

To the management board and supervisory board

Dear members of the management board and supervisory board,

Eumedion, the corporate governance platform for institutional investors, annually sends what is known as its spearheads letter to the 75 largest Dutch listed companies for the coming season of annual reports and shareholders' meetings. This spearheads letter comprises subjects that Eumedion members would like to bring to your attention and that they may put forward in the discussions outside and/or at the shareholders' meetings.

Just as it did for the 2009 season, Eumedion has formulated one spearhead for the 2010 season. The spearhead for 2010 relates to the description of company strategy and the risk appetite related to this.

Furthermore, we are assuming that the revised Dutch Corporate Governance Code (hereafter the "Frijns Code") will be enshrined in law with effect from 1 January 2010 and that listed companies will consequently be required by law to report on their compliance with the Frijns Code in the annual reports on the financial year 2009. We would be grateful if the relevant chapter is submitted to the general meeting in 2010 (solely) for discussion, in accordance with paragraph 16 of the preamble of the Frijns Code.

The spearhead will be explained in more detail below.

Spearhead: strategy and risk appetite

Where a shareholder is concerned, the strategy of a company is one of the core variables on the basis of which an investment decision is made. It is very important, in the interest of a well-considered investment decision, to have a clear description of the company's strategy. A study of annual reports in recent years shows that there are striking differences between companies in the degree of depth provided in the description of the strategy. Relatively few companies include an analysis of the environment in which they operate for instance, and quite often no summary is provided of the competitors, market shares and the threats in the market. If lasting confidence is to be restored between shareholder and listed company, it is vital for communication on the strategy and the risk profile to be as transparent as possible. The importance of a clear description of strategy is further reinforced by the following factors. Shareholders and other stakeholders too have expressed a wish in

this context for the remuneration policy for the management board to be better aligned with the long-term strategy of the company (see the Banking Code (Netherlands) for example and also the Eumedion principles for a sound remuneration policy¹). In order for shareholders to be able to form an opinion on the effectiveness of the proposed remuneration policy, it is important to at least be able to have knowledge of the strategy. In addition, the legislature intends to compel major shareholders (with equity interests of three percent or more) to state whether they do or do not have objections to the strategy of the company. A clear description of the strategy is one of the preconditions if shareholders are to place a well-considered tick against “yes” or “no” on the notification form from the Netherlands Authority for the Financial Markets.


In view of the foregoing, institutional investors will be paying attention to the following for example, when reading the paragraphs on strategy and risk:

- the description of the long-term goals of the company (calculated over a period from three to five years) and the quantification of these, if shown;
- the financial goals of the company;
- the analysis of the environment in which the company operates;
- the description of the principal risks related to the company’s strategy, also including the environmental and social risks;
- the description of the company’s risk profile: the attitude towards the principal risks for the company (risk appetite) and, if shown, the company’s vulnerability to manifestation of the risks;
- the description of the alignment between the remuneration policy for the management board and the long-term objectives of the company.

The institutional investors who are members of Eumedion would like to see these elements included in the annual report or published on the company’s website.

We are of course available, should you require further clarification of this letter.

Yours faithfully,



Drs. Rients Abma
Executive Director

¹ http://www.eumedion.nl/page/downloads/Principles_of_Remuneration_2009.pdf
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