EVALUATION OF THE 2018 AGM SEASON

Introduction

Every year Eumedion[1] prepares an evaluation of the season of annual reports and shareholders meetings, the AGM season. The main substantive findings concerning the annual reports for the year 2017 and the regular shareholders' meetings held in 2018[2] are considered below.

Summary

- The average number of votes cast (excluding those cast by Trust Offices) at the AGMs of the largest listed (AEX) companies reached record high levels: 72.4% (2017: 71.4%). However, the average number of votes cast (excluding the votes cast by Trust Offices) at AGMs of the midcap (AMX) companies dropped from 67.4% in 2017 to 64.9% in 2018. This was the result of a significant decrease in the shareholders' participation rate in the AGMs of BAM Groep, Fugro and PostNL.
- KAS Bank followed up on last year's Eumedion's recommendation to run a pilot on using Blockchain technology to enable voting at the shareholders' meeting. According to KAS Bank it was a successful test.
- Two voting items were rejected by the AGM (2017: 3) and three voting items were withdrawn prior to the AGM (2017: 7). Only one shareholder resolution was submitted: a climate-related resolution for the Shell AGM, submitted by Follow This (2017: 2). This shareholder resolution was voted down.
- One of the most controversial issues at the 2018 AGMs was board remuneration. Shareholders are becoming more assertive on this issue. Various proposals to amend executive and supervisory directors' remuneration were withdrawn prior to the AGM or resulted in a relatively large number of against votes.
- Dutch listed companies had to report for the first time on compliance with the revised Dutch corporate governance code. As a result, companies reported more extensively on their value creation process, their internal culture and their risk management framework. In particular the disclosure of the CEO-to-average employee pay ratio attracted a lot of media and societal attention. As expected, the pay ratios vary widely within and across sectors. Also a uniform methodology the calculate the pay ratio is lacking. A small number of companies did not disclose the pay ratio nor a motivation for this deviation from the code. Apparently, this was left unnoticed by the external auditors, as in all cases they did not make a reference to it in their auditor reports.

[1] Together, the Eumedion participants represent approximately 25% of the shares of the Dutch listed companies.
[2] This evaluation report covers the AGMs of companies that have its registered office or headquarters in The Netherlands and are listed on Euronext Amsterdam.

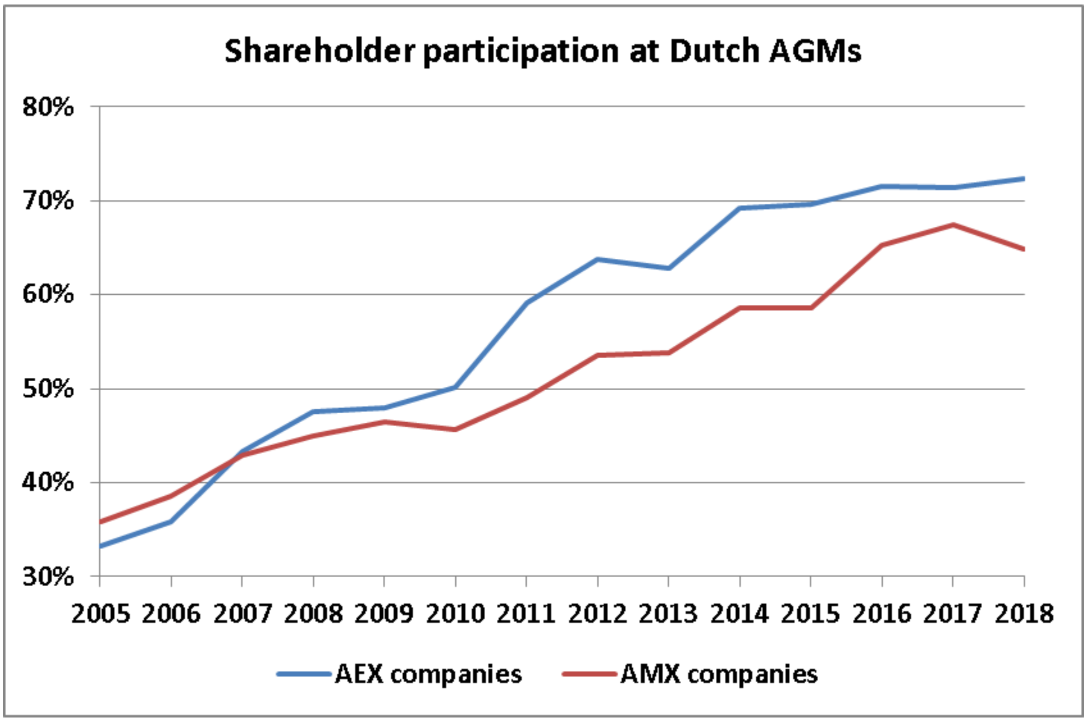
- Many companies responded to Eumedion’s call to identify those Sustainable Development Goals (SDGs) that are most relevant to their business and value creation process. However, many companies find it rather challenging to measure the impact and to set specific SDG targets. It is also remarkable that hardly any company believes that they it contribute to the realisation of SDG 10, reduced inequalities within and between countries.
- The number of female executives is still at a very low level. It is true that the average number of female executives at AEX companies increased from 6% in 2014 to 9% in 2018, but the number decreased from 8% in 2014 to 7% in 2018 at AMX companies. The number of female supervisory directors is much higher: on average 33% at AEX companies in 2018 (2014: 26%) and 26% at AMX companies (2014: 14%). Eumedion participants have raised the importance of gender diversity in all dialogues with those companies that have not reached the legal target of at least 30% female executives and supervisory directors. Eumedion has decided to send a letter to all Dutch listed companies that lag behind the legal target, underlining Eumedion’s belief that diverse boards make better decisions and will lead to better company performance.
- Eumedion requested audit firms to supplement the key audit matters section in the auditor’s report by a number of additional elements. The results were mixed. Auditors were rather reluctant to provide general observations with respect to the quality and effectiveness of the company’s internal control framework. However, auditors showed more enthusiasm in describing why some audit matters are no longer ‘key’ in the relevant financial year compared with the year before (in particular EY auditors) and by concluding the key audit matters section with the external auditor’s ‘results, observations or conclusions’ regarding the matter specified (in particular KPMG and EY auditors followed up).

1. Average shareholder participation rate at AGMs of AEX companies reaches new record level

Shareholders were able to vote on 972 proposals, one of which was a shareholder’s proposal. Follow This, a group of Shell shareholders that supports Shell to take leadership in the energy transition to a net-zero emission energy system, submitted a resolution calling on Shell to set and publish targets that are aligned with the goal of the Paris Climate Agreement to limit global warming to well below 2°C. If the resolution would have passed, it would have tied the hands of existing and future Shell directors to fixed targets. The phrase “to set and publish targets that are aligned with the goal of the Paris Climate Agreement”, if adopted by the AGM, would have implied that even if the nationally determined contributions to the Agreement do not add up to the ultimate Paris goal and – as a result – Shell would like to slow its energy transition pace, the company would still be bound to the original Climate Agreement – if that Agreement is not amended by the national authorities. The resolution would have tied the Shell Board in the upcoming 30 years to one of its three scenarios: Sky, while the Shell Board would like to keep flexibility to switch to one of its other scenarios: Mountains or Oceans, depending upon socio-political trends. Especially because of these reasons, the resolution was rejected by 94.5% of the votes cast (without counting the approximately 7.7% withheld votes).

Besides the shareholders' resolution for the Shell AGM, only one other proposal was rejected by the AGM, namely the authorisation of the Wereldhave Board to restrict or exclude shareholders' pre-emption rights in the situation that this Board decides to issue up to 20% new shares in the forthcoming 18 months; see also the appendix 1 to this report. As appendix 2 to this report shows, three proposals were withdrawn before the AGM: the proposed increase in remuneration of the Heijmans Supervisory Board members, the proposed amendment of the ING executive remuneration policy and the proposed amendments to the Vastned Retail articles of association. The last proposal was withdrawn to maintain the current threshold for shareholders to add items to the agenda, "following advice from Eumedion and ISS", according to the company.

The average number of votes cast (excluding those cast by Trust Offices) at the AGMs of AEX companies reached a new record: 72.4% (2017: 71.4%). However, the average number of votes cast (excluding the votes cast by Trust Offices) at AGMs of AMX companies dropped from 67.4% in 2017 to 64.9% in 2018 (graph below). This was the result of a significant decrease in the shareholders' participation rate in the AGMs of BAM Groep, Fugro, Wereldhave and PostNL. The cause of the lower attendance at these AGMs is probably connected with changes in the shareholder structure at the three companies. Institutional investors with a long-term horizon are inclined to sell shares in those companies where the (dividend) prospects are poor or have been deteriorated. This was the case at these companies. Besides this, especially at BAM Group a relatively large proportion of the shares is held by private investors (approximately 30%). In general, private investors show less interest in voting at AGMs than institutional investors. The aforementioned companies also have in common that at voting record date a relatively high proportion of the shares were on loan. These shares are usually lent by long-term investors; investors who generally do vote. The parties that borrow the shares will usually be 'young' investors, who are less inclined to vote the shares they have recently acquired.



Dutch smallcap KAS Bank followed up on last year's Eumedion's recommendation to run a pilot on using Blockchain technology to enable voting at the shareholders' meeting. According to KAS Bank it was a successful test. Eumedion encourages other listed companies to also experiment with using blockchain for shareholder voting at AGMs, as it will enhance efficiency and reliability in the voting process, in particular in cross-border situations. This can stimulate even more shareholders to cast their votes at the AGMs.

2. Board remuneration continues to be a hot topic

In recent years, proposals seeking approval of an amended remuneration policy have been under high shareholder scrutiny. Shareholders generally expect that an amended remuneration policy should result in a better overall pay-for-performance alignment and a stronger alignment between executives and shareholders via more stringent share-ownership guidelines for executives. What's new this season is that more and more shareholders take also into account the total quantum of pay, executives' spiraling pay due to the use of flawed peer groups and the wider social acceptance of executive pay. As a result, several resolutions on Board remuneration were withdrawn ahead of the shareholders meeting, were ultimately not placed on the AGM agenda or met significant shareholder rebellion.

Within five days after publication, the ING Groep Supervisory Board withdrew a proposal to increase the CEO remuneration by more than 50%. The proposal led to a storm of public criticism. Due to fear of turmoil amongst shareholders, Boskalis ultimately decided not to submit a proposal to amend the executive remuneration policy, although this was explicitly announced in the 2017 remuneration report. The proposals to amend the executive remuneration policy of Van Lanschot Kempen, Unilever, Curetis and SBM Offshore resulted in a relatively high proportion of against votes by investors: 57% (excluding votes by the Van Lanschot Kempen Trust Office)[3], 43% (excluding the votes of the Unilever Trust Office), 38% and 30% respectively. The opposing depositary receipt and shareholders of these companies had difficulty, among other things, with the high quantum of pay, the high increases in fixed pay and the lack of rigour in performance criteria. Some proposals to increase the remuneration of the supervisory directors also led to controversy. For example, the proposed increase (by 39% to 58%) of the remuneration of the Supervisory Board members of Heijmans was withdrawn five days before the AGM date. "Based on feedback from shareholders it has become clear that further clarification is necessary", according to the company. Previously announced proposals to increase the remuneration of the Supervisory Board members of Royal Philips and Boskalis did not reach the formal AGM agenda at all.

Shareholders of almost all Dutch listed companies have not the right to cast an advisory vote on the remuneration report yet. Only when the revised Shareholder Rights Directive is implemented into Dutch company law (ultimately in June 2019), shareholders will be granted this additional right. However, shareholders of Royal Dutch Shell are able to vote on the implementation of the

[3] The proposal was approved with 61.9% votes in favour due to the votes cast by the Van Lanschot Kempen Trust Office.

remuneration policy as described in the remuneration report. A relatively large number of votes (25.2%) was cast against the remuneration report 2017. Shareholders expressed their concerns regarding the company's performance on sustainable development targets and an accident in Pakistan which led to the deaths of 221 people, but did not lead to a downward adjustment of the annual bonus.

When assessing the wider social acceptance of the remuneration policy, more and more shareholders take into consideration increases in executive pay that far outstrips those of ordinary workers. In that respect they also take note of the CEO-to-employee pay ratio. As required by the revised Dutch corporate governance code, almost all Dutch listed companies disclosed the pay ratios within the company. As expected, the pay ratios varied widely within and across sectors: from a 3.5 ratio at Flow Traders to a 215 ratio at Heineken. However, a uniform methodology the calculate the pay ratio is lacking. Most companies used total remuneration figures (hence including bonuses), however some companies used fixed pay only (e.g. TKH Group, Heijmans, NSI and ICT Group). A majority of companies used the CEO remuneration figures in comparison with the average pay of all the company's employees. However a substantial number of companies used the average Executive Board pay (e.g. Aalberts Industries, AMG, Flow Traders, GrandVision, Sligro Food Group, Takeaway.com, Accell Group, VolkerWessels, Kendrion, Ordina, NSI, Kiadis Pharma, Sif Holding and DPA Group). Some companies selected the median employee (ABN AMRO, Gemalto, Intertrust, Avantium, Core Laboratories and Porceleyne Fles), the average pay of employees in Europe and North America (OCI), of employees working at the company's headquarters (Nedap), of Dutch employees (Boskalis, ICT Group, Kardan and Hydratec), average pay of a 'representative group' (GrandVision), various staff levels (Unilever) and the pay of the lowest paid person (BinckBank).

Not only the methodology was diverse, that was also the case with respect to the location of the disclosure. Although the majority of the companies included the pay ratio disclosure in the financial statements (either in the management report or in the annual accounts), some companies incorporated the pay ratio disclosure in a separate report placed somewhere on the company's website (Sligro Food Group, Boskalis, Vastned Retail). The numeric information regarding the pay ratio was in general not accompanied by a discussion (narrative) by the supervisory directors on whether they believe the ratio is at a satisfactory and well-explainable level.

A small group of companies neither disclosed the pay ratio nor an explanation for non-disclosure of this ratio: Acomo, Beter Bed Holding, Stern Groep, Batenburg, Value8, AND International Publishers, Holland Colours, Ctac, Novisource and IEX Group. The external auditors of these companies did not make a reference to this omission in their auditor reports. Only Euronext gave an explanation to the non-disclosure of the pay ratio. Its explanation – "due to the diversity of Euronext locations, each with different laws, regulations, best practices compensation practices, regulatory guidelines and views, no adequate methodology has been defined yet to report on a consistent and reliable pay ratio to be disclosed" – is, however, not very convincing as other multinational companies faced similar problems, but decided to publish the pay ratio. Moreover, given the fact Euronext is supporting organisation of the Dutch corporate governance code, the stock exchange is expected to lead by example.

Institutional investors are in favour of a more uniform methodology in calculating the pay ratios. The pay ratios should also be incorporated in either the management report or in the annual accounts. In that case shareholders are assured of a review or audit by the external auditor. If a company decides to not disclose the pay ratio, it should disclose the company-specific arguments to not disclose these figures. If not, the external auditor should make a reference to it in its auditor´s report. Moreover, the numeric information regarding the pay ratio should be accompanied by a discussion (narrative).

3. Better alignment between the company's strategy and the Sustainable Development Goals

As the Sustainable Development Goals (SDGs) address the world's largest societal challenges, such as poverty, climate, health care and education, Eumedion believes that the public and private sector should work together to help achieve these goals. In its 2018 Focus Letter, Eumedion therefore encouraged all listed companies to align their strategy with the SDGs that are most relevant to their business. By doing so, companies were encouraged to identify which SDGs intersect with their activities, and establish the business argument to focus on these goals. Preferably, companies should align their existing sustainability objectives, targets and executives' KPI framework with the SDGs, or the underlying targets and indicators of the goals.

Almost all AEX and AMX companies responded positively on Eumedion's call to identify the most relevant SDGs the company can contribute to. The number of SDGs where the companies will focus on varied from 2 (e.g. ABN AMRO, ING Groep, Corbion and PostNL) to 10 (Ahold Delhaize). Some companies do not link specific SDGs to their business but report on their contribution to all SDGs (e.g. ASR Nederland, Unilever). Negative exceptions include AEX company Aalberts Industries and AMX companies AMG, BE Semiconductor Industries, Flow Traders, IMCD, Intertrust and Takeaway.com. These companies spent not a word on the SDGs in their annual report.

In general, companies selected the SDGs that are most closely aligned with their capabilities, competences, practices, strategic ambitions, culture and purpose and/or on the basis of the key sustainability topics of their materiality matrix. Other identified those SDGs that are already supported through their own sustainability policy. These companies have set company-specific targets relating to these SDGs and some of them extended them to 2030 (e.g. Ahold Delhaize and Heineken) to reflect the long-term orientation of SDGs. These companies already communicate on their progress towards the relevant SDGs. A more challenging step is to further align the SDG sub-targets in to the executives' KPIs and to measure the progress in the company's contribution to realising the SDGs. SDG impact measurement remains a challenge for most companies. KPN and Arcadis announced to start working on this. Moreover, a minority of the AEX and AMX companies is still in the process of establishing company-specific medium-term targets for the SDGs they will focus on in order to deliver on their commitment to the SDGs (e.g. Vopak, SBM Offshore and GrandVision).

Eumedion finds it encouraging that an overwhelming majority of the largest Dutch listed companies support the SDGs and that they would like to contribute to the realisation of them in 2030 ultimately. However, most companies still present their contribution in a narrative way. Eumedion would like to see that more companies take the next step: setting SDG aligned KPIs and metrics, and also incorporate them in the long-term incentive plan. It is therefore important that companies align their existing sustainability policies and targets with the SDGs. This can contribute to more meaningful reporting by listed companies, that accounts for both the financial and societal value and the impact of their activities.

4. Gender diversity still lagging behind

Despite years of companies' vocal commitments to improve gender diversity at all levels of senior leadership, female representation on company boards remains relatively low, especially at executive level. This is also for institutional investors a very disappointing situation, as more and more research shows that greater (gender) diversity leads to better governance and business outcomes. Therefore, Eumedion advocates an appropriate mix of gender, age, (personal) skills, professional experience, knowledge and socio-cultural background in the boards of Dutch listed companies.

Table 1: gender-diversity in the boards of Dutch AEX companies (situation at 1 July each year)

	2007	2009	2013	2014	2018
Female executives	5%	5%	5%	6%	9%
Female supervisory directors	10%	17%	28%	26%	33%

Table 2: gender-diversity in the boards of Dutch AMX companies (situation at 1 July each year)

	2009	2013	2014	2018
Female executives	0%	5%	8%	7%
Female supervisory directors	9%	10%	14%	22%

Since January 1st, 2013, Dutch listed companies must strive for a balanced division of seats on the Managing and Supervisory Board between women and men in 2020 at the latest, which endeavour must be clearly reflected and emphasised in the profiles of executives and in supervisory directors. According to the relevant Act, there is a balance once each gender constitutes at least 30% of the total number of the Executive and Supervisory Board. This 30% legal target is subject to the principle of "apply or explain". Companies that do not meet the numerical requirement are held to explain the reasons for it in their annual report, and must indicate how they intend to arrive at a balanced division of the seats in the future after all.

Since 2013, the number of female executives at the largest Dutch (AEX and AMX) companies only marginally increased, as shown in tables 1 and 2. The average number of female executives is still below 10%. Out of the 42 largest Dutch listed companies, 32 still have an all-male Executive Board.

The above picture is more positive when we look at female representation at executive committee and at non-executive or supervisory board level. The executives committees of the AEX and AMX companies that have established an executive committee count on average 16% women. The average number of female supervisory directors at the Dutch AEX companies passed the legal target in 2018. AMX companies are lagging behind, but also at these companies the number of female supervisory directors is increasing. Out of the 42 Dutch AEX and AMX companies there are still three companies that have no female supervisory directors and executives/ at all: Altice Europe, Eurocommercial Properties and Flow Traders.

Eumedion is aware of the fact that (gender) diversity within companies can be a very challenging issue. Initiatives to increase to flow of qualified woman to the top management of companies often begin at the lower ranks and starts bearing fruit after several years. However, progress made in the past decade is disappointing and requires companies to increase their efforts for a hiring process that guarantees equal opportunities.

In the dialogues with the companies that have not reached the legal targets yet, Eumedion participants have called for action on gender diversity and have requested these companies to properly consider gender as part of the recruitment and hiring process. Eumedion's preference is for listed companies to reform their board's composition in line with the (30%) target on a voluntary basis in the upcoming years. However, more and more institutional investors are also considering to take action by voting against companies that have made no progress to improve board gender diversity. Eumedion will incorporate this message in a formal letter to all Dutch companies that have not passed the 30% gender diversity target yet.

5. Added value of the long-form audit report further enhanced

In its 2018 Auditor's Letter, Eumedion requested the audit firms to supplement the key audit matters section in the audit report with a number of additional elements. Specifically, Eumedion requested the individual auditors to reflect on the follow-up of the company with respect to the key audit matters identified in the previous audit report, e.g. by describing why some audit matters are no longer 'key' in the relevant financial year and/or by making a reference to the relevant disclosures in the management report. Eumedion encouraged individual auditors to also disclose their observations with respect to the quality and effectiveness of the company's internal control framework. And last but not least, Eumedion recommend auditors to conclude the key audit matters section with the auditor's 'results, observations or conclusions' with regard to the matter specified.

The follow-up with respect to these recommendations were rather mixed. Auditors were generally reluctant to provide general observations with respect to the quality and effectiveness of the company's internal control framework. The auditors of KPN, BinckBank and VolkerWessels were the only positive exceptions. Moreover, auditors shared their observations regarding the quality and effectiveness of the company's internal control framework with the company's stakeholders when the internal control framework was earmarked as a key audit matter (e.g. at Signify, Wolters Kluwer, Brill, Neways and Porceleyne Fles).

Auditors showed more enthusiasm in describing why some audit matters are no longer ‘key’ in the 2017 reporting year in comparison with the 2016 reporting year (61% of the AEX and AMX auditors; especially the EY auditors) and by concluding the key audit matters section with the external auditor’s ‘results, observations or conclusions’ with regard to the matter specified (83% of the AEX and AMX companies; in particular KPMG and EY auditors followed up). We hope that in the upcoming years, more auditors will disclose their observations on especially the quality and effectiveness of the internal control framework of the companies.

In 2018 three Dutch listed companies decided to nominate a new external auditor: BE Semiconductor Industries (BESI), AND International Publishers and DGB Group. According to the European Audit Regulation, the Board’s proposal to the AGM for the formal appointment of the new audit firm must include the names of at least two audit firms for the audit engagement and a duly justified preference for one of them. BESI and AND International Publishers failed to do so, although BESI provided more information on the selection process at the AGM. DGB Group explained in the notes to the AGM agenda that only one audit firm (Accon avm) was prepared to participate in the DGB’s audit tender process. As a consequence a real choice for the Board of DGB Group was not possible.

Eumedion would like to reiterate its recommendation to companies that decide to nominate a new statutory auditor to precisely follow the new selection and appointment rules stemming from the European Audit Regulation.

6. Positive impact of the revised Dutch corporate governance code

The revised Dutch corporate governance code entered into force on 1 January 2017. The 2017 management report was therefore the first year that Dutch listed companies were expected to account for their compliance with the revised code and almost all listed companies[4] did so. Almost all companies also placed the implementation of the revised code as a discussion item on the agenda of the 2018 AGM.

According to the 2017 annual reports, the Boards of almost all Dutch listed companies discussed the content of the revised code, made an impact analysis of the differences between the ‘old’ and ‘new’ code and adopted an action plan for the implementation of the new principles and best practice provisions. The new principles and best practice provisions required, in particular, changes to internal rules, regulations, procedures and other written records. Some companies (a.o. Aalberts Industries, Wereldhave, Kiadis Pharma and Curetis) decided to propose an amendment to their articles of

[4] One of the exceptions was RoodMicrotec. This company announced that it will issue an updated corporate governance compliance statement with respect to the revised corporate governance code by mid 2018. The company gave no reason for the delay. The auditor did not refer to this breach with legislation in its auditor’s report.

association, e.g. to incorporate the new terms of appointment for Supervisory Board members as stipulated in best practice provision 2.2.2 of the revised code.

According to the corporate governance statements in the 2017 management reports, the application and compliance rate of the new code is, in general, very high. The AGM agenda item regarding the implementation of the new code did, in general, not lead to a high number of questions or remarks by shareholders. This may indicate that most companies accepted the new principles and best practice provisions, and that the new code is widely supported by shareholders and other stakeholders.

Partly as a result of the new code, more listed companies – also the smaller ones – decided to either establish an own internal audit function or to outsource the internal audit function to an independent organisation, in most cases an audit firm. The revised corporate governance code also resulted in more attention to and a better description of the company's values and the company's culture. What is also positive is that most companies now give better insight into its (long-term) value creation model. In that respect, companies also provide insight into the resources that they use to achieve their long-term strategic objectives and the impact that they ultimately have. Most listed companies also describe the elements that are key to the success of their business model and that help them achieve their strategic long-term goals e.g. the role of employees ('human capital'), customers, suppliers and capital providers. More and more companies also describe the positive impact of their business model to their employees, society at large, the to local and regional communities and on global goals on climate and sustainable development (see also section 3 of this report). The publication of a so-called integrated annual report would perfectly fit with this development. In an integrated annual report investors and other stakeholders are provided concise information on how a business' governance, strategy, business model and prospects lead to value creation over the short, medium and long term. It enables companies to combine all information that is relevant for analysing the long term development of the company in a single, integrated report. It is therefore rather disappointing that the number of companies that published an integrated annual report dropped for the first time since 2014: from 28 companies last year to 27 this year. However, the number of companies that explicitly stated to publish an integrated report in the upcoming years increased from 5 to 8.

As with the 'old' version of the code, the best practice provisions regarding the appointment term of executives and the maximum number of non-independent supervisory directors are the best practice provisions with the highest non-application scores. As indicated above, some companies did not describe their internal pay ratios and did not mention a deviation from the relevant provision. Other companies failed to describe their possible anti-takeover measures in full. We expect from these companies to better report on the aforementioned provisions in the 2018 management report and that also auditors will keep an eye on the developments in especially these areas.

7. Continued societal debate on the protection of Dutch listed companies

Against the background of last year's record number of unsolicited takeover proposals, the societal debate on better protection of Dutch listed companies continued. The Dutch Government still plans to introduce a so-called standstill period of up to 250 days, that a Dutch listed company can invoke when faced with an activist shareholder or a hostile bidder proposing fundamental changes to the company's strategy. The call for better protection was also prompted by the impression that one of the largest Dutch listed companies – Royal Ahold Delhaize – would become unprotected at the end of this year as the call-option agreement between this company and its anti-takeover foundation would expire in the course of December 2018. A renewal of the option agreement should be submitted to an AGM vote and the impression was that such a proposal would be rejected by a majority of the shareholders. However, in February 2018 the Board of Royal Ahold Delhaize surprised many shareholders and also other stakeholders with the announcement that the extension of the call-option agreement would not require a new mandate from the AGM. The company stated that the call-option agreement is a contractual agreement between the Board of Royal Ahold Delhaize and the Board of the anti-takeover foundation. In 2003, the Royal Ahold Delhaize AGM mandated the Board to issue and grant the right to acquire anti-takeover preference shares. No restrictions were attached in terms of duration or extension of such option agreement. Consequently, the decision about potential extension is at the discretion of the Boards of Royal Ahold Delhaize and the anti-takeover foundation. The announcement caused some turmoil amongst a number of shareholders. At the AGM, these shareholders blamed the Royal Ahold Delhaize Board for poor corporate governance and misinformation. One shareholder – the French hedge fund CIAM – warned the Board that it would seek legal action if the company ignored its demand for shareholder approval of any renewal of the option agreement. This was averted by the Royal Ahold Delhaize Board by making some additional commitments to shareholders at the time the Boards of the company and the anti-takeover foundation decided to extend the option agreement by another 15 years. Royal Ahold Delhaize agreed with the anti-takeover foundation that i) within six months after the option is exercised, the company will call a shareholders meeting to discuss the situation with shareholders and ii) within one year after the option is exercised, another shareholders meeting is called in order to vote on the cancellation of the anti-takeover preference shares issued to the anti-takeover foundation with the foundation being precluded from voting on this matter. The commitments were well-received by Eumedion and its participants and also CIAM was pleased. The case also shows that government intervention for better protection of Dutch companies is not needed.

Another Dutch listed company, Heineken Holding, decided to abolish its statutory protective measure. After approval of the AGM, the company cancelled its 250 priority shares. The priority shares were held by two different foundations. One of the foundations was controlled by Heineken Holding CEO Charlene de Carvalho-Heineken, descendant of the founder of Heineken. The foundations determined the voting behaviour of Heineken Holding, majority shareholder of Heineken NV. They also had to approve important decisions by the Heineken Holding Board of Directors. The abolishment of the priority shares can be related to the fact that more and more descendants of the founder are directly involved in the management of Heineken Holding: Charlene de Carvalho-Heineken and her husband, Michel de Carvalho are the executive directors and their son, Alexander de Carvalho, is non-executive director. At the 2018 AGM their daughter Louisa Brassey was also appointed as non-executive director. A total of four of the eight directors of Heineken Holding are now members of one and the same family. In this way, the control over Heineken NV by the descendants of Mr. Heineken is probably sufficiently guaranteed.

The meeting of ABN AMRO depositary receipt holders rejected the proposal of the ABN AMRO Trust Office to emphasise in the trust conditions the main objective of the Trust Office, which is the protection of the interests of ABN AMRO Group and the prevention of any influence that could affect the independence, continuity or identity of the system bank. The protective nature of the Trust Office already follows from other trust conditions, but is not explicitly included in the description of the main objective of the Trust Office. In the explanatory notes to the agenda items, the Trust Office Board emphasised that the changes would not result in a change in the duties or powers of Trust Office or its Board. However, the Trust Office Board could not convince a majority of the depositary receipt holders of this. The Chairman of the Trust Office Board re-emphasised that the vote result will not alter the duty of the ABN AMRO Trust Office.

8. Authority to issue new shares and authority to restrict or exclude shareholders' pre-emption rights remain the most controversial voting issues

Just like last year, the proposed authorisations to the Board to issue new shares and to limit or to exclude the pre-emption rights for existing shareholders were the most controversial voting items during this AGM season. One of the only two proposals that were rejected by the AGM and 21 of the 29 (similar to 72%) AGM proposals receiving more than 20% against votes were related to these issues (see appendix 1).

As already noted last year, until recently it was market practice in the Netherlands that companies were granted a 'standard' share issuance authorisation of 10% of the issued capital for a period of 18 months (for general purposes), increased by 10% in the situation of a merger or acquisition. The Board was also usually authorised to limit or to exclude the statutory pre-emption right for existing shareholders up to this percentage. However, more and more shareholders have stricter voting guidelines than the Dutch market practice. These shareholders will voice their opposition when the Board asks for authorisations of more than 10% of the issued capital. Most of the above-mentioned controversial voting items were related to '10%-plus authorisations'. As proxy adviser ISS will also lower its 'authorisation guideline' to max. 10% in its 'standard voting policy' from next year onwards, we expect even more against votes next year if Dutch listed companies maintain the '10%+10% authorisation request'. Listed companies are advised to consider an authorisation request of max. 10% of the issued capital.

Appendix 1: AGM proposals with strongest shareholder resistance (more than 20% against votes; excluding votes cast by Trust Offices)

AGM	Subject	Result
Royal Dutch Shell	Setting and publishing targets that are aligned with the goal of the Paris Climate Agreement (shareholder resolution)	94.5% against (**resolution voted down**)
Van Lanschot Kempen	Amendment remuneration policy	56.8% against[5]
Wereldhave	Disapplication of pre-emption rights	44.8% against (**resolution voted down**)[6]
Unilever	Amendment remuneration policy	43.0% against
Wereldhave	Authority to issue new shares	42.2% against
Curetis	Amendment remuneration policy	37.8% against
Vastned Retail	Disapplication of pre-emption rights	35.8% against
Kardan	Authority to issue new shares	30.6% against
Fugro	Disapplication of pre-emption rights	30.4% against
Fugro	Authority to issue new shares	30.2% against
TKH Group	Disapplication of pre-emption rights (financing preference shares)	30.0% against
SBM Offshore	Amendment remuneration policy	30.0% against
PostNL	Disapplication of pre-emption rights	27.5% against
TKH Group	Authority to issue new financing preference shares	27.2% against
Curetis	Authority to issue new shares	25.4% against
Curetis	Disapplication of pre-emption rights regarding a share-issuance of up to 30% of the issued capital	25.4% against
Curetis	Disapplication of pre-emption rights regarding an additional share-issuance of up to 50% of the issued capital	25.4% against
Royal Dutch Shell	Remuneration report	25.2% against
PostNL	Authority to issue new shares	24.9% against
BAM Groep	Disapplication of pre-emption rights	24.8% against
IMCD	Disapplication of pre-emption rights	24.5% against
IMCD	Authority to issue new shares	24.2% against
TKH Group	Disapplication of pre-emption rights (ordinary shares)	23.7% against
ASM International	Disapplication of pre-emption rights	23.7% against
DSM	Disapplication of pre-emption rights	23.7% against
BAM Groep	Authority to issue new shares	23.5% against
TKH Group	Authority to issue new ordinary shares	22.6% against
BAM Groep	Authority to repurchase shares	21.9% against
Wereldhave	Authority to repurchase shares	20.2% against

Appendix 2: Proposals withdrawn before the AGM

AGM	Proposal
ING Groep	Amendment executive remuneration policy
Vastned Retail	Amendment Articles of Association
Heijmans	Amendment remuneration Supervisory Board

[5] Proposal was approved with 61.9% votes in favour due to the votes cast by the Van Lanschot Kempen Trust Office.
[6] Approval of this proposal required a legal 2/3 vote majority since less than 50% of the issued capital was present or represented at the Wereldhave general meeting.