



**RECOMMENDATIONS ON  
EXECUTIVE REMUNERATION**

25 October 2006

## Eumedion recommendations on executive remuneration<sup>°</sup>

### Preamble

1. In March 2003 Eumedion's predecessor, the Corporate Governance Research Foundation for Pension Funds (SCGOP), issued the Recommendations on Executive Remuneration. The then-SCGOP participants used these recommendations as one of the basic tools to assess proposals for the remuneration policy for executives, which have been submitted to the general meeting of shareholders for adoption since then. National and international developments have occurred since 2003 that have led to a re-evaluation of these recommendations. The Dutch corporate governance code (the Tabaksblat Code) has come into effect, for example, containing many best practice provisions relating to executive remuneration. A number of SCGOP recommendations were incorporated into the Tabaksblat Code and the Dutch Monitoring Committee Corporate Governance Code (the Frijns Committee) reports every year on compliance with the provisions of the Code by Dutch listed companies. In addition, the legal framework relating to executive remuneration has been changed. Since 1 October 2004 the general meeting of shareholders has had the right to adopt the remuneration policy for executives and the right to approve option and share schemes. The Organization for Economic Cooperation and Development (OECD) adopted revised Principles of Corporate Governance in May 2004, the European Commission published a recommendation for executive remuneration on 14 December 2004 and on 7 July 2006 the International Corporate Governance Network adopted updated guidelines for executive remuneration. The US stock exchange supervisor, the SEC, proposed more stringent transparency provisions for executive remuneration on 11 August 2006. Numerous studies have been published on the subject of the structure and development of executive remuneration at listed companies, and on the effectiveness of remuneration systems.
2. It was partly in response to these developments that Eumedion reviewed the Recommendations on Executive Remuneration in 2006. The new recommendations provide institutional investors with tools to assess existing remuneration policy and new proposals for an executive remuneration policy, and to evaluate these on the basis of new insights. It should be noted for the sake of clarity that the Eumedion participants will apply the recommendations in their analysis of the proposals for the executive remuneration policies of listed companies having their registered offices in the Netherlands. Non-listed companies and non-Dutch listed companies have their own characteristic features to which different remuneration structures may well be better suited. The institutional investors judge the proposals of the Dutch listed companies in the light of their own backgrounds, taking Dutch legislation and regulations, and the facts and circumstances into consideration.

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<sup>°</sup> The Eumedion recommendations on executive remuneration are drawn up in the Dutch language and this translation serves only to assist. References to legal terms and concepts are to be understood as references to Dutch legal terms and concepts. Where the text of this translation may deviate from the related Dutch wording, the Dutch wording prevails.

3. The formulation of the revised recommendations is based on existing Dutch legislation on executive remuneration at listed companies (transparency on the level and structure of the components of the remuneration, general meeting of shareholders has the right to adopt the remuneration policy and a right of approval regarding share and option schemes). Further basic premises were the application of the principles and best practice provisions in the Dutch corporate governance code that refer to executive remuneration and the remuneration of supervisory board members, in addition to Netherlands jurisprudence in the field of executive remuneration. The Eumedion recommendations are therefore complementary to the existing Dutch regulatory framework for executive remuneration and are consequently not recommendations to change or replace the Dutch regulatory framework. The general meeting of shareholders fulfils an important position in the checks and balances applied to executive remuneration, in both Dutch legislation and the Dutch corporate governance code. Shareholders have a major interest in a good remuneration structure for executives, since a good remuneration structure contributes to the creation of shareholder value in the long term. Furthermore, society actually expects shareholders, and institutional investors in particular, to address the subject of executive remuneration and to form an opinion on it.
4. The existing legislation and regulations and the Tabaksblat Code specify requirements for the transparency of the costs of executive remuneration and stem from the principle of rewarding an executive for above-average or exceptional performance or efforts, in order to ensure that the executive's interests run (more closely) parallel to the shareholder's interests and to allow an executive to share in the benefits of any success achieved by the company. The present recommendations have the additional objective of aligning executive remuneration more closely with the long-term objectives of the company and – by extension – to make the long-term bonus in normal circumstances a more important component of the total remuneration package than the short-term bonus. The long-term bonus is not paid, furthermore, until certain objectives have been achieved. In addition, the recommendations are intended to improve the transparency of executive remuneration, which can contribute to the quality of the accountability of management boards and supervisory boards to the general meeting of shareholders in this respect.
5. The revised recommendations assume a structure in which a separate supervisory board functions in addition to the management board, whether or not this is required by law on the grounds of the two tier board structure. Companies in the Netherlands that are not subject to the compulsory application of the two-tier rules are also permitted to opt for what is referred to as a one tier board structure, in which a single board comprises both executive and supervisory (*non-executive*) directors. In the light of the statutory regulation relating to the formation of a European Company and the announcement of the Minister of Justice on facilitating the introduction of a one-tier board structure, it can by no means be ruled out that companies will choose the one tier structure in future. In order to make the recommendations scenario-resistant, the provisions with regard to members of a management board are also applicable to the executives of companies of

this kind. The provisions relating to the supervisory board are also applicable to the non-executive directors of companies with a one tier board structure, with the exception of specific recommendation 30.

6. The revised recommendations assume that the remuneration of an executive of a listed company may consist of the following components: i) the fixed annual salary, ii) annual (short-term) bonus, iii) long-term incentive plans (hereafter: long-term bonus), such as option and share schemes, iv) pension and other benefits, such as the contribution to medical insurance and other insurances, v) other emoluments (also referred to as perks or perquisites), such as a company car, expense account and housing, and vi) severance pay. In addition, the recommendations assume that the level of the various components of the remuneration is determined by the supervisory board in response to a proposal from the remuneration committee (if one has been set up), within the framework of the remuneration policy adopted by the general meeting of shareholders. The level of remuneration for members of the supervisory board is determined by the general meeting of shareholders, in response to a proposal from the supervisory board. The contracts of employment with individual executives are in compliance with the remuneration policy adopted by the general meeting of shareholders. The individual contracts of employment include no materially different arrangements than those described in the remuneration policy and which have been made public on the grounds of best practice provision II.2.11 of the Dutch corporate governance code.
7. The responsibility of the general meeting of shareholders to adopt the executive remuneration policy and to approve share and option schemes implies that institutional investors should handle this responsibility with care. According to the Dutch corporate governance code, a company endeavours to create shareholder value in the long-term. If shareholders expect the management board to focus on the long-term objectives of the company, shareholders should also judge the management board on that criterion. This means, among other things, that shareholders will be vigilant in ensuring that, under normal circumstances, the long-term bonus constitutes a greater part of the total executive remuneration package than the annual (short-term) bonus. They will also take care that this shift does not lead to an unintentional increase in the value of the total remuneration paid to executives.
8. Where the recommendations refer to an “objective” this may refer to a company objective or an individual objective for an executive, as is stated explicitly or made clear by the context. An objective for an individual executive is defined in concrete terms, is feasible and measurable, and has a clearly specified performance, threshold value(s) and a measuring moment. If an executive achieves his objectives, he becomes eligible for either a short-term or long-term bonus in accordance with the agreements set out in writing in advance. Where the recommendations refer to a “performance standard”, this means the more general description of the objectives to be achieved (such as [relative] *total shareholder return* (TSR), turnover and return on assets) for the position in question.

9. Two kinds of peer groups are referred to in the recommendations, viz. the labour market peer group and the performance peer group. The labour market peer group is the group of companies used to establish the level and composition of the executive remuneration. The performance peer group is the group of companies mostly used to establish the relative performance of the company and the corresponding number of shares or options that then become unconditional. Generally speaking, the two peer groups will contain different companies. A labour market peer group makes it possible to establish a benchmark for competitive remuneration levels in the comparative domestic or European markets, so that competent executives can be recruited and retained. Cautious use should be made of companies from the United States, in view of the completely different remuneration philosophy and structure prevailing there. The performance peer group consists of the company's direct competitors and this peer group may explicitly include the competing companies from the United States.

## **Recommendations on executive remuneration**

### *Responsibilities of the supervisory board*

1. The supervisory board is responsible for the proposal for the policy relevant to the remuneration of the management board (hereafter the “remuneration policy”) in the form as it is submitted to the general meeting of shareholders for adoption. If applicable, the remuneration committee of the supervisory board initiates the proposal. The company makes the required resources available to enable the supervisory board to fulfil its duty. The supervisory board is aware of the outcomes of the various scenarios for the executive remuneration policy and annually assesses whether the executive remuneration policy is still consistent with the objectives of the company. The remuneration report includes a statement from the supervisory board explaining the results of this assessment.
2. The supervisory board or its remuneration committee may seek the advice of an external remuneration consultant, regarding the structure of the executive remuneration policy. The supervisory board or its remuneration committee is responsible for the appointment of the external remuneration consultant and for issuing the instructions to the said consultant, and ensures that this consultant reports exclusively to the supervisory board or its remuneration committee. The basic principle of the instructions issued is to avoid a possible conflict of interests on the part of the remuneration consultant. The name of the external remuneration consultant and of the firm where this consultant is employed are disclosed in the remuneration report.
3. Before unconditionally granting variable components of remuneration to an executive, the supervisory board evaluates the consequences of doing so on the total amount of his remuneration, from the point of view of reasonableness and fairness and taking the moral values of society into account. The supervisory board has at all times the discretionary power – as set out in the remuneration policy – to adjust the level of the variable remuneration components to be granted. Any use of this discretionary power is stated in the remuneration report with sound reasons why this was done.

### *Structure of executive remuneration*

4. The executive remuneration policy has two objectives: a) to enable the cost-efficient recruitment and retention of qualified and competent executives and b) to stimulate executives to create shareholder value in the long term.
5. The level and composition of executive remuneration are consistent with the company’s general remuneration policy.
6. The remuneration structure is transparent, clear and comprehensible.
7. The remuneration of an executive is structured in such a way as to strike a balance between fixed and variable components of remuneration, and within the variable components, between the achievement of short-term and long-term objectives and between pecuniary and non-pecuniary components. The required proportions depend on market conditions and the concrete circumstances in which the company operates. The remuneration structure nevertheless focuses

to a considerable extent on achieving the company's long-term objectives and strategies. In normal circumstances, therefore, the long-term bonus constitutes a greater part of the total remuneration than the annual (short-term) bonus.

8. The company states its long-term objectives in the remuneration report and how the short-term objectives merge with these.
9. The granting of the variable components of the remuneration is made mainly dependent on the realization of a limited number of clearly quantifiable and challenging objectives communicated in advance to the executive. The objectives are published, unless this is contrary to an overriding interest of the company.
10. If the level and composition of executive remuneration are determined in part by the remuneration policy of a certain group of companies (hereafter "the labour market peer group"), the company must carefully specify the criteria for the selection of the group of companies and explains why the chosen group of companies meets the criteria. The supervisory board states in the remuneration report what it does with the results of the labour market peer group comparisons. Sound reasons are provided for proposed changes to the labour market peer group. The number of legal persons that make up the labour market peer group must be such as to avoid coincidences and the group must consist of at least twelve legal persons.

#### *Long-term bonus*

11. The maximum long-term bonus as a percentage of the fixed salary when granted is disclosed by the company in the proposal for the remuneration policy and the company provides sound reasons for this maximum.
12. The company provides sound reasons for the choice of components for the long-term bonus. The components are related to (rights to subscribe for) shares (such as share options, performance shares, stock appreciation rights, etc.). Share schemes are preferable to option schemes<sup>1</sup>.
13. In order to combat dilution of the earnings per share, it is preferable for companies to use repurchased own shares within the framework of an option and/or share scheme (calculated for the employees collectively). Should it be necessary to issue shares in connection with an option and/or share scheme, however, companies will increase the number of shares outstanding by no more than one percent per year.
14. Shares granted to executives without financial consideration will be retained for a period of at least five years after acquisition of the shares or until at least one year after the termination of the employment, if this period is shorter.
15. The number of shares that an executive holds in the company no more than three years after his first appointment is such that that number adequately safeguards the alignment of interests between the executive and the shareholder. He will also continue to hold a significant number of shares in the company for the rest of his term of appointment.
16. The conditions for the unconditional granting of options and/or shares to an executive will not be altered in the event of a change of control over the company. Amendment of these conditions is

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<sup>1</sup> This leads to a higher degree of alignment of interests between executives and shareholders. In contrast to share options, executives also feel the downside risks that a share scheme involves.

possible, however, in the event of a very substantial expansion or restriction of the company's activities. If the company ceases to exist *de facto*, the arrangement referred to in recommendation 26 applies.

17. The company discloses and provides sound reasons for the following: a) the performance standards whereby options and/or shares become unconditional and b) the proportions (in percentages) of these performance standards within the potential long-term bonus that can be achieved. The performance standards are quantifiable, with (relative) total shareholder return (TSR) being preferred. If TSR is applied as a performance standard, this standard is measured over at least a number of successive years under review <sup>2</sup>.
18. If the performance standards are based on the performance of one or more companies (hereafter a "peer group") or of an index, the company will provide sound reasons for the composition of the peer group or the choice of index. The peer group consists of the company's direct competitors (national and international) to the greatest possible extent. Sound reasons must be given for proposed changes to the peer group. The number of listed companies in the peer group must be such that coincidences are avoided.
19. If the relative TSR is applied as a performance standard for share and/or share option schemes, the conditional granting of shares and/or share options will cease when the company's performance is below the peer group median. When other performance standards are applied, the company discloses and provides sound reasons for the circumstances under which the maximum long-term bonus is paid and the circumstances under which a smaller part is paid.

#### *Annual (short-term) bonus*

20. In the proposed remuneration policy, the company discloses the maximum annual (short-term) bonus as a percentage of the fixed annual salary and provides sound reasons for this maximum. The company also discloses and provides sound reasons for a) the performance standards for achieving the annual (short-term) bonus and b) the proportions (in percentages) of these performance standards within the potentially achievable annual (short-term) bonus. In addition, to the extent that financial performance standards are concerned, a link is made to an item on the balance sheet and/or in the profit and loss account. The emphasis in performance standards is on quantifiable standards.
21. In the remuneration report, the company provides transparent information on each of the performance standards, regarding whether and to what extent the objectives for the payment of the annual (short-term) bonus have been achieved.
22. The company discloses and provides sound reasons for the circumstances under which the maximum annual (short-term) bonus is paid and the circumstances under which a smaller part of the bonus is paid.
23. The audit committee and thereafter the external auditor establish whether the (financial) objectives have been realized. Their decision is stated in the remuneration report.

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<sup>2</sup> Also referred to as a rolling period.



24. The conditions for the payment of the annual (short-term) bonus are not amended in the course of the year (or performance period).
25. The company does not pay bonuses to its executives on anything other than an annual basis.

#### *Severance schemes*

26. The amount of severance pay on termination of the employment for any reason whatsoever (and therefore also termination due to a change of control) is within the limits defined in best practice provision II.2.7 of the Dutch corporate governance code.

#### *Clawback provision*

27. The arrangements for the long-term bonus, for the annual (short-term) bonus, for bonuses that are part of a severance scheme and the scheme in the form of shares or share options contain the provision that bonuses, share options and/or shares that have been granted will be reclaimed should it emerge at a later date that these had been wrongly granted (in part) on the basis of incorrect (financial) information (this is known as a *clawback* provision). In the event of a bonus being wrongly granted, the company initiates a procedure to reclaim the bonuses, share options and/or shares granted.

#### *Transparency*

28. All the information on executive remuneration is included in the remuneration report, in order to further the uniformity of reporting on executive remuneration.
29. The remuneration report contains a separate format for the (values of the) components of the executive remuneration, in order to further comparability between years and companies. This will include an amount in euros for the following components: i) fixed annual salary, ii) annual (short-term) bonus relating to the year under review, iii) the value of the long-term bonus relating to the year under review, iv) the value of the pension; v) the value of all other emoluments; vi) the value of any severance pay and vii) the total amount of the remuneration for the executive in the year under review.

#### *Remuneration non-executives*

30. If, contrary to best practice provision III.7.1 of the Dutch corporate governance code, the company intends to pay part of the remuneration of a non-executive in shares, it is stipulated that the shares must be retained until at least two years after his resignation<sup>3</sup>.

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<sup>3</sup> A deviation of this kind may be justified for non-executives from the point of view of a different division of responsibilities and liabilities in comparison with members of the supervisory board. In addition, the recommendation might be useful in recruiting non-Dutch nationals for positions as non-executives at Dutch listed companies.

**Appendix: the current legislation and regulations with regard to remuneration for members of the management board and members of the supervisory board (a brief summary of provisions relating to executive remuneration)**

**Relevant provisions from book 2 of the Netherlands Civil Code**

Section 135

1. The company has a policy relating to the remuneration of the board of management. The policy is determined by the general meeting. The remuneration policy must include at least the subjects described in sections 383c to e inclusive, in so far as these relate to the board of management.
2. If the company has established a works council pursuant to statutory provisions, the remuneration policy is presented in writing to the works council for their information simultaneously with the submission of the remuneration policy to the general meeting of shareholders. For the purposes of the application of the previous sentence, the provisions of section 158 paragraph 11 apply by analogy to the subsidiaries referred to in paragraphs 1 and 2 of section 24a.
3. With due regard to the policy referred to in paragraph 1, the remuneration of members of the management board is determined by the general meeting, unless a different organ is designated for this purpose in the articles of association.
4. If it is laid down in the articles of association that the remuneration is determined by an organ other than the general meeting of shareholders, that organ submits a proposal with regard to schemes in the form of shares or rights to subscribe for shares for approval by the general meeting. The proposal must at least stipulate how many shares or rights to subscribe for shares may be granted to members of the management board and what criteria apply to granting or amendment. The lack of the general meeting's approval does not impair the organ's representative authority.

Section 145

The general meeting may grant a remuneration to the members of the supervisory board.

Section 383b

Contrary to section 383, sections 383c to 383e inclusive apply to public liability companies, with the exception of public liability companies whose articles of association only provide for registered shares, contain a transfer restriction and do not permit the issue of bearer depositary receipts with the cooperation of the company.

Section 383c

1. The company reports the amount of the remuneration for each member of the management board. This amount is broken down into the following components:
  - a. remuneration paid periodically,
  - b. remuneration payable in due course,

- c. payments made on termination of the employment,
- d. profit-sharing distributions and bonuses, in so far as these amounts were chargeable to the company in the financial year.

The company reports any remuneration it has paid in the form of a bonus that is wholly or partially based on the achievement of the objectives set by or in the name of the company. In addition, the company reports whether these objectives were achieved in the year under review.

2. The company reports the amount of the remuneration for each past member of the management board, broken down into remuneration payable in due course and payments made on termination of the employment, in so far as these amounts were chargeable to the company in the financial year.
3. The company reports the amount of the remuneration for each member of the supervisory board, in so far as these amounts were chargeable to the company in the financial year. If the company has granted a remuneration in the form of profit-sharing or a bonus, the company reports this separately, stating the reasons which are the grounds for the decision to grant remuneration in this form to a member of the supervisory board. The last two sentences of paragraph 1 apply by analogy.
4. The company reports the amount of the remuneration for each past member of the supervisory board, in so far as these amounts were chargeable to the company in the financial year.
5. If the company has subsidiaries or consolidates the financial information of other companies, the amounts chargeable to them in the financial year are included in the statements, allocated to the relevant category of remuneration referred to in paragraphs 1 to 4 inclusive.

#### Section 383d

1. A company that grants rights to members of the management board or employees to subscribe for or acquire shares in the capital of the company or a subsidiary, must report the following for each member of the management board and for the employees collectively:
  - a) the exercise price of the rights and the price of the underlying shares in the company's capital, if the exercise price is lower than the price of the shares at the time when the rights were granted;
  - b) the number of rights not yet exercised at the beginning of the financial year;
  - c) the number of rights granted by the company in the financial year with the corresponding conditions; if conditions of this kind are amended in the course of the financial year, these amendments should be listed separately;
  - d) the number of rights exercised in the course of the financial year, stating at least the number of shares corresponding to the exercise of those rights and the exercise prices;
    - the exercise price of the rights granted;
    - the remaining lifetime of the rights not yet exercised;
    - the most important conditions applying to the exercise of the rights;
    - a financing arrangement made in connection with the granting of the rights; and other information that is important in assessing the value of the rights;

- e) if applicable: the criteria observed by the company for the granting of the rights.
2. A company that grants members of the supervisory board rights to acquire shares in the capital of the company or of a subsidiary, also reports these rights for each member of the supervisory board, in addition to the reasons that lie at the basis of the decision to grant these rights to the member of the supervisory board. Paragraph 1 applies by analogy.
  3. The company reports how many shares in the capital of the company have been purchased as at balance sheet date or will be purchased after balance sheet date, or how many new shares have been issued as at balance sheet date or will be issued after balance sheet date in connection with the exercise of the rights referred to in paragraph 1 and paragraph 2.
  4. For the purposes of the application of this article, shares are also held to mean depositary receipts for shares issued with the cooperation of the company.

#### Section 383e

The company reports the amount of the loans, advances and guarantees issued by the company, its subsidiaries and the companies whose information it consolidates, for the benefit of each member of the management board and each member of the supervisory board of the company. The amounts still outstanding are reported, in addition to the rate of interest, the most important other provisions, and the repayments during the financial year.

#### Section 391

1. [...]
2. [...] The public liability company to which section 383b is applicable, also announces the company's policy with regard to the remuneration of the members of its management board and the members of its supervisory board, and the manner in which this policy was implemented during the year under review.

### **Relevant principles and provisions from the Dutch corporate governance code**

## **II. The board of management**

### **II.2 Remuneration**

#### ***Amount and composition of the remuneration***

**Principle**      **The amount and structure of the remuneration which the management board members receive from the company for their work shall be such that qualified and expert managers can be recruited and retained. If the remuneration consists of a fixed and a variable part, the variable part shall be linked to previously-determined, measurable and influenceable targets, which must be achieved partly in the short term and partly in the long term. The variable part of the remuneration is designed to strengthen the board members' commitment to the company and its objectives.**

**The remuneration structure, including severance pay, is such that it promotes the interests of the company in the medium and long term, does not encourage management board members to act in their own interests and neglect the interests of the company and does not 'reward' failing board members upon termination of their employment. The level and structure of remuneration shall be determined in the light of, among other things, the results, the share price performance and other developments relevant to the company.**

**The shares held by a management board member in the company on whose board he sits are long-term investments. The amount of compensation which a management board member may receive on termination of his employment may not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances.**

#### **Best practice provisions**

- II.2.1 Options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.
- II.2.2 If the company, notwithstanding best practice provision II.2.1, grants unconditional options to management board members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted.
- II.2.3 Shares granted to management board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The number of shares to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand.
- II.2.4 The option exercise price shall not be fixed at a level lower than a verifiable price or a verifiable price average in accordance with the official listing on one or more predetermined days during a period of not more than five trading days prior to and including the day on which the option is granted.
- II.2.5 Neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except in so far as prompted by structural changes relating to the shares or the company in accordance with established market practice.
- II.2.6 The supervisory board shall draw up regulations concerning ownership of and transactions in securities by management board members, other than securities

issued by their 'own' company. The regulations shall be posted on the company's website. A management board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A management board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

II.2.7 The maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary.

II.2.8 The company shall not grant its management board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the supervisory board. No remission of loans shall be granted.

#### ***Determination and disclosure of remuneration***

**Principle** The report of the supervisory board shall include the principal points of the remuneration report of the supervisory board concerning the remuneration policy of the company, as drawn up by the remuneration committee. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of the individual members of the management board. The remuneration policy proposed for the next financial year and subsequent years as specified in the remuneration report shall be submitted to the general meeting of shareholders for adoption. Every material change in the remuneration policy shall also be submitted to the general meeting of shareholders for adoption. Schemes whereby management board members are remunerated in the form of shares or rights to subscribe for shares, and major changes to such schemes, shall be submitted to the general meeting of shareholders for approval.

The supervisory board shall determine the remuneration of the individual members of the management board, on a proposal by the remuneration committee, within the scope of the remuneration policy adopted by the general meeting of shareholders.

### **Best practice provisions**

- II.2.9 The remuneration report of the supervisory board shall contain an account of the manner in which the remuneration policy has been implemented in the past financial year, as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years.
- II.2.10 The overview referred to in II.2.9 shall, in any event, contain the following information:
- a) a statement of the relative importance of the variable and non-variable remuneration components and an explanation of this ratio;
  - b) an explanation of any absolute change in the non-variable remuneration component;
  - c) if applicable, the composition of the group of companies (peer group) whose remuneration policy determines in part the level and composition of the remuneration of the management board members;
  - d) a summary and explanation of the company's policy with regard to the term of the contracts with management board members, the applicable periods of notice and redundancy schemes and an explanation of the extent to which best practice provision II.2.7 is endorsed;
  - e) a description of the performance criteria on which any right of the management board members to options, shares or other variable remuneration components is dependent;
  - f) an explanation of the chosen performance criteria;
  - g) a summary of the methods that will be applied in order to determine whether the performance criteria have been fulfilled and an explanation of the choice of these methods;
  - h) if performance criteria are based on a comparison with external factors, a summary should be given of the factors that will be used to make the comparison; if one of the factors relates to the performance of one or more companies (peer group) or of an index, it should be stated which companies or which index has been chosen as the yardstick for comparison;
  - i) a description and explanation of each proposed change to the conditions on which a management board member can acquire rights to options, shares or other variable remuneration components;
  - j) if any right of a management board member to options, shares or other variable remuneration components is not performance-related, an explanation of why this is the case;
  - k) current pension schemes and the related financing costs;
  - l) agreed arrangements for the early retirement of management board members.
- II.2.11 The main elements of the contract of a management board member with the company shall be made public immediately after it is concluded. These elements shall in any event include the amount of the fixed salary, the structure and amount of the variable

remuneration component, any redundancy scheme, pension arrangements and performance criteria.

- II.2.12 If a management board member or former management board member is paid special remuneration during a given financial year, an explanation of this remuneration shall be included in the remuneration report. The remuneration report shall in any event account for and explain remuneration paid or promised in the year under review to a management board member by way of severance pay.
- II.2.13 The remuneration report of the supervisory board shall, in any event, be posted on the company's website.
- II.2.14 The company shall state in the notes to the annual accounts, in addition to the information to be included pursuant to article 2:383d of the Civil Code, the value of any options granted to the management board and the personnel and shall indicate how this value is determined.

### **III. Supervisory Board**

#### **III.7 Remuneration**

**Principle**      **The general meeting of shareholders shall determine the remuneration of supervisory board members. The remuneration of a supervisory board member is not dependent on the results of the company. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of individual supervisory board members.**

#### **Best practice provisions**

- III.7.1          A supervisory board member shall not be granted any shares and/or rights to shares by way of remuneration.
- III.7.2          Any shares held by a supervisory board member in the company on whose board he sits are long-term investments.
- III.7.3          The supervisory board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by supervisory board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A supervisory board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A supervisory board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by



means of a written mandate agreement is exempted from compliance with this last provision.

III.7.4

The company shall not grant its supervisory board members any personal loans, guarantees or the like unless in the normal course of business and after approval of the supervisory board. No remission of loans shall be granted.