

Report of the Supervisory Board

Report on supervision by the Supervisory Board

As part of its supervisory duties, the Supervisory Board has given consideration to the achievement of the corporate objectives, the strategy and risks, the purpose and performance of internal risk control, financial reporting, compliance with legislation and regulations, investor relations and corporate social responsibility (CSR). Commentaries on each of these matters are provided below.

Report on supervisory duties: achievement of corporate objectives

Looking back on 2015, the Supervisory Board notes that the Board of Management has again operated under difficult economic conditions. The Board of Management has also been obliged to devote much time and energy to financial matters and the exploration of strategic options. The Board of Management has also worked with the divisional directors in devoting a great deal of attention to the improvement of the operational performance and efforts to reach agreement on major claims.

The Supervisory Board notes that Ballast Nedam recorded an operating loss of €34 million for 2015.

As explained in Chapter 3 *Strategic objectives and results* on page 12 of this annual report, the other strategic objectives for 2015 were achieved in part.

The Supervisory Board discussed the performance of the Board of Management both collectively and with regard to individual members. The remuneration of Board of Management members was also considered.

In October 2015 Mr Van Zwieten and the Supervisory Board decided in close consultation that Mr Van Zwieten would step down as Chief Financial Officer with effect from 1 January 2016. With effect from 20 November 2015, the appointment of Mr Düzyol as a member of Ballast Nedam's Board of Management became effective.

Report on supervisory duties: strategy and risks

The Supervisory Board deliberated at length on Ballast Nedam's strategy. Within the financial possibilities of the company, the Supervisory Board supports the Board of Management in the strategy that is set out in Section 2.2 *Strategic Plan for 2016-2017* on page 10 of this Annual Report.

The Supervisory Board and the Audit Committee also frequently discussed the various risks set out in Chapter 4 *Risk and risk management in Ballast Nedam* on page 22 of the Annual Report.

Report on supervisory duties: purpose and performance of internal risk control

The Board of Management informed the Supervisory Board regularly about the risk profile, the course of events, the financial situation and market developments. The Supervisory Board also discussed with the Board of Management the most important risks for Ballast Nedam, the internal risk management and control systems, and how the risks could be further limited and controlled. The Supervisory Board further discussed with the Board of Management methods of limiting the risks in the operational process. The external auditor attended these discussions.

Report on supervisory duties: financial reporting

Financial reporting is discussed at each Audit Committee meeting. Developments related to IFRS and changes in legislation applying to auditors were also discussed at length. The Audit Committee also discussed taxation matters. Finally the Supervisory Board extensively discussed the half-yearly figures, the annual figures, the trading updates and the business plan.

Report on supervisory duties: compliance with legislation and regulations

The issue of compliance was discussed at each meeting of the Audit Committee and several meetings of the full Supervisory Board. All the important ongoing legal proceedings were also discussed in the presence of the external auditors.

Report on supervisory duties: investor relations

The Supervisory Board is of the opinion that the contact with shareholders should take place primarily in the shareholders' meetings. The Board considers it important for many shareholders to attend these meetings. In addition the Supervisory Board considers it important, for both the company and the shareholders, for contact to take place between the company and shareholders outside shareholders' meetings.

In view of Ballast Nedam's financial position, the Supervisory Board has had contact with the major shareholders on several occasions.

Report on supervisory duties: corporate social responsibility

Corporate social responsibility (CSR) is an important theme that is discussed by the Supervisory Board several times each year. Each Ballast Nedam business unit reports on non-financial CSR objectives in the quarterly report to shed light on the progress being made and how it can be managed. Details of the CSR policy and the objectives are provided in Chapter 5 *Corporate social responsibility* on page 33.

Report of the Audit Committee

The Audit Committee has two members. Mrs Insinger stepped down as chairman of the Audit Committee on 20 November 2015 and was succeeded by Mr Baki. Mrs Insinger continued as a member of the Audit Committee. Both members have acquired relevant knowledge and experience of financial matters. Mr Tiemstra stepped down from the Audit Committee on 20 November 2015. The Committee met on four occasions in 2015 in the presence of the CEO and the CFO of the Board of Management. The external auditors and the secretary of the Supervisory Board also took part in these meetings.

The Audit Committee discussed the following subjects, among others, in its meetings:

- the quarterly, half-yearly and annual figures;
- the Annual Report;
- the reports of the external auditors;
- the company's liquidity position;
- developments in International Financial Reporting Standards (IFRS);
- valuation methods;
- compliance;
- the risk profile;
- risk management;
- the ICT policy and its implementation;
- the company's tax position;
- developments in major projects, such as the A15 Maasvlakte-Vaanplein and A2;
- corporate social responsibility;
- the refinancing.

In addition the Audit Committee specifically addressed the general financial strategy and financial procedures, the internal risk management and control systems and the risk management of projects.

The Audit Committee held separate discussions with the external auditors and the Chief Financial Officer (CFO) on one occasion.

The Supervisory Board discussed the findings of the external auditor, the management letter for 2015 and the follow-up to the findings with the external auditor.

Report of the Remuneration Committee

The Remuneration Committee met on two occasions in 2015. Mr Van Doorne (Chairman) and Mrs Ilicak Kayaalp are the members of this Committee. Mr Bout stepped down from the Remuneration Committee on 20 November 2015.

The following matters were discussed at the meetings:

- evaluation of the remuneration policy for members of the Board of Management;
- evaluation of the remuneration of individual members of the Board of Management;
- evaluation of the remuneration of individual members of the Supervisory Board;
- scenario analyses.

The Remuneration Committee then advised the Supervisory Board on these matters. Section 6.4 *Remuneration report* on pages 60 to 64 provides further details of the remuneration policy.

Report of the Selection and Appointments Committee

The Selection and Appointments Committee met on two occasions in 2015. Mr Akvardar (Chairman) and Mrs Ilicak Kayaalp are the members of this Committee as of 20 November 2015 and they succeeded Mr Bout and Mr Van Doorne.

The following matters were discussed at the meetings:

- review of the size and composition of the Supervisory Board;
- review of the size and composition of the Board of Management;
- profile of the Supervisory Board;
- re-appointment of Mr Bout as Supervisory Board member;
- re-appointment of Mr Van Zwieten as a member of the Board of Management;
- review of the performance of individual members of the Supervisory Board collectively;
- review of the performance of individual members of the Board of Management and of the Board of Management collectively;
- the departure of Mr Van Zwieten and the filling of the vacancy for CFO.

The Selection and Appointments Committee then advised the Supervisory Board on these matters.

Composition of the Supervisory Board

At the Annual General Meeting of Shareholders of Ballast Nedam held on 29 June 2015, Mr Bout was re-appointed as a member of the Supervisory Board until the end of the 2016 financial year.

At the Extraordinary General Meeting of Shareholders of Ballast Nedam held on 30 October 2015, Mr Bout and Mr Tiemstra conditionally stepped down as members of the Supervisory Board and Mrs Ilicak Kayaalp, Mr Akvardar and Mr Baki were conditionally appointed as new members of the Supervisory Board. The aforementioned resignations and appointments were conditional upon the declaration from Renaissance that its public offer was unconditional.

As per 20 November 2015, the appointments of Mrs Ilicak Kayaalp, Mr Akvardar and Mr Baki and the resignations of Mr Tiemstra and Mr Bout as members of the Supervisory Board became effective. Mr Van Doorne and Mrs Insinger stayed on as members of the Supervisory Board. The Supervisory Board is grateful to Mr Bout and Mr Tiemstra for their work as members of the Supervisory Board.

Each member of the Supervisory Board must be capable of assessing the salient features of the overall policy. He possesses the specific expertise needed to fulfil his duties, within his role that is compatible with the Board's profile. The Supervisory Board strives to achieve a diversity of

backgrounds and expertise among its members. Among the relevant areas of knowledge are human resource management, the construction industry, public administration, financial expertise, compliance and legal affairs. The composition of the Supervisory Board must be such that he is able to perform his duties satisfactorily. Furthermore each member of the Supervisory Board must have sufficient time available to perform his duties satisfactorily.

Supervision quality assurance

The Supervisory Board reports in this section on the activities carried out to monitor the quality of the management and its supervision.

Supervision quality assurance: evaluation

The Supervisory Board also frequently met independently of the Board of Management. At one of these meetings the Supervisory Board discussed the performance of the Board of Management both collectively and in terms of the individual members. The remuneration of Board of Management members was also discussed.

The Supervisory Board also evaluated its own performance, with the members discussing among themselves the performance of the Supervisory Board and its individual members. The Supervisory Board deliberated among other things on its internal decision-making process, the quality of its supervisory role and its relationship with the Board of Management.

Supervision quality assurance: succession planning

The Selection and Appointments Committee deliberated on Ballast Nedam's management development policy. The Supervisory Board also interviewed the divisional directors, financial directors and a number of staff directors to gain a clearer picture of the management level below the Board of Management and of these directors' insights concerning Ballast Nedam, having regard to the fact that this management level largely determines the continuity of the business.

Supervision quality assurance: introduction programme

Partly in the context of the introduction programme, Mrs Ilicak Kayaalp, Mr Akvardar and Mr Baki held introductory meetings shortly after their appointment and obtained extensive information on Ballast Nedam's financing position and on financial control within Ballast Nedam.

Supervision quality assurance: independence

The Supervisory Board complies with the independence criterion laid down in the Dutch Corporate Governance Code.

Supervision quality assurance: soliciting information

The Supervisory Board pays regular visits to construction projects and subsidiaries. The Board also invites Ballast Nedam employees to attend part of the Supervisory Board meeting. The purpose of these visits and invitations is to maintain affinity with the company and to gather information about the business other than through the Board of Management. In this framework the Chairman of the Supervisory Board also had talks with the full Central Works Council. The Supervisory Board also solicits external advice on a regular basis.

Supervision quality assurance: internal auditor

Each year the Audit Committee evaluates the desirability of appointing an internal auditor. The Audit Committee concluded in 2015 that an internal auditor would at this time be unlikely to add any worthwhile value for Ballast Nedam. Ballast Nedam further tightened its financial and business control in 2015. The separation between operational responsibility and financial control was also applied at all levels within Ballast Nedam and annual assignments are being given to the external auditor to conduct additional audits.

Internal affairs

This section describes changes in the composition of the Supervisory Board and the attendance at meetings.

Internal affairs: departure

Mr Bout and Mr Tiemstra stepped down as supervisory directors in November 2015. The Supervisory Board thanks Mr Bout and Mr Tiemstra for their work as members of the Supervisory Board of Ballast Nedam. Mr Van Doorne remained as a member, but stepped down as chairman of the Supervisory Board and was succeeded by Mrs Ilicak Kayaalp. Mr Akvardar and Mr Baki were appointed as members of the Supervisory Board. Mrs Insinger remained as a member of the Supervisory Board and the Audit Committee, but stepped down as chairman of the Audit Committee and was succeeded by Mr Baki.

Internal affairs: attendance

In 2015 there were 74 meetings of the Supervisory Board, four meetings of the Audit Committee, two meetings of the Remuneration Committee and two meetings of the Selection and Appointments Committee. The majority of the meetings of the Supervisory Board took place by telephone. On 21 occasions a member of the Supervisory Board was unable to attend these meetings. Attendance thus amounts to 93.3%.

Internal affairs: secretary

Mrs T.J. Doornink was appointed as secretary of the Supervisory Board in 2014.

Mrs Y.E. Bosland, who fulfilled the position on an interim basis, stepped down as secretary of the Supervisory Board in November 2015.

Dividends

The basic principle of Ballast Nedam's dividend policy is that 50% of the net profit is distributed as dividend if the leverage ratio is less than 2. In view of the loss incurred, the poor market outlook and the fact that the leverage ratio is higher than 2, the Supervisory Board has approved the Board of Management's proposal to pay no dividend in respect of 2015.

Financial statements and discharge

The Supervisory Board hereby submits the Annual Report for the 2015 financial year, including the consolidated and company financial statements of Ballast Nedam N.V., as prepared by the Board of Management and approved by the Supervisory Board. The financial statements have been audited by Ernst & Young Accountants LLP. The independent auditor's report appears in Section 8.1 on page 122. The Supervisory Board recommends to adopt the financial statements and requests to grant discharge to the members of the Board of Management and the Supervisory Board in respect of their management and supervision respectively in 2015.

Nieuwegein, 24 March 2016

Supervisory Board

I. Ilicak Kayaalp
H.A. Akvardar
E. Baki
L.W.A.M. van Doorne
C.M. Insinger