

APPENDIX I: CLARIFICATION EUMEDION SPEARHEADS 2007

1. The organization of the general meeting of shareholders

The subjects that Eumedion has examined in the past year included the future of the physical general meeting of shareholders¹. In Eumedion's opinion, the general meeting of shareholders will increasingly develop into the final element of a more or less permanent dialogue between shareholders and company management. The fact is that it is probably not realistic for institutional investors acting within the framework of their corporate governance policy, to become more involved in decision-making at listed companies unless they also speak with the management board, and probably the chairperson of the supervisory board as well, outside the general meeting of shareholders. In accordance with the Tabaksblat Code, for example, institutional investors are tasked with entering into a dialogue with a company when they do not accept that company's explanation of a failure to comply with a best practice provision of the Code. Institutional investors also reserve the right, however, to submit the company's corporate governance policy or major non-compliances with the best practice provisions of the code for addition to the agenda for the general meeting, so that these can be put to a vote.

Formal resolutions are passed at the general meeting on the basis of information previously gathered and analysed. The increasing percentage of foreign shareholders has made an efficient process for voting in absentia and for shareholder participation from a distance an inevitable necessity. One of the requirements to this end is that shareholders are provided in practice with adequate opportunity to study the agenda and underlying documents, and to form an opinion on these. This opportunity is still often lacking in practice. There is frequently a very short period between the time when shareholders receive notice of the general meeting via service providers and the time when they must cast their votes. This situation should be improved by extension of the period for convening the meeting and a registration date of thirty days before the date of the general meeting - as will soon be possible. For the sake of clarity, Eumedion would prefer the prompt provision of information to a general meeting being held above the early payment of dividend. The number of votes cast at a meeting can increase significantly as a result of these measures. The average figure is 36 percent at present in the case of the largest listed companies, which can be considered low in both absolute and relative terms. It is in the interests of both the shareholder and the listed company to make efforts to increase the number of votes cast, since higher attendance results in more balanced decision-making.

It is also necessary for business at general meetings to be conducted more effectively. The general meeting is the place where the management board and supervisory board are held accountable for their management and the supervision of that management, the physical general meeting providing an opportunity for larger and smaller shareholders to put questions in person to the members of the management board and the supervisory board and to call them to account. Efficient debate at the

¹ See also Eumedion's response to the questionnaire from the Dutch Monitoring Committee Corporate Governance Code concerning the role of shareholders (can be downloaded at www.eumedion.nl).

meeting itself is also needed to persuade more institutional investors to participate in a physical general meeting (at the actual meeting or from a distance) and this demands discipline on the part of both the chairperson of the general meeting and the shareholders.

Finally, Eumedion would like to suggest two subjects for inclusion on the agenda of the 2007 general meetings of shareholders. The first subject concerns an amendment to the articles of association, in which it is regulated that shareholders can participate directly in the discussion and in the voting at the general meeting from a distance, through electronic means of communication. The second subject relates to the protection of the company against a possible hostile takeover. The bill to implement the European Takeover Bids Directive that was recently passed by the lower house of the Dutch parliament presents a company with the choice of being classified as either “protected” or “unprotected”. Eumedion believes it is reasonable for shareholders to be given the opportunity to discuss the merits of the company’s existing anti-takeover measures with the company management under a separate point on the agenda. The management of the company explains during this meeting why it believes the anti-takeover measures should be maintained or abolished as the case may be.

In concrete terms, Eumedion proposes the following points for improvement of the organization of the 2007 general meetings of shareholders.

In advance of the general meeting

- 1) the company publishes a draft agenda for the general meeting as early as possible, but no later than the tenth calendar day before the latest date on which the articles of association stipulate that shareholders may put forward subjects for the general meeting, so that shareholders representing a certain capital stake are able to make proposals for additions to the agenda;
- 2) the definitive agenda and underlying documents (such as the annual report and annual accounts) are published on the company’s website at least 28 calendar days before the date of the general meeting of shareholders;
- 3) the points that are only for discussion and the points that will be put to a vote are clearly indicated on the definitive agenda;
- 4) controversial proposals are not put to a vote as “a bundle”; important proposed amendments to the articles of association, for example, are put to separate votes;
- 5) as from the date of publication of the definitive agenda, the company provides the shareholders with the opportunity to ask written questions about the points on the agenda; these questions may be dealt with and discussed in combination at the general meeting of shareholders;
- 6) the management of the company does everything necessary to fix the registration date on the thirtieth day before the date of the general meeting. To this end, the management of the company will submit a proposal for an amendment to the articles of association to the 2007 general meeting, or will request authorization for this from the 2007 general meeting;

General meeting itself

- 7) the management board and the supervisory board do not have exclusive knowledge at the start of the general meeting of the breakdown of the votes cast by the “distance voters”. This breakdown is only known in advance to an independent third party, such as the civil-law notary, or to everyone;
- 8) at the start of the general meeting, the chairperson of the general meeting establishes a number of rules with regard to questions from shareholders, such as possible regulation of the number of questions that a shareholder may ask and the maximum speaking time for a shareholder. The rules must not, however, be allowed to stand in the way of a good dialogue between shareholders and management board and supervisory board;
- 9) the management of the company submits a proposal to the 2007 general meeting for an amendment to the articles of association, in which it is regulated that shareholders can participate directly in the discussion and in the voting at the general meeting from a distance, through electronic means of communication;
- 10) in the first general meeting of shareholders after the Bill for implementation of the Takeover Bids Directive has come into effect, the management board submits a proposal to apply the provisions referred to in (draft) section 2:359b of the Netherlands Civil Code: a) in full; b) in part, or; c) not at all. The board of management must provide clear reasons for its decision.

After the general meeting has ended

- 11) the results of the voting (specified as percentages of votes in favour, votes against and abstentions) for each item on the agenda at the general meeting of shareholders will be published on the company's website within fifteen calendar days of the date of the general meeting of shareholders.

2. Executive remuneration

Eumedion does not express satisfaction on all points regarding the transparency and structure of the remuneration of executives in its evaluation of the 2006 season of annual reports and shareholders' meetings. A number of recommendations made in the 2005 monitoring report of the Dutch Monitoring Committee Corporate Governance Code are not or are insufficiently complied with. Partly as a result of these findings, Eumedion has drawn up new recommendations for the structure and transparency of executive remuneration. The objective of the updated recommendations, supplementary to the present legislative provisions and best practice provisions in the Code with reference to executive remuneration, is to ensure executive remuneration is better aligned with the long-term goals of the company and – by extension – to make the long-term bonus a more important element of the total remuneration package than the short-term bonus, under normal circumstances. In addition, the recommendations are intended to improve the transparency of executive remuneration, which can contribute to the accountability of management boards and supervisory boards to the general meeting of shareholders in this respect. The institutional investors affiliated to Eumedion will use the

recommendations as tools when examining a new policy proposal on the remuneration of the management board, or a new proposal for the remuneration of members of the supervisory board. The new recommendations are set out in Appendix II to this letter.