

# Corporate governance report

Corporate governance is concerned with the structures and processes of good business management, supervision and transparency.

## Corporate Governance Code

Bilfinger Berger supports the goal set out by the the German Corporate Governance Code of enhancing the transparency and comprehensibility of the corporate governance systems and fostering trust among national and international investors, customers, employees and the public in the management and supervision of German listed companies. Bilfinger Berger AG complies with all of the recommendations of the German Corporate Governance Code as amended on June 14, 2007 with one necessary exception. The details are given in the Declaration of Compliance issued pursuant to Section 161 of the German Stock Corporation Act by the Executive Board and the Supervisory Board on December 6, 2007. It states: "Bilfinger Berger AG complies with all of the recommendations of the German Corporate Governance Code as amended on June 14, 2007. The sole exception is the recommendation in Clause 5.4.3, Sentence 3 (announcement to the shareholders of the proposed candidates for the Chair of the Supervisory Board), because this recommendation is not compatible with the distribution of competencies laid down in the German Stock Corporation Act. The election of the Supervisory Board Chairman is the responsibility of the Supervisory Board alone.

Since issuing the Declaration of Compliance of December 2006, Bilfinger Berger has complied with all of the recommendations of the German Corporate Governance Code as amended on June 12, 2006 with the exception of the aforementioned recommendation in Clause 5.4.3, Sentence 3."

Bilfinger Berger also fulfills nearly all non-binding proposals of the German Corporate Governance Code. Excepted from this are only the accessibility of the proxy representative of the

shareholders, also during the Annual General Meeting (Clause 2.3.3) and the inclusion of components of Supervisory Board compensation based on the long-term performance of the enterprise, (Clause 5.4.7). The Supervisory Board sitting until the Annual General Meeting on May 21, 2008 has a unified period in office. For the new election in this Annual General Meeting, a varying period in office for two shareholder representatives on the Supervisory Board is proposed in accordance with the Code proposal in Clause 5.4.6.

## Corporate governance structure

Bilfinger Berger AG is a stock corporation under German law and as such has a dual management and monitoring structure consisting of the Executive Board and the Supervisory Board. The third body of the Company is the Annual General Meeting. At present, no use is made of the possibility of forming an advisory board, as allowed by Article 15 of our Articles of Incorporation, which are published on our Internet website.

## Executive Board

The Executive Board manages the Company in its own responsibility. The members of the Executive Board are appointed by the Supervisory Board. The Executive Board consists of six members (see page 175).

Details of the compensation of the members of the Executive Board can be found in the compensation report, which is included as a section of this corporate governance report (see page 39).

### **Supervisory Board**

The Company's Supervisory Board is composed of an equal number of shareholder and employee representatives. The Supervisory Board, which will sit until the Annual General Meeting on May 21, 2008, has 16 members (see page 172). Because there are now regularly more than 20,000 employees working in Germany, the number of Supervisory Board members, in accordance with Paragraph 1 Section 3 of the German Industrial Codetermination Act, increases to 20. Accordingly, ten shareholder representatives will be elected by the Annual General Meeting on May 21, 2008. In accordance with the Codetermination Act, the members representing the employees are elected by the workforce. The Supervisory Board advises and monitors the management of the Company by the Executive Board. Within the context of its report, the Supervisory Board informs the shareholders on its activities (see page 44).

The current composition of the Supervisory Board and the committees assembled for more efficient execution of its activities can be seen in the section of the Annual Report entitled "Boards of the Company" (see page 174).

The compensation of the members of the Supervisory Board is shown in the compensation report (see page 42).

### **Annual General Meeting**

The Annual General Meeting is to be convened at least once each year. The Executive Board presents to the Annual General Meeting certain documents, including the individual and consolidated financial statements, and the management reports for the Company and the Group. The Meeting decides on the appropriation of profits and on ratifying the actions of the Executive Board and the Supervisory Board, elects the members of the Supervisory Board representing the shareholders, and the external auditors. In addition, it makes decisions on amendments to the Articles of Incorporation and in certain other cases as specified by applicable law or the Articles of Incorporation. Each share grants entitlement to one vote in the Annual General Meeting.

### **Directors' Dealings**

Pursuant to Section 15a of the German Securities Trading Act, the members of the Supervisory Board and the Executive Board, other persons with management duties who regularly have access to insider information on the Company and who are authorized to make significant business decisions, and certain persons who are in a close relationship with those persons, are legally obliged to disclose to Bilfinger Berger AG any acquisitions and disposals of Bilfinger Berger shares and related financial instruments, particularly derivatives from an amount of more than €5,000 in any calendar year. We published details of such transactions on our Internet website at [www.bilfinger.com](http://www.bilfinger.com) without delay.

The members of the Executive Board and the Supervisory Board do not own any shares in the Company or any related financial instruments that together, either directly or indirectly, constitute more than 1% of the shares issued by the Company.

### **Compliance System**

The Code of Conduct is a significant component of our Compliance System. Bilfinger Berger is aware that the interests of the Company and its partners can only be effectively guaranteed through responsible dealings and adherence to ethical principles. These principles have been clearly formulated in our Code of Conduct. The Behavioral Guidelines, which apply to all Group employees, include the fundamental rules for the counteraction of corruption, bribery, bid rigging, illegal employment and for social behavior in the company. Because of the wide variety of legal and social conditions which exist in Germany and abroad, the Code of Conduct also includes country-specific behavioral guidelines.

A network, consisting of the Chief Compliance Officer of the Group and the Compliance Officers of the operating units are responsible for the distribution and application of our Code of Conduct. To complement the function of internal ombudsmen, we have appointed an external ombudsman, Dr. Erich G. Bähr, attorney (tel. +49 (0) 69 74 50 50) through whom employees, and also persons outside of the company, can point out misconduct. The control systems we have implemented to ensure compliance with the Code of Conduct include both routine and extraordinary audits from Internal Auditing, special controls with regard to compliance with regulations for competition and employee deployment as well as regulating and controlling the use of third parties in connection with order acquisition. Our Code of Conduct and the Compliance System are components of events for employees, employee reviews and comprehensive training measures. Compliance was one of the central themes of a road show with the Chairman of the Executive Board in Germany during which over 800 employees were addressed personally. Through the immediate reporting of serious cases, as well as through quarterly and annual reports from the Chief Compliance Officer, the Executive Board and the Audit Committee of the Supervisory Board are informed regularly about the developments in this area.

A Compliance Committee made up of the Heads of Legal, Internal Auditing and Corporate Affairs, which meets at least once in each quarter, supports the Chief Compliance Officer in both the general framework and the further development of the Compliance System as well as with the treatment of individual compliance cases.

Any misconduct that is discovered will result in organizational measures and personnel consequences. The insights gained from reporting, the comparison with other systems and the evaluations from external specialists all lead to the ongoing development and improvement of our Compliance System.

#### **Compensation of the Committees**

The following compensation report is part of the Management Report and, at the same time, part of this corporate governance report. The Supervisory Board has included it in the approval of the Management Report and has adopted it for its reporting on corporate governance and compensation as its own.

Mannheim, March 10, 2008

Bilfinger Berger AG

The Executive Board

The Supervisory Board