



FEEDBACK STATEMENT

CONSULTATION DRAFT DUTCH STEWARDSHIP CODE

1. INTRODUCTION

On 18 September 2017, Eumedion started a consultation on the draft Dutch Stewardship Code¹. Stakeholders were invited to provide feedback on the draft version of the Code. The consultation generated a lot of discussion and responses, both among Eumedion participants and other stakeholders. Besides the formal consultation, the Eumedion secretariat entered into dialogue with relevant stakeholders (such as policy makers and representatives of asset owners and asset managers) on the draft Dutch Stewardship Code. This feedback statement provides an overview of the most important comments received during the consultation period, and describes the conclusions drawn from that feedback by Eumedion. In addition, appendix I to this document provides an overview of the main differences between the Code and the revised Shareholder Rights Directive, the revised Dutch Corporate Governance Code and the Eumedion Best Practices for Engaged Share-ownership. Please note that the order of the principles of the final version of the Dutch Stewardship Code differs from the order in the draft Dutch Stewardship Code. In this feedback statement, the order of the draft Dutch Stewardship Code is followed.

2. BACKGROUND OF THE DUTCH STEWARDSHIP CODE

In the Eumedion Policy Plan 2017 it was announced to evaluate the Eumedion Best Practices for Engaged Share-Ownership that were adopted in 2011.² The objective of the evaluation was to find out whether the best practices are: i) still 'state of the art' and ii) in line with new developments (e.g. the revised EU Shareholder Rights Directive³, the revised Dutch Corporate Governance Code⁴ and stewardship codes of other countries). In March 2017, the Eumedion Executive Board established a special Eumedion working group, consisting of 14 Eumedion participant representatives and chaired by the Eumedion Chairman to update the Eumedion Best Practices. The working group expressed the ambition to transform the Eumedion Best Practices into a Dutch Stewardship Code in order to underline the importance and transparency of stewardship activities performed by all institutional investors in Dutch listed companies.

¹ <https://www.eumedion.nl/nl/public/kennisbank/best-practices/2017-09-consultatiedocument-stewardship-code.pdf>.

² https://www.eumedion.nl/en/public/knowledgenetwork/best-practices/best_practices-engaged-share-ownership.pdf

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017L0828&from=EN>.

⁴ <https://www.mccg.nl/download/?download=1&id=3367>.

3. NUMBER AND SUBSTANCE OF RESPONSES

25 organisations responded to the draft Dutch Stewardship Code, either via a formal comment letter or via an oral contribution. The substance of the responses varied widely: from overall support to an advice to discontinue the project because of overlap with the revised EU Shareholder Rights Directive (revised SRD). A number of company pension funds expressed concerns with respect to the potential administrative burden and additional costs stemming from the implementation of the Code. A number of respondents also raised questions with respect to the proposed entry into force date, the proposed signing procedure and the objectives of the Code. Furthermore, comments were made in relation to specific principles (in particular principle 5 on stakeholder engagement and principle 7 on voting records disclosure). A detailed overview of the responses is provided below.

4. RESPONSES TO THE DRAFT DUTCH STEWARDSHIP CODE

4.1 Responses to the entry into force date

- The draft Dutch Stewardship Code states that the Code will enter into force on 1 January 2018.
- Respondents raised doubts about the feasibility of the proposed entry into force date of 1 January 2018 and the relation with the entry into force date of the revised SRD. Respondents stressed that they need some time after publication of the final Code to properly implement the principles. Therefore, it was suggested to postpone the entry into force date or to include a transition period. Furthermore, respondents noted that it was unclear what is expected from asset owners and asset managers as from the moment the Dutch Stewardship Code enters into force.
- Conclusion: the comments made were taken into account. The entry into force date is postponed to 1 January 2019. It is clarified that asset owners and asset managers shall apply the principles of the Code and report on the implementation of it from book year 2019 onwards.

4.2 Responses to the responsibility of asset managers towards asset owners

- The draft Dutch Stewardship Code notes that 'asset owners should hold their asset managers or service providers to account for fulfilling their stewardship activities properly'.
- Comments were made with respect to the scope of the responsibilities of asset managers regarding the execution of stewardship activities on behalf of asset owners.
- Conclusion: Eumedion is adaptive to these comments and clarified the responsibilities of both asset owners and asset managers in this respect. The preamble of the Code now states that asset owners should require their asset managers or service providers to demonstrate and report on the stewardship activities conducted on their behalf, including how those asset managers and service providers apply the principles of the Code. After all, it is the asset owner who is responsible for the fulfilment of the stewardship activities on its behalf.

4.3 Responses to principle 1

- The draft Dutch Stewardship Code states that asset owners and asset managers should have a stewardship policy that should be aimed at enhancing and preserving value for their beneficiaries and/or clients, and should promote sustainable long term value creation at investee companies. It also mentions that the stewardship policy should at least include the matters described in the other principles of the Code.
- Respondents noted that the wording and scope of principle 1 are not aligned with the revised SRD and suggested to do so. Furthermore, questions were raised with respect to the content of the topics that should be covered by the stewardship policy and the application of the principles in case of a diversified portfolio.
- Conclusion: both the wording of principle 1 and the topics that should be covered by the stewardship policy are better aligned with the revised SRD. However, the proposed aim of the Dutch Stewardship Code is preserved since it is aligned with the aim of the Dutch Corporate Governance Code (long term value creation by Dutch listed companies).

4.4 Responses to principle 2

- The draft Dutch Stewardship Code lists which elements should be included in the monitoring of Dutch listed investee companies by asset owners and asset managers.
- One respondent pointed out that there is a discrepancy between the wording of the revised SRD and principle 2. Two respondents questioned how this principle should be applied in case of a passive investment strategy.
- Conclusion: the comments made did not lead to amendments of this principle. The question on the application of the principle in case of a passive investment strategy is answered via additional guidance in the preamble. It is clarified that the application level of the principles may differ, depending on factors such as the asset owner's or asset manager's size, its history, its investment policies (e.g. whether its policies are oriented towards active or passive strategies, towards quantitatively derived strategies or strategies based on fundamental analysis, etc.), its investment philosophy and its beliefs and the preferences of its beneficiaries and clients. Furthermore, it is clarified that the asset owner is responsible for the fulfilment of stewardship activities conducted on its behalf. This means that asset owners who solely or partly invest indirectly in Dutch listed investee companies – via mutual or investment funds – have an obligation to effectively monitor the fund managers' stewardship activities. This includes the monitoring of the application of the principles of this Code and other (international) principles or guidelines with similar objectives. In practice, fund managers increasingly invest assets of pension funds and insurers. Those fund managers consider the exercise of shareholder rights as part of their fiduciary duty towards those pension funds and insurers. In order to fulfil this fiduciary duty, fund managers are currently expanding their stewardship teams.

4.5 Responses to principle 3

- The draft Dutch Stewardship Code expects from asset owners and asset managers that they are prepared to: a) enter into dialogue with their Dutch investee companies, b) escalate their stewardship activities, and c) to disclose their full equity holding (long and short) at the request of the company they want to enter into dialogue with.
- One respondent noted that the focus of asset owners and asset managers in escalation situations should be on long term value creation by Dutch listed investee companies. Furthermore, comments were made with respect to the scope of this principle and the desirability of full equity holding disclosure since it could, according to this respondent, lead to an unequal treatment of shareholders.
- Conclusion: the stewardship policy of asset owners and asset managers should be aimed at preserving and enhancing value for their beneficiaries and/or clients, and should promote long term value creation at Dutch listed investee companies. Eumedion agrees that this starting point should also apply in escalation situations. Therefore, this is now reflected in the guidance to principle 3. However, Eumedion does not recognise that full equity holding disclosure will lead to an unequal treatment of shareholders. Disclosure of the full equity holding makes it possible for the Dutch listed investee company to make an assessment of the incentives of the asset owner or asset manager that wants to enter into dialogue. Eumedion believes that such disclosure can therefore be helpful in conducting a constructive dialogue. As a consequence the wording is not amended.

4.6 Responses to principle 5

- The draft Dutch Stewardship Code expects asset owners and asset managers to communicate with relevant stakeholders of the Dutch investee companies, such as the works council and non-governmental organisations, where appropriate.
- This principle generated a lot of comments. Several comments were made with respect to the feasibility of this principle and the reference to specific stakeholders. It was suggested to clarify that the communication with stakeholders should be at the discretion of the asset owner or asset manager.
- Conclusion: this suggestion for clarification has been adopted. Furthermore, the reference to specific stakeholders in the principle has been deleted. In the guidance to this principle, a broader range of relevant stakeholders is mentioned. It is specified that the decision to respond to relevant stakeholders is determined by the asset owner or asset manager, based on the issue at hand.

4.7 Responses to principle 6

- Principle 6 of the draft Dutch Stewardship Code expects that asset owners and asset managers publicly disclose a conflicts of interest policy in relation to their stewardship activities.

- Two respondents noted that the conflicts of interest policy in relation to stewardship activities is in practice part of a broader policy framework. Therefore, those respondents were of the opinion that a specific conflicts of interest policy for stewardship activities is undesirable.
- Conclusion: the obligation to have a policy on conflicts of interest in relation to stewardship activities is in line with the revised SRD. Therefore, principle 6 is not amended.

4.8 Responses to principle 7

- Principle 7 of the draft Dutch Stewardship Code expects that asset owners and asset managers to exercise their voting rights and other rights attached to shares in an informed manner. And that they should disclose how they have voted their shares at general meetings of Dutch listed investee companies and that they disclose the reason in case of a withhold or against vote, either pro-actively or at the request of the company.
- This principle also generated a lot of comments. Questions were raised about the alignment with the revised SRD from a cost and resources perspective.
- Conclusion: the revised SRD and the Dutch Corporate Governance Code require shareholders to disclose how they have voted at general meetings. The Dutch Stewardship Code expects asset owners and asset managers to be transparent about the implementation of their stewardship policy and particularly how they have exercised their voting rights. They should demonstrate that by disclosing their full voting records (at an individual company level and per voting item). In this way, beneficiaries and clients of asset owners and asset managers respectively can form an opinion about that voting behaviour. Furthermore, the Dutch Stewardship Code expects asset owners and asset managers to be transparent about the reasons of casting a withhold or against vote on a management proposal, either pro-actively or at the request of the company. In this way, the motives of the asset owner or asset manager become clear. The aforementioned transparency requirements are already part of the current Eumedion Best Practices. No significant amendments were made to principle 7.

4.9 Responses to principle 8

- According to principle 8 of the draft Dutch Stewardship Code, asset owners and asset managers are expected to consult management prior to exercising their right to submit a request for convening an extraordinary general meeting or for tabling a shareholder resolution at a general meeting.
- One respondent suggested to complement this principle with a requirement for shareholders to notify the company and to disclose their full economic interest in the investee company.
- Conclusion: it is clarified that asset owners or asset managers who request to place an item on the agenda of a general meeting of a Dutch listed investee company should have consulted the company's board prior to exercising this right. The Dutch Financial Supervision Act (article 5:25kbis) already obliges shareholders to be transparent about their full equity

holding in case they request to place an item on the agenda of a general meeting. Therefore, this is not part of the final version of the Code.

4.10 Responses to principle 10

- Principle 10 of the draft Dutch Stewardship Code requires asset owners and asset managers to publicly disclose their voting policy and whether and how they use proxy research and/or voting services. Asset owners and asset managers should ensure that their votes are cast in line with their own voting policy.
- One respondent noted that it is not feasible to comply with this principle. It was suggested to clarify that the asset owner or asset manager who uses a proxy research and/or voting service provider can choose to follow the policy of that provider.
- Conclusion: Eumedion recognises that asset owners or asset managers can choose to follow the standard policy of a proxy research and/or voting services provider. In that case it is still the responsibility of the asset owner or asset manager that their voting rights are exercised in a well informed manner and in line with their voting policy. Nevertheless, it is clarified in the guidance that – particularly in case of a standard voting policy – asset owners or asset managers should disclose to what extent the voting recommendations from proxy research and/or voting services providers are followed.

4.11 Responses to principle 11

- Principle 11 of the draft Dutch Stewardship Code states that asset owners and asset managers do not borrow shares for the sole purpose of exercising voting rights on these shares and that they will abstain from voting if their short position in the company in question is larger than their long position. And that they should recall the shares on loan before the voting record date for a general meeting of a Dutch listed investee company, if the agenda for that general meeting contains one or more controversial resolutions.
- Multiple respondents asked to clarify what is considered to be 'controversial'. Also, questions were raised with respect to the implementation of this principle in case an asset owner uses multiple asset managers.
- Conclusion: Eumedion understands the need for clarification. In the final version of the Dutch Stewardship Code, it is specified in what circumstances shares should be recalled. Furthermore, specific guidance is provided on how this principle should be applied in case specific legal entities are used for shorting purposes.

5. OTHER TOPICS DISCUSSED BY THE EUMEDION WORKING GROUP

Besides the responses received with respect to the draft Dutch Stewardship Code, the Eumedion working group discussed other topics. The main topics discussed are summarised below.

5.1 Signing procedure and monitoring

- It follows from the draft Dutch Stewardship Code that Dutch asset owners and asset managers are explicitly invited to sign up to the Code and that non-Dutch asset owners and non-Dutch asset managers can choose to endorse the Code. Furthermore, the draft Dutch Stewardship Code states that an independent Monitoring Committee will be established that is responsible for overseeing the application of the Code's principles.
- Conclusion: the working group decided to eliminate the earlier proposed signing procedure and to monitor the Code in the same way as the Eumedion Best Practices for Engaged Share-Ownership are currently monitored. The Eumedion secretariat will annually monitor the application of the Code by both Eumedion participants and other asset owners and asset managers who have requested the Eumedion secretariat to be included in the monitoring. Application of the Code's principles will be monitored on the basis of information provided by the aforementioned parties on their website and in their annual reports. The results of the monitoring will be reported to the General Board of Eumedion, Eumedion participants and other asset owners and asset managers who are included in the monitoring. A summary of this monitoring report will be made public.

5.2 Implementation of the Code

- Concerns were raised with respect to the implementation of the Dutch Stewardship Code by smaller asset owners and asset managers. Members of the working group stressed that those asset owners and asset managers might face difficulties in applying the principles of the Code due to a lack of resources and knowledge.
- Conclusion: the working group decided to use the coming years to help smaller asset owners and asset managers with the implementation of the stewardship principles. Therefore the working group decided to develop further practical guidance on the implementation of the Dutch Stewardship Code, in cooperation with the Federation of the Dutch Pension Funds. This practical guidance is expected to be finalised at the end of 2018 and will be published on the website of Eumedion.

APPENDIX I: COMPARISON OVERVIEW

1. Main differences

At some points the Dutch Stewardship Code is more 'progressive' compared to the minimum requirements of the revised SRD, the revised Dutch Corporate Governance Code, and the Eumedion Best Practices. The overview below lists the main differences and explains why the Dutch Stewardship Code is more 'progressive' on some points. An exhaustive comparison overview is provided in the second paragraph of this appendix.

1. Principle 1: stewardship should also promote long-term value creation at Dutch listed investee companies.

- No requirement in the revised SRD;
- No requirement in Dutch Corporate Governance Code;
- No principle in the current Eumedion Best Practices;
- Explanation why the Dutch Stewardship Code is more progressive: this principle reflects the core mission of Eumedion. Also, promoting long-term value creation by Dutch listed companies is the starting point of the Dutch Corporate Governance Code.

2. Principle 3: disclosure of full equity holding when entering into dialogue with an investee company, at the request of that company.

- No requirement in the revised SRD;
- No requirement in Dutch Corporate Governance Code;
- No principle in the current Eumedion Best Practices;
- Explanation why the Dutch Stewardship Code is more progressive: disclosure of full equity holding makes it possible for the Dutch listed investee company to make an assessment of the incentives of the institutional investor that wants to enter into dialogue. Such disclosure can also be helpful in conducting a constructive dialogue.

3. Principle 7: full voting records disclosure (at an individual company level and per voting item).

- The revised SRD allows exclusion of votes "that are insignificant due to the subject matter of the vote or the size of the holding in the company";
- The Dutch Corporate Governance Code requires shareholders to disclose on how they have voted at general meetings;
- According to the guidance of the current Eumedion Best Practices best practice 8, Eumedion participants should preferably at an individual company level and per voting item disclose how they have voted;
- Explanation why the Dutch Stewardship Code is more progressive on full voting records disclosure: this is a codification of the guidance on best practice 8 of the current Eumedion Best Practices.

4. Principle 7: disclosure of the reasons of casting a withhold or against vote on a management proposal, either pro-actively or at the request of the company.

- No requirement in the revised SRD;
- No requirement in Dutch Corporate Governance Code;
- Already part of the current Eumedion Best Practices;
- Explanation why the Dutch Stewardship Code is more progressive on disclosure of the reasons of casting a withhold or against vote: this is a codification of the current Eumedion Best Practices.

5. Principle 11: strict policies in relation to stock lending.

- Stricter than the requirement in the revised SRD to have a policy on securities lending;
- The Dutch Corporate Governance Code is silent on such policies;
- Partly included in the current Eumedion Best Practices;
- Explanation why the Dutch Stewardship Code is more progressive: this is partly a codification of the current Eumedion Best Practices. Best practice 10 already states that Eumedion participants do not borrow shares solely for the purpose of exercising voting rights on these shares. And that they consider recalling their lent shares before the voting registration date for the relevant general meeting of the relevant Dutch investee company, if the agenda for this general meeting contains one or more controversial subjects. Principle 11 is stricter however in the requirement that asset owners and asset managers will abstain from voting if their short position in the Dutch listed investee company is larger than their long position. In the situation of holding a short position that is larger than the long position in a Dutch listed investee company, the interests of the asset owner or asset managers are probably not aligned with the objective of the investee company to create long-term value. This is considered not to be a best practice.

2. Exhaustive comparison

Below, a comparison is made between the Dutch Stewardship Code, the revised SRD, the revised Dutch Corporate Governance Code and the 2011 Eumedion Best Practices.

Principle 1

Asset owners and asset managers have a stewardship policy that describes how they integrate stewardship towards Dutch listed investee companies in their investment strategy. The stewardship policy should be aimed at preserving and enhancing value for their beneficiaries and/or clients, and should promote long-term value creation at Dutch listed investee companies. The stewardship policy should at least include the matters described in the principles of this Code and should be publicly disclosed on the asset owner's and asset manager's website. Asset owners and asset managers shall at least once a year publicly report on their website how they have implemented their stewardship policy, asset owners shall also report if and how they have integrated that policy into their arrangements with their asset managers.

Explanation

- The first sentence of this principle stems from the revised SRD (article 3g (1) (a)), which states that 'institutional investors and asset managers shall develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy';
- The disclosure requirements mentioned in this principle also stem from the revised SRD (article 3g (2)): 'the information [...] shall be available free of charge on the institutional investor's or asset manager's website', and 'institutional investors and asset managers shall, on an annual basis, publicly disclose how their engagement policy has been implemented'.
- The second sentence is more progressive compared to the revised SRD, the Dutch Corporate Governance Code and the current Eumedion Best Practices. Alignment is sought with the core mission of Eumedion and its participants and with the starting point of the Dutch Corporate Governance Code to promote long-term value creation by Dutch listed companies;
- The Dutch Corporate Governance Code is silent about stewardship policies.
- Explanation why the Dutch Stewardship Code is more progressive: this principle reflects the core mission of Eumedion. Also, promoting long-term value creation by Dutch listed companies is the starting point of the Dutch Corporate Governance Code.

Principle 2

Asset owners and asset managers monitor their Dutch listed investee companies on material issues, including, but not limited to, the company's business model for creating long-term value, the company's strategy, performance and risks and opportunities, the capital structure, social and environmental impact, corporate governance and corporate actions such as mergers and acquisitions.

Material issues are those matters that are likely to significantly affect the company's ability to create long-term value.

Explanation

- Most elements that should be part of the monitoring process by asset owners and asset managers are explicitly mentioned in the revised SRD (article 3g (1) (a)): 'the policy shall describe how they monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance'.
- The Dutch Stewardship Code is more specified in the elements that should be part of the monitoring process. The following elements are added: the company's business model for creating long-term value, opportunities and corporate actions such as mergers and acquisitions. Mergers and acquisitions are explicitly mentioned as a result of the society-wide discussion on the (un)desirability of hostile takeovers in 2017 and the behaviour of shareholders with respect to such hostile takeovers. Furthermore, an interpretation of what is considered to be a material issue is added (not defined by the revised SRD).
- This principle is in line with best practices 1, 2 and 9 of the current Eumedion Best Practices.
- The Dutch Corporate Governance Code is silent about the monitoring of Dutch listed companies by shareholders.

Principle 3

Asset owners and asset managers are prepared to enter into dialogue with the executive and/or supervisory directors of their Dutch listed investee companies and are prepared to escalate their stewardship activities in case issues remain unresolved, where appropriate and at their discretion. In the event that an asset owner or asset manager enters into dialogue with a Dutch listed investee company on certain issues, outside the context of a general meeting, the asset owner or asset manager will disclose its full equity holding (long and short) at the request of that company.

Explanation

- The revised SRD (article 3g (1) (a)) requires that asset owners and asset managers should disclose in their engagement policy 'how they [...] conduct dialogues with investee companies'.
- This principle is in line with Dutch law and the Eumedion Best Practices (best practice 2 and best practice 3). According to Dutch company law, shareholders of Dutch listed companies should act in keeping with the principles of reasonableness and fairness. In that context, shareholders are expected to be prepared to enter into dialogue with Dutch listed investee companies.
- On one point this principle is more progressive than the revised SRD, the Dutch Corporate Governance Code and the current Eumedion Best Practices. This point is the requirement for

asset owners or asset managers to disclose their full equity holding in case they enter into dialogue with a Dutch listed investee company.

- Explanation why the Dutch Stewardship Code is more progressive: disclosure of full equity holding makes it possible for the Dutch listed investee company to make an assessment of the incentives of the institutional investor that wants to enter into dialogue. Such disclosure can also be helpful in conducting a constructive dialogue.

Principle 4

Asset owners and asset managers cooperate with other shareholders in exercising stewardship activities towards Dutch listed investee companies, where appropriate and at their discretion.

Explanation

- The revised SRD (article 3g (1) (a)) requires that asset owners and asset managers should disclose in their engagement policy 'how they [...] cooperate with other shareholders'.
- This principle is in line with best practice 4 of the current Eumedion Best Practices.
- The Dutch Corporate Governance Code is silent about cooperation between shareholders.

Principle 5

Asset owners and asset managers communicate with relevant stakeholders of Dutch listed investee companies, where appropriate and at their discretion.

Explanation

- The revised SRD (article 3g (1) (a)) requires that asset owners and asset managers should disclose in their engagement policy 'how they [...] communicate with relevant stakeholders of the investee companies'.
- The current Eumedion Best Practices are silent about this topic.
- The Dutch Corporate Governance Code is silent about communication between shareholders and other stakeholders.

Principle 6

Asset owners and asset managers identify, manage and remedy actual and potential conflicts of interest in relation to their stewardship activities towards Dutch listed investee companies. Asset owners and asset managers publicly disclose their conflicts of interest policy in relation to their stewardship activities.

Explanation

- The revised SRD (article 3g (1) (a)) requires that asset owners and asset managers should disclose in their engagement policy 'how they [...] manage actual and potential conflicts of interests in relation to their engagement'.
- This principle is in line with best practice 5 of the current Eumedion Best Practices.

- The Dutch Corporate Governance Code is silent about the management of and transparency about conflicts of interest.

Principle 7

Asset owners and asset managers exercise their voting rights and other rights attached to shares in Dutch listed investee companies in an informed manner. They publicly disclose on their website: a) at least once every quarter how they have voted their shares in Dutch listed investee companies, at an individual company level and per voting item, and b) at least annually a general description of their voting behaviour at general meetings of Dutch listed investee companies and an explanation of the most significant votes. In the event that the asset owner or asset manager casts an against or a withhold vote on a management proposal, he should explain the reasons for this voting behaviour to the company's board either pro-actively or at the request of the company.

Explanation

- The revised SRD (article 3g (1) (a)) requires that asset owners and asset managers should disclose in their engagement policy 'how they [...] exercise voting rights and other rights attached to shares'. In addition, the revised SRD (article 3g (1) (b)) requires asset owners and asset managers to annually 'disclose [...] a general description of voting behaviour, an explanation of the most significant votes' and that 'they shall publicly disclose how they have cast votes in the general meetings of companies in which they hold shares. Such disclosure may exclude votes that are insignificant due to the subject matter of the vote or the size of the holding in the company'.
- Explanation why the Dutch Stewardship Code is more progressive on full voting disclosure: this is a codification of the guidance on best practice 8 of the current Eumedion Best Practices.
- The guidance to best practice 8 of the current Eumedion Best Practices states that Eumedion participants should preferably at an individual company level and per voting item disclose how they have voted the shares in Dutch investee companies. Furthermore, the required explanation to the company in case the asset owner or asset manager casts a withhold or against vote on a management proposal is included in best practice 7 of the current Eumedion Best Practices.
- Explanation why the Dutch Stewardship Code is more progressive on disclosure of the reasons of casting a withhold or against vote: this is a codification of the current Eumedion Best Practices.
- The Dutch Corporate Governance Code (best practice 4.3.6) states that institutional investors 'should report on their website at least once per quarter on whether and, if so, how they have voted as shareholders at general meetings'.

Principle 8

Asset owners and asset managers publicly disclose their voting policy and at least annually if and how they use proxy research and/or voting services. Asset owners and asset managers that use proxy research and/or voting services ensure that their votes are cast in line with their own voting policy.

Explanation

- The revised SRD (article 3g (1) (a)) requires that asset owners and asset managers should disclose in their engagement policy 'how they [...] exercise voting rights and other rights attached to shares'. Furthermore, the revised SRD states that asset owners and asset managers shall, 'on an annual basis, publicly disclose how their engagement policy has been implemented, including a general description of [...] the use of the services of proxy advisors'.
- The first sentence of this principle is in line with best practice 6 of the current Eumedion Best Practices. According to this best practice, Eumedion participants should have a clear policy on voting, publicly disclose this policy and should report at least once per year on the implementation of their voting policy. The current Eumedion Best Practices are silent about the use of proxy research and/or voting services.
- The responsibility for asset owners and asset managers that use proxy research and/or voting services to ensure that their votes are cast in line with their own voting policy is more progressive than the revised SRD and the current Eumedion Best Practices but in line with the Dutch Corporate Governance Code.
- The Dutch Corporate Governance Code (best practice 4.3.1) states that 'a shareholder should vote as he sees fit. A shareholder who makes use of the voting advice of a third party is expected to form his own judgment on the voting policy or the voting advice provided by this adviser'. The guidance to best practice 4.3.1 states that 'in so far as a shareholder uses the services of a voting adviser before exercising his voting right, it is logical that he should check that the adviser provides balanced advice based on fair consideration of all the issues'. Furthermore, best practice 4.3.6 states that 'institutional investors should report annually, on their website and/or in their management report, on how they implemented their policy on the exercise of the voting rights in the relevant financial year'.

Principle 9

Asset owners and asset managers that consider exercising their right to submit a request for convening an extraordinary general meeting or for tabling a shareholder resolution at a general meeting of a Dutch listed investee company should have consulted the company's board prior to exercising this right.

Explanation

- The revised SRD is silent about what is expected from shareholders exercising their right to submit a request for convening an extraordinary general meeting or for tabling a shareholder resolution at a general meeting of a Dutch listed investee company.
- Also, the current Eumedion Best Practices are silent about this topic.
- This principle is in line with the Dutch Corporate Governance Code. Best practice 4.3.6 states that 'a shareholder should only exercise the right to put items on the agenda after they have consulted with the management board on this'..

Principle 10

If a resolution proposed by an asset owner or asset manager has been put on the agenda of a general meeting of a Dutch listed investee company, the asset owner or asset manager should be present or represented at that meeting in order to explain this resolution and, if necessary, answer questions about it.

Explanation

- The revised SRD is silent about the presence or representation at a general meeting of an asset owner or asset managers who has proposed a resolution which has been put on the agenda of a general meeting.
- Also, the current Eumedion Best Practices are silent about this topic.
- This principle is in line with the Dutch Corporate Governance Code. Best practice 4.1.5 states that 'if a shareholder has arranged for an item to be put on the agenda, he should explain this at the meeting and, if necessary, answer questions about it

Principle 11

Asset owners and asset managers will abstain from voting if their short position in the Dutch listed investee company in question is larger than their long position. Asset owners and asset managers should recall their lent shares before the voting record date for a general meeting of a Dutch listed investee company, if the agenda for that general meeting contains one or more significant matters.

Explanation

- The revised SRD (article 3i (1)) requires that asset managers should disclose to their client 'their policy on securities lending and how it is applied to fulfil its engagement activities if applicable, particularly at the time of the general meeting of the investee companies'.
- Principle 11 is generally in line with best practices 10 of the current Eumedion Best Practices. This best practice states that Eumedion participants do not borrow shares solely for the purpose of exercising voting rights on these shares. They consider recalling their lent shares before the voting registration date for the relevant general meeting of the relevant Dutch investee company, if the agenda for this general meeting contains one or more controversial subjects. Principle 11 is stricter however in the requirement that asset owners and asset

managers will abstain from voting if their short position in the Dutch listed investee company is larger than their long position.

- The Dutch Corporate Governance Code is silent about securities lending.
- Explanation why the Dutch Stewardship Code is more progressive: this is partly a codification of the current Eumedion Best Practices. Best practice 10 already states that Eumedion participants do not borrow shares solely for the purpose of exercising voting rights on these shares. And that they consider recalling their lent shares before the voting registration date for the relevant general meeting of the relevant Dutch investee company, if the agenda for this general meeting contains one or more controversial subjects. Principle 11 is stricter however in the requirement that asset owners and asset managers will abstain from voting if their short position in the Dutch listed investee company is larger than their long position. In the situation of holding a short position that is larger than the long position in a Dutch listed investee company, the interests of the asset owner or asset managers are probably not aligned with the objective of the investee company to create long-term value. This is considered not to be a best practice.
