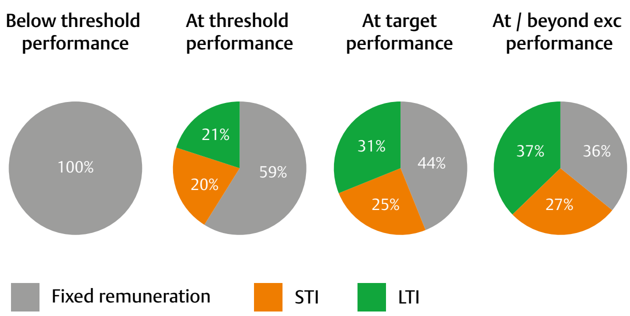
The evaluation of the performance of the Executive Board in relation to the objectives resulted in an incentive of 32.3 per cent of the 2020 fixed remuneration. Concerning the achievement on the non-financial objectives the Supervisory Board concluded that the performance was between threshold and target level. That being said, but without changing this assessment, it was concluded that the Executive Board handled the Covid-19 crisis very well, resulting in a relatively small number of employees being infected and building sites staying open where possible. The Executive Board also demonstrated exceptional agility in dealing with the difficult situation within BAM during 2020; quickly taking stock and adjusting course where needed. Overall the Supervisory Board appreciates this very highly. More details can be found in table 43.

Long-term incentive
The remuneration policy for Executive Board members includes a long-term incentive 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 46.

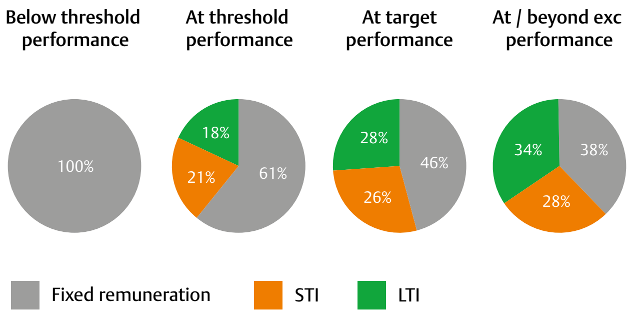
The conditional performance shares that were awarded under the performance share plan 2017-2019 vested on 27 April 2020. The vesting percentage of the shares was determined at zero per cent. The reason for this was that Royal BAM Group ranked 10th in the TSR peer group, which functions as a circuit breaker nullifying the performance on the other objectives (ROCE and sustainability). More details can be found in table 43.

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. In line with the plan rules, the performance share awards of Mr Van Wingerden for the periods 2018-2020 and 2019-2021 have been decreased pro rata the number of months not providing management services during the relevant performance periods. The remaining shares will vest against the vesting percentage determined by the Supervisory Board at the applicable vesting dates. The lock-up period and minimum share ownership requirements for the vested performance shares ended per 1 June 2020. In line with the Company's insider dealing policy, Mr Van Wingerden was not allowed to sell the vested performance shares during closed periods up until 1 December 2020.

39 - Target pay mix[1] CEO



40 - Target pay mix[1] CFO



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

Post-employment benefits and other benefits
Both Mr Den Houter and Mr Joosten received a pension contribution in line with the remuneration policy for pensions as adopted by the Extraordinary General Meeting of 24 August 2020. For Mr Den Houter the decision was implemented retrospectively as of the start date of his appointment on 1 August 2018 since previous contributions had

not been in line with market practice. Mr Van Wingerden participated until 1 June 2020 in the Company's Dutch pension schemes for regular employees. In line with the remuneration policy and management services agreement, Mr Van Wingerden received a severance payment of one year's fixed remuneration.

Remuneration overview
A summary of the remuneration of the individual members of the Executive Board can be found in table 42.
BAM has not awarded any options to members of the Executive Board, members of management teams of operating companies 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 2020

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 42 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 2020 was 14 (2019: 17), implying that the CEO pay was 14 times the average pay within the organisation. The decrease of the ratio is explained through the fact that the LTI award for 2017-2019 did not vest and the voluntary 20 per cent pay reduction for the months April until September 2020.

The required five-year analysis of Board remuneration versus average employee remuneration and Company performance can be found in table 45. It reflects the same definitions for Executive Board and average employee remuneration. Additionally, it contains the performance measure adjusted result before tax 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 44. 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.

Securities rules
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.

Share ownership of the Executive Board members

Per 31 December 2020, Mr Joosten held 0 BAM shares and Mr Den Houter held 25,000 privately acquired BAM shares.

Remuneration of the Executive Board in 2021

At the beginning of the financial year, the Supervisory Board discloses the specific financial objectives and relevant weighting for the short-term incentive. For 2021 the financial objectives and weighting for the short-term incentive are: Adjusted EBITDA (weight 45 per cent) and trade working capital (weight 25 per cent). The selected STI targets support the company objectives since they are fully aligned with its strategy of significantly improving profitability while ensuring a healthy cash generation.

Additionally, the Supervisory Board discloses the specific criteria that underly the sustainability objective of the long-term incentive plan at the start of the performance period. As in previous years the performance share plan 2021-2023 contains three sustainability 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.

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 for non-Dutch members to compensate these members for additional time spent to attend meetings;
- A reimbursement of actual costs in the performance of the duties for BAM.

Committee impact and responsibility is deemed to be comparable. Hence BAM does not differentiate in committee fees. The amounts can be found in table 41.

41 - 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 non-Dutch residents	€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 2020 Mr Boon held 80,000 privately acquired BAM shares and Mrs Valentin held 30,000 privately acquired BAM shares.

Remuneration of the Supervisory Board in 2020

Covid-19

In line with the decision of the Executive Board and the Executive Committee to apply a 20 per cent pay reduction for the months April up until and including September 2020 to mitigate the impact of Covid-19 on BAM, the Supervisory Board also voluntarily applied a 20 per cent reduction to its fixed remuneration and committee fees. Additionally, it was decided to not apply the intended increase of the fixed remuneration for the Chairman from €70,000 to €90,000 gross per annum (as approved by the General Meeting on 15 April 2020) until 1 October 2020.

Besides this, 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.

From mid-February up until 1 November 2020 Mr Sheffield acted as delegated Supervisory Board member to support the Executive Committee in an advisory role. In line with the remuneration policy, Mr Sheffield received an additional remuneration of €1,500 per half-day for these activities, he spent 35.5 days on this.

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

Bunnik, the Netherlands, 17 February 2021
Supervisory Board

42 - 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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
R.J.M. Joosten[3]	**222**	-	**75**	-	**-**	-	**2**	-	**51**	-	**350**	-
L.F. den Houter[4]	**608**	486	**212**	159	**-**	-	**5**	5	**221**	30	**1,047**	680
R.P. van Wingerden[5]	**292**	700	**112**	230	**-**	125	**706**	5	**65**	154	**1,175**	1,214

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

[2] The amount shown under Other benefits consists of the additional tax liability for private use of the company car, since the value of this benefit can be considered (indirect) remuneration.

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

[4] The fixed remuneration is including the 20 per cent Covid-19 reduction over April – September 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.

[5] Mr Van Wingerden was not nominated for a next term as CEO at the General Meeting of 15 April 2020, the management services agreement ended per 1 June 2020. Mr Van Wingerden has received a severance payment of €700,000 and €4,000 for legal fees, which is included in Other benefits. Mr Van Wingerden has received a prorated short-term incentive over 2020 based on on-target performance as part of the settlement agreement.

43 - Performance on incentive plan objectives

(in %)

	Objective	Weight	Achievement (% of target)	STI as % of fixed remuneration
STI 2020	Adjusted result before tax	45	-	-
	Trade working capital	15	136	11.3
	Business cash flow	10	136	7.5
	Non-financial	30	82	13.5
	Overall achievement		**59**	**32.3**
			Achievement (% of award)	
LTI 2017-2019	Relative TSR	33.3	-	
	ROCE	33.3	nr[1]	
	Sustainability	33.3	nr[1]	
	Overall achievement		**-**	

[1] Not relevant since relative TSR acts as circuit breaker and nullifies the achievement on the other LTI plan objectives.

44 - 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.

45 - Five-year analysis Board remuneration and Company performance

(x €1,000, unless otherwise stated)

		2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	Actual 2020
Executive Board remuneration[1]							
CEO	actual change	(54)	(95)	295	(332)	(194)	**1,015**
	relative change (%)	(3.9)	(7.1)	23.7	(21.5)	(16.1)	
CFO	actual change	(137)	(222)	148	(85)	(26)	**726**
	relative change (%)	(13.1)	(24.4)	21.6	(10.1)	(3.4)	
Company performance							
Adjusted result before tax[2]	actual change	14,500	(39,400)	89,900	(79,100)	(39,800)	**34,300**
	relative change (%)	16.4	(38.4)	142.0	(51.6)	(53.7)	
Average employee remuneration	actual change	0.3	3.3	1.6	5.3	2.4	**73,746**
	relative change (%)	0.4	5.4	2.5	8.1	3.3	
			2016	2017	2018	2019	**2020**
Supervisory Board remuneration[3]							
H.Th.E.M. Rottinghuis, Chairman			-	-	-	-	**48**
G. Boon, Vice-Chairman			-	42	60	63	**59**
B. Elfring			-	-	-	-	**20**
D. Koopmans			-	-	-	-	**23**
C.M.C. Mahieu			45	55	60	60	**54**
M.P. Sheffield			-	23	69	68	**164**
H. Valentin			-	44	68	68	**59**
H.L.J. Noy, former Chairman			45	69	80	80	**46**
K.S. Wester, former Vice-Chairman			45	57	62	18	**-**
R. Provoost, former member			-	-	-	8	**-**
P.A.F.W. Elverding, former Chairman			55	17	-	-	**-**
H. Scheffers, former Vice-Chairman			50	17	-	-	**-**
J.P. Hansen, former member			45	14	-	-	**-**
Total			**285**	**336**	**399**	**365**	**473**

[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. No LTI was included, since nothing vested that year.

[2] As from 2018 the adjusted result before tax has been impacted by the implementation of IFRS15.

[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.

46 - 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[3]	Value at year-end 2020[4]
R.J.M. Joosten	01/09/2020	285,734	381,111	23/04/2023	n/a	23/04/2025	**487,176**
L.F. den Houter	23/04/2020	367,371	490,000	23/04/2023	n/a	23/04/2025	**626,368**
	29/04/2019	68,393	291,600	29/04/2022	n/a	29/04/2024	**116,610**
R.P. van Wingerden	29/04/2019	47,886	204,167	29/04/2022	n/a	n/a	**81,646**
	26/04/2018	91,852	360,150	26/04/2021	-[5]	n/a	**156,608**
	27/04/2017	94,651	476,000	27/04/2020	-	n/a	**-**
	28/04/2016	112,711	476,000	28/04/2019	-	n/a	**-**
	30/04/2015	114,319	434,000	30/04/2018	59,939	n/a	**233,163**

[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 Ruud 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. For Mr Van Wingerden, the awarded shares in 2018 and 2019 have been decreased pro rata the number of months not providing management services during the relevant performance periods. 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] No lock-up period applies for Mr Van Wingerden since he has left the Company per 1 June 2020.

[4] The value for the awards in 2015 and 2016 is based on the actual number of vested shares on the vesting date before tax. The value for the awards in 2018, 2019 and 2020 is based on the 'Number of conditionally awarded shares' in this table (since the vesting percentage is not yet known at year-end 2020) multiplied by the closing share price of BAM at year-end 2020 (€1.705). For Mr Van Wingerden the value of the award for 2015 is based on the opening share price of BAM at the day of vesting.

[5] Since BAM ranks 11th of the TSR peer group for this performance share plan the circuit breaker is applicable. Therefore, the Supervisory Board has decided on 17 February 2021 that the conditional shares will be forfeited at the vesting date of this plan (26 April 2021).

7 Financial statements

Kerckebos, Zeist (The Netherlands) - BAM Bouw en Vastgoed

Contents

Consolidated income statement

(x €1,000)

	Notes	2020	2019
Continuing operations			
Revenue	5	6,768,171	7,175,960
Raw materials and consumables used		(1,538,905)	(1,549,002)
Subcontracted work and other external charges		(3,545,822)	(3,780,471)
Employee benefit expenses	26	(1,418,169)	(1,380,502)
Depreciation and amortisation charges	7,8,9	(158,999)	(159,225)
Impairment charges	27	(72,841)	(21,178)
Other operating expenses		(242,725)	(264,666)
Exchange rate differences		(4,303)	5,285
		(6,981,764)	(7,149,759)
Share of result of investments in associates and joint ventures	11	(5,840)	5,759
Share of impairment charges in investments in associates and joint ventures	11,27	(1,900)	2,655
		(7,740)	8,414
Operating result		(221,333)	34,615
Finance income	30	8,242	4,921
Finance expense	30	(23,856)	(16,147)
		(15,614)	(11,226)
Result before tax		(236,947)	23,389
Income tax	31	(35,100)	(36,715)
Result for the year from continuing operations		(272,047)	(13,326)
Discontinued operations			
Result for the year from discontinued operations	37.3	149,655	25,293
Net result		(122,392)	11,967
Attributable to:			
Shareholders of the Company		(122,184)	11,846
Non-controlling interests		(208)	121
		(122,392)	11,967
Earnings per share *(x €1)*			
Basic	32		
Continuing operations		(1.00)	(0.05)
Discontinued operations		0.55	0.09
Total		(0.45)	0.04
Diluted	32		
Continuing operations		(1.00)	(0.05)
Discontinued operations		0.55	0.09
Total		(0.45)	0.04

The notes on pages 87 to 171 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(x €1,000)

	Notes	2020	2019
Net result		(122,392)	11,967
Items that may be subsequently reclassified to the income statement			
Fair value movement of cash flow hedges		8,853	(710)
Tax on fair value of cashflow hedge		(1,502)	120
Cash flow hedges	21	7,351	(590)
Fair value movement of cash flow hedges in joint ventures		114,927	(38,854)
Tax on fair value movement cash flow hedges in joint ventures		(27,660)	8,668
Cash flow hedges of investments in joint ventures	21	87,267	(30,186)
Exchange rate differences		(10,690)	22,946
Items that will not be subsequently reclassified to the income statement, net of tax			
Movement in remeasurements of post-employment benefit obligations		(9,498)	(78,601)
Tax on movement in remeasurements of post-employment benefit obligations		7,558	10,476
Remeasurements of post-employment benefit obligations	22	(1,940)	(68,125)
Other comprehensive income		81,988	(75,955)
Total comprehensive income		(40,404)	(63,988)
Attributable to:			
Shareholders of the Company		(40,143)	(64,160)
Non-controlling interests		(261)	172
		(40,404)	(63,988)
Total comprehensive income attributable to the shareholders of the Company arises from:			
Continuing operations		(287,499)	(61,350)
Discontinued operations	5, 37.3	247,356	(2.810)
		(40,143)	(64,160)

The notes on pages 87 to 171 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December

(x €1,000)

	Notes	31 December 2020	31 December 2019
Non-current assets			
Property, plant and equipment	7	253,068	277,144
Right-of-use assets	8	293,355	312,191
Intangible assets	9	334,467	400,081
PPP receivables	10	11,177	73,653
Investments in associates and joint ventures	11	256,243	135,063
Other financial assets	12	69,490	109,653
Employee benefits	22	55,107	68,929
Deferred tax assets	24	106,182	136,468
		1,379,089	1,513,182
Current assets			
Inventories	13	517,637	545,909
Trade and other receivables	14	1,495,315	1,612,049
Income tax receivable		15,293	5,791
Derivative financial instruments	21	650	704
Cash and cash equivalents	15	1,789,292	854,023
		3,818,187	3,018,476
Assets classified as held for sale	37.1, 37.2	27,237	8,516
		3,845,424	3,026,992
Total assets		5,224,513	4,540,174
Equity attributable to the shareholders of Company			
Share capital and premium	16	839,311	839,311
Reserves	17	(99,665)	(183,647)
Retained earnings		(156,203)	(27,220)
		583,443	628,444
Non-controlling interests		1,278	5,470
Total Equity		584,721	633,914
Non-current liabilities			
Borrowings	19	428,908	193,779
Lease liabilities	20	207,445	221,365
Derivative financial instruments	21	228	9,741
Employee benefits	22	113,732	128,220
Provisions	23	133,268	163,363
Social security and other taxes	25	183,601	-
Deferred tax liabilities	24	13,623	18,495
		1,080,805	734,963
Current liabilities			
Borrowings	19	205,643	77,747
Lease liabilities	20	86,528	90,226
Trade and other payables	25	3,044,412	2,882,469
Derivative financial instruments	21	536	772
Provisions	23	193,669	111,654
Income tax payable	31	7,431	8,429
		3,538,219	3,171,297
Liabilities classified as held for sale	37.2	20,768	-
		3,558,987	3,171,297
Total equity and liabilities		5,224,513	4,540,174
Capital base	18	702,113	748,895

The notes on pages 87 to 171 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 2019		839,311	(164,966)	54,686	729,031	5,857	734,888
Cash flow hedges	21	-	(30,745)	-	(30,745)	(31)	(30,776)
Remeasurements of post-employment benefit obligations	22	-	-	(68,125)	(68,125)	-	(68,125)
Exchange rate differences		-	22,864	-	22,864	82	22,946
Other comprehensive income, net of tax		-	(7,881)	(68,125)	(76,006)	51	(75,955)
Net result		-	-	11,846	11,846	121	11,967
Total comprehensive income		-	(7,881)	(56,279)	(64,160)	172	(63,988)
Dividends	33	-	-	(19,456)	(19,456)	(559)	(20,015)
Repurchase of ordinary shares	16	-	-	(16,889)	(16,889)	-	(16,889)
Share based payments		-	-	(46)	(46)	-	(46)
Development cost		-	(10,800)	10,800	-	-	-
Other movements		-	-	(36)	(36)	-	(36)
		-	(10,800)	(25,627)	(36,427)	(559)	(36,986)
As at 31 December 2019		839,311	(183,647)	(27,220)	628,444	5,470	633,914
Cash flow hedges	17, 21	-	94,579	-	94,579	39	94,618
Remeasurements of post-employment benefit obligations	22	-	-	(1,940)	(1,940)	-	(1,940)
Exchange rate differences	17	-	(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	37.3	-	-	-	-	(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

In 2020, the Company contributed the know-how, expertise and investments in the field of asphalt production in a newly formed 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 87 to 171 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(x €1,000)

	Notes	2020*	2019*
Result for the year from continuing operations		(272,047)	(13,326)
Result for the year from discontinued operations	37.3	149,655	25,293
Net result		(122,392)	11,967
Adjustments for:			
- Income tax	31	38,488	38,651
- Depreciation of property, plant and equipment	7	54,010	54,017
- Depreciation of right-of-use assets	8	99,218	99,656
- Amortisation of intangible assets	9	6,077	5,888
- Impairment of property, plant and equipment	7	586	-
- Impairment of intangible assets	9,27	60,934	10,337
- Impairment of inventories	13,27	11,316	10,841
- Share of impairment charges in investments	11,27	1,900	(2,655)
- Result on sale of PPP projects		(18,265)	(1,100)
- Result on sale of discontinued operations	37.3	(118,167)	-
- Result on sale of property, plant and equipment		(3,517)	(2,788)
- Share based payments	39	34	(46)
- Share of result of investments in associates and joint ventures	11,12	(5,707)	(14,639)
- Finance income	30	(19,340)	(17,465)
- Finance expense	30	26,468	19,178
Interest received		14,245	11,975
Dividends received from investments	11,12	19,845	26,836
Changes in provisions and pensions	22,23	86,040	(23,044)
Changes in working capital (excluding cash and cash equivalents)		503,402	169,505
Cash flow from operations		635,175	397,114
Interest paid		(23,830)	(21,622)
Income tax paid		(8,485)	(16,364)
Net cash flow from ordinary operations		602,860	359,128
Investments in PPP receivables	10	(19,043)	(21,362)
Repayments of PPP receivables	10	30,505	27,611
Net cash flow from operating activities		614,322	365,377
Purchases of property, plant and equipment	7,19	(58,538)	(82,349)
Proceeds from sale of property, plant and equipment	7	18,283	17,414
Purchases of intangible assets	9	(2,228)	(4,774)
Proceeds from disposal of intangible assets	9	531	-
Investments in non-current receivables (loans)	12	(36,195)	(30,250)
Repayments of non-current receivables (loans)	12	11,566	14,684
Investments in associates, joint ventures and other financial assets	11,12	(30,241)	(34,790)
Proceeds from disposal of associates, joint ventures and other financial assets	11,12	2,637	2,752
Proceeds from sale of PPP projects		72,872	13,077
Net proceeds from sale of discontinued operations	37.3	81,746	-
Net cash flow from investing activities		60,433	(104,236)
Proceeds from borrowings	19	435,907	56,165
Repayments of borrowings	19	(38,660)	(93,475)
Repayments of principal portion of lease liabilities	20	(97,940)	(98,403)
Dividends paid to shareholders of the Company	33	-	(19,456)
Dividends paid to non-controlling interests		(129)	(559)
Repurchase of ordinary shares		-	(16,889)
Acquisition of non-controlling interest		(5,000)	-
Net cash flow from financing activities		294,178	(172,617)
Change in cash and cash equivalents		968,933	88,524
Cash and cash equivalents at beginning of year	15	854,023	743,674
Changes in cash and cash equivalents as a result of change in accounting policy		-	(890)
Change in cash and cash equivalents in assets and liabilities held for sale		(6,231)	-
Exchange rate differences on cash and cash equivalents		(27,788)	22,715
Net cash position at end of year	15	1,788,937	854,023

*Net cash flows from discontinued operations have been disclosed in note 37.3.

The notes on pages 87 to 171 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, Belgium, the United Kingdom, Ireland and Germany. The Group is also involved in specialist construction and civil engineering projects in niche markets worldwide.

The Company is a public limited company, which is listed on Euronext Amsterdam, with its registered seat and head office in Bunnik, the Netherlands.

On 17 February 2021, 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 14 April 2021.

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, including the current market and Covid-19 conditions.

The basis for these estimates remain unchanged compared to those described in the 2019 financial statements (with the exception of the change in judgment as per 30 June 2020 regarding the subordinated loans (and commitments thereto) of BAM PPP as explained in note 37), provided that the estimation uncertainty is inherently increased due to the impact of the Covid-19 pandemic.

This has especially effect on the estimates made regarding the valuation of goodwill, deferred tax assets, projects, land and building rights and property development and the going concern assumption (including expected compliance with financial covenants). Actual results may differ from these estimates. The other significant judgements made by management remained the same as those that were applied to the consolidated financial statements for the year ended 31 December 2019. Further information and considerations with regard to areas of significant judgments and estimates have been disclosed below and in note 4.

2.1.1 Partnership extension BAM and PGGM

In 2011, BAM formed via BAM PPP Concessies bv (BAM PPP) a joint venture with PGGM, BAM PPP PGGM Infrastructure Coöperatie ua, to jointly target PPP project opportunities in BAM's home markets. In 2020, BAM decided to extend the partnership between BAM PPP and PGGM with the aim to continue their strong track record and explore opportunities to extend their partnership outside BAM's European home markets to benefit from growth in the global PPP market. A first step in the partnership extension was effected in June 2020 when BAM transferred its share in 21 projects that are currently within the BAM PPP-PGGM joint venture (from 20 per cent to 10 per cent). This provides BAM with the opportunity to realise value from the current BAM PPP investment portfolio. See note 17 and 37.3.

As a second step, on 23 December 2020, BAM has transferred 50 per cent of the shares of BAM PPP to PGGM. BAM PPP was previously fully owned by BAM and fully incorporated in the consolidated financial statement. Due to the loss of control of BAM PPP, all the assets and liabilities of the former subsidiary BAM PPP are derecognised from the consolidated statement of financial position as per 31 December 2020. The retained interest of 50 per cent in BAM PPP, which is qualified as a joint venture from BAM's perspective, has been recognised at its fair value as per 31 December 2020. See note 11.2.

As BAM PPP was reported as a separate operating segment and therefore a major business line, the results of BAM PPP are reported as discontinued operations in the consolidated income statement. In the consolidated income statement for 2020 and 2019, the results of these discontinued operations have been presented on a separate line 'Result for the year from discontinued operations'. The 2019 consolidated income statements has been adjusted for comparative purposes. The gain on the transfer of the shares to PGGM and on remeasurement of the retained interest forms part of this result. See note 37 for further details.

2.1.2 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 Group was highly affected by the pandemic mainly in the first half of the year as our operational performance was reduced. Therefore, BAM's financial performance in the first half of the year was considerably impacted by these extraordinary circumstances. However, in the further course of 2020 the operational performance improved significantly to nearly pre Covid-19 levels. In response to the pandemic the Company rigorously cut non-essential capital expenditures, reduced company costs and cash positions show a positive trend (including withdrawal of the revolving credit facility of €400 million). The positive trend reflects governmental support schemes, mainly VAT, as well as careful cash management while fully respecting payment term commitments to the supply chain. Although, our operational performance recovered nearly fully, and the impact on our supply chains and customers seem currently limited, the company continues to closely monitor the developments of this pandemic and to assess risks for its financial results, positions and cash flows and implementing appropriate actions promptly when deemed necessary.

Category	Assessment	Notes
Liquidity and risk management	The Group has identified a broad range of mitigating actions to preserve liquidity. These measures include, among others, cost and capex reductions for nonessential expenditures, governmental furlough schemes, rigid focus on working capital management and governmental measures to delay tax payments on VAT and wages for a total amount of €234 million. Also the revolving credit facility for an amount of €400 million was fully drawn in 2020 as a precautionary measure. See 2.1.3.	15, 25
Goodwill	Deteriorating market conditions (including Covid-19) resulted in the Company performing a goodwill impairment test in the first half year of 2020. The key assumptions of the goodwill impairment tests included revenue growth rates, profit before tax and the discount rates used for discounting the expected cash flows. All key assumptions were updated to reflect the Company's best estimates. The outcome of this test revealed an impairment of €60 million, which has been recognised in the profit or loss as per 30 June 2020. The Company also prepared an impairment test at year end with updated key assumptions to reflect the current situation. The outcome of this goodwill impairment test did not result in any further impairment of goodwill.	9, 28
Other non-financial assets	Other non-financial assets comprising of property plant and equipment, intangible assets (excluding goodwill) and right-of-use assets, have been assessed for indicators of impairment. The Company has not identified any impairment indicators as a result of Covid-19.	7, 8, 9
Inventories	The Company has prepared an assessment in 2020 which revealed an impairment of €13 million related to certain property developments and land/buildings. The Company has not further identified a material change to the write-down of inventories to net realizable value, compared to 2019 in respect of Covid-19.	13, 28
Trade and other receivables	The Company has assessed the impact of Covid-19 on any expected credit losses related to trade and other receivables. The Company did not identify a material increase in the expected credit losses as a result of Covid-19.	14

Financial covenants	Considering the waiver, which was obtained for 30 June 2020 from its revolving credit facility lenders on 7 August 2020, BAM complies with all financial covenant requirements as per 31 December 2020. The Group has further assessed the impact of Covid-19 on its current and forecast performance against its financial covenant metrics. The Group performed a sensitivity analysis on the covenant requirements for the next 12 months all with satisfactory outcome. See 2.1.3.	19
Pensions	Covid-19 could have affected interest rates and investment performance. The Company performed an analysis to identify any impact of Covid-19 on the valuation of the net defined benefit liability. The outcome of this analysis did not result in a material impact on the valuation of the net defined benefit liability.	22
Deferred Tax Assets	The Group has considered the impact of Covid-19 in the estimates used for the valuation of the deferred tax assets. In 2020, the reduced expected forecasted results led to re-measurement of the recognized deferred tax assets related to tax losses carried forward in the Netherlands and Germany.	24
Government grants	In 2020, the Group made use of the temporary deferral of tax payment (value added tax and wage tax) granted by certain tax authorities which totally amount to approximately €234 million. Certain governmental (furlough) schemes were used in connection with Covid-19 for a total amount of approximately €12 million, which is fully reflected in wages and salaries. An amount of €10 million in respect of the United Kingdom (€8 million) and Ireland (€2 million) has been received and is deducted from wages and salaries. The remainder of €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.	25, 26, 41

2.1.3 Assessment on going concern assumption

In 2020, BAM was faced with extraordinary circumstances caused by Covid-19 that amongst other led to BAM's precautionary measure to fully draw the revolving credit facility for €400 million. In addition, BAM's performance was affected by continued losses at BAM International, the Cologne metro settlement (Waidmarkt) and to a lesser extent by the underperformance of the German construction and Dutch civil engineering business. These developments resulted in higher interest costs and impacted BAM's operational performance, which gave rise to the fact that the recourse leverage ratio and the recourse interest cover ratio were below the threshold as per 30 June 2020. As a consequence, the Group requested and obtained a waiver. See note 19.

Although BAM's financial performance recovered in the further course of 2020, given aforementioned developments, BAM made a detailed assessment of the company's ability to continue as a going concern. The going concern assessment takes amongst others the operating plan 2021 (not expecting any further closings of sites due to Covid-19), developments of BAM's orderbook, compliance with all financial covenants requirements, cash projections and/or the ability to fulfil the short term liabilities towards the supply chain into account. In performing this assessment, BAM considered factors that could indicate the presence of material uncertainties that might cast significant doubt upon the company's ability to continue as a going concern. Factors considered included: operating results and/or major losses on projects, the maturity of the convertible bonds in 2021, potential further restrictions on Covid-19, uncertainties regarding Brexit and a potential economic downturn. BAM responded decisively and promptly by taking measures to ensure business continuity, significantly reduce cost and capital expenditure to protect liquidity and profitability. Liquidity, also supported by governmental schemes on payment holiday on VAT- and wage taxes (amounting to €234 million) and the fully drawn revolving credit facility of €400 million, is around €1.8 billion at 31 December 2020 (see note 15). Based on the current cash-flow projections and the extent to which the cash is available for free disposal, this is sufficient to cover cash requirements in the upcoming year (up to and including February 2022).

BAM has 'stress tested' its going concern assessment, taking into account abovementioned factors on an individual basis, and considered all available information about the future such as result forecasts and cash flow projections, at least twelve months after the date of these financial statements (up to and including February 2022). The Company performed sensitivity analyses on the financial covenant requirements, all with satisfactory outcome as its outcome demonstrates sufficient headroom for all of its covenant requirements.
BAM in its judgement concluded that given the outcome of the going concern assessment and sensitivity analyses performed, it is appropriate to prepare the financial statements on the basis of going concern and despite the factors and uncertainties described above, there are no material uncertainties that may cast significant doubt on the company's ability to continue as a going concern in the year subsequent to the date of these financial statements. Given the continuing uncertainty related to the impact of Covid-19, BAM closely monitors the developments regarding Covid-19 and analyses risks for its financial results, position and cash flows and implementing further mitigating actions when deemed necessary.

2.1.4 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 2020. The Group has not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendment to IFRS 3, 'Business combinations – Definition of a business'
The narrow-scope amendments clarify how to determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test. This amendment did not have a material impact on the consolidated financial statements of the Group.

Amendments to IFRS 7 and IFRS 9 'Interest Rate Benchmark Reform'
The amendments to IFRS 9 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no material impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8 'Definition of Material'
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

(b) New standards and interpretations in issue but not yet effective
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 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 'Covid-19 Related Rent Concessions'
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.
The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. 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.

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 Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The current accounting policies are not expected to deviate significantly from the amendments to IAS 37 but a further detailed assessment of the impact of the amendments is required.

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

Companies are required to apply the amendments for annual periods beginning on or after 1 January 2023, with early application permitted. A further detailed assessment of the impact of the amendments is required.

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 as operating segments. As further explained below, as per 31 December 2020, PPP is classified as a discontinued operation.

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:

	2020	2019
Closing exchange rate		
Pound sterling	**0.90171**	0.85332
Average exchange rate		
Pound sterling	**0.88703**	0.87758

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	1 to 99 years
Cars	1 to 10 years
Equipment	1 to 11 years
IT equipment	1 to 10 years
Other	1 to 10 years

The majority of the lease contracts in land and builings has a useful life up to 40 years.
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 significantly affects the amount of lease liabilities and right-of-use assets recognised. See note 4.

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', 'derivate financial instruments', '(trade) receivables – net', 'contract assets', 'contract receivables' 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 significantly affects the amount of right-of-use assets and lease liabilities recognised. See note 4 and 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

(a) 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.

(b) Phantom Share Plan
The Group used to operate a cash-settled share-based compensation plan, for which the last payment occurred in May 2019.

2.25 Provisions

Provisions for warranties, restructuring costs, rental guarantees, 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) 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 result before tax and relate to impairment charges, restructuring costs and pension one-offs.

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 and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk
A substantial part of the Group's activities takes place in the United Kingdom and, to a limited extent, in other non-euro countries. The Group's results and shareholders' equity are therefore affected by foreign exchange rates. Generally, the Group is active in these non-euro countries through local subsidiaries. The exchange risk is therefore limited, because transactions are denominated largely in the functional currencies of the subsidiaries. The associated translation risk is not hedged. Due to the decrease of the exchange rate of the pound sterling in 2020 , the reported revenue, results, equity and closing order book for the UK companies decreased. Based on the value per end of 2020 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 €37 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.

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 2020, 20 per cent (2019: 63 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 2020, the Group's net result after tax (assuming that all other variables remained equal) would have been approximately €1.1 million higher or approximately €2.0 million lower (2019: approximately €0.4 million higher or approximately €0.7 million lower). If the interest rates (Euribor and Libor) had been 100 basis points higher or lower as per 31 December 2020, the Group's cash flow hedge reserves in Group equity (assuming that all other variables remained equal) would have been approximately €1.7 million higher or approximately €1.7 million lower (2019: approximately €2.1 million higher or approximately €2.1 million lower).

As of 1 January 2022, Euribor and Libor will no longer be available and will be replaced by a new reference rate published by the European Central Bank: the Euro Short-Term Rate (€STR). Although there has not been any significant developments in the market so far, the Group is investigating the expected impact.

(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.

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' and ‘cash and cash equivalents'.

Regarding the above mentioned financial assets, the Group assessed the credit risk and concluded that no 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	2020	2019
Non-current assets			
PPP receivables	10	11,177	73,653
Non-current receivables	12	68,114	108,176
Current assets			
Trade receivables – net	14	625,788	683,979
Contract assets	14	450,357	503,694
Contract receivables	14	155,068	217,521
Other receivables	14	138,271	82,887
PPP receivables	10,14	-	4,938
Other financial assets	12	570	596
Derivative financial instruments	21	650	704
Cash and cash equivalents	15	1,789,292	854,023
		3,239,287	2,530,171

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. Triggering events for impairments are identified based on the financial position of these associates and joint ventures, which also include the value of the underlying property development positions. For a part of these loans property developments positions are held as securities generally subordinated to the providers of the external financing.
Impairments, 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 2020 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 and financial guarantees, which are included in note 34.2. No significant expected credit loss provision has been recognized regarding financial guarantees.

(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. See further 2.1.3.

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
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	905,401	905,401	905,401	-	-
	1,833,684	**1,885,614**	**1,215,099**	**615,513**	**55,002**
2019					
Subordinated convertible bonds	120,451	131,563	4,375	127,188	-
Non-recourse PPP loans	42,620	47,009	4,674	20,107	22,228
Non-recourse property financing	53,807	55,597	40,367	12,031	3,199
Other non-recourse financing	4,442	4,935	1,334	2,801	800
Recourse property financing	48,361	49,860	33,099	14,892	1,869
Other recourse financing	1,845	1,910	1,910	-	-
Lease liabilities	311,591	326,675	90,400	180,474	55,801
Derivatives (forward exchange contracts)	242	711	797	(79)	(7)
Derivatives (interest rate swaps)	9,567	11,102	1,910	6,553	2,639
Other current liabilities	836,758	836,758	836,758	-	-
	1,429,684	1,466,120	1,015,624	363,967	86,529

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 (2019: €400 million) respectively €138 million (2019: € 138 million) in bilateral credit facilities and €25 million intraday facilities (2019: €25 million) available. The revolving credit facility was fully drawn in 2020 (2019: nil).

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 2020, the capital ratio was 13.4 per cent (2019: 16.5 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 and 2.1.3.

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
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	734,249	-	-	761,066	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	-	905,401	-	2,139,011	3,044,412
		2,604,208	**1,833,925**	**1,414**	**2,900,077**	**7,339,624**
2019						
PPP receivables	10	73,653	-	-	-	73,653
Other financial assets [1]	12	109,653	-	-	-	109,653
Derivative financial instruments	21	-	-	704	-	704
Trade and other receivables	14	813,024	-	-	799,025	1,612,049
Cash and cash equivalents	15	854,023	-	-	-	854,023
Borrowings	19	-	271,526	-	-	271,526
Lease liabilities	20	-	311,591	-	-	311,591
Derivative financial instruments	21	-	-	10,513	-	10,513
Trade and other payables	25	-	836,759	-	2,045,710	2,882,469
		1,850,353	1,419,876	11,217	2,844,735	6,126,181

[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.

All financial instruments are valued at amortised cost, with the exception of a part of the other financial assets (note 12) and the derivative financial instruments (note 21), not designated in hedge accounting relationship, which are valued at fair value through profit or loss.

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.
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 2020 a positive balance of €1,304 million has been offset against a negative balance of nil (2019: positive balance of €446 million offset against a negative balance of €0.1 million).

4. Critical accounting judgements and key sources of estimation uncertainties

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and the curent market and Covid-19 conditions. The basis for these estimates remain unchanged compared to those described in the 2019 financial statements, provided that the estimation uncertainty has inherently increased due to the impact of the Covid-19 pandemic. This has especially effect on the estimates made regarding the valuation of goodwill, deferred tax assets, projects, land and building rights and property development. Actual results may differ from these estimates.

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. Given the impact and gravity of Covid-19 it is noted that that the estimation uncertainty has inherently increased due to the pandemic. This could especially have effect on the estimates made regarding the valuation of goodwill, deferred tax assets, contract revenue and costs, land and building rights and property development. Actual results may differ from these estimates. See 2.1.2.

(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 such as advanced stage of negotiations. 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.

(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.

(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) Determining 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.

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

The Group included the renewal period as part of the lease term for leases when the renewal is reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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.

5 Segment information

The segment information reported to the Executive Board is measured in a manner consistent with the financial statements. The segment information includes PPP, despite that it is presented as discontinued operations in the consolidated income statement, since PPP was monitored as a separate operating segment during the year. Additional information has been provided in respect of the activities of BAM International, part of the segments Construction and Property and Civil Engineering.

Revenue and results	Construction and Property	Civil engineering	PPP[1]	Other including eliminations[2]	Total
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**
Operating result	(129,332)	(45,610)	144,556[4]	(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)
Adjusted items[3]	(34,833)	(38,403)	-	(45,000)	(118,236)
Adjusted result before tax	**(88,937)**	**(9,253)**	**153,042**	**(20,520)**	**34,332**
2019					
Construction contracts	3,410,001	2,947,509	-	-	6,357,510
Property development	644,721	-	-	-	644,721
Service concession arrangements and other	138,293	23,061	45,136	368	206,858
Revenue from external customers	4,193,015	2,970,570	45,136	368	7,209,089
Sector revenue	32,876	41,648	-	(74,524)	-
Revenue	4,225,891	3,012,218	45,136	(74,156)	7,209,089
Discontinued operations	-	-	(45,136)	-	(45,136)
Sector revenue related to PPP	-	-	-	12,007	12,007
Revenue continued operations	4,225,891	3,012,218	-	(62,149)	7,175,960
Operating result	36,396	(7,620)	17,715	5,840	52,331
Finance result	(26)	(2,344)	9,513	(8,856)	(1,713)
Result before tax	**36,370**	**(9,964)**	**27,228**	**(3,016)**	50,618
Adjusted items[3]	(9,916)	(13,564)	-	-	(23,480)
Adjusted result before tax	46,286	3,600	27,228	(3,016)	74,098

[1] BAM PPP (PPP) is classified as a discontinued operation as of 31 December 2020. See note 37.3. The total result before tax amounts to €84 million negative (2019: €51 million), which consists of result from continuing operations €237 million negative (2019: €23 million) and discontinued operations (PPP) of €153 million (2019: €27 million).

[2] Including non-operating segments.

[3] For further explanation see note 28.

[4] Including the gain on the transfer of 50 per cent of the shares of BAM PPP. See 2.1.1 and note 37.3.

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)	37.3	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. BAM fulfilled its contractual obligations and recognised the proceeds in the income statement, together with the cost for reinstating the production site and the loss on derecognition of the underlying assets.
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. The joint venture, representing a new asphalt company, is equally owned by BAM and Heijmans. As a consequence, both BAM and Heijmans made an equal contribution in kind of their business (e.g. mainly asphalt plants) in this newly formed joint venture against a total fair value of €34 million as per 31 December 2020. The fair value of the joint venture amounts to €17 million as per 31 December 2020. See note 11.2. The corresponding carrying amount of the business contributed was €11 million.
The total net gain of both transactions amounts amounts to €34 million and is included in the operating result in the consolidated income statement.

The operating results comprises impairment charges on goodwill of €21 million and €22 million relating to Construction and Property and Civil Engineering segment respectively. Both amounts are included in other. A goodwill impairment of €17 million form part of the operating result of Construction and Property and a goodwill charge of €1 million is included in Civil Engineering. In 2019, there were no impairment charges on goodwill. See note 9. Further, the operating result of Civil Engineering contains an amount of €0.6 million of impairment charges on property, plant and equipment (2019: nil). Total restructuring costs, as included in the respective segment disclosures, amount to €45 million of which €21 million (2019: €2 million) relate to construction and property, €22 million (2019: €3 million) relate to civil engineering and €2 million to other (2019: nil).

Balance sheet disclosures	Construction and Property	Civil engineering	PPP [1]	Other including eliminations [2]	Total
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**
2019					
Assets	2,427,912	2,030,700	197,372	(250,873)	4,405,111
Investments	113,774	61,857	13,975	(54,543)	135,063
Total assets	2,541,686	2,092,557	211,347	(305,416)	4,540,174
Liabilities	2,227,201	1,596,854	127,022	(44,817)	3,906,260
Group equity	314,485	495,703	84,325	(260,599)	633,914
Total equity and liabilities	2,541,686	2,092,557	211,347	(305,416)	4,540,174

[1] As per 31 December 2020, BAM PPP has been qualified as a joint venture and recognised at its fair value of €117 million at initial recognition. See note 11.
[2] Including non-operating segments.

Other disclosures	Construction and Property	Civil engineering	PPP [1]	Other including eliminations [2]	Total
2020					
Additions to property, plant and equipment, right-of-use assets and intangible assets	39,653	72,008	200	27,431	**139,292**
Depreciation and amortisation charges	44,887	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 [3]	8,076	10,299	100	356	**18,831**
Number of FTE at year-end	7,765	9,806	-	395	**17,966**
2019					
Additions to property, plant and equipment and intangible assets	55,277	129,521	466	19,918	205,182
Depreciation and amortisation charges	46,827	90,873	336	21,525	159,561
Share of result of investments accounted for at equity method	(13,461)	21,877	8,880	-	17,296
Average number of FTE [3]	8,053	10,981	97	302	19,433
Number of FTE at year-end	8,237	10,861	98	321	19,517

[1] BAM PPP is classified as a discontinued operation as of 31 December 2020. See note 37.3.

[2] Including non-operating segments.

[3] Fulltime equivalent.

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:

BAM International bv	Construction and Property	Civil engineering	PPP	Other including eliminations	Total
2020					
Revenue	62,733	89,981	-	-	**152,714**
Result before tax	(89,277)	(33,832)	-	-	**(123,109)**
Adjusted result before tax	(89,277)	(21,034)	-	-	**(110,311)**
2019					
Revenue	123,734	128,121	-	-	251,855
Result before tax	(21,384)	(17,707)	-	-	(39,091)
Adjusted result before tax	(21,384)	(17,207)	-	-	(38,591)

The restructuring costs of €12,798 thousand (2019: €500 thousand) have been excluded from the adjusted result before tax.

Revenues from external customers by country, based on the location of the projects	Construction and Property	Civil engineering	PPP [1]	Other including eliminations [2]	Total
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**
2019					
Netherlands	1,590,449	1,296,391	7,154	(39,436)	2,854,558
United Kingdom	1,060,485	945,640	19,588	(9,245)	2,016,468
Belgium	445,018	222,737	9,813	(22,663)	654,905
Germany	406,903	291,448	5,524	(2,811)	701,064
Ireland	543,425	24,750	3,057	-	571,232
Other countries	179,611	231,252	-	(1)	410,862
	4,225,891	3,012,218	45,136	(74,156)	7,209,089

[1] BAM PPP is classified as a discontinued operation as of 31 December 2020. See note 37.3.

[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]	2020	2019
Netherlands	**1,737,785**	1,544,596
United Kingdom	**1,156,455**	1,078,964
Belgium	**655,251**	697,428
Germany	**736,760**	614,493
Ireland	**322,518**	310,127
Other countries	**168,237**	450,788
Other including eliminations	**447,507**	(156,222)
Total assets	**5,224,513**	4,540,174

Additions [2]	2020	2019
Netherlands	**82,091**	109,518
United Kingdom	**19,355**	29,171
Belgium	**12,135**	23,793
Germany	**14,901**	23,144
Ireland	**2,924**	8,208
Other countries	**7,886**	11,348
Total assets	**139,292**	205,182

[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
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)**
2019			
Land and building rights	-	319,434	319,434
Property development	-	211,644	211,644
Capitalised contract cost	744	-	744
Amounts due from customers	368,829	15,901	384,730
Project assets	369,573	546,979	916,552
Non-recourse property financing	-	(53,807)	(53,807)
Recourse property financing	-	(48,361)	(48,361)
Amounts due to customers	(518,536)	(107,761)	(626,297)
Provision for onerous contracts	(118,837)	-	(118,837)
Project liabilities	(637,373)	(209,929)	(847,302)
As at 31 December	(267,800)	337,050	69,250

The breakdown of the balance sheet items ‘amounts due from customers’ and ‘amounts due to customers’ is as follows:

	Construction contracts	Property development	Total
2020			
Revenue	13,066,566	77,143	13,143,709
Progress billings	(12,736,017)	(65,528)	(12,801,545)
Amounts due from customers	**330,549**	**11,615**	**342,164**
Revenue	11,110,460	1,478,494	12,588,954
Progress billings	(11,840,060)	(1,561,245)	(13,401,305)
Amounts due to customers	**(729,600)**	**(82,751)**	**(812,351)**
2019			
Revenue	14,258,045	106,543	14,364,588
Progress billings	(13,889,216)	(90,642)	(13,979,858)
Amounts due from customers	368,829	15,901	384,730
Revenue	10,616,494	1,125,814	11,742,308
Progress billings	(11,135,030)	(1,233,575)	(12,368,605)
Amounts due to customers	(518,536)	(107,761)	(626,297)

As at 31 December 2020 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 €160 million (2019: €193 million) respectively €2 million (2019: nil).

PPP

Following the transfer of 50 per cent of the shares of BAM PPP (see 2.1.1) in December 2020, all the PPP receivables and (non)-recourse PPP loans relating to BAM PPP, have been derecognised as per 31 December 2020. Therefore the balance sheet items attributable to PPP projects which solely relate to the Group (outside BAM PPP) are shown in the table below as at 31 December 2020.
As per 31 December 2019, the balance sheet items did not change.

An overview of the balance sheet items attributable to PPP projects is stated below:

	Non-current	Current	Total
2020			
PPP receivables	11,177	-	11,177
(Non-)recourse PPP loans	(2,646)	(304)	(2,950)
	8,531	(304)	8,227
Net assets and liabilities	-	-	-
As at 31 December	**8,531**	**(304)**	**8,227**
2019			
PPP receivables	73,653	4,938	78,591
(Non-)recourse PPP loans	(38,772)	(3,849)	(42,621)
	34,881	1,089	35,970
Net assets and liabilities	(5,852)	8,217	2,365
As at 31 December	29,029	9,306	38,335

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 €34 million (2019: €54 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.

Projects within the construction business often run for a period longer than one year, or might transfer from one calendar year to the other. The revenue expected related to unsatisfied performance obligations (running or won projects) are as follows:

(x € million)

	2020	2019
Up to 1 year	**6,010**	5,733
2 to 5 years	**7,750**	6,926
	13,760	12,659
Over 5 years	**2,134**	1,583
Total	**15,894**	14,242

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 2019					
Cost	185,744	575,275	9,172	141,733	911,924
Accumulated depreciation and impairments	(82,961)	(431,340)	(2)	(108,014)	(622,317)
	102,783	143,935	9,170	33,719	289,607
Finance leases reclassified to right-of-use assets					
Cost	-	(54,289)	-	(3,857)	(58,146)
Accumulated depreciation and impairments	-	28,160	-	223	28,383
As at 1 January 2019 (after adjustment)	102,783	117,806	9,170	30,085	259,844
Additions	6,540	42,412	5,958	27,439	82,349
Disposals	(8,150)	(4,191)	(1,161)	(1,124)	(14,626)
Reclassifications	1,339	3,042	(4,528)	2,757	2,610
Depreciation charges	(7,501)	(28,056)	-	(18,460)	(54,017)
Exchange rate differences	236	557	14	177	984
	95,247	131,570	9,453	40,874	277,144
As at 31 December 2019					
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**

Asset construction in progress mainly comprises plant and equipment. Land and buildings and plant and equipment are not pledged as a security for borrowings.

The reclassification of €13 million comprise an amount of €12 million that relates to the contribution of asphalt production related assets to the newly formed joint venture AsphaltNU c.v.. See note 5.

The impairment charges of €0.6 million mainly relates to obsolete equipment.

Depreciation charges include an amount of €6 (2019: €6) relating to BAM PPP which is reported as discontinued operations in the consolidated income statement.

8. Right-of-use assets

	Land and buildings	Equipment and installation	IT equipment	Cars	Other	Total
As at 1 January 2019	114,207	45,306	1,516	133,175	451	294,655
Additions	44,573	19,495	67	53,605	319	118,059
Disposals	(215)	(230)	-	(1,787)	-	(2,232)
Depreciation charges	(28,261)	(19,680)	(588)	(50,895)	(232)	(99,656)
Exchange rate differences	763	381	20	192	9	1,365
	16,860	(34)	(501)	1,115	96	17,536
As at 31 December 2019	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**

Depreciation charges include an amount of €300 (2019: €330) relating to BAM PPP which is reported as discontinued operations in the consolidated income statement.

See note 20 for the corresponding lease liabilities.

9. Intangible assets

	Goodwill	Non-integrated software	Other	Total
As at 1 January 2019				
Cost	670,451	40,514	22,092	733,057
Accumulated amortisation and impairments	(297,682)	(20,014)	(7,373)	(325,069)
	372,769	20,500	14,719	407,988
Additions	-	4,714	60	4,774
Disposals	-	-	1	1
Reclassifications	-	(1,054)	(2,772)	(3,826)
Impairment charges	-	-	(10,337)	(10,337)
Amortisation charges	-	(5,089)	(799)	(5,888)
Exchange rate differences	7,229	-	140	7,369
	379,998	19,071	1,012	400,081
As at 31 December 2019				
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
Acquisition of subsidiaries	7,141	-	9	7,150
Disposals	-	(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**

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 €319 million (2019: €380 million).

In 2020, BAM acquired an additional number of shares in a preconstruction entity up to 75 per cent of total shares, and obtained control. Previously the entity was qualified as an associate. The investment, which is currently a subsidiary, contributes to BAM's local strategy to enlarge its footprint in the residential market. Consequently, BAM has fully consolidated the numbers of the entity in the consolidated financial statement. From the date of acquisition. The contribution of this entity to revenue and profit before tax from continuing operations for 2020 was not material (also no material contriution if it had been acquired as of the start of the year 2020. The goodwill of €7 million represents the difference between the consideration and the carrying amount of the net assets acquired. The Group performed a purchase price allocation which has not been fully finalised yet and the outcome shall be further reflected in 2021, once this exercise has been completed. This might give rise to certain changes in the amount of goodwill reported as per 31 December 2020, as the identifiable net assets assumed in this business combination will be measured at their fair value, based on the final outcome of this purchase price allocation.

The Group undertook an additional impairment review as per 30 June 2020 of key assumptions in estimating values in use of certain underlying CGUs to which goodwill is allocated. The review considered the impact of the Covid-19 pandemic on overall macroeconomic outlook, the Group's market segments and projected discount and growth rates as at the reporting date. While these model inputs, including forward-looking information, were revised overall, valuation methodology remained consistent with prior periods. Following these circumstances and the downturn in future expected cashflows as per 30 June 2020, the Company fully impaired the (remaining) goodwill of BAM International (Civil engineering) of €22 million, BAM Germany (Construction and Property) of €12 million and BAM Contractors nv (Belgium) (Civil engineering) of €17 million and partly impaired the goodwill of Kairos nv (Belgium) (Construction and Property) for the amount of €9 million to €7 million. For the latter CGU no headroom remained as per 30 June 2020 the recoverable amount equals the remaining carrying amount. See also note 28.

The remaining decrease of goodwill of €7 million fully relates to the change in exchange rate of the pound sterling.

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 7.6 per cent (31 December 2019: 7.9 per cent). Only for 2020 the impact of IFRS16 has been included in the WACC. 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 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 €59 million (2019: €63 million) and BAM Nuttall €71 million (2019: €76 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	
	2020	2019	**2020**	2019
Discount rate (post-tax)	**8.3%**	7.9%	**8.3%**	7.9%
Growth rate:				
- In forecast period (average)	**4.4%**	0.5%	**3.3%**	1.8%
- Beyond forecast period	**0.0%**	0.0%	**0.0%**	0.0%
Profit before tax margin:				
- In forecast period (average)	**2.6%**	2.2%	**2.1%**	2.3%
- Beyond forecast period	**3.1%**	2.4%	**2.6%**	2.4%

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, in which limited impact on Covid-19 has been taken in to account considering the current circumstances. The change in growth rate compared to 2019 in BAM Construct UK is due to a relatively low revenue base in 2020. BAM Nuttall shows a higher growth rate compared to 2019, due to additional projects which will materialise beyond 2020. 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 2020, the Group would have recognised an additional impairment of EUR 29 million. If the discount used in determining the value-in-use for these CGUs had been 50 basis points higher, the Group would have recognised an additional impairment against goodwill of EUR 8 million. If the growth rate would have reduced by 50 basis points, the Group would have recognised an additional impairments against goodwill of EUR 6 million.

10. PPP receivables

	Note	2020	2019
As at 1 January		**78,591**	89,647
Receivables issued		**19,042**	21,770
Finance income		**5,095**	5,490
Reclassifications		**(57,583)**	(14,252)
Progress billings		**(30,506)**	(27,611)
Exchange rate differences		**(3,462)**	3,547
As 31 December		**11,177**	78,591

	Note	2020	2019
Non-current		**11,177**	73,653
Current	14	**-**	4,938
		11,177	78,591

The decrease in receivables in 2020 is mainly related to the derecognition of the PPP receivables following the transfer of 50 per cent of BAM PPP to PGGM. See 2.1.1. The remaining PPP receivables as per 31 December 2020, relates to PPP receivables of the Group (outside BAM PPP).

The average duration of the remaining receivables is 25 years (2019: 12 years). Approximately €9 million of the non-current part has a duration of more than five years (2019: €47 million).

The average interest rate on PPP receivables is 2 per cent (2019: 7 per cent). At year-end 2020, the fair value of the non-current part is considered to equal the carrying amount.

11. Investments in associates and joint ventures

In 2020, due to the transfer of 50 per cent of the shares of BAM PPP to PGGM all assets and liabilities are derecognized of the former subsidiary from the consolidated statement of financial position per 31 December 2020. See 2.1.1. As a consequence, the associate Infraspeed (Holdings) bv (10.54 per cent) and joint venture BAM PPP PGGM Infrastructure Coöperatie ua (50 per cent), directly owned by BAM PPP, have been derecognized as well. Only the comparative figures of the net assets sheet have been presented. The share in net result of these investments form part of discontinued operations (see note 37.3). The retained interest of 50 per cent by the Group in the former subsidiary BAM PPP has been qualified as a joint venture and recognised at its fair value of €117 million at initial recognition as per 31 December 2020, and shall be accounted for subsequently according to the equity method. See note 11.2.
The amounts recognised in the balance sheet are as follows:

	2020	2019
Associates	**14,100**	26,343
Joint ventures	**242,143**	108,720
As at 31 December	**256,243**	135,063

11.1 Investment in associates

Set out below are the associates of the Group that are individually material to the Group as per 31 December 2020 or the comparing period (31 December 2019).

Nature of investment in associate in 2020 and 2019:

	Principal activity	Country of incorporation	% Interest	
			2020	2019
Infraspeed (Holdings) bv	Exploitation of rail infrastructure	Netherlands	**0%**	10.54%

Set out below is the summarised financial information for the associate that was material to the Group in 2019, including reconciliation to the carrying amount of the Group's share in the associate, as recognised in the consolidated financial statements. This information reflects the amounts presented in the financial statements of this associate adjusted for differences in the Group's accounting policies and the associate only for 2019.

	Infraspeed (Holdings) bv	
	2020	2019
Current assets	-	61,902
Non-current assets	-	721,507
Current liabilities	-	(20,175)
Non-current liabilities	-	(728,405)
Net assets	-	34,829
Share in equity	-	10.54%
Carrying amount	-	3,671

Reconciliation with net result of the Group's share in associates, as recognised in the consolidated financial statements, is as follows:

	2020	2019
Share in net result associates that are not individually material to the Group	**1,172**	1,836

Reconciliation with the carrying amount of the Group's share in associates, as recognised in the consolidated financial statements, is as follows:

	2020	2019
Share in equity associate that is material to the Group	-	3,671
Share in equity associates that are not individually material to the Group	**14,100**	22,655
	14,100	26,326
Recognised as provision for associates	-	17
	14,100	26,343

Dividend received from associates amounts to €3.6 million in 2020 (2019: €1.9 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.

11.2 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 2020 or the comparing period (31 December 2019).

Nature of investment in the joint ventures in 2020 and 2019:

	Principal activity	Country of incorporation	% Share 2020	% Share 2019
BAM PPP PGGM Infrastructure Coöperatie ua	Asset management	Netherlands	**-**	50.00%
BAM PPP Concessies bv	Asset management	Netherlands	**50.00%**	-
AsfaltNu cv	Asphalt production	Netherlands	**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.

BAM PPP PGGM Infrastructure Coöperatie ua	**2020**	2019
Current assets	**-**	152,329
Non-current assets	**-**	2,002,158
Current liabilities	**-**	(367,836)
Non-current liabilities	**-**	(2,131,628)
Net assets	**-**	**(344,977)**
Of which:		
Cash and cash equivalents	**-**	109,772
Current financial liabilities	**-**	(51,277)
Non-current financial liabilities	**-**	(1,711,680)
Net assets	**-**	(344,977)
Share in profit rights	**-**	10% /20%
Carrying amount	**-**	(45,161)
Negative cash flow hedge reserve not recognised	**-**	25,805
	-	(19,356)

Following the transfer of 50 per cent of the shares of BAM PPP to PGGM , the remaining interest of 50 per cent by BAM in BAM PPP is qualified as a joint venture and initially recognised at its fair value of €117 million (see note 11 above). The amounts have been adjusted to reflect fair value adjustments made at the time of acquisition. The amounts recognised in the balance sheet are as follows:

BAM PPP Concessies bv	2020
Current assets	52,367
Non-current assets	264,842
Current liabilities	(31,905)
Non-current liabilities	(51,752)
Net assets	233,552
Of which:	
Cash and cash equivalents	28,254
Current financial liabilities	(4,035)
Non-current financial liabilities	(31,327)
Net assets	233,552
Share in profit rights	50%
Carrying amount	116,776

On 27 November 2020, BAM and Heijmans announced the merger of their asphalt plants as per 31 December 2020. BAM contributed several asphalt plants and one central laboratory into the newly formed 50:50 joint venture AsfaltNu cv. AsfaltNu produces asphalt for both BAM and Heijmans, but also for third parties in the asphalt market. As a result of the transaction, BAM will treat the 50 per cent share in the joint venture as an equity method investment. The amounts have been adjusted to reflect fair value adjustments for differences in accounting policies and application of the equity method:

AsfaltNu cv	2020
Current assets	3,377
Non-current assets	40,107
Current liabilities	(9,200)
Net assets	34,284
Of which:	
Cash and cash equivalents	3,377
Net assets	34,284
Share in profit rights	50%
Carrying amount	17,142

Set out below are the aggregate information of joint ventures including those that are not individually material to the Group.

	2020	2019
Share in net result property development joint ventures that are not material to the Group	14,676	17,989
Share in net result other joint ventures that are not individually material to the Group	(23,588)	(11,411)
	(8,912)	6,578
Share in equity BAM PPP PGGM joint venture	-	(19,356)
Share in equity BAM PPP joint venture	116,776	-
Share in equity AsfaltNu joint venture	17,142	-
Share in equity property development joint ventures that are not individually material to the Group	54,848	71,920
Share in equity other joint ventures that are not individually material to the Group	-	(103,519)
	188,766	(50,955)
Recognised as provision for joint ventures	39,440	77,449
Recognised as impairment of non-current receivables	13,937	82,227
	242,143	108,721

On 3 March 2009, during the construction of a section of the Cologne metro system, several adjacent buildings, including the building of the City Archives of the City of Cologne, collapsed. Wayss & Freytag Ingenieurbau is a one-third partner in the consortium carrying out this project but was not directly involved in the work performed at the site of the accident. On 29 June 2020, the City of Cologne, Cologne Public Transport (KVB) and the joint venture ('Arge') that constructed a section of Cologne's North/South metro line have reached an agreement to settle all outstanding claims with regard to this project, including damages caused by the collapse of the building of the City archives in 2009. Under the agreement, each joint venture partner has paid the City of Cologne €200 million, after which the parties will dismiss further claims against each other. A substantial part of Wayss & Freytag Ingenieurbau's share is covered by insurance payments of €181 million fully received 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, for the non-insured contribution of the settlement and for its share of cost for the completion of the project.

In 2020 the Group's share in the net result of joint ventures included an impairment charge amounting to €1.9 million (2019: reversal €2.7 million).

Revenue of property development joint ventures amounts to €134 million (2019: €101 million) and property development recognised in the balance sheet amounts to €212 million (2019: €204 million) of which an amount of €85 million (2019: €91 million) externally financed (share of the Group).

Dividend received from joint ventures amounts to €16.2 million in 2020 (2019: €24.9 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.

12. Other financial assets

	Note	Receivables valued on fair value through profit or loss	Receivables valued at amortised cost	Other	Total
As at 1 January 2019		45,925	54,554	1,474	101,953
Additions		-	-	18	18
Loans granted		11,901	23,318	-	35,219
Loan repayments		(13,670)	(1,014)	-	(14,684)
Disposals		-	-	(15)	(15)
Reclassifications		-	(12,645)	-	(12,645)
Exchange rate differences		-	403	-	403
		44,156	64,616	1,477	110,249
Of which current:		(300)	(296)	-	(596)
As at 31 December 2019		43,856	64,320	1,477	109,653
Loans granted		10,919	25,276	-	36,195
Loan repayments		(7,071)	(4,495)	-	(11,566)
Disposals		-	-	(221)	(221)
Reclassifications		-	(64,057)	120	(63,937)
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**

Reclassifications mainly relate to the derecognition of all assets and liabilities of BAM PPP following the transfer of 50 per cent of the shares to PGGM. See 2.1.1 and note 11.2.

Category 'Other' mainly comprises shares in (unlisted) investments over which the Group has no significant influence.

The fair value of non-current receivables at year-end 2020 amounts to €69 million (2019: €130 million). The effective interest rate is 0.4 per cent (2019: 5.5 per cent).

13. Inventories

	2020	2019
Land and building rights	257,283	319,434
Property development	246,262	211,644
	503,545	531,078
Raw materials	13,573	14,275
Finished products	519	556
	517,637	545,909

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 2020 relating to the property portfolio are as follows:

	Note	2020	2019
Impairment charges		16,760	20,816
Reversal of impairment charges		(5,439)	(9,975)
	27	11,321	10,841

The impairment and reversals in 2020 for the net amount of €11 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.

Property development includes the following completed and unsold property:

	2020		2019	
Unsold and finished property	Number/m²	Carrying amount	Number/m²	Carrying amount
Commercial property - rented	33,717	37,092	17,494	26,060
Commercial property - unrented	13,329	17,854	24,859	36,868
		54,946		62,928

Other inventories (raw materials and finished products) were not subject to write-down in 2020 nor 2019.

14. Trade and other receivables

	Notes	2020	2019
Trade receivables		644,416	694,716
Less: Provision for impairment of receivables		(18,628)	(10,737)
Trade receivables - net		625,788	683,979
Amounts due from customers	6	342,164	384,730
Capitalised contract cost	6	-	744
Retentions		108,193	118,220
Contract assets		450,357	503,694
Amounts to be invoiced work completed		30,600	43,647
Amounts to be invoiced work in progress		124,468	173,874
Contract receivables		155,068	217,521
Amounts due from related parties	38	39,750	21,396
PPP receivables	10	-	4,938
Other financial assets		568	606
Other receivables		138,271	82,887
Prepayments		85,513	97,028
		1,495,315	1,612,049

Trade and other receivables are due within one year, except for approximately €7 million (2019: €10 million). The fair value of this non-current part is approximately €7 million (2019: approximately €10 million) using an effective interest rate of 0.5 per cent negative (2019: 0.4 per cent negative).

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 2020 a part of the trade receivables amounting to €88 million (2019: €100 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 €19 million (2019: €11 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 2020 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. Other changes as mentioned in IFRS 15 (paragraph 118) are not relevant.

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:

	2020		2019	
	Trade receivables	Provision for impairment	Trade receivables	Provision for impairment
Not past due	**457,664**	**(967)**	455,526	(1,330)
Up to 3 months	**68,279**	**(245)**	101,847	(1,063)
3 to 6 months	**8,773**	**(373)**	19,841	(4,387)
6 to 12 months	**21,272**	**(1,949)**	17,026	(221)
1 to 2 years	**19,932**	**(6,368)**	10,110	(794)
Over 2 years	**68,496**	**(8,726)**	90,366	(2,942)
	644,416	**(18,628)**	694,716	(10,737)
Less: Provision for impairment of receivables	**(18,628)**		(10,737)	
Trade receivables - net	**625,788**		683,979	

Apart from trade receivables none of the other assets were subject to impairment.

Movements in the provision for impairment of trade receivables are as follows:

	2020	2019
As at 1 January	**10,737**	10,797
Provision for impairment	**23,995**	8,916
Release	**(4,128)**	(2.245)
Receivables written off during the year as uncollectable	**(10,930)**	(6,799)
Reclassifications	**(986)**	8
Exchange rate differences	**(60)**	60
As at 31 December	**18,628**	10,737

As of 31 December 2020, trade receivables of €19 million (31 December 2019: €11 million) were impaired and provided for, with a limited impact of Covid-19. 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 2020 mainly relate to disputed balances and final negotiations on these balances with the principal, which were significantly higher 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.

15. Cash and cash equivalents

	2020	2019
Cash at bank and in hand	1,783,639	842,426
Short-term bank deposits	5,653	11,597
Cash and cash equivalents (excluding bank overdrafts)	1,789,292	854,023

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 €306 million (2019: €226 million) respectively €0 million (2019: €9 million). Other cash and cash equivalents are at the free disposal of the Group.

The average effective interest on short-term bank deposits is 3.7 per cent (2019: 5.4 per cent). The deposits have an average remaining term to maturity of approximately 8 days (2019: approximately 21 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:

	2020	2019
Cash and cash equivalents	1,789,292	854,023
Bank overdrafts	(355)	-
Net cash position	1,788,937	854,023

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 2019	278,779,019	5,483,002	273,296,017	27,879	811,432	839,311
Repurchase of ordinary shares	-	4,482,030	(4,482,030)	-	-	-
Awarded LTI shares	-	-	-	-	-	-
Dividends	628,430	(3,853,600)	4,482,030	62	(62)	-
As at 31 December 2019	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**

16.1 General

At year-end 2020, the authorised capital of the Group was 400 million ordinary shares (2019: 400 million) and 600 million preference shares (2019: 600 million), all with a nominal value of €0.10 per share (2019: €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 2019 the number of issued ordinary shares increased by 628,430 due to dividend payment in shares. To prevent dilution all these shares were then repurchased. See note 33.

In 2020 no shares have been bought back for the share-based compensation plan.

17. Reserves

	Hedging	Translation	Development cost	Total
As at 1 January 2019	(64,189)	(111,577)	10,800	(164,966)
Cash flow hedges				
- Fair value movement of forward foreign exchange contracts	(814)	-	-	(814)
- Fair value movement of interest rate swaps	(38,719)	-	-	(38,719)
- Tax on fair value movement	8,788	-	-	8,788
Legal reserve for development cost				
-Reclassification	-	-	(10,800)	(10,800)
Exchange rate differences	-	22,864	-	22,864
	(30,745)	22,864	(10,800)	(18,681)
As at 31 December 2019	(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)

The legal reserves consist of hedging reserves and translation reserve.

The reclassification in 2019 of the legal reserve amounts to €10.8 million and relates to amortisation and impairment of the patented Gravity Based Foundations for the offshore wind power sector. See note 9.
The negative movement in the translation reserve in 2020 is linked to the decrease in the value of the pound sterling.

During 2020 and previous to the transfer of 50 per cent of the shares to PGGM, the group reassessed its accounting for subordinated loans granted (and commitments thereto) to PPP projects in joint ventures, the majority of which are granted through the joint venture between BAM PPP and PGGM. The Group concluded that subordinated loans (and commitments thereto) provided to PPP projects in 'investments in associates or joint ventures', should no longer be considered to form part of the net investment for the purpose of applying the equity method of accounting. This change has been accounted for prospectively and as a result, the cash flow hedge reserves recognised in equity changed by an amount of €86 million positive. The development of the interest rate had a negative effect of €33 million on the valuation of interest rate hedges in 2020. BAM transferred also 10 per cent of its tracking rights to PGGM in 2020, and €10 million (negative) was reclassified to the profit or loss. The impact of alll aforementioned developments and transaction totally amounted to €63 million. Lastly, upon the transfer of 50 per cent of the shares to PGGM, as per 23 December 2020, the remaining amount of the cash flow hedge reserve under the reclassifications of EUR 32 million (negative) and part of the exchange rate differences of €5 million (negative) were reclassified from equity to profit or loss. See note 37.3.

18. Capital base

	2020	2019
Equity attributable to the shareholders of the Company	**583,443**	628,444
Subordinated convertible bonds	**118,670**	120,451
	702,113	748,895

The subordinated convertible bonds will be redeemed at their principal amount on or around 13 June 2021, see note 19.4.

19. Borrowings

		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**

		Changes from financing cash flows		Other changes				
	As at 1 January 2019	Proceeds from borrowings	Repayments of borrowings	Effective interest method	Transfers to/ from joint ventures	Disposals	Exchange rate differences	**As at 31 December 2019**
Non-recourse PPP loans	43,468	2,395	(5,467)	-	-	-	2,224	42,620
Non-recourse property financing	79,227	32,419	(57,839)	-	-	-	-	53,807
Recourse PPP loans	13,984	-	-	-	(13,984)	-	-	-
Recourse property financing	53,447	18,545	(23,631)	-	-	-	-	48,361
Subordinated convertible bonds	117,637	-	-	2,814	-	-	-	120,451
Other non-recourse financing	4,469	2,806	(2,833)	-	-	-	-	4,442
Other recourse financing	5,550	-	(3,705)	-	-	-	-	1,845
Bank overdrafts	-	-	-	-	-	-	-	-
	317,782	56,165	(93,475)	2,814	(13,984)	-	2,224	271,526

19.1 Non-recourse PPP loans

In 2020, non-recourse PPP loans, relating to PPP projects in the United Kingdom, were derecognised as a result of the transfer by BAM of 50 per cent of the shares of BAM PPP to PGGM. This has been reflected in the disposals in the table 2020 above. See 2.1.1 and note 37.3.

The remaining non-recourse PPP loans relate to real estate projects in the Netherlands. Of the non-current part, €1.4 million has a term to maturity of more than five years (2019: €2.4 million). The average term to maturity of the PPP loans is 11 years (2019: 1 year). The average interest rate on PPP loans is 2.0 per cent (2019: 4.0 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 0.8 years (2019: approximately 1.7 years).

Interest on these loans is based on Euribor/EONIA 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 (2019: €0.8 million).

The carrying amount of the related assets is approximately €164 million at year-end 2020 (2019: approximately €155 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 1.7 years (2019: approximately 1.7 years). Interest on these loans is based on Euribor/EONIA 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 (2019: €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 €73 million at year-end 2020 (2019: approximately €135 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

In June 2016, the Group placed €125 million subordinated unsecured convertible bonds. The bonds have an annual coupon of 3.50 per cent, an initial conversion premium of 32.5 per cent and are convertible into ordinary shares of Royal BAM Group nv with a nominal value of €0.10 each. The coupon is payable semi-annually in arrear in equal instalments on 13 June and 13 December. The Bonds were issued at 100 per cent of their principal amount and, unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at their principal amount on or around 13 June 2021. The Company is evaluating alternatives for refinancing the subordinated unsecured convertible bonds.

In 2020, the Group managed to buy back bonds with a notional value of €4.9 million in the open market. As per 31 December 2020, the subordinated convertible bonds amounting to €119 million form part of the short term borrowings.

Upon exercise of their conversion rights, holders will receive shares at the then prevailing conversion price. At 31 December 2020 the conversion price remains at €4.8334 (31 December 2019: €4.8334). The Group has the option to call all but not some of the outstanding bonds at their principal amount plus accrued but unpaid interest since 28 June 2019, if the value of the shares underlying a bond exceeds €130,000 for a specified period of time. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange.

All payment obligations to the bondholders are subordinated to the payment obligations towards our senior debt holders until the redemption date of 13 June 2021.

At 31 December 2020 the fair value of the liability component of the subordinated convertible bonds amounts to €120 million (31 December 2019: €124 million). The fair value is estimated by discounting future cash flows using a market rate for an equivalent non-convertible instrument.

More details of the subordinated convertible bonds are published on the website.

The reconciliation of the subordinated convertible bonds to the consolidated statement of financial position and the consolidated statement of changes in equity is as follows:

		Allocated to:	
	Face value	Liability component	Equity component
Gross proceeds	125,000	114,253	10,747
Transaction costs [1]	(3,233)	(2,955)	(278)
Net proceeds	121,767	111,298	10,469
Tax effect equity component		-	(2,617)
Effective interest method		1,193	-
As at 31 December 2016		112,491	7,852
Effective interest method		2,496	-
As at 31 December 2017		114,987	7,852
Effective interest method		2,650	-
As at 31 December 2018		117,637	7,852
Effective interest method		2,814	-
As at 31 December 2019		**120,451**	**7,852**
Repurchase 2020		(4,768)	-
Effective interest method		2,987	-
As at 31 December 2020		**118,670**	**7,852**

[1] Transaction costs include fees and commissions paid to advisors, bankers and lawyers.

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 was extended with one year in 2018 and has a remaining term to maturity of 2.3 years and runs 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. As at 31 December 2020 the margin was 175 basis points (2019: 150 basis points). At year-end 2020, the facility was fully drawn (year-end 2019: not used). The revolving credit facility has been presented as a non-current liability as per 31 December 2020 given the contractual rights to repay the facility the latest at the end of the extended period of the revolving credit facility.

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 €138 million (2019: €138 million) in bilateral credit facilities and €25 million (2019: €25 million) intraday facilities. At year-end 2020 as well as 2019 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 2020 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, 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. On 7 August 2020, BAM obtained a waiver from its lenders for the recourse leverage and recourse interest cover. The waiver is applicable with retrospective effect as of 30 June 2020 and applies for four quarters up to the period ending 31 March 2021. The waiver is accompanied with two temporary financial requirements applicable for four quarters as of 30 June 2020:
- Consolidated net recourse borrowings: ≤ €0); and
- Recourse EBITDA (based on the last four quarters): ≥ -€25 million).

The Group has paid a waiver fee of 25 basis points. The margin increases by 25 basis points for these four quarters as long as Recourse EBITDA is not less than zero. If Recourse EBITDA is below zero the original margin grid is applicable and then the margin shall be 2.75 per cent per annum. Considering the waiver, the Group complied with all ratios in 2020. See also note 2.1.3.

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	**2020**	2019
Temporary requirements:				
Recourse EBITDA		≥ -25 million	**79 million**	
Recourse borrowings		≤ 0 million	**(1.3) billion**	
Leverage ratio	Net borrowings/EBITDA	≤ 2.50	**N/A**	(6.35)
Interest cover	EBITDA/net interest expense	≥ 4.00	**N/A**	9.56
Solvency ratio	Capital base/total assets	≥ 15%	**20.3%**	28.5%
Guarantor covers	EBITDA share of guarantors	≥ 60%	**107.8%**	120%
	Assets share of guarantors	≥ 70%	**78.3%**	90%

19.9 Other information

The Group's subordinated convertible bonds, classified as borrowings under the current liabilities are part of the capital base. Repayment obligations are subordinated to not subordinated obligations.

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:

	2020		2019	
	Euro	Pound sterling	Euro	Pound sterling
Subordinated convertible bonds	**6.1%**	-	6.1%	-
Committed syndicated credit facility	**2.2%**	-	-	-
Non-recourse PPP loans	**2.0%**	-	-	6.4%
Non-recourse property financing	**3.0%**	-	2.6%	-
Recourse PPP loans	-	-	-	-
Recourse property financing	**2.8%**	-	3.0%	-
Other non-recourse financing	**4.3%**	-	4.1%	-
Other recourse financing	-	-	3.5%	-

The Group contracted interest rate swaps to mitigate the exposure of borrowings to interest rate fluctuations and contractual changes in interest rates.

The Group's unhedged position is as follows:

	Up to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	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**
Total borrowings	77,847	167,146	26,533	271,526
Fixed interest rates	(6,038)	(122,987)	(733)	(129,758)
Hedged with interest rate swaps	(3,848)	(15,577)	(20,800)	(40,225)
As at 31 December 2019	67,961	28,582	5,000	101,543

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2020	2019
Euro	**634,551**	231,301
Pound sterling	-	40,225
	634,551	271,526

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 2.0 per cent as per 31 December 2020 (2019: 2.1 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:

	2020	2019
As at 1 January	**311,591**	295,931
Additions	**78,525**	113,538
Accretion of interest*	**6,506**	6,689
Payments*	**(104,446)**	(105,092)
Remeasurements	**5,480**	-
Reclassifications	**(1,468)**	-
Exchange rate difference	**(2,215)**	525
As at 31 December	**293,973**	311,591
Current	**86,528**	90,226
Non-current	**207,445**	221,365
As at 31 December	**293,973**	311,591

* See consolidated statement of cash flows

Accretion of interest includes an amount of €0.02 million (2019: €0.02 million) relating to BAM PPP which is reported as discontinued operations in the consolidated income statement.

The undiscounted future lease payments as included in the lease liabilities, presented in time buckets, are as follows:

	2020	2019
Up to 1 year	**87,142**	90,400
1 to 5 years	**168,680**	180,474
Over 5 years	**48,161**	55,801
	303,983	326,675

In addition to the identified lease liabilities above, an amount of €30 million of lease commitments exist regarding the short-term leases (2019: €37 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 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 significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see note 4).

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
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**
2019:			
Potential cash options not included in the leaseterm:			
- Extension options, if the options are exercised	9,844	46,776	**56,620**
- Termination options, if the options are not exercised	1,792	296	**2,088**

Expenses

The following are the amounts recognised in profit or loss:

	Note	2020	2019
Depreciation expense of right-of-use assets	8	**98,918**	99,326
Interest expense on lease liabilities	30	**6,487**	6,670
Impairment of right of use assets		**-**	62
Rent expenses – short term leases		**45,641**	59,513
Rent expenses – leases of low-value assets		**1,745**	1,813
Rent expenses – variable lease payments		**13,147**	17,169
Total		**165,938**	184,553

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:

	2020	2019
Payments	**(104,446)**	(105,092)
Interest	**6,506**	6,689
Repayments of principal portion of lease liabilities	**(97,940)**	(98,403)

The Group also had non-cash additions to right-of-use assets and lease liabilities of €78.5 million in 2020 (2019: €113.5 million). The future cash outflows relating to leases that have not yet commenced are disclosed in note 35.

21. Derivative financial instruments

	2020			2019		
	Assets	Liabilities	Fair value	Assets	Liabilities	Fair value
Interest rate swaps	-	-	-	-	9,567	(9,567)
Forward exchange contracts	650	764	(114)	704	946	(242)
	650	764	(114)	704	10,513	(9,809)
Of which current:	650	536	114	704	772	(68)

21.1 Interest rate swaps

At year-end 2020, no interest rate swaps are outstanding to hedge the interest rate risk on the (non-) recourse PPP loans with a variable interest rate due to the deconsolidation of BAM PPP. Total borrowings amount to €929 million (2019: €583 million), of which an amount of €508 million (2019: €142 million) carries a variable interest rate. Of the borrowings with a variable interest rate an amount of €nil (2019: €40 million) is hedged by interest rate swaps. All interest rate swaps are classified as hedge instruments. The fair value of the outstanding interest rate swaps amounts to €nil (2019: €10 million negative).

At year-end 2020, all derivative financial instruments of the Group provide an effective compensation for movements in cash flows from the hedged positions. Therefore, the movements in 2020 are accounted for in other comprehensive income. The change in fair value of outstanding derivative financial instruments which do not provide an effective compensation are accounted for in the income statement within 'finance income/expense'.

The composition of the expected contractual cash flows is disclosed in note 3.1 to the consolidated financial statements.

21.2 Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2020 were €62 million (2019: €241 million). The fair value amounts to €0.1 million negative (2019: €0.2 million negative).

The terms to maturity of these contracts are up to a maximum of one year for the amount of €54 million (2019: €238 million), between one and two years for the amount of €8.0 million (2019: €2.3 million) and between two to four years nil (2019: €0.2 million).

The average forward rates of the foreign exchange contracts outstanding are:

	2020	2019
EURGBP	0.9159	0.8513
EURUSD	1.2261	1.1271
EURAED	4.4684	4.0940
EURAUD	1.7812	1.6203
EURNOK	10.3808	10.1619
EURCAD	1.5682	1.4675
EURSEK	10.4049	-

22. Employee benefits

	2020	2019
Defined benefit asset	55,107	68,929
Defined benefit liability	85,701	98,081
Other employee benefits obligations	28,031	30,139
	113,732	128,220

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 2020, the (twelve-month average) coverage rate of the industry pension fund for construction is 106 per cent (2019: 112 per cent). The industry pension fund for metal & technology has a (twelve-month average) coverage rate of 91 per cent at year-end 2020 (2019: 98 per cent). The (twelve-month average) coverage rate of the industry pension fund for railways is 102 per cent (2019: 108 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, is terminated in 2020; it is financed by the employer based on a percentage of the pensionable salaries of the employees.

In the context of accountability for the Group's pension policy (to be) implemented, with regard to, inter alia, supplements and investment performance, the Group has established an accountability committee, with representation from the Central Works Council (CWC) and the Socio-Economic Committee of the BAM pensioners 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 2020 to the amount of approximately €4 million (2019: approximately €7 million). During 2019, the Group revalued the scheme's assets and pension obligations with the support of the actuary experts. This revaluation led to an actuarial loss of €35 million, mainly caused by the buy-in insurance policy, decrease of discount rate and change in demographic assumptions. The loss is partly offset by €6 million tax impact. The Group recognises a net defined benefit asset because it is entitled to a return of surplus at the end of the plans' lifes.

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 2020 nor 2019.

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 should be classified and accounted for as defined benefit plans under IAS 19 'Employee Benefits'.

Germany
In Germany, the Group operates one defined benefit pension scheme financed by the employer.
The Group closed two schemes to new participants and since 2006, the Group operates a defined contribution scheme, into which employees have the opportunity to contribute on an individual basis.

Ireland
The Group has a defined benefit scheme in Ireland, executed by a company pension fund. The multi-employer pension scheme was fully converted from a defined benefit scheme to a defined contribution scheme with effect from 1 January 2006 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 (2019: €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 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**

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
As at 31 December 2019						
Defined benefit liability	13,692	-	3,289	57,408	23,692	98,081
Defined benefit asset	-	68,929	-	-	-	68,929
	13,692	**(68,929)**	**3,289**	**57,408**	**23,692**	**29,152**
Present value of obligation						
As at 1 January 2019	376,746	874,653	25,321	70,528	95,371	1,442,619
Service cost	832	66	1,361	17	1,853	4,129
Interest expense	6,631	25,060	442	1,232	1,996	35,361
Remeasurements	47,171	108,120	1,366	7,220	16,268	180,145
Plan participants contributions	-	-	596	-	386	982
Benefit payments	(12,643)	(34,628)	(1,338)	(4,335)	(9,687)	(62,631)
Changes and plan amendments	-	-	-	-	-	-
Settlements	(4,000)	-	(53)	-	-	(4,053)
Disposals	-	-	(174)	-	-	(174)
Exchange rate differences	-	50,915	-	-	-	50,915
As at 31 December 2019	**414,737**	**1,024,186**	**27,521**	**74,662**	**106,187**	**1,647,293**
Fair value of plan assets						
As at 1 January 2019	357,996	985,872	22,745	17,691	77,794	1,462,098
Interest income	6,346	28,402	418	305	1,654	37,125
Remeasurements	41,318	51,463	338	71	8,354	101,544
Employer contributions	12,358	7,664	1,735	3,517	3,994	29,268
Plan participants contributions	-	-	596	-	386	982
Benefit payments	(12,643)	(34,628)	(1,338)	(4,335)	(9,687)	(62,631)
Administration cost	(330)	(1,353)	(34)	5	-	(1,712)
Settlements	(4,000)	-	(53)	-	-	(4,053)
Disposals	-	-	(175)	-	-	(175)
Exchange rate differences	-	55,694	-	-	-	55,694
As at 31 December 2019	**401,045**	**1,093,114**	**24,232**	**17,254**	**82,495**	**1,618,140**
Present value of obligation	414,737	1,024,186	27,521	74,662	106,187	1,647,293
Fair value of plan assets	401,045	1,093,114	24,232	17,254	82,495	1,618,140
As at 31 December 2019	**13,692**	**(68,929)**	**3,289**	**57,408**	**23,692**	**29,152**
Amounts recognised in the income statement						
Service cost	832	66	1,361	17	1,853	4,129
Net interest expense	285	(3,342)	24	927	342	(1,764)
Changes and plan amendments and settlements	-	-	-	-	-	-
Administration cost	330	1,353	34	(5)	-	1,712
	1,447	**(1,923)**	**1,419**	**939**	**2,195**	**4,077**
Amounts recognised in other comprehensive income						
Remeasurements:						
- Return on plan assets, excluding interest income	(41,318)	(51,463)	(339)	(71)	(8,354)	(101,545)
- (Gain)/loss from change in demographic assumptions	-	10,608	(1,371)	3,110	-	12,347
- (Gain)/loss from change in financial assumptions	43,709	99,277	2,255	3,852	16,132	165,225
- Experience (gains)/losses	3,462	(1,764)	482	258	136	2,574
	5,853	56,657	1,028	7,149	7,914	78,601
Income tax	(1,463)	(10,098)	(263)	2,338	(990)	(10,476)
Remeasurement net of tax	**4,390**	**46,559**	**765**	**9,487**	**6,924**	**68,125**

The average duration of the defined benefit obligations per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
2020					
Average duration (in years)	**16**	**20**	**17**	**12**	**22**
2019					
Average duration (in years)	17	20	17	11	22

The significant actuarial assumptions per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
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%**
2019					
Discount rate	0.9%	2.1%	0.6%	1.0%	1.4%
Salary growth rate	0-1.7%	0-3.6%	1.8%	1.5%	-
Pension growth rate	0-1.4%	2.2-3.0%	-	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 €148 million (increase by approximately €173 million).
- If the expected salary increase is 0.5 per cent higher (lower), the pension liability will increase by approximately €2 million (decrease by approximately €2 million).
- If the expected indexation is 0.5 per cent higher (lower), the pension liability will increase by approximately €85 million (decrease by approximately €73 million).
- If the life expectancy increases (decreases) by 1 year, the pension liability will increase by approximately €78 million (decrease by approximately €77 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
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**
2019						
Equity instruments (quoted)	-	119,973	-	-	46,465	166,438
Debt instruments (quoted)	-	802,088	-	-	31,544	833,632
Property (quoted)	-	17,148	-	-	3,630	20,778
Qualifying insurance policies (unquoted)	401,045	99,784	24,232	17,254	521	542,836
Cash and cash equivalents	–	54,121	-	-	335	54,456
	401,045	**1,093,114**	**24,232**	**17,254**	**82,495**	**1,618,140**

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 2021 are expected to be slightly lower than 2020 by €3 million to €4 million, due to less 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**

Provisions are classified in the balance sheet as follows:

	2020	2019
Non-current	**133,268**	163,363
Current	**193,669**	111,654
	326,937	275,017

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 47 per cent of the provision is current in nature (2019: approximately 69 per cent).

The provision for restructuring concerns the best estimate of the expenditure associated with reorganisation plans already initiated. This provision has significantly increased due the major restructuring programme, announced in September 2020, of which costs nearly fully relate to headcount reductions. 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 €45 million for which the majority is expected to be settled in 2021. Approximately 99 per cent of the provision is current in nature (2019: approximately 69 per cent). The estimated staff restructuring costs to be incurred are recognised under 'personnel expenses' for an amount of €41 million (2019: €3 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 64 per cent of the provision is current in nature (2019: 57 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 €39.4 million (2019: €77.5 million) is attributable to joint ventures and €0.0 million (2019: €0.0 million) to associates. Reclassifications of Associates and joint ventures mainly relate to the derecognition of all assets and liabilities of BAM PPP following the transfer of 50 per cent of the shares to PGGM. See 2.1.1 and note 11.2.

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. Appr. 63 per cent of the provision is current in nature (2019: appr. 58 per cent). See note 2.26 step 2.

Other provisions relate to various individual immaterial amounts and nature, such as decommissioning obligations and minor disputes. Approximately 79 per cent of the provision is current in nature (2019: approximately 59 per cent). The additional provisions of Other include an amount of €10 million that relates to a subsidiary that has been classified as held for sale as per 31 December 2020. See note 37.2.
The provisions in the transfer to liabilities held for sale of €3 million relate to this subsidiary.

The non-current part of the provisions has been discounted at an interest rate in the range of approximately 0 to 3 per cent (2019: approximately 0 to 3 per cent).

24. Deferred tax assets and liabilities

	2020	2019
Deferred tax assets	106,182	136,468
Deferred tax liabilities	(13,623)	(18,495)
Deferred tax assets (net)	92,559	117,973

The gross movement on the deferred income tax assets and liabilities is as follows:

	2020	2019
As at 1 January	117,973	125,835
Income statement charge/(credit)	(43,053)	(22,048)
Tax charge/(credit) relating to components of other comprehensive income	6,056	9,376
Changes in enacted tax rates	7,420	5,570
Acquired/disposed in business combination	4,161	-
Other / reclass	(698)	135
Exchange rate differences	700	(895)
As at 31 December	92,559	117,973

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 2019	4,940	138,583	1,719	14,010	22,230	181,482
(Charged)/credited to the income statement	826	(31,184)	(1)	(2,995)	1,572	(31,782)
(Charged)/credited to other comprehensive income	-	(394)	(57)	298	(250)	(403)
Changes in enacted tax rates	134	7,234	-	(25)	581	7,924
Reclassifications	-	205	-	-	(12)	193
Exchange rate differences	57	44	88	-	64	253
As at 31 December 2019	5,957	114,488	1,749	11,288	24,185	157,667
(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

	Construction contracts	Accelerated tax depreciation	Derivatives	Employee benefit assets	Other	Total
Deferred tax liabilities						
As at 1 January 2019	24,104	7,849	139	18,903	4,652	55,647
Charged/(credited) to the income statement	(13,835)	(186)	-	1,752	2,535	(9,734)
Charged/(credited) to other comprehensive income	-	(277)	(127)	(10,178)	803	(9,779)
Changes in enacted tax rates	1,116	14	-	1,226	9	2,365
Reclassifications	13	(13)	-	-	47	47
Exchange rate differences	-	312	-	835	1	1,148
As at 31 December 2019	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**

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 2019, except for the future taxable profits. The Group's actual results for the year, and the forecasted taxable profits for the years 2021 through 2026 have been seriously affected by underperformance of the German construction, BAM International and Dutch Civil engineering business, the decision to wind down BAM International and the fact that BAM's interest in BAM PPP was reduced to 50%. Also, the Group has considered the impact of Covid-19 in the estimates used for the valuation of the deferred tax assets. As a consequence, deferred tax assets for net operating losses were impaired for an amount of €69 million, of which €44.2 million relate to the Netherlands and € 20.6 million to Germany. The remaining carrying amount (after impairment and recognition of net operating losses) of the deferred tax asset is €92.6 million as at 31 December 2020.

Netherlands

Tax losses available to the fiscal unity in the Netherlands for carry-forward losses at year-end 2020 amount to approximately €636 million (2019: €1 billion). These unused tax losses relate to the years 2012 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. The legal term within which these losses may be offset against future profits is nine or six years.

Based on estimates and timing of future taxable profits within the fiscal unity in the Netherlands for the upcoming six years, approximately €256 million (2019: €470 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. The measurement of the deferred tax asset is especially sensitive to the risk of expiry of tax loss carry forwards, for which therefore appropriate discounts have been used.

In December 2019 the Dutch tax plan 2020 was approved by the Dutch Senate increasing the corporate income tax rate to 25 per cent in 2020 and decreasing to 21.7 per cent in 2021 and future years. The impact of the tax rate decrease has been reflected in the value of the deferred tax assets in the 2019 annual report. In December 2020, the Dutch Senate accepted the Dutch tax plan 2021 which makes the tax plan substantially enacted under IFRS. In the Dutch tax plan 2021 the future reduction of the income tax rate to 21.7% will not be further implemented and the income tax rate will remain at 25%. This resulted in an increase in deferred tax asset relating to operating losses by €8 million.

Not substantially enacted is the proposed change in tax loss carry forward rules which should be effective as from 2022. Tax losses can be used unlimited in time (before this, tax losses could only be used in the following six or nine years). However, annual use of tax losses is limited to 50 per cent of the taxable profit wherein the first €1 million taxable profit is fully compensable (previously, the total profit in a year could be offset by tax losses). Enactment of the new tax rules is expected in 2021. Since the new legislation in the Netherlands has not been fully enacted as per 31 December 2020, the possible effects hereof have not been accounted for as per 31 December 2020. When using the estimates and forecast period as applied in the valuation as per 31 December 2020 an impairment of €28 million regarding the deferred tax assets would occur. When substantially enacted in 2021 the actual impact will be further analysed.

Germany
Tax losses to a minimum of €677 million (2019: €600 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 €6 million (2019: €15 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	2020	2019
Trade payables		**898,623**	835,624
Amounts due to customers (contract liabilities)	6	**812,351**	626,297
Amounts due to related parties	38	**133,292**	126,067
Social security and other taxes		**371,155**	147,495
Pension premiums		**9,183**	9,972
Amounts due for work completed		**167,066**	178,049
Amounts due for work in progress		**461,216**	616,598
Other financial liabilities		**6,778**	1,134
Other liabilities		**97,436**	67,264
Accrued expenses and deferred income		**270,913**	273,969
		3,228,013	2,882,469

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 nominal amount of €234 million, of which is mainly related to the Netherlands and partly to the United Kingdom. An amount of €50 million has been included in the social security and other taxes and the long term part amounting to €184 million, which is to be settled after 2021 up to 2024, forms part of the social security and other taxes in the 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.

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	2020	2019
Wages and salaries		1,152,018	1,119,970
Social security costs		170,301	170,828
Pension costs - defined contribution plans		89,923	84,693
Pension costs - defined benefit plans	22	6,404	4,107
Other post-employment benefits		(477)	904
		1,418,169	1,380,502

Employee benefit expenses include restructuring costs and other termination benefits of €41 million (2019: €3.0 million) of which €35 million is included in wages and salaries, €4 million in social security costs and €1 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 €12 million, which is fully reflected in wages and salaries. An amount of €10 million in respect of the United Kingdom (€8 million) and Ireland (€2 million) has been received and is deducted from wages and salaries. The remainder of €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 2020, the Group had 17,966 employees in FTE (2019: 19,419, excluding 98 in discontinued operations). The average number of employees in FTE amounted to 18,731 (2019: 19,336, excluding discontinued operations), of which 10,185 in other countries than the Netherlands (2019: 10,966).

27. Impairment charges

	Notes	2020	2019
Intangible assets	9	60,934	10,337
Property, plant and equipment	7	586	-
Inventories	13	11,321	10,841
Impairment charges		72,841	21,178
Share of impairment charges in investments	11	1,900	(2,655)
		74,741	18,523

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.

In 2020 and 2019, the net impairment charges in connection with inventories are related to property developments in the Netherlands.

28. Adjusted items

The following items have been adjusted on the result before tax and relate to impairment charges, restructuring costs and pension one-offs as detailed below:

	Notes	2020	2019
Impairment charges	27	74,741	18,523
Restructuring costs	23	44,676	4,957
Pension one-off	22	(1,181)	-
		118,236	23,480

Impairment charges
Impairment charges mainly relate to impairment of goodwill in 2020. Also certain property development has been impaired for the net amount of €11 million which have been reported at their net realisable value.

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 €45 million (2019: €5 million) of which €41 million (2019: €3 million) is included in employee benefit expenses and €4 million (2019: €2 million) is included in other operating expenses.

Pension one-off
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.

29. Audit fees

The total fees for the audit of the consolidated financial statements 2020 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:

	2020			2019		
	EY Netherlands	EY foreign member firms	Total	EY Netherlands	EY foreign member firms	Total
Audit fees	4,053	2,181	6,234	4,099	2,173	6,272
Audit-related fees	90	109	199	93	36	129
Tax fees	-	-	-	-	-	-
Other non-audit fees	-	-	-	-	-	-
			6,433			6,401

30. Finance income and expense

	2020	2019
Finance income		
- Interest income - cash at banks	1,251	1,819
- Interest income - other financial assets	1,117	389
- Other finance income	5,873	2,713
	8,242	4,921
Finance expense		
- Subordinated convertible bonds	7,365	7,189
- Committed syndicated credit facility	6,126	185
- Bank fees - committed syndicated credit facility	1,411	2,708
- Non-recourse property financing	2,230	1,618
- Other non-recourse financing	198	185
- Interest expense - bank overdrafts and deposits	2,378	125
- Interest expense on lease liabilties	6,487	6,483
- Recourse property financing	622	1,196
- Other recourse financing	2,981	1,434
- Interest expense - other liabilities	50	87
	29,849	21,210
Less: capitalised interest on the Group's own projects	(5,993)	(5,063)
	23,856	16,147
Net finance result	(15,614)	(11,226)

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

	2020	2019
Current tax	(533)	20,226
Deferred tax	35,633	16,489
	35,100	36.715

Income tax on the Group's result before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2020	2019
Result before tax	(236,947)	23,389
Tax calculated at Dutch tax rate	(59,237)	5,848
Tax effects of:		
- Tax rates in other countries	20,833	892
- Non deductible goodwill impairment	15,000	-
- Income not subject to tax	-	37
- Remeasurement of deferred tax – changes in enacted tax rates	(7,420)	(5,570)
- Tax filings and previously unrecognised temporary differences	-	5,056
- Previously unrecognised tax losses	(920)	(9,709)
- Tax losses no(t) (longer) recognised	69,061	36,657
- Results of investments and other participations, net of tax	(1,566)	(3,491)
- Other including expenses not deductible for tax purposes	(651)	6,995
Tax charge/(gain)	35,100	36,715
Effective tax rate	-14.8%	76,4%

The weighted average tax rate applicable was 16.2 per cent (2019: 25.9 per cent). The difference with the effective tax rate is attributable to a different spread of results over the countries.

In 2020 the tax burden was influenced by tax losses which are not recognised (anymore), non-deductible goodwill impairment, non-taxable participation related results and the increase of the corporate tax rates in the Netherlands.

On balance the corporate income tax rate effect in the Netherlands and UK has an positive impact on the deferred tax positions of the group for €7.4 million, of which €9.4 million relates to losses and credits within the Dutch fiscal unity. An amount of €69 million of the tax charge relates to the derecognition of deferred tax assets, of which €44.2.million relates to the impairment of tax losses of the Dutch fiscal unity. Furthermore, the lower than expected performance of the German construction and property unit led to a derecognition of deferred tax assets of in total €20.6 million.

Next to that the goodwill impairment reported is not deductible for taxes, negatively impacting the effective tax rate by € 15 million.

For information about the income tax expenses in respect of discontinued operations see note 37.3.

32. Earnings per share

	2020	2019
Weighted average number of ordinary shares in issue (x 1,000)	**273,296**	273,496
Net result attributable to shareholders	**(122,184)**	11,846
Basic earnings per share (in €)	**(0.45)**	0.04
Net result from continuing operations attributable to shareholders	**(271,760)**	(13,310)
Basic earnings per share from continuing operations (in €)	**(1.00)**	(0.05)
Net result from discontinued operations attributable to shareholders	**149,577**	25,156
Basic earnings per share from discontinued operations (in €)	**0.55**	0.09

Allowing for dilution, the earnings per share are as follows:

	2020	2019
Diluted weighted average number of ordinary shares in issue (x 1,000)	**299,124**	299,039
Net result attributable to shareholders (diluted)	**(116,659)**	17,238
Diluted earnings per share (in €)	**(0.45)**	0.04
Net result from continuing operations attributable to shareholders (diluted)	**(266,236)**	(7,918)
Diluted earnings from continuing operations per share (in €)	**(1.00)**	(0.05)
Net result from discontinued operations attributable to shareholders (diluted)	**149,577**	25,156
Diluted earnings from discontinued operations per share (in €)	**0.55**	0.09

In 2020 and 2019, the potential ordinary shares are antidilutive because their conversion to ordinary shares would decrease the loss 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 2020, amounting to a loss of €122.4 million, has been accounted for in shareholders' equity.

The Company proposed to declare a dividend over the financial year 2019 of 2 eurocents in cash per ordinary share or in shares, at the option of the shareholders with repurchase of shares to offset dilution. This proposed dividend was further withdrawn in 2020.

Over 2020, no dividend is proposed to be declared in light of Covid-19 circumstance which severely affected the group's performance.

The dividends paid to shareholders of ordinary shares in 2019 were €38.3 million, €19.5 million in cash (€0.14 per share) and €18.8 million in shares (€0.14 per share), these shares were repurchased in 2019 for €16.9 million.

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.

On 3 March 2009, during the construction of a section of the Cologne metro system, several adjacent buildings, including the building of the City Archives of the City of Cologne, collapsed. In 2020, the City of Cologne, Cologne Public Transport and the joint venture ('Arge') reached an agreement to settle all outstanding claims in regards to this project. See note 11.2.

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 €186 million (2019: €178 million). Guarantees issued by banks and surety companies amount to €2 billion (2019: €2 billion). Guarantee facilities amount to €2.9 billion (2019: €3.2 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:

	2020	2019
Property, plant and equipment	2,733	6,288
Land	154,047	203,291
	156,780	209,579

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 2020. The future undiscounted lease payments for these non-cancellable lease contracts are €1.7 million within one year, €4.9 million within five years and €0.2 million thereafter (2019: €3.3 million within one year, €12.4 million within five years and €1.2 million thereafter).

The Group has variable lease payments amounting to €34.5 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 €11.9 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 (2019: €14.4 million within one year, €36.8 million within five years and €2.9 million thereafter). The variability of these costs depend on the number of vehicles driven, their actual usage and any changes in rates.

36. Brexit

On 31 December 2020, the transition period for the United Kingdom (U.K.) to withdraw from the European Union (EU), otherwise known as “Brexit,” officially came to an end. The U.K. formally left the EU on 31 January 2020, but entered a transition process that ended on 31 December 2020. The EU-UK Trade and Cooperation Agreement was agreed to on 24 December 2020 and signed on 30 December 2020. The Trade and Cooperation Agreement has three main pillars: trade, cooperation, and governance that took effect on 1 January 2021. BAM has performed an financial impact analysis on the impact of this new agreement from a contract, supply chain, trade tariffs and customs, regulation and people perspective. BAM concluded that no major impact of Brexit is to be expected so far but continues to closely monitor the effects of Brexit.

37. Assets held for sale and discontinued operations

37.1 Assets held for sale inventories

	2020	2019
Inventories	7,819	8,516
Assets classified as held for sale	7,819	8,516

At year-end 2020 and 2019, the assets classified as held for sale relate to inventories compromising of one remaining property development position in the East part of the Netherlands, which are not yet transferred. Part of the inventories have been sold in 2020.

The remaining carrying amount which represents the fair value is based on the sale price agreed upon. The unanticipated delay in the planned sale was caused by circumstances beyond the control of the company (i.e Covid-19, new regulations regarding nitrogen emissions and dependency on external parties). BAM closely monitors the progress of the planned sale and still considers it is highly probable that the property development position will be sold within one year.

37.2 Assets held for sale BAM Swiss AG

In 2020, BAM decided to analyse the possibilities for divesting its subsidiary BAM Swiss AG in Switzerland. Late 2020, BAM had several discussions and negotiations with certain interested parties. BAM considers that, given the stage of the negotiations, it is probable that the entity will be sold in 2021. Accordingly, all its assets and liabilities are classified as held for sale in the consolidated statement of financial position as at 31 December 2020. Early February 2021, BAM agreed on a non-binding basis the key terms of a transaction with a certain party. Under these terms, BAM aims to pay a net amount of approximately €12 million to transfer all shares to the buyer. Since the carrying amount of the non-current assets is limited and the transaction would result in a loss on sale, BAM recognised a provision of approximately €10 million, via the other operating expenses, in the financial statement of financial position.

At 31 December 2020 the assets and liabilities relating to BAM Swiss AG classified as held for sale are as follows:

	31 December 2020
Trade and other receivables	13,187
Cash and cash equivalents	6,231
Assets classified as held for sale	19,418
Trade and other payables	18,138
Current provisions	2,629
Liabilities classified as held for sale	20,768

37.3 Discontinued operations of BAM PPP

As a first step in the partnership extension between PGGM and BAM PPP (see 2.1.1) the Group transferred 10 per cent of its invested capital (share capital and subordinated loans invested through the joint venture) in 21 projects to PGGM, reducing BAM's interest in these projects from 20 per cent to 10 per cent. The cash consideration associated with this transaction amounted to €39 million, resulting in a net profit of €14 million which forms part of revenue. The impact on total equity was €24 million and includes an amount of €10 million negative of cash flow hedge reserves, that were reclassified to the income statement. See also note 17.

On 23 November 2020, the Group and PGGM publicly announced to further extent their PPP partnership by transferring 50 per cent of the common shares of BAM PPP, until then a wholly owned subsidiary, to PGGM Infrastructure Fund. The transaction was completed on 23 December 2020. As a consequence, BAM lost control of this subsidiary and derecognized all the assets and liabilities of BAM PPP from the statement of financial position. The retained interest in BAM PPP, which is qualified as a joint venture for BAM, has been recognised at its fair value and amounts to €117 million as at 31 December 2020. See note 11.2.

The results of BAM PPP are reported as discontinued operation and are presented separately in the consolidated income statement. The 2019 consolidated income statement has been adjusted for comparative purposes.

The sales price for the transfer of the shares comprises a cash consideration, received in 2020, of €110 million that includes €5 million as a reimbursement for 50 per cent of the initial capitalization of the joint venture of €10 million. A working capital adjustment, which forms part of the sales price but settled in 2021, is included in other receivables and amounts to €5 million. In addition, the parties agreed to a Contingent Consideration of up to €25 million for the years 2021-2025. The contingent consideration will become 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 and forms part of the long term receivables as at 31 December 2020. The fair value of the contingent consideration shall be reassessed at each reporting date.

The total sales price, therefore, amounts to €117 million and has been considered as an appropriate approximation of the fair value of the joint venture at initial recognition as per 31 December 2020.

Lastly, the group shall receive a further amount of circa €2 million from the joint venture in 2021 that mainly relates to an excess of cash above the initial capitalization of €10 million that was agreed upon by both parties. This amount shall be distributed in 2021 and forms part of the gain of this transaction. The net asset value of BAM PPP, of which cash and cash equivalents of €28 million, upon the transfer of the shares amounts to €81 million.

The gain on this transaction, before the reclassification of reserves on cash flow hedging and exchange rate differences, amounts to €155 million. Fifty per cent of this gain accounts for a 'fair value step up' on the remaining interest in the former subsidiary from its carrying amount to fair value. This step up shall systematically be allocated as costs to the future Group's share of the profit and losses of the entity. The reserves involved are reclassified to the profit or loss for the amount €32 million (negative) and €5 million (negative) respectively and are attributed to the transaction resulting in a total gain of this transaction of €118 million. There is no income tax on this gain.

The result for the year from discontinued operations can be detailed as follows:

	2020	2019
Revenue	52,732	45,136
Operating result*	26,389	17,715
Finance result	8,486	9,513
Result before tax	34,875	27,228
Tax benefit/(expense)	(3,387)	(1,935)
Total	31,488	25,293
Gain on the transaction*	118,167	-
Result for the year from discontinued operations	149,655	25,293
Non-controlling interest	(78)	(137)
Net result for the year from discontinued operations attributable to the shareholders of the Company	149,577	25,156

*Forms part of the total operating result in the disclosure on operating segments. The total result before tax of the discontinued operations amounts to €153,042 thousand and comprises the result before tax of €34,875 thousand and the gain on the transaction of €118,167 thousand. In 2020 the operating result from discontinued operations amounts to €144,556 thousand that comprises €26,389 thousand plus €118,167 thousand. See note 5.

The other comprehensive income includes cash flow hedges and cash flow hedges of investments in joint ventures for a total amount of €95 million positive (2019: €30 million negative), which is disclosed below. The exchange rate differences amounts to €3 million positive (2019: €2 million positive). During 2020 and previous to the transfer of 50 per cent of the shares to PGGM, the group reassessed its accounting for subordinated loans granted (and commitments thereto) to PPP projects in joint ventures, the majority of which are granted through the joint venture between BAM PPP and PGGM. The Group concluded that subordinated loans (and commitments thereto) provided to PPP projects in 'investments in associates or joint ventures', should no longer be considered to form part of the net investment for the purpose of applying the equity method of accounting. This change in judgement has been accounted for prospectively and as a result, the cash flow hedge reserves recognised in equity changed by an amount of €86 million positive. The development of the interest rate had a negative effect of €33 million on the valuation of interest rate hedges in 2020. BAM transferred also 10 per cent of its tracking rights to PGGM in 2020, and €10 million (negative) was reclassified to the profit or loss. Lastly, upon the transfer of 50 per cent of the shares to PGGM, effectively as per 31 December 2020, the remaining amount of the cash flow hedge reserve of €32 million (negative) is reclassified from equity to profit or loss. Therefore, the total fair value movement of cashflow hedges totally amounts to €95 million (positive). Also, the movement in exchange rate differences of BAM PPP amounts to €3 million (positive).

Total comprehensive income from discontinued operations 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	2019
Operating	7,037	30,163
Investing	54,682	(7,215)
Financing	(99,825)	(23,539)
Net cash (outflow) / inflow	(38,106)	(591)

The total cash consideration received in 2020 amounts to €110 million. The total proceeds from sale of discontinued operations amounts to €82 million after deduction of the cash and cash equivalents held by BAM PPP of €28 million. See also the consolidated statement of cash flows.

As per 31 December 2020, the following assets and liabilities are derecognized: current assets of €52 million, non-current assets of €113 million, current liabilities of €32 million and non-current liabilities of €52 million.

Earnings per share:

	2020	2019
Basic, profit/(loss) for the year from discontinued operations	**0.55**	0.09
Diluted, profit/(loss) for the year from discontinued operations	**0.55**	0.09

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 €369.4 million (2019: €410.1 million) and related to the purchase of goods and services for €6.8 million (2019: €11.2 million).

The 2020 year-end balance of short term receivables amounts to €39.8 million (2019: €21.4 million) and the short term liabilities amounts to €133.3 million (2019: €126.1 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 2020, the Group granted loans to related parties (mainly relating to associates and joint ventures) for the amount of €64 million (2019: €89 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:

	2020					
	Fixed remuneration	Short-term incentive	Post-employment benefits	Other benefits	Long-term incentive	Total
R.J.M. Joosten [1]	**222**	**75**	**51**	**-**	**5**	353
L.F. den Houter	**608**	**212**	221	**-**	**82**	1,123
R.P. van Wingerden [2]	**292**	**112**	**65**	**704**	**(27)**	**1,146**
	1,122	**399**	**337**	**704**	**60**	2,622

	2019					
	Fixed remuneration	Short-term incentive	Post-employment benefits	Other benefits	Long-term incentive	Total
R.P. van Wingerden [2]	**700**	230	154	-	28	1,112
L.F. den Houter	486	159	30	-	58	733
E.J. Bax [3]	81	-	17	-	(46)	52
	1,267	389	201	-	40	1,897

[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] Mr Bax has stepped down from the Executive Board with effect from 1 March 2019.

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 2020 at 32.3 per cent (2019: 32.8 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 2020, Mr Joosten held 0 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:

	2020	2019
H.Th.E.M. Rottinghuis, Chairman	48	-
G. Boon, Vice-Chairman	59	63
B. Elfring	20	-
D. Koopmans	23	-
C.M.C. Mahieu	54	60
M.P. Sheffield	164	68
H. Valentin	59	68
H.L.J. Noy, former Chairman	46	80
K.S. Wester, former Vice-Chairman	-	18
R. Provoost, former member	-	8
	473	365

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 2020, Mr Boon held 80,000 privately acquired BAM shares and Mrs Valentin held 30,000 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 2020.

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

In 2020, BAM's long-term incentive plan consisted of a conditional share-based incentive plan called Performance Share Plan. 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 return on capital employed (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, Skanska, Strabag, Vinci, PORR (and BAM). At the beginning of each financial year, 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 ROCE and sustainability.

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 TSR objective will also operate as a 'circuit breaker' for the vesting linked to the other two performance objectives: in case BAM ranks at the bottom two places of the TSR peer group, the other two objectives will not result in vesting regardless of the performance.

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 will at vesting never exceed two and a half times the award value in order to avoid inappropriate payouts.

The three-year vesting 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 tables below indicate the percentage of conditional shares that could vest in connection with the pre-determined performance conditions:

TSR	
Ranking	Vesting
1	150%
2	125%
3	100%
4	75%
5	50%
6	25%
7	0%
8	0%
9	0%
10	0%
11	0%

ROCE	
Score	Vesting
Excellent and above	150%
Target	100%
Threshold	50%
Below threshold	0%

Sustainability	
Score	Vesting
Excellent and above	150%
Target	100%
Threshold	50%
Below threshold	0%

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 performance results will be applied to calculate the number of vested shares.

The status of the Performance Share Plan (in number of shares) during 2020 for the members of the Executive Board and for all other participants is shown below:

	As at 1 January 2020	Awarded	Vested (including dividend)	Forfeited	As at 31 December 2020
R.J.M. Joosten	-	285,734	-		285,734
R.P. van Wingerden	332,047	-	-	192,309	139,738
L.F. den Houter	68,393	367,371	-		435,764
Other participants	1,133,672	1,683,088	-	688,789	2,127,971
	1,534,112	**2,336,193**	**-**	**881,098**	**2,989,208**

The fair value per share of the 2020 award, for the participants, in connection with the TSR performance part amounted to €0.12 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, corrected for the expected value of the possibility of achieving the 'circuit breaker'. As participants receive dividend compensation the dividend yield on the awards equals nil.

For the Performance Share Plan 2017 the 'circuit breaker' was applicable, leading to the full plan of 375,773 (remaining) shares to be forfeited as at the vesting date 27 April 2020.The most important assumptions used in the valuations of the fair values were as follows:

	2020
Share price at award date (in €)	1.41
Risk-free interest rate (in %)	(0.61)
Volatility (in %)	39.34

Expected volatility has been determined based on historical volatilities for a period of five years.

In 2020, an amount of €34,000 was charged (2019: €48,000 released) to the income statement arising from the Performance Share Plan.

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 €1.0 billion in 2020 (2019: approximately €1.0 billion), which represents approximately 15 per cent of the Group's revenue (2019: 14 per cent).

The Group's share of the balance sheets of joint operations is indicated below:

(in € million)		**2020**	
	Construction and Property	Civil engineering	Total
Assets			
- Non-current assets	0.0	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)**

(in € million)		2019	
	Construction and Property	Civil engineering	Total
Assets			
- Non-current assets	0.2	21.4	21.6
- Current assets	339.1	586.3	925.4
	339.3	607.7	947.0
Liabilities			
- Non-current liabilities	25.7	3.0	28.7
- Current liabilities	318.4	588.9	907.3
	344.1	591.9	936.0
Net balance	(4.8)	15.8	11.0

The group has capital commitments under joint operations amount to €14 million (2019: €8 million). Guarantees issued by banks and surety companies amount to €29 million (2019: €31 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 2020 amount to €13 million (2019: €6 million), of wich an amount of €10 million (2019: nil) is related to Covid-19, €2 million (2019: €4 million) is related to R&D and €1 million (2019: €2 million) to education.

In response to Covid-19, the company has made use of certain (furlough) schemes made available by governmental institutions. In United Kingdom and Ireland grants amounting to €10 million were received by BAM. In Belgium Covid-19 support amounting to €2 million was directly paid to employees. There are no significant unfulfilled conditions or other contingencies related to government grants received. See note 26. No further government grants have been received in respect of Covid-19.

The group made use of temporary deferral tax payments (value added tax and wage tax) granted by certain tax authorities, for the total of €234 million. The majority is related to The Netherlands and partly United Kingdom. See note 25.

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 €0.2 million (2019: approximately €0.2 million), are recognised in the income statement.

43. Events after the reporting period

No material events after the reporting period have occurred.

Company statement of financial position as at 31 December

(before appropriation of result, x €1,000)

	Notes	31 December 2020	31 December 2019
Non-current assets			
Property, plant and equipment	2	15,844	12,320
Right-of-use assets	3	3,896	4,314
Intangible assets	4	317,667	368,712
Financial assets	5	943,061	1,033,795
Deferred tax assets	6	79,494	114,046
		1,359,962	1,533,187
Current assets			
Receivables	7	46,587	38,442
Cash and cash equivalents	8	1,167,229	220,850
		1,213,816	259,292
Total assets		2,573,778	1,792,479
Equity attributable to shareholders of the Company			
Issued and paid capital	9	27,941	27,941
Share premium		811,370	811,370
Reserves		(16,259)	(183,647)
Retained earnings		(117,425)	(39,066)
Net result		(101,445)	11,846
		604,182	628,444
Provisions			
Subsidiaries	10	62,371	-
Employee benefits	10	18,193	14,712
Other	10	1,600	-
		82,164	14,712
Non-current liabilities			
Borrowings	11	400,000	120,451
Other liabilities	13	5,133	-
Lease liabilities	12	2,283	2,709
		407,416	123,160
Current liabilities			
Lease liabilities	12	1,648	1,683
Other liabilities	13	1,478,368	1,024,480
		1,480,016	1,026,163
Total equity and liabilities		2,573,778	1,792,479

Company income statement

(x €1,000)

	Notes	2020	2019
Internal charges	14	144,786	120,291
Other income*		118,167	-
External charges		(14,774)	(10,421)
Employee benefit expenses	15	(42,993)	(33,536)
Depreciation and amortisation charges	2,3,4	(9,052)	(7,909)
Impairment charges		(43,400)	-
Other operating expenses		(82,852)	(68,893)
Exchange rate differences		(2)	913
		(193,073)	(119,846)
Operating result		69,880	445
Finance income	16	7,896	10,837
Finance expense	16	(20,950)	(12,936)
		(13,054)	(2,099)
Share of result of investments	5	(137,342)	28,114
Result before tax		(80,516)	26,460
Income tax		(20,929)	(14,614)
Result for the year from operations		(101,445)	11,846

*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 37.3 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 2019	
Cost	27,794
Accumulated depreciation and impairments	(19,034)
	8,760
Additions	8,417
Disposals	(2)
Reclassifications	(6)
Depreciation charges	(4,849)
	3,560
As at 31 December 2019	
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

3. Right-of-use assets

	Land and buildings	Cars	Total
As at 1 January 2019	132	3,474	3,606
Additions	35	2,149	2,184
Depreciation charges	(69)	(1,407)	(1,476)
	(34)	742	708
As at 31 December 2019	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**

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 2019				
Cost	512,685	6,859	883	520,427
Accumulated amortisation and impairments	(157,088)	(1,141)	(243)	(158,472)
	355,597	5,718	640	361,955
Additions	-	1,111	-	1,111
Amortisation charges	-	(1,496)	(88)	(1,584)
Exchange rate differences	7,230	-	-	7,230
	7,230	(385)	(88)	6,757
As at 31 December 2019				
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**

* Impairment charges relates to the goodwill of BAM International (€22 million), BAM Germany (€12 million) and Kairos nv (€9 million). See note 27 of the notes to the consolidated financial statements.

5. Financial assets

	Shares in subsidiaries	Receivables from subsidiaries	Other participating interests	Total
As at 1 January 2019	773,814	380,007	648	1,154,469
Net result for the year	28,114	-	-	28,114
Dividends	(18,589)	-	-	(18,589)
Adjustments in group structure	(38)	-	-	(38)
Capital contributions	22,500	-	-	22,500
Loans granted and repayments	-	(73,815)	-	(73,815)
Hedging reserve	(30,745)	-	-	(30,745)
Remeasurements of post-employment benefit obligations	(63,735)	-	-	(63,735)
Exchange rate differences	15,634	-	-	15,634
As at 31 December 2019	726,955	306,192	648	1,033,795
Net result for the year	(137,342)	-	-	(137,342)
Dividends	(95,156)	-	-	(95,156)
Reclassifications	(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**

The long term receivables of BAM International bv of €28.9 million has been impaired to nil. None of the financial assets were subject to impairment.

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.

A list of the principal subsidiaries is disclosed in section Other information, paragraph 8.5.

6. Deferred tax assets

	2020	2019
Deferred tax assets	**79,494**	114,046
	79,494	114,046

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

	2020	2019
Amounts due from subsidiaries	22,513	23,173
Amounts due from joint ventures	2,310	-
Prepayments and accrued income	21,764	15,269
	46,587	38,442

Receivables are due within one year.

8. Cash and cash equivalents

	2020	2019
Cash at bank and in hand	1,167,229	220,850
	1,167,229	220,850

Cash and cash equivalents are at the free disposal of the Company.

9. Equity attributable to shareholders of the Company

At year-end 2020, the authorised capital of the Group was 400 million ordinary shares (2019: 400 million) and 600 million preference shares (2019: 600 million), all with a nominal value of €0.10 per share (2019: €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 2019	278,779,019	5,483,002	273,296,017
Repurchase of ordinary shares	-	4,482,030	(4,482,030)
Awarded LTI shares	-	-	-
Dividends	628,430	(3,853,600)	4,482,030
As at 31 December 2019	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**

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 2019	27,879	811,432	(164,966)	30,913	23,773	729,031
Net result for the year	-	-	-	-	11,846	11,846
Appropriation of result				23,773	(23,773)	-
Dividends	62	(62)	-	(19,456)	-	(19,456)
Remeasurements of post-employment benefit obligations	-	-	-	(68,125)	-	(68,125)
Cash flow hedges	-	-	(30,745)	-	-	(30,745)
Repurchase of ordinary shares	-	-	-	(16,889)	-	(16,889)
Share-based payments	-	-	-	(46)	-	(46)
Exchange rate differences	-	-	22,864	-	-	22,864
Development cost	-	-	(10,800)	10,800	-	-
Other	-	-	-	(36)	-	(36)
As at 31 December 2019	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**

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 (2019: €95 million negative) and the translation reserve €99 million negative (2019: €89 million negative). The total reserves include additions in 2020 in legal reserves of AsfaltNu of €6 million (see note 5 of the notes to the consolidated financial statements) and in respect of the joint venture BAM PPP of €77 million (see note 37.3 of the notes to the consolidated financial statements).

For a further breakdown of the reserves see note 16 and 17 of the notes to the consolidated financial statements.

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. The difference has been recognised in the net result for the year.

9.2 Dividends per share

The Company proposed to declare a dividend over the financial year 2019 of 2 eurocents in cash per ordinary share or in shares, at the option of the shareholders with repurchase of shares to offset dilution. This proposed dividend was withdrawn in 2020 in light of Covid-19 circumstance. Over 2020 no dividend is proposed.

10. Provisions

	2020	2019
Subsidiaries	62,371	-
Employee benefits	18,193	14,712
Other provisions	1,600	-
	82,164	14,712

The provision subsidiaries relates to the negative equity value of a BAM International bv which has been valued at nil. The Company does foresee an outflow of cash for the amount of the negative equity value.

11. Borrowings

	2020	2019
Subordinated convertible bonds	-	120,451
Revolving credit facility	400,000	-
	400,000	120,451

Additional information on borrowings is disclosed in note 19 to the consolidated financial statements.

12. Lease liabilities

	2020	2019
Lease liabilities	3,931	4,392
	3,931	4,392

Additional information on lease liabilities is disclosed in note 20 to the consolidated financial statements.

13. Other liabilities

	2020	2019
Amounts due to subsidiaries	1,322,349	985,833
Subordinated convertible bonds	118,670	-
Other liabilities	42,482	38,647
	1,483,501	1,024,480

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. An amount of €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

	2020	2019
Wages and salaries	36,178	28,282
Social security costs	3,731	2,870
Pension costs - defined contribution plans	2,942	2,218
Pension costs - defined benefit plans	142	166
	42,993	33,536

At year-end 2020, the Company had 339 employees in FTE (2019: 307). The average number of employees in FTE amounted to 323 (2019: 289). There are no employees in other countries than the Netherlands.

16. Finance income and expense

	2020	2019
Finance income		
- Interest income - intercompany	6,819	8,686
- Interest income - cash at banks	-	307
- Interest income - other financial assets	-	4
- Other finance income	1,077	1,840
	7,896	10,837
Finance expense		
- Subordinated convertible bonds	7,365	7,189
- Committed syndicated credit facility	6,126	185
- Bank fees - committed syndicated credit facility	1,411	2,708
- Interest expense - cash at banks	2,326	-
- Interest expense - intercompany	1,478	2,413
- Interest expense on lease liabilities	52	54
- Recourse property financing	93	87
- Other recourse financing	2,099	300
	20,950	12,936
Net finance result	(13,054)	(2,099)

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 €186 million (2019: €178 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, 17 February 2021

Supervisory Board:
H.Th.E.M. Rottinghuis
G. Boon
B. Elfring
D. Koopmans
M.P. Sheffield
H. Valentin

Executive Board:
R.J.M. Joosten
L.F. den Houter

8 Other information

Zeesluits IJmuiden (the Netherlands) - BAM Infra Nederland

8.1 Combined independent auditor's report on the 2020 financial statements and non-financial information

To: the shareholders and supervisory board of Royal BAM Group nv

Please find below the main conclusions and main features of our audit and review. For the full text of the auditor's report, which includes the assurance report on non-financial information, please refer to the next pages.

Summary

Conclusions

Object of audit or review	Outcome of work performed	Level of assurance
Financial statements 2020 (consolidated and company financial statements)	Unqualified opinion	Reasonable assurance (audit)
KPIs IF BAM and number of serious accidents. Non-financial information 2020 in sections Material themes and Business conduct and transparency	Unqualified opinion	Reasonable assurance (audit)
Non-financial information 2020 in selected chapters and appendices	Unqualified conclusion	Limited assurance (review)
Other information, including the reports from the executive board and the supervisory board	No material misstatements to report	

Main features of our audit and review

What we have done	Scope of our work	Materiality	Key audit and review matters
Audit of financial statements 2020 (consolidated and company financial statements)	Worldwide	€30 million, based on 0.5% of revenue	Going concern and compliance with debt covenants, Valuation of projects and revenue recognition, of goodwill and deferred tax assets and of land and building rights
Audit of selected non-financial information 2020	KPIs IF BAM and serious accidents. Sections Material themes and Business conduct and transparency	Specific materiality levels for each element of the non-financial information in scope	Completeness registration of safety incidents
Review of non-financial information 2020	Selected chapters and appendices	Specific materiality levels for each element of the non-financial information in scope	None
Procedures for other information	Full reports	Similar materiality levels as our audit and review scopes	None

Our conclusions

We have audited the financial statements 2020 of Royal BAM Group nv based in Bunnik. The financial statements include the consolidated financial statements and the company financial statements.
We have reviewed the non-financial information and audited selected non-financial information in the integrated report for the year 2020 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. An audit is aimed at obtaining a reasonable level of assurance.

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 2020 and of its result and its cash flows for 2020 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 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code
- The selected non-financial information (KPIs IF BAM and number of serious accidents in chapter Social performance and the non-financial information in sections Material themes and Business Conduct and transparency) in the integrated report 2020 of Royal BAM Group nv is prepared, in all material respects, in accordance with the applied reporting criteria as disclosed in appendix 9.6 Non-financial reporting process and methods.

Based on our procedures performed, nothing has come to our attention that causes us to believe that the other 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 2020 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 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 and Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code

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 2020. 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 2020
- The following statements for 2020: 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 2020
- The company income statement for 2020
- The notes comprising a summary of the accounting policies and other explanatory information

The non-financial information comprises:

- Reasonable assurance – KPIs IF BAM and number of serious accidents in chapter Social performance (pages 27-28) and the non-financial information in the sections Material themes (pages 15-16) and Business conduct and transparency (pages 31-32) - hereafter: 'the selected non-financial information'
- Limited assurance – All other non-financial information reported in the paragraphs/chapters Business model (pages 9-10), Strategy 2016-2020 (page 11), Stakeholder engagement and material themes (pages 14-17), Social performance (pages 26-34), Environmental performance (pages 36-41), Non-financial reporting process and methods (pages 208-210), Material themes and management approach (pages 211-216) 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: appendices

Limitations to the scope of our assurance engagement on the sustainability 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 and audited by us. Also, as mentioned by Royal BAM Group nv in the Enhancing lives section (page 34), the reported number of enhanced lives is not part of the non-financial information as reviewed by us. We therefore do not provide assurance on this information.

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 208-210 of the Report.

Our audit approach

Our understanding of the business
Royal BAM Group nv ('the Company' or 'BAM') 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, Belgium, the United Kingdom, Ireland 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, non-compliance with laws and regulations 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 2020 we were forced to perform our procedures to a greater extent remotely due to the Covid-19 measures. This limits our observation 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

General
The scope of our assurance procedures is influenced by the application of materiality. Our assurance engagements aim to provide assurance about whether the financial statements and the non-financial information are free from material misstatement. Misstatements may arise due to fraud or errors. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the (economic) decisions of users taken on the basis of the financial statements and the non-financial information. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusions.

Financial statements
For the audit of the financial statements our considerations regarding the materiality are as follows:

Materiality	€30 million (2019: €35 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 €1.5 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.

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 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, Belgium, the United Kingdom, Ireland 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 Germany and Ireland, performed audit procedures centrally, and intensified communication with management and those charged with governance.

BAM International has, for purpose of the 2020 audit, engaged EY Canada for the audit procedures on a project in Canada. For the Middle East projects, BAM International has involved a local non-EY audit firm. Because of the (international) travel restrictions we performed similar alternative procedures in order to take responsibility as Group auditor.

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. Apart from focusing on significant entities within the Group, we also reviewed and selected projects on a risk basis, thereby taking into consideration the size and nature of projects, as well as the countries in which projects are being executed.

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

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, treasury, income tax, pensions, construction projects, land and building rights, share based payments, derivatives and forensics.

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 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
In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and regional directors) and the supervisory board. 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.

In our risk assessment we considered the potential impact of pressure to meet financial targets, to demonstrate that the actions to limit exposure to losses have been successful, or to meet certain KPIs necessary to meet debt covenants. We also considered the valuation of variable considerations due to the inherent uncertainties.

In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions, supply chain failures, management overrides and abuse of government schemes intended to support companies during the pandemic.

We evaluated the design and implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 4. Critical accounting judgements and key sources of estimation uncertainties in the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

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 management 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.

Going concern

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. Management 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 assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the Company's operations and forecasted cash flows, with a focus on whether the Company will have sufficient liquidity to continue to meet its obligations as they fall due. We consider based on the audit evidence obtained, whether a material uncertainty exists related to 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.

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 a company to cease to continue as a going concern. We refer to our key audit matter 'Going concern and compliance with debt covenants'.

General audit procedures

Our audit further included among others:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- 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 key audit and assurance matters

Key audit and assurance matters are those matters that, in our professional judgment, were of most significance in our assurance procedures for the financial statements and the non-financial information. We have communicated the key audit and assurance matters to the supervisory board. The key audit and assurance matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our assurance procedures for the financial statements and the non-financial information as a whole and to conclude thereon, and we do not provide a separate conclusion on these matters.

The key audit matter 'Implementation of IFRS 16' (Leases) which was included in our last year's auditor's report, is not considered a key audit matter for this year as the Company has adopted this standard in 2019.

Following the exceptional circumstances of the Covid-19 pandemic and the considerable impact on Royal BAM Group nv's operations, we paid additional attention to the Company's going concern and compliance with the bank covenants. We therefore considered this topic to be a new key audit matter for the audit of the financial statements 2020.

For the audit of the financial statements 2020 we identified the following key audit matters:

Going concern and compliance with debt covenants

Refer to page 89 (Note 2.1.3 Assessment on going concern assumption) and page 138-142 (Note 19. Borrowings)

Key audit matter	How our audit addressed the matter	Key observations
In 2020, BAM was faced with the exceptional circumstances of the Covid-19 pandemic, that amongst others led to BAM's precautionary measure to fully draw the RCF for €400 million in March 2020. In addition, BAM's performance in the first half year was also impacted by the Cologne metro settlement and continued losses at BAM International. These developments resulted in two RCF-covenant ratios below its threshold per 30 June 2020, for which BAM obtained a waiver. The continued uncertainty of Covid-19, (inherent) project valuation risks and potential impairment triggers gave rise to additional attention to the Company's going concern assessment as per 31 December 2020 and its compliance with the bank covenants in our audit. We therefore considered this to be a key audit matter. BAM's going concern and covenant assessment is primarily based on expected future cashflows and forecasted results, among others derived from the 2021 operating plan and the 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 2021 and beyond.	Our audit procedures included assessing the Company's assessment and assumptions underlying the estimated future results for their reasonableness and consistency with internal budgets, strategic plans for future years, order intake and expected margins for new projects for 2021 and beyond. We also challenged the executive board's expectations of future 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 assessed the reasonableness of BAM's assumptions underlying the sensitivity analysis for the expected future cashflows and forecasted results. We also challenged the analysis and impact on BAM's headroom considering the agreed bank covenants. We assessed the Company's debt agreements, waiver contracts, the agreed bank covenants and communications between BAM and its banks. We also involved corporate financing experts in these procedures.	We concur with management's assessment and the disclosures on going concern and the debt covenants in the Report also taking into account the disclosures on risks and sensitivities. In our view the disclosures in the Report are proportionate and in accordance with EU-IFRS.

Going concern and compliance with debt covenants (continued)

Refer to page 89 (Note 2.1.3 Assessment on going concern assumption) and page 138-142 (Note 19. Borrowings)

Key audit matter	How our audit addressed the matter	Key observations
Estimation of future cashflows and results inherently involves a high degree of judgment. The executive board has assessed the inherent uncertainties – including Covid-19 and currently identified project risks – in forecasting BAM's compliance with debt covenants as part of its sensitivity analysis. BAM in its judgement concluded that given the outcome of the going concern assessment and sensitivity analyses performed, it is appropriate to prepare the financial statements on the basis of going concern and despite the factors and uncertainties described above, there are no material uncertainties that may cast significant doubt on the company's ability to continue as a going concern in the year subsequent to the date of these financial statements. Given the continuing uncertainty related to the impact of Covid-19, BAM closely monitors the developments regarding Covid-19 and analyses risks for its financial results, position and cash flows and implementing further mitigating actions when deemed necessary.	We involved valuation specialists to determine the reasonableness of the assumptions and appropriateness of the models used by BAM in determining the future cashflows and forecasted results.	

Valuation of projects and revenue recognition

Refer to pages 47-51 (executive board report), pages 113-114 (Critical accounting judgements and key sources of estimation uncertainties) and pages 119-121 (Note 6. Projects)

Key audit matter	How our audit addressed the matter	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. BAM 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 BAM operates in.	Our audit procedures included an assessment of the internal control environment of BAM, 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 BAM's accounting policy. For long-term contracts, we also compared the position BAM 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 23 (executive board report), pages 113-114 (Critical accounting judgements and key sources of estimation uncertainties), pages 124-125 (Note 9. Intangible assets) and pages 153-154 (Note 24. Deferred tax assets and liabilities)

Key audit matter	How our audit addressed the matter	Key observations
As per 31 December 2020, BAM recognised goodwill (€319 million) and net deferred tax assets (€93 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 2021 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 2021 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. To reflect for the deteriorated market conditions in respect of Covid-19, poor performance of certain underlying CGU's and decision to winddown BAM International, the executive board reduced the expected forecasted results for 2021 and onwards. For goodwill valuation purposes, BAM's reassessment led to an impairment of € 60 million, primarily on CGU's BAM International, BAM Contractors nv and BAM Germany. CGU's with limited headroom are disclosed on page 125 of the Report. The reduced expected forecasted results led to an impairment of €69 million of the recognized deferred tax assets related to tax losses carried forward in the Netherlands and Germany.	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 2021 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 valuation and tax specialists to determine the reasonableness of the assumptions and appropriateness of the models used by BAM in determining the valuation of 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 of the requirements of EU-IFRS.

Valuation of land and building rights

Refer to pages 113-114 (Critical accounting judgements and key sources of estimation uncertainties) and pages 119-121 (Note 6. Projects)

Key audit matter	How our audit addressed the matter	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 land and building rights net realizable values 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 BAM to support the value of land and building rights.	In our view the valuation applied by BAM is in line with EU-IFRS.

For the assurance engagement on the non-financial information, we identified the following key assurance matter:

Completeness registration of safety incidents

Refer to pages 26-29 (executive board report) and pages 208-210 (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 BAM inherently involves risk that not all reported safety incidents are registered. We therefore considered this to be a key assurance matter.	Our assurance procedures focused on the suitability of the reporting criteria, inquiry of responsible personnel from different levels within the organisation on how BAM monitors this risk and which controls are in place to mitigate this risk. We performed test of detail procedures, on group and operational company level, to verify the completeness of the registered safety incidents. We have also reviewed whether the disclosures in the Report, including any inherent limitations in measurement, are adequate.	We concur with the reporting criteria applied and the disclosures made.

Report on other legal and regulatory requirements

Engagement
We have been appointed in 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 and assurance on the Carbon footprint Scope 1 and 2 as included in the Report CO_2 emissie inventaris of Royal BAM Group nv)
- 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.

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, the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code and the remuneration report 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 208-210) 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 errors.

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 responsibility
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 of the financial statements and our audit of the selected non-financial information have 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.

Our review of the other non-financial information is aimed to obtain a limited level of assurance. The assurance procedures performed to obtain a limited level of assurance 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.

A further description of our responsibilities is included in the Annex to the combined independent auditor's report.

Amsterdam, 17 February 2021

Ernst & Young Accountants LLP

Signed by 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.

Our audit to obtain reasonable assurance about the financial statements (consolidated and corporate) included the following:
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or errors, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board
- 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:
- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues and the characteristics of the Company
- 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 BAM's Operating Companies in the Netherlands, Belgium, United Kingdom and Germany are aimed at, on local level, valuating source data and evaluating the design and implementation 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.

In addition to the procedures mentioned above, for the selected non-financial information we identified and assessed the risks that the selected non-financial information is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. We designed and performed further audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the other non-financial information is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. These further audit procedures included the following procedures:
• Obtaining a more detailed understanding of the systems and reporting processes, including obtaining an understanding of internal control relevant to our assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
• Conducting more in-depth analytical procedures and test of detail procedures on the relevant data
• Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the selected non-financial information

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 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 loss for 2020, amounting to €122.2 million, has been accounted for in shareholders' equity. The Company proposes to pay no dividend over the financial year 2020.

Intelligent Quarters (IQ) office and apartment complex, Hamburg (Germany) - BAM Deutschland

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, on the basis of a proposal by the Executive Board, what part of the profit remaining after application of the above provisions will be added to the reserves. The part of the profit that remains thereafter is at the disposal of the General Meeting, subject to the provision that no further dividends will be distributed on the preference shares and with due consideration of the other provisions of Article 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 Company and 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 Company and the Group and which are in conflict with those interests are averted to the best of the Foundation's ability. The Foundation attempts to achieve its objective by acquiring 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 Company and 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 Company and/or 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 2020 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 a member of the Supervisory Board and chairman of the risk committee of Rabobank, chairman of the supervisory board of PostNL and a member of the board of Stichting Beschermingspreferente Aandelen Fugro. He is also the chairman of the board of VEUO, chairman of the advisory committee establishing Invest-NL, a member of the committee for financial reporting and accountancy of the Dutch Authority for the Financial Markets (AFM) and a member of the advisory committee for governance, risk and compliance of the Dutch Institute of Chartered Accountants.

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 large 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 executive board of Fugro. He is also the 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 Vastgoed Nederland bv*, Bunnik (Netherlands)	100
uniting the activities of:	
BAM Bouw en Techniek bv*, Bunnik	100
BAM Wonen bv*, Bunnik	100
BAM Specials bv*, Bunnik	100
Homestudios bv*, Utrecht	100
AM bv*, Utrecht	100
BAM Infra Nederland bv*, Gouda (Netherlands)	100
uniting the activities of:	
BAM Infra bv*, Gouda	100
BAM Infra Energie & Water bv*, Zwolle	100
BAM Infra Rail bv*, Breda	100
BAM Infra Telecom bv*, Zwammerdam	100
BAM Infraconsult bv*, Gouda	100
BAM Belgium bv, Brussels (Belgium)	100
uniting the activities of:	
BAM Interbuild bv, Wilrijk-Antwerp	100
BAM Galère bv, Chaudfontaine	100
BAM Contractors bv, Brussels	100
Kairos nv, Wilrijk-Antwerp	100
BAM Construct UK Ltd, Hemel Hempstead (United Kingdom)	100
BAM Nuttall Ltd, Camberley, Surrey (United Kingdom)	100
BAM Deutschland AG, Stuttgart (Germany)	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

Rose Fitzgerald Kennedy Bridge N25, New Ross (Ireland) - BAM Contractors Ltd and BAM PPP

9.1 Royal BAM Group nv shares

Stock exchange listing

BAM has been listed on Euronext Amsterdam since 1959 (symbol: BAMNB; ISIN code: NL0000337319). As of 21 December 2020, the share was included in the AScX index, instead of the AMX index, and remained included in the Euronext NEXT-150 Index. Options are traded by Liffe, the Euronext derivatives exchange. The market capitalisation was €466 million at year-end 2020 (year-end 2019: €734 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 no meetings with existing or potential investors take place. For the annual results, this period extends from 1 January up to the date of publication. For the half-year results the closed period extends from 1 July up to the day of publication. For the trading updates after the first quarter and the nine months, it extends from 1 April and 1 October, up to the day of publication.

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).

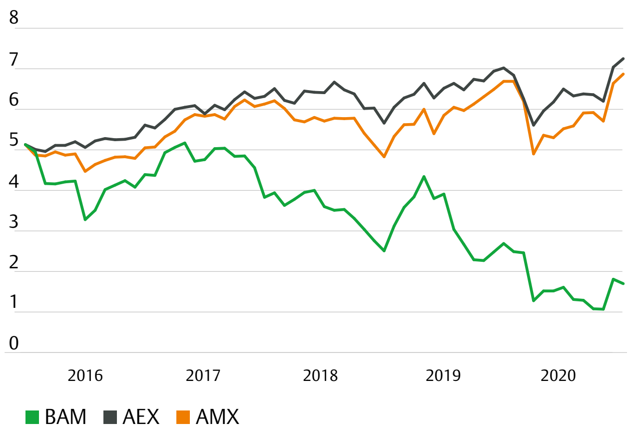
More information about investor relations is available on www.bam.com under the link Investor relations or from Manager Investor Relations Michel Aupers, ir@bam.com, +31 (0)30 659 89 88.

Share price

The 2020 closing price of the ordinary share was €1.71, which was 36 per cent below the closing price at year-end 2019 (€2.69). The AMX index ended the year 3 per cent higher. BAM's share price decreased by 67 per cent over the last five years. By way of comparison, the AEX and the AMX index rose by 41 per cent and 34 per cent in the same period.

Graph 47 shows the history of the BAM ordinary share price over the past five years.

47 - Ordinary share price movement
(in €)



Trading volume on Euronext Amsterdam

The average daily trade was 3,331,000 ordinary shares (2019: 2,528,000). In 2020 the average daily trade in BAM shares was €5.3 million (2019: €7.9 million).

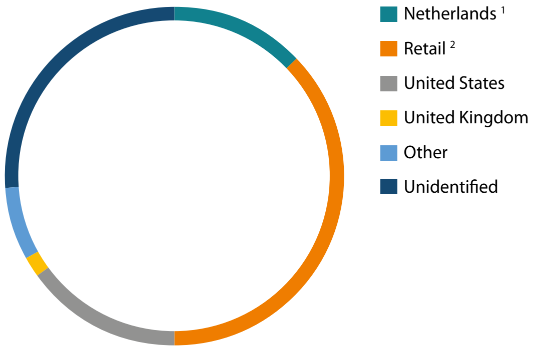
48 - Information per share

(in € per share, unless otherwise indicated)

	2020	2019	2018	2017[4]	2016
Number of ordinary shares ranking for dividend	**273,296,017**	273,296,017	273,296,017	273,213,334	270,621,583
Average number of ordinary shares	**273,296,017**	273,495,636	273,490,657	272,215,432	270,503,004
Net result ranking for dividend	**0.45**	0.04	0.09	(0.05)	0.17
Net result from continued operations	**1.00**	0.04	0.09	(0.05)	0.17
Average number of ordinary shares (diluted)	**299,124,151**	299,039,187	298,269,233	296,427,682	283,642,546
Number of ordinary shares ranking for dividend (diluted)	**298,143,950**	299,157,729	298,297,517	297,584,081	294,547,317
Net result (diluted)	**0.45**	0.04	0.09	(0.05)	0.17
Net result from continued operations (diluted)	**1.00**	0.04	0.09	(0.05)	0.17
Cash flow before dividend	**0.41**	0.69	0.43	0.18	0.60
Equity attributable to shareholders	**2.13**	2.30	2.61	2.64	3.08
Dividend [1]	**0.00**	0.02	0.14	0.10	0.09
Pay-out *(in %)*	**0.0**	40	40	50	50
Dividend yield (in %) [2]	**0.0**	7.4	5.6	2.6	2.1
Highest closing price	**2.68**	4.38	4.16	5.46	5.02
Lowest closing price	**1.03**	2.16	2.37	3.45	2.97
Price on 31 December	**1.71**	2.69	2.51	3.83	4.39
Average daily trade *(in number of shares)*	**3,331,000**	2,528,000	1,723,000	1,926,000	1,717,000
Market capitalisation at year-end (x €1,000) [3]	**465,970**	734,074	687,066	1,053,239	1,193,267

[1] Dividend proposal 2020 [2] Based on share price at year-end. [3] Based on total number of ordinary shares in issue. [4] Adjusted for IFRS 15.

49 - Geographical distribution shareholders as at 31 December 2020



[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 2020 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 2,800,000 shares for the long-term incentive plan of management.

Number of outstanding ordinary shares

50 - The movement in the number of outstanding shares

	2020	2019
Outstanding ordinary shares as at 1 January	279,407,449	278,779,019
Shares issued for stock dividend	-	628,430
Outstanding ordinary shares as at 31 December	279,407,449	279,407,449
Treasury shares to offset dilution stock dividend	(3,311,432)	(4,482,030)
Treasury shares held for performance share plan	(2,800,000)	(1,629,402)
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

In 2016, BAM placed €125 million subordinated unsecured convertible bonds to redeem the existing subordinated loan of the same amount. The transaction was in line with BAM's financing strategy to strengthen its balance sheet by lengthening the maturity and broadening the sources of its funding. It also improved BAM's commercial position and supports the execution of its strategy.

The bonds have an annual coupon of 3.5 per cent, an initial conversion premium of 32.5 per cent and are convertible into ordinary shares of BAM with a nominal value of €0.10 each. The bonds were issued at 100 per cent of their principal amount and, unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at their principal amount on or around 13 June 2021. In December, BAM repurchased €4.9 million of the outstanding subordinated unsecured convertible bond at an average price of 97 per cent of the nominal value.

Upon exercise of their conversion rights, holders will receive shares at the then prevailing conversion price. BAM will have the option to call all but not some of the outstanding bonds at their principal amount plus accrued but unpaid interest from 28 June 2019, if the value of the shares underlying a bond exceeds €130,000 for a specified period. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange.

More details of the subordinated unsecured convertible bond are published on www.bam.com under the link Investor relations.

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. In accordance with the Company's dividend policy the proposal is to distribute no dividend per ordinary share for 2020 (2019: no dividend, proposal of 2 euro cents was later withdrawn in reaction to the outbreak of the Covid-19 pandemic).

9.2 Five-year overview

(x € million, unless otherwise stated)	2020*	2019*	2018	2017	2016
Revenue	**6,768**	7,176	7,208	6,535	6,976
Operating result	**(221.3)**	34.6	105.2	10.4	52.8
Result before tax	**(236.9)**	23.4	114.5	20.0	60.1
Result for the year from continuing operations	**(272.0)**	(13.3)	-	-	-
Net result attributable to the shareholders of the Company	**(122.2)**	11.8	23.8	(13.8)	46.8
Basic earnings per share *(in €1)*	**(1.00)**	(0.05)	0.09	(0.05)	0.17
Diluted earnings per share *(in €1)*	**(1.00)**	(0.05)	0.09	(0.05)	0.17
Dividend per ordinary share *(in €1)* [1]	**-**	-	0.14	0.10	0.09
Equity attributable to the shareholders of the Company	**583.4**	628.4	729.0	721.3	834.3
Subordinated convertible bonds	**118.7**	120.5	117.6	115.0	112.5
Capital base	**702.1**	748.9	846.7	836.3	946.7
Net investment in property, plant and equipment	**43.9**	67.7	72.2	70.7	45.1
Net additions right-of-use assets	**117.6**	115.8	-	-	-
Depreciation, amortisation and impairment charges of:					
- Property, plant and equipment	**54.6**	54.0	63.7	55.0	62.5
- Right-of-use assets	**99.2**	99.7	-	-	-
- Intangible assets	**67.0**	16.2	6.0	5.2	5.0
- Other impairment charges	**13.2**	8.2	20.6	3.9	47.6
Cash flow before dividend	**111.6**	189.9	117.4	50.5	161.9
Total impairment charges	**74.7**	18.5	23.8	4.8	50.7
Order book [2]	**13,760**	12,659	12,692	11,636	10,193
Number of employees as at 31 December *(in FTE)*	**17,966**	**19,517**	20,194	19,720	20,370
Average number of employees *(in FTE)*	**18,731**	**19,433**	20,156	19,837	19,486
Ratios *(in %)*					
Result before tax and impairment charges as % of revenue	**0.5**	1.0	2.1	0.4	1.6
Net result to the shareholders of the Company as % of revenue	**(1.8)**	0.2	0.3	(0.2)	0.7
Net result to the shareholders of the Company as % average equity	**(20.2)**	1.7	3.3	(1.8)	5.4
Solvency ratios *(in %)*					
Equity attributable to shareholders as % of total assets	**11.2**	13.8	15.9	16.1	17.3
Capital ratio as % of total assets	**13.4**	16.5	18.5	18.6	19.7
Current ratio as current assets divided by current liabilities	**1.08**	0.95	1.02	1.00	1.04

*On a continuing basis unless otherwise stated

[1] For 2020 dividend proposal.

[2] Order book comprises both signed contracts and agreed-upon orders.

9.3 Non-financial information* and diversity information reference table

Topic	Subtopic	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	11, 17, 26-34
	The outcome of those policies	Yes	17, 26-34
	Principal risks in own operations and within value chain and how risks are managed	Yes	17, 44-50, 211-217
	Non-financial key performance indicators	Yes	17, 26-34
Relevant environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence	Yes	12, 17, 36-41, 211-217
	The outcome of those policies	Yes	17, 36-41
	Principal risks in own operations and within value chain and how risks are managed	Yes	211-217
	Non-financial key performance indicators	Yes	26-34
Relevant matters with respect to human rights (e.g. labour protection)	A description of the policies pursued, including due diligence	Yes	17, 26-34, 211-217
	The outcome of those policies	Yes	26-34, 211-217
	Principal risks in own operations and within value chain and how risks are managed	Yes	26-34, 211-217
	Non-financial key performance indicators	Yes	17, 26-34, 211-217
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence	Yes	17, 26-34, 211-217
	The outcome of those policies	Yes	26-34
	Principal risks in own operations and within value chain and how risks are managed	Yes	17, 26-34, 44-50, 211-217
	Non-financial key performance indicators	Yes	26-34
Insight into diversity (Supervisory Board and Executive Board)	A description of the policies pursued, including due diligence	Yes	58-61, 62-69
	The outcome of those policies	Yes	58-61, 62-69
	Principal risks in own operations and within value chain and how risks are managed	Yes	58-61, 62-69
	Non-financial key performance indicators	Yes	58-61, 62-69

* 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

14 April 2021	Annual general meeting of shareholders
6 May 2021	Trading update first quarter 2021
19 August 2021	Publication of half-year results 2021
4 November 2021	Trading update first nine months 2021
17 February 2022	Publication of annual results 2021
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

University Health Innovation Campus, Lancaster (United Kingdom) - BAM Construct UK

9.5 Glossary

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), N_2O (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 2020. For some operating companies or topics an exception is made and a reporting period of 1 December 2019 to 30 November 2020 is applied. BAM allows for this different reporting period when due to a complex operating and reporting structure more time is required to ensure that the reported data are reliable and adequate. BAM considers the effects of a different reporting period as not material to the Company's integrated report. There have been no significant changes from previous reporting periods in the scope and boundaries.

Reporting boundaries
Non-financial performance and data are accounted for according to BAM's share of equity. 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 integrated 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.

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) 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 hours worked 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. Reported hours are measured, calculated or estimated. The absolute number of reported serious accidents covers all BAM employees, subcontractors, hired employees and thirds on own projects and BAM employees, BAM subcontractors and direct hired employees by BAM on joint ventures.

For all companies, except for BAM International, BAM includes only employee-related accidents and hours. BAM International considers all persons working under its direct supervision even though they may not have a labour contract with BAM directly. As a result, the accidents and hours worked by all persons working under the supervision of BAM International and irrespective of their labour contract are included in the reported incident frequency.

Creating uniform safety reporting across all operating companies is one of the strategic objectives which create access to the right management information. BAM is in the process of enhancing the reporting process for worked hours of subcontractors. BAM strives to obtain reliable information by implementing automated on-site entrance systems such as tourniquets, fingerprint readers, iris scans and card systems.

BAM safety behaviour audit
In 2020, no safety behaviour audits (SBA) were carried out due to the Covid-19 pandemic. A safety behaviour audit is normally 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. Additional points may be added for innovative practices and where areas of concern, points deducted. The scoring of the various sections is marked from 1 to 5 as below:

No evidence of commitment	Poor	0% - 40%
Slight evidence of commitment	Fair	41% - 60%
Commitment evident but room for improvement	Good	61% - 80%
Good commitment demonstrated	Very good	81% - 90%
Excellent commitment demonstrated	Excellent	91% - 100%

Safety climate: management ambition and commitment to keeping workers safe is demonstrated through words and actions. Visual leadership coaching/ supporting the organisation, demonstration of intervention and enforcement where necessary.

Management system: safety policies, processes and procedures used to the task specific requirements (including resources) to achieve its safety objectives by risk management, supply chain management and continuous improvement. Demonstrate learning ability of the organisation. Compliance with the law and safety regulations (including the Royal BAM Safety Directive).

Site conditions: site setup, site logistics, collective and personal measurements to mitigate the task specific risks. Safe physical work environment and equipment. Demonstrate how to plan for safety and engage with the workforce.

The reported SBA score is the average of all individual operating company scores. It is the responsibility of safety officers from the operating company to organise the SBA interviews in detail and select the projects within the overall planning. Safety officers must consider the diversity in areas, business units, type of projects, phase of the projects. The selection of various projects could result into fluctuation of the score between the years. During all SBAs an independent person is present to oversee the results of all SBAs.

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 requiremens 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 obtained twice a year using a standardised reporting platform. HR data are derived from the HR accounts held by BAM's operating companies. Due to different definitions used, breakdowns in paragraph Organisational development and employee engagement (page 34) are based on figures that do not match the total number of FTE in Key figures. This does not result in different 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 (2013: Corporate Standard) 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.

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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. The basis for consolidated energy consumption and CO_2 emissions is activity data, which in turn are based mostly on meter readings, invoices and data provided by suppliers. Where reliable data are not available, BAM uses calculations or estimations using reliable methods and input data. BAM is satisfied that the estimates are reliable in all material respects.

Where clients provide BAM with electricity and BAM can receive reliable information on its client-supplied electricity consumption, the Company includes this consumption in its carbon footprint. Similarly, information received on CO_2 emissions associated with air travel is included in BAM's scope 3 emissions.

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.

Local sourcing

For the Dutch companies, BAM has investigated the extent to which its purchases are sourced locally. BAM has defined local sourcing as a purchase done with a supplier who is located in the same country as the construction site. BAM determines the percentage of local sourcing based on the country of residence of its 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. As in previous years, BAM has obtained reasonable assurance for the following KPIs: IF BAM and number of serious accidents, as included in the 'Safety' section in paragraph 3.2. Additionally, EY has provided reasonable assurance over the 'Material themes' section in paragraph 2.3 and the 'Business conduct and transparency' section in paragraph 3.2. For all other non-financial information reported in paragraphs 2.1, 2.2, 2.4, 3.2, 3.3, 9.6, 9.7 and on the GRI disclosures as published on BAM's website, BAM has obtained limited assurance.

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.

Definition	Impact	Management approach
Health and safety		
Health and safety (zero accidents) of all employees and subcontractors and everyone involved with BAM's activities, including the general public.	'BAM borrows its employees from their families', is how BAM expresses its responsibility for everyone who works with and for BAM. There is nothing more important than everyone returning home safely. Health and safety at work contribute to the satisfaction of the employees of the Group and their family members, BAM's subcontractors, its supply partners and others involved in BAM's construction sites. Safety also affects BAM's clients and BAM's reputation.	BAM has developed a Group-wide guideline for safety management. All safety management systems from operational companies must comply with this framework. Meeting the strategy means focusing on the quality of the underlying goals: striving for the ambition 'zero accidents' every day is the goal for safety. Zero accidents mean the mindset (intrinsic motivation) and the true belief that it is feasible to create a safe working environment that means 'everyone returns home safe every day'.

For BAM's performance, see chapter 3.2 Social performance.

Definition	Impact	Management approach
Project and product quality and control		
Quality of the tender process, efficient project management and effective project execution with the aim to meet or exceed the expectations of the client.	In order to 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 2.2 Strategy and chapter 4 Risk management.

Definition	Impact	Management approach
Business conduct and transparency		
Openness and compliance with generally accepted standards and values and compliance with local legal and other rules and regulations, in particular regarding the acquisition and execution of contracts.	BAM's reputation and licence to operate depend on responsible business conduct, by stimulating dialogue about dilemmas. Ensuring compliance with anti-corruption legislation improves efficiency through lower transaction costs for BAM and its stakeholders. Moreover, BAM is of the opinion that doing business honestly is of vital importance for the strengthening of the competitive position of both BAM and its partners. Competitive behaviour contributes to innovation and collaboration. It creates an environment in which the best products will win and in which BAM's clients will get the best products for the best price. The Group believes that by providing financial and non-financial information on the achievement of BAM's strategic goals, it can continuously improve the reporting process as well as its performance.	For BAM, it is fundamental to comply with generally accepted standards and values but also with local legal and other rules and regulations, particularly with respect to the acquisition and performance of contracts. This is set out in the Group's core values, the Code of Conduct and adjoining policies such as those relating to bribery, corruption and competition. All employees must act honestly, comply with agreements and deal carefully with customers and business partners, including suppliers and subcontractors. The Executive Board encourages this compliance, which is continuously evaluated in order to make integrity a fundamental part of the daily activities. The Group has an enhanced speak-up policy with an external reporting line, so that breaches of the code and policy can be reported through various channels. This policy is easily accessible to employees (e.g. on the intranet) and there is frequent communication around the themes. Compliance officers monitor compliance and advise on integrity issues.
For BAM's performance, see chapter 3.2 Social performance.		
Financial performance		
Overall financial health, including balance sheet, profit and 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 2020. For BAM's performance, see paragraph 3.1 Financial performance.		

Definition	Impact	Management approach
Employee recruitment, development and retention		
Encourage employees to use their skills, abilities and experience in a way that adds value to the Company and delivers personal growth, technical 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.		
Energy and emissions		
Energy consumption for BAM's direct activities and the entire lifecycle of its products, and the CO_2 emissions as a result of this energy consumption.	The Group's energy consumption contributes to a significant amount of its costs and is an indicator of the efficiency of its processes. The construction industry has a high energy consumption compared to others; therefore, BAM's energy use has a major impact on society. 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 targets for both absolute and relative reduction of emissions. BAM monitors and benchmarks progress on these targets on a quarterly basis for different activities within the Company. 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. By joining the Dutch Climate Coalition (Nederlandse Klimaat Coalitie), BAM has committed to: • Having climate-neutral operations by 2050; • Providing insights into its carbon footprint; • Setting interim targets for climate neutrality; • Becoming an ambassador of the Dutch Climate Coalition within the construction industry.
Example KPI: CO_2 intensity For BAM's performance, see paragraph 3.3 Environmental performance.		

Definition	Impact	Management approach
Circular economy		
An economy which aims to keep materials, components and products at their highest utility and value, at all times.	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. Approximately 25-30 per cent of the total demolition and construction waste in the European Union is generated by the construction process. 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 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: source 100 per cent sustainable timber by 2020. ▶ For BAM's performance, see paragraph 3.3 Environmental performance.		
Community engagement		
The relationships with the communities surrounding BAM's activities.	By its very nature, the Group's construction and renovation work has an impact on the local community, residents and other users of buildings and infrastructure, and society as a whole. Community engagement affects the Group's licence to operate and enables BAM to build faster, leading directly to results. The Group's impact on its surroundings immediately affects its employees and local suppliers. And BAM's community engagement improves jobs and education in its environment, contributing to society as well. This requires a constant focus on everything BAM does to minimise the Group's negative impact and create value for local communities by implementing community engagement programmes. Involvement of people from diverse backgrounds provides an opportunity to create social value. BAM actively supports social return, providing work for people who are unemployed for various reasons, for example due to poor education, health issues and people with disabilities. Through the support of BAM, these people benefit from 'social return on investment' initiatives.	For many of its projects, BAM identifies local interests and, on that basis, chooses the best approach to increase the license to operate, which may mean that BAM participates in local events. BAM also participates in the Considerate Constructors Scheme in the United Kingdom and its Dutch equivalent Bewuste Bouwers.
Example KPI: Enhance one million lives in local communities by 2020. ▶ For BAM's performance, see chapter 3.2 Social performance.		

Definition	Impact	Management approach
Innovation		
The creation of new viable business offerings.	Innovation influences BAM's ability to adapt to changing market needs and competitiveness in relation to current competition and future newcomers to the market. Digital construction is a main theme within BAM's innovation agenda. The benefits of digital construction for BAM and its stakeholders are higher resource productivity, end-user value, sustainability and outcome predictability.	BAM shapes its future portfolio over two tracks. Both tracks are supported by an organisation and a lively ecosystem for innovation (BAMs Innovation Funnel). In both tracks BAM focuses strongly on digital innovation. • Track one, 'Business innovation', follows an innovation stage gate process to improve and align BAM's current innovation portfolio. • Track two, 'Scaling edges', uses scalable learning and sprint methodology to develop and scale new business offerings at the edges of BAM's current business.

For BAM's performance, see chapter 2.2 Strategy.

Definition	Impact	Management approach
Procurement strategy		
Selecting suppliers and subcontractors and stimulating them to practise their skills and improve their products in a way that adds long-term value to BAM and its clients as well as suppliers and subcontractors, providing process and product innovation and profit.	Labour policies of the Group's suppliers and subcontractors can affect BAM's reputation. Loss of reputation can lead to less work. The suppliers and subcontractors of the Group must at least adapt their policies to the BAM standards in order to be able to work for the Company. As a result, these standards also have a positive influence outside the Group.	To integrate the development of the Group's supply chain and its values, BAM strives for added-value, long-term, mutually beneficial relationships with partners that can help to improve the Group's supply chain. In order to achieve this, BAM is developing selected groups of suppliers and subcontractors on different levels – unit, operating company, country and Group level – within BAM. By having a preferred group of suppliers and subcontractors BAM can further interact with the supply chain on a regular basis, thereby creating the possibility to challenge each other to learn, innovate and improve its joint performance for the client. Based on the level of the relationship, there are different types of suppliers and subcontractors, such as preferred suppliers, partners and co-makers. Based on the challenges in client markets, development in the supply chain and performance of the suppliers and subcontractors, the position and role of the suppliers and subcontractors can change. The challenge is, on the one hand, to select up-front supply chain partners, products and services that really make a difference to the value proposition of BAM, and on the other hand let go of suppliers and subcontractors who do not add value. Apart from a more standardised due diligence, suppliers are assessed against five different themes: safety, quality, total cost, logistics, and engineering and process. If they score below the required level, BAM starts a dialogue to improve their performance. If they are not willing and/or able to improve their performance, they will be excluded from future work with BAM.

For BAM's performance, see chapter 3.2 Social performance.

Definition	Impact	Management approach

Fair tax

Definition	Impact	Management approach
Compliance to the letter and spirit of tax laws resulting in paying an appropriate amount of tax according to where value is created within the normal course of and being transparent about approach and outcome.	Tax is a relevant subject for BAM and its stakeholders. Tax payments to governments can contribute to the development of countries. On the other hand, optimisation of taxes is in the interest of the Company and its financial position.	BAM strives to come to a responsible approach to tax and supports paying fair tax as an integral part of its strategic agenda. BAM's tax policy statement is published on the website www.bam.com.

For BAM's performance, see chapter 3.1 Financial performance.

Human rights

Definition	Impact	Management approach
Ensuring compliance within the entire value chain regarding the basic rights and freedoms to which all humans are entitled, often held to include the rights to equality, a fair trial, freedom from slavery, and freedom of thought and expression.	Human rights is a relevant subject for BAM and its stakeholders. The value of rights and freedoms of people play an central role in both our direct operations as well as in BAM's mission 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. The risk of violations of human rights as referred to in the framework agreement agreed with the international federation Building and Wood Worker's International (BWI) are considered highest in some of the countries where BAM International operates in, such as in the Middle East and Africa.	BAM has signed a framework agreement with Building and Wood Worker's International (BWI), to promote and protect employee rights. By signing the agreement BAM agreed to recognise and respect: • The fundamental principles of human rights as defined in the Universal Declaration of Human Rights; • The ILO Declaration on Fundamental Principles and Rights at Work; • The ILO Conventions in force; • The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; and • The OECD Guidelines for Multinational Enterprises. Within the agreement, BAM also endorses the need for fair negotiations with national trade unions and acknowledges that corruption, bribery and anti-competitive behaviour are not acceptable. In the past, regular meetings were held with management representatives from BAM and trade union organisations (including BWI) and social audits on (international) projects were carried out to monitor implementation of the agreement. Due to the winding down of BAM International and BAM not being able to carry out social audits in recent years, the Group will reassess whether this is the best approach to cover human rights going forward. Subcontractors must comply with labour conditions as stated in BAM's purchasing conditions. The United Kingdom's Modern Slavery Act 2015 requires all larger companies to prepare a statement of its activities in this area. Both BAM Construct UK and BAM Nuttall have initiated working groups and are working towards developing their approaches.

For BAM's performance, see chapter 3.2 Social performance.

Residential and care apartments Park Malderborgh, Nijmegen (the Netherlands)