

Risks and Risk Management

The DHV Group bases its risk management on the principles of the Dutch Corporate Governance Code and our Business Framework, which, in turn, is based on the COSO Enterprise Risk Management Framework. Ultimately, it is the Executive Board's responsibility to manage risks, promote risk awareness and identify, address, and monitor risks.

Internal Control and Risk Management Systems

Internal Control and Risk Management Systems are used to promote risk awareness and identify, address and monitor risks. At least five times a year, the Supervisory Board meets with the Executive Board to review issues such as strategy, acquisitions, results and risks. The Audit Committee monitors compliance with financial rules and regulations, as well as the quality and operation of the internal control systems and risk management measures. In 2010 the Committee's review covered: quality of project management and high-risk projects, implementation of a new business information system, ICT, the Business Framework, including the BIMS compliance system and the audit charter. The Supervisory Board meets at least twice a year with external auditors who are appointed annually by the shareholders. The Internal Audit department reports directly to the CFO and follows a program that is approved by the Executive Board. The Internal Audit department's activities focus on specific aspects of the internal control systems and procedures. Its findings and recommendations are reviewed by the Audit Committee.

The Group has developed a wide range of tools for the planning, implementation, and adjustment of its business processes and projects:

- The DHV Group Strategy Paper, a 5 year plan, guides the medium term plans and the annual plans, including budgets. During the annual planning period, scenarios are tested to enable a swift reaction to changing circumstances.
- The annual plans are implemented by management after approval by the Executive Board and review by the Supervisory Board. The levels of authority and responsibility are defined in the Authority Matrix and Group policies.
- Progress is quarterly reported and discussed by the Executive Board with the responsible management and controllers. Mutual consultations also frequently take place between the Executive Board and management. Controllers have a dual reporting: directly to the CFO who is a member of the Executive Board and –operationally- to the unit management.
- Reporting guidelines and formats are laid down in the Corporate Financial Manual, with the most current version available to the Group via intranet.
- The Business Framework is the reference against which the control, planning and risk management process for projects and business components can be assessed.

Risks

The DHV Group is vulnerable to risks in the following categories: market including capacity (staff), operational, financial, and compliance. Virtually all risks are associated with the execution of projects.

Market Risks and Management

The public sector is the DHV Group's largest client group. Material changes in national and international political priorities, in central or local administrations, and in legal and regulatory frameworks can affect long-term plans and ongoing projects and may lead to increased competition, exposing the Group to risks. In addition the current economic conditions have impacted the results and also present a risk to the Group for the next few years. Projects may be delayed or cancelled, stricter credit conditions may be applied and the creditworthiness of private clients and the public sector might deteriorate. In order to brace ourselves for this situation we are focusing our attention on optimizing staff and staff flexibility, firmly managing our cash position, driving down costs and reacting quickly to changing circumstances. The Group does have activities in countries that are considered politically unstable, but they account for only a small percentage of turnover.

Market risks are mitigated by spreading sales over various geographical regions and client groups. Prompt response to anticipated political developments and changes in legal and regulatory environments (portfolio management) can further reduce these risks.

Operational Risks and Management

These risks are primarily related to the generally used contract conditions that govern the services of the DHV Group. These conditions are regularly reviewed and revised as needed. Operational risks occur during contract execution and include various kinds of risks and claims that basically result from errors in project execution, delays in project implementation, underperforming subcontractor and/or subconsultants, and insufficient communication with the client. Continuous assessment of the quality of its partners takes place, which is also adequately covered by requiring contractual assurances from partners and subcontractors.

In order to optimize mitigation of the operational risks the internal project management procedures have been tightened and the Group wide Project Management Manual, based on PMI, was implemented in 2010. Review will be done on a regular basis. The managers are responsible for project acceptance, in accordance with the limits set out in the authority matrix. Additionally projects of a defined nature

and or above a certain value require prior advice from the respective regional Tender Board, which reviews specific risks. Quality systems, related procedures and guidelines are implemented in accordance with ISO 9001 (2000 certification). Project implementation risks are also covered by adequate corporate and professional liability policies.

To ensure reliable operations of the global ICT systems, the ICT system has partially been outsourced to an international ICT service provider. In 2010 a new Management Information System was successfully implemented.

Legal Disputes between the DHV Group, clients, staff members and other stakeholders may arise during the course of activities. The Group is involved in a number of legal proceedings following from the normal course of business and has provided for expected costs and exposure.

Financial Risks and Management

Foreign exchange risks are limited since revenues and expenditures are made in the same currency, in principle. The remaining foreign exchange risks are hedged where possible. The amount of short-term interest-bearing liabilities is small, thus minimizing interest risks. If required, interest-hedging instruments will be used. Long-term liabilities carry long-term, fixed interest rates. Several of the short-term interest-bearing liabilities are consolidated into a medium-term loan.

The DHV Group's financing requirements for working capital are highly seasonal: strong fluctuations could increase the risk of illiquidity and to cover this risk credit agreements were signed with its banks.

The DHV Group's largest investments outside the Netherlands are its shareholdings in the Canadian, South African, and Polish subsidiaries. Translation risks are relatively minor and are therefore not hedged. Goodwill payments have been capitalized since 2002 and, in principle, are being amortized over a twenty-year period. Impairment tests will determine the current fair value of the investment. If and when necessary, based on an impairment test, an additional component of the goodwill will be impaired.

A small number of pension schemes, with a limited interest, is based on defined benefit plans. All other pension plans are based on a collective 'defined contribution' plan. As a result, the Group's exposure to pension risks is limited.

Taxes are included in the annual financial statements, based in part on substantiated estimates. These numbers may differ from the final assessments made by the tax authorities.

Compliance Risks and Management

Doing business in a socially responsible manner and with integrity is increasingly important for the reputation of the DHV Group. Non-compliance with local legal and regulatory prescriptions may damage a company's reputation and thus might have a great impact on its results.

The following measures have been taken to mitigate compliance risks:

- The DHV Group implemented a new Global Code of Business Principles which describes the Group's values and behavioral standards for DHV employees in general terms.
- The DHV Group has instituted a Business Integrity Management System which lays down clear guidelines and rules of conduct regarding integrity. BIMS helps to conduct our global business in accordance with the highest standards of integrity. The system reflects the continuous effort to improve compliance with our Business Principles and consists of elements like the Business Principles, strict management commitments, quarterly reports and Letters of Representation etc. BIMS is kept under continuous review and changes are implemented when necessary.
 - In 2010 an external compliance audit was successfully completed and resulted in the award of the ACTIVE AC Certificate by the Ethic Intelligence International Institute. The recommendations of this audit are implemented.
 - In 2010 the whistle-blower scheme was enhanced by launching the Speak Up Line which protects those that draw attention to business conduct that conflicts with our business integrity principles.
 - Increasingly, client contracts include a Declaration of Integrity. This is a standard requirement in contracts with new partners and sub consultants.
 - In 2010 the agent contracts were improved in line with the Group's integrity policy.
- Every quarter, risk and compliance matters are reported.
- Every year managers sign a Letter of Representation in which they explicitly accept responsibility for compliance with internal rules and external legal and regulatory stipulations.
- The Compliance Officer monitors observance of the Business Integrity Principles.

The Executive Board believes that the abovementioned measures provide appropriate certainty that there are no significant inaccuracies.