



EVALUATION 2014 AGM SEASON

Introduction

Eumedion annually prepares an evaluation of the shareholders' meetings season (AGM season). The main substantive findings for the regular shareholders' meetings held in 2014 are reported below. In addition, Appendix 1 contains the most controversial items in the 2014 AGM. Appendix 2 contains a number of examples of best practices relating to the application of the Eumedion spearheads. The best practices have been selected by the Eumedion Investment Committee and can serve as a source of inspiration for listed companies in preparing their next annual reports and annual accounts.

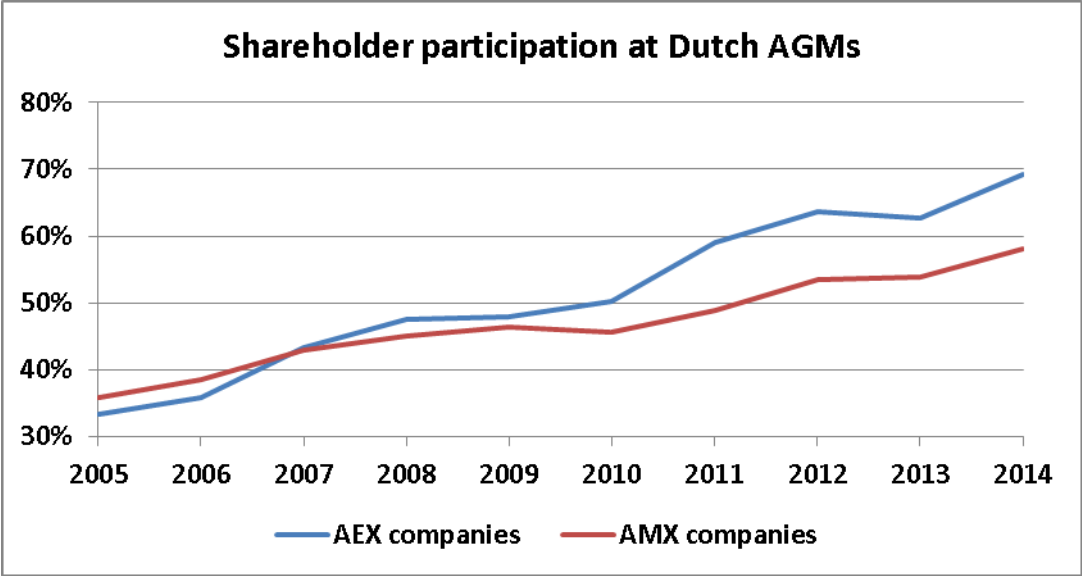
Summary

- Shareholder participation in the decision-making process was record high this year. While the average AGM attendance at AEX companies was approximately 63% in 2013, the average attendance at the AGMs increased to almost 70% in 2014. The average turn-out at the AGMs more than doubled between 2004 and 2014. Shareholders are showing their involvement with the company's affairs.
- More and more companies provide more insight into the strategy and the business model and quantify the strategic (financial) long-term objectives. And there is clearly visible improvement in the risk paragraph. Increasing numbers of companies explain their risk appetite, provide an overview of the most important risks and their potential impact, and describe the measures for mitigating the most significant risks. It is worth noting that the reports specifically devote more attention to the risks of corruption and bribery, both internal and external.
- In its Focus Letter 2014 Eumedion had asked the companies to provide a more extensive audit report with the annual accounts for 2013 and to include a more informative report from the audit committee in the annual report. The results are encouraging, considering that this was the first year for which this request was made: 36% of the AEX companies, 53% of the AMX companies and 32% of the AScX companies included a more extensive audit report in their financial reports. There is still a lot of variation in the reports from the audit committees, although the informational value is gradually increasing.
- 'Integrated reporting' is only taking off very slowly. Philips and Crown Van Gelder alone attempted to draft their annual reports on the basis of the IIRC integrated reporting framework. Some companies call their annual reports integrated reports without adhering to the IIRC framework.

1. Number of votes cast appears to have resumed upward trend

After a dip in 2013, the number of votes cast at the shareholders' meetings picked up again in 2014. The average number of votes cast at the AGMs of the AEX companies amounted to almost 70%, as opposed to 63% in 2013 (figure 1). In contrast to last year, there were no negative extremes this year, which may be connected with the fact that the volume of the short positions in the shares of AEX companies is currently lower than it was in 2013.

Figure 1: shareholder participation (excluding Trust Offices) at AGMs of Dutch listed companies



The average attendance at the AGMs of AMX companies is also clearly above the 2013 level. As in the 2013 AGM season, Imtech was an outlier with a shareholder turnout of only 16.7%, probably as a result of substantial short positions in this share.

No proposals have been submitted by shareholders this AGM season. Only one proposal was rejected by the AGM (see appendix 1). Four proposals were withdrawn by the company just before the AGM started: at Sligro Food Group the proposal to increase the threshold for submitting shareholder proposals, at Neways the proposal to nominate a new supervisory director (at the request of the proposed supervisory director) and at Arcadis and Batenburg Techniek the proposal to amend the articles of association (as a result of not meeting the quorum requirement). The proposal to amend TMG's remuneration policy was amended during and by the AGM at three points and was subsequently approved by the AGM. Proposals for the disapplication of pre-emption rights turned out to be the most controversial voting items, follow by proposal to authorise the management board to issue new shares (appendix 1).

2. Eumedion Focus Letter 2014: companies and auditors are starting to publish more informative and company-specific audit reports

In its Focus Letter for 2014 Eumedion called on audit firms and listed companies to provide more informative and company-specific audit reports with the annual accounts for 2013. Eumedion had specifically requested the external auditors to provide the following information in their audit reports:

- i) the most important risk areas for material misstatements in the annual accounts (key audit matters);
- ii) the application of the concept of materiality;
- iii) the scope of the audit.

Table 1 shows the extent to which the request was complied with in each category of listed companies.

Table 1: Findings on the 'new' audit report at Dutch listed companies

Category of companies	More informative audit report	Percentage reporting key audit matters	Percentage reporting concept of materiality	Percentage reporting scope of audit
AEX	36%	100%	50%	63%
AMX	53%	100%	36%	55%
AScX	32%	100%	0%	25%
Other	9%	100%	0%	0%

Most important findings and conclusions:

- The most prevalent key audit matter at the AEX companies is the (deferred) tax liabilities (referred to 8 times); at the AMX companies the valuation of goodwill and the acquisition and sale of business operations were most frequently mentioned (both referred to 6 times), and the valuation of goodwill was named most often at the AScX companies (referred to 4 times).
- It is also interesting to note that not a single listed financial institution provided an extensive audit report with its annual accounts, while these were precisely the institutions that had been expected to provide greater transparency on this point. A number of unlisted financial institutions, such as ABN AMRO, ASR and FMO have, however, included an extensive audit report in their financial reports.
- Certain audit firms seem more enthusiastic to provide the 'new' audit report (PwC, KPMG and Deloitte) than others (see table 2).

Table 2: Number of new audit reports provided to the annual accounts 2013 of Dutch listed companies, per audit firm

Audit firm	Number of new audit reports provided
PricewaterhouseCoopers	13 out of 21 (62%)
KPMG	8 out of 24 (33%)
Deloitte	5 out of 15 (33%)
EY	3 out of 20 (15%)
Mazars	1 out of 8 (12.5%)
BDO	0 out of 4 (0%)
Baker Tilly Berk	0 out of 1 (0%)

- A group of companies did not provide an extensive audit report with their annual accounts, but did indicate in their annual reports which points had the particular attention of the external auditor (whether or not referring to the auditor's management letter), or they stated what the key reporting areas were. The companies where this happened included Fugro, Gemalto, Philips, Ziggo, Accell Group, BinckBank, Koninklijke Ten Cate, Exact, ASM International, Imtech, Wessanen, KAS Bank and Kardan.
- As expected, the threshold used by the auditor as being material¹ for the annual accounts as a whole varied greatly: from € 1.8 million euro at Brunel International to € 330 million at Unilever and almost \$ 1.7 billion (!) at Royal Dutch Shell. Some auditors relate the materiality threshold to the size of the pre-tax profit (often 5%), but other auditors do not provide an explanation on the materiality thresholds used. As a result, shareholders questioned what these numbers exactly mean.
- Just like last year, many auditors again gave a presentation on the audit this year and were available to take questions from shareholders. The more informative and company-specific audit reports generally contributed to a better discussion between shareholders and auditors on the audit activities conducted. The Nedap AGM is the only AGM where the auditor is still not welcome.
- One disadvantage of the current format of the 'new' audit report is the rather low visibility of the 'emphasis of matter paragraph', if provided by the auditor. In the new audit report it is an element of the remarks of the auditor on the going concern assumption by the board; the emphasis of matter paragraph is not a separate section anymore. Eumedion will request The Netherlands Institute of Chartered Accountants (NBA) for a separate paragraph in the final framework for the new audit report.

3. Rotation of external auditor is a frequent item on the agenda

Dutch listed companies are required to change their audit firm at least every 8 years², starting from 1 January 2016 at the latest. This mandatory rotation was already noticeable this year. No fewer than 21 listed companies submitted a change of audit firm to their AGMs. The following points stand out:

- It is mainly the AEX companies that want to be at the forefront of the change of audit firm (table 3).

Table 3: Number of companies that already rotated its audit firm

Category of companies	% of companies that already selected a new audit firm	% of companies that still has to select a new audit firm
AEX	59%	41%
AMX	36%	64%
AScX	32%	68%
Other	46%	54%

- Non-Big Four audit firms have practically no chance of success at listed companies. Groothandelsgebouw and Acomomo have actually dispensed with the services of medium-sized audit

¹ Information is material if "omitting it or misstating it could influence decisions that users make on the basis of financial information".

² Dutch Parliament has asked the Government to extend this period to 10 years. The Minister of Finance will prepare a Bill to effectuate this request.

firm BDO. Tie Kinetix alone decided to use audit services from a medium-sized audit firm in stead of a BIG Four firm (BDO instead of EY).

- Some companies had only a limited choice in the number of firms. SBM Offshore excluded Deloitte for example, because its supervisory director Floris Deckers is the chair of Deloitte's Supervisory Board. TKH Group held an audit tender with only two candidates.
- One company (Randstad) seized the opportunity presented by the change of external auditor to restrict the scope of the work of the new external auditor (Deloitte) to the 10 most important countries, which relates to between 85 and 90% of the audits. The external audit can be carried out by other audit firms in the remaining 29 countries where the company operates. According to the company, substantial savings in both the group and local audits can be realised, which will be reallocated to extended internal audit programs. This will enable the company to perform additional internal audits on specific themes or items across the group and as such to further improve the overall in control position.
- The AGMs adopted all proposals from the supervisory board to nominate a new audit firm. Shareholders regularly questioned the tender procedure, the selection criteria and whether specific audit firms were excluded from tendering. At the DSM AGM, the Chairman of the DSM Supervisory Board stated that the nomination of KPMG as new external auditor of DSM was a very difficult decision, against the background of the many scandals KPMG is involved in. The DSM Supervisory Board has stipulated that a non-Dutch partner was added to the DSM audit team and that a termination clause was added to the contract with KPMG meaning that if new KPMG scandals are revealed, DSM can cancel the contract without any costs. Moreover, KPMG International sent a comfort letter stating that it will keep a close eye on the audit team performance.
- It is still too early to draw firm conclusions about the effects of the mandatory rotation on audit fees. An initial indication is provided, however, by the audit fees at those companies that had changed firms earlier: at Ahold the fees for the audit of the annual accounts for 2013 by PwC turned out to be 12.5% lower than the fees charged by Deloitte for the previous year. The audit fees for 2013 were 17% lower at Hydratec after PwC had taken over the audit services from BDO.

4. More consideration for risks and their description in the risk paragraph

The fraud and corruption scandals that recently came to light at companies including Imtech, SBM Offshore, Brunel International and Ballast Nedam are part of the reason for the increased attention being paid to risks, (internal) risk management and the reporting on these. Some companies (such as Arcadis) have explicitly discussed the 'Imtech case' in meetings of the management board and/or supervisory board. For other companies such as Corio, Fugro, Exact, Vastned Retail, Brunel International, Accell Group, Grontmij, ICT and Batenburg, these scandals were part of the reason for strengthening the internal audit function.

The risk paragraphs devoted more attention to the risks of corruption and fraud and the internal control measures to mitigate these risks. The quality of the risk paragraphs has clearly improved in any case.

Increasing numbers of companies are reporting openly on their risk appetite or risk tolerance (this year for the first time at TNT Express and Ahold for example), providing an overview of the most important risks with their potential impact and a description of the measures for mitigating the most important risks. Some companies (e.g. Ziggo and BinckBank) even show per risk category whether the risk is high, medium or low and what the trend is (stable or increasing). The improved risk paragraphs mean that investors have a better understanding of the risk-return profile of the companies.

5. Improvements in strategy paragraphs

The strategy paragraphs in the annual reports are gradually improving. Almost 11% of the listed companies start their strategy paragraph with an overview of their strengths, weaknesses, opportunities and threats (SWOT analysis) and whether this analysis has led to a strategy update or review. Some companies even publish the results of long-term scenario analyses, long term market trends and developments and how that may impact the company's business model on the longer term. The number of companies that explicitly explain how they create value is increasing; approximately 10% in 2014. And more and more companies (38% of all Dutch listed companies) now publish quantified medium or long term financial objectives and describe the progress in reaching these objectives; the description of strategy execution is becoming more meaningful. The strategic and financial medium or long term objectives offer investors guidance what can be expected from the company in question and will add to the analysability and predictability of companies. It may also stimulate executives' long-term focus in stead of managing investor expectations regarding quarterly results.

To emphasise the long-term focus, more and more companies decide to only release a quarterly trading statement for the first and third quarters of the year, instead of a full set of financial results. Unilever started this 'trend' in 2010, which example was followed by Corio and Wereldhave last year and will be followed by Arcadis in 2014. And as from 26 November 2015 onwards, listed companies are no longer required by law to publish quarterly trading statements at all.

6. Cautious steps towards integrated reporting, but also confusion

Early in December 2013 the International Integrated Reporting Council (IIRC) published the definitive framework for integrated reporting by listed companies. This was too late for serious application in the 2013 annual reports of many listed companies. Only Philips and Crown van Gelder state that their annual reports are based on the IIRC framework as much as possible. Aegon prepared a separate document (which is not the statutory annual report) in accordance with the IIRC framework as much as possible. Other companies, such as Randstad, AkzoNobel, Delta Lloyd, Ziggo, Brunel International, USG People, Ballast Nedam and Roto Smeets Groep announced that they had made preparations or had taken steps in this regard, but need more time to produce a report (an annual report) that is in line with the IIRC framework. Another number of companies – DSM, KPN and Nutreco – actually refer to their annual reports as "integrated reports", although these reports have not been prepared in accordance with the IIRC framework. Others prefer to meet the new sustainability reporting guidelines (G4) from the Global Reporting Initiative (GRI), instead of complying with the IIRC framework. There is

still a lack of clarity in the market concerning what the IIRC framework comprises and whether investors prefer GRI 4 to the IIRC framework.

7. Executive remuneration still a 'hot' issue

Just as in previous years, the remuneration policy produced considerable discussion at the AGMs. In two cases the specific use of the discretionary powers of the Supervisory Board (SB) encountered stiff resistance at an AGM. The Supervisory Board at Heineken recalibrated (relaxed) the performance-related targets for the long-term bonus for Executive Board members, with the effect that these long-term bonuses can still vest in the coming years. Many minority shareholders (77% of the "independent" share capital) condemned the action taken by the SB and voted against discharge of its members, because shareholders in Dutch listed companies are not entitled to vote on the remuneration report. The chairman of the Heineken Supervisory Board described as "disproportional" and "inappropriate" the fact that minority shareholders had allowed their dissatisfaction with a single component of the implementation of the remuneration policy to weigh so heavily on their voting behaviour regarding discharge of the members of the SB. The support of major shareholders Heineken Holding and FEMSA, which are also represented on the Heineken SB, ensured that the AGM nevertheless granted discharge to Heineken's supervisory directors.

The Heineken SB was not the only SB to make use of its discretionary powers to adjust the amount or the conditions of the bonus payments for the performance year 2013. The SBs of Corbion, Vopak, Wessanen, Telegraaf Media Groep (TMG) and BE Semiconductor Industries (BESI) also either relaxed the bonus criteria or awarded an extra bonus. The SBs of Vopak, Corbion, Wessanen, TMG and BESI awarded extra shares or a cash bonus to one or more members of their management boards on account of exceptional performance. The Corbion case was unusual in that context, because the SB gave special transaction bonuses to Corbion executive directors on a discretionary basis as a reward for the successful sale of the bakery division to Rhône Capital in 2013. The transaction bonuses were paid in shares and have a total value of €810.474. Both members of the management board stepped down at the regular 2014 AGM. The SB was initially of the opinion that the transaction bonuses were in keeping with the company's long-term bonus plan (LTIP), but later backed down: *following recent dialogue with some shareholders on this subject, the Supervisory Board acknowledges that there are different perspectives on the procedure for granting this LTIP award. In the interest of good communication between the company and its shareholders, the Supervisory Board has decided to submit this LTIP Award to a separate shareholders' meeting for approval. This meeting will take place on or around 1 July 2014.* The company stated, however, "that should the Extraordinary General Meeting fail to grant this approval, this will not automatically mean that the transaction bonuses will become invalid in relation to the present members of the Board of Management". The Supervisory Board of Corbion will then *review the various alternatives, including discussions with management on the appropriate level of remuneration.* Many Corbion shareholders were still dissatisfied with the situation and decided to vote against the discharge of the Corbion Supervisory Board (26.4% of the votes cast) and against the re-appointment of the Chairman of the

Supervisory Board who is also member of the remuneration committee (almost 32% of the votes cast). With a vast majority (89% of the votes cast) the Corbion EGM voted against the special share award. Corbion's Supervisory Board is currently reviewing its options to retrieve the shares granted to the former executives.

There were also SBs that made use of their discretionary powers to cut back on the annual bonuses. This was done by the internal supervisory bodies at Shell, Unilever, Macintosh, AMG and Vopak (once more). The reductions were related to poor results or the occurrence of a fatal accident (Vopak).

Other points of interest:

- KAS Bank submitted a proposal to its shareholders to maximise the bonuses for the members of its Management Board at 20% of the basic salary in advance of the statutory bonus cap for financial institutions coming into effect (expected to be on 1 January 2015). This reduction of the bonuses was not "compensated" for by an increase in fixed salary.
- The use of share option schemes continues to decline. Arcadis abolished them completely for its management board. Fugro and ASM International introduced share schemes in addition to the existing share option schemes, reducing the "weight" of the option schemes and as a first step to completely abolish the share option schemes. TomTom was a negative extreme, because this company retained the share option scheme while also abolishing the performance criteria for the vesting of the options. 17.4% of the share capital voted against, which corresponds with approximately 86% of the "independent" shareholders.
- The establishment of a guideline for holding a certain quantity of shares in an executive's "own" company is continuing to gain in popularity: Fugro, Arcadis and Euronext did this in 2014. Royal Dutch Shell tightened up the existing guideline by requiring its new CEO to hold seven times his annual salary in shares in Shell (was three times) and that the other executive directors hold four times their annual salary (was two times).
- OCI, BE Semiconductor Industries and Pharming Group explicitly introduced the possibility for the Supervisory Board to settle performance shares and performance options of the management board in cash in case of the announcement of a(n) (imminent) public offer for the shares. This is probably a result of recent Dutch legislation aimed to cap windfall gains realised on company shares or stock options by an executive of a listed company as a result of a change of control, i.e. a public offer or a legal merger or demerger, as the Change of Control Gain Capping Rule only applies to shares and stock options and not any remuneration paid in cash. It cannot be ruled out that these examples will be followed at other Dutch listed companies.
- For the first time since the introduction of the legal right for a works council's right to present its opinion to the shareholders' meeting on a proposal to amend the executive remuneration policy, two works councils published a negative opinion (regarding KPN's and TMG's remuneration policy) and explained this position at the AGM. Notwithstanding the negative opinion, the AGMs of KPN and TMG adopted the proposals (the TMG AGM only after a further amendment during the AGM).

- No fewer than 14 companies submitted proposals to the AGM to increase the remuneration of the SB. This reflects the increased workload for supervisory directors, the stronger involvement of the SB with the management board, certainly in the financial sector, and the required availability of supervisory directors in crisis situations. The SB of Imtech met on no fewer than 34 occasions in 2013; the SB of ICT Automatisering 28 times, the SB of Nedsense 20 times, the SB of Grontmij 15 times, the SB of Crown Van Gelder 13 times and the SB of Macintosh 12 times. The statutory maximisation of the number of supervisory directorships may also be causing upward pressure on remuneration. The AGMs approved all proposals with huge majorities.
- The SB of Pharming Group proposed to re-install the participation of the supervisory directors in the share scheme “in order to be able to attract and retain members of the Board of Supervisory Directors with relevant industry experience in a competitive and global environment and line with global pharmaceutical/ biotech industry practice”. This is a major breach of the Dutch Corporate Governance Code as it prohibits listed companies to grant supervisory directors any shares by way of remuneration (best practice provision III.7.1). 19% of the issued capital that was present or represented at the Pharming AGM voted against this proposal.

8. Modernisation of anti-takeover measures

Dutch listed companies have traditionally had relatively many statutory anti-takeover measures (table 4). These are mainly intended to offer the companies some protection in hostile (takeover) situations, as experienced by the intended hostile public bid on the KPN shares by América Móvil. On the grounds of Dutch jurisprudence, a management board is not permitted to disregard the changed balance of power in the shareholders’ meeting for any length of time. Anti-takeover measures must be proportional and temporary. Anti-takeover measures that are permanently in place are increasingly coming under fire, also in the light of the fact that, on average, more and more shareholders are taking part in the decision-making process at AGMs (figure 1). Decision-making is becoming increasingly more representative and the risk of a chance majority of shareholders being able to control the decision-making process as a result of absenteeism is becoming smaller as a consequence. Legislation in 2004 already made depositary receipts (or: certificates of shares) an anti-takeover measure with a temporary effect. In 2007 legislation compelled companies to ensure the independence of the management of foundations that could bring the temporary anti-takeover measures to bear. This related to the anti-takeover foundations and the trust offices. In 2014 it would appear that this tendency is also moving into another, still permanent form of protection, viz. priority shares. Ordina is the first listed company to make the management of “its” priority share foundation completely independent and to only allocate exceptional rights to the priority shares in “hostile situations” and then for a limited period. It cannot be ruled out that this example will be followed at other listed companies that still have priority shares.

Wereldhave cancelled the priority shares this year and modernised the only remaining anti-takeover measure, i.e. its anti-takeover foundation, which has the power to acquire anti-takeover preference shares. The possibility for the management board of the real estate company to issue anti-takeover

protective preference shares to the foundation has been terminated and the foundation now only has a call option for taking these anti-takeover preference shares, which improves the independence of the foundation. These changes bring Wereldhave into line with many other companies with an anti-takeover foundation. Where the AEX and AMX companies are concerned, only the management boards of the AMX companies Accell Group, Arcadis and Heijmans still have the power to place protective preference shares with the continuity foundation. This authorisation traditionally receives many votes against. In addition, Wereldhave also abolished the possibility to make binding nominations for the appointment and re-appointment of members of the management and supervisory board.

Table 4: Anti-takeover measures at AEX, AMX, AScX and 'local' companies (situation as at May 2014, May 2010 percentages in brackets)

	Anti-takeover preference shares	Priority shares	Depository receipts (certificates)
AEX	63.6% (61.9%)	4.5% (9.5%)	13.6% (14.3%)
AMX	54.5% (59.1%)	22.7% (31.8%)	9.0% (9.1%)
AScX	40.0% (45.0%)	8.0% (25.0%)	28.0% (25.0%)
Local	34.6% (27.9%)	15.4% (18.6%)	7.7% (16.3%)

A number of companies decided to reduce the nominal value per shares in order decrease the costs for (maintaining) the protective character of anti-takeover preference shares. If the anti-takeover preference shares have to be issued – as a result of a hostile situation – the anti-takeover foundation has to pay up at least a quarter of the nominal value. Effective protection can be rather expensive for the anti-takeover foundation, as experienced by KPN's anti-takeover foundation in protecting KPN against a hostile bid by América Móvil (approx. € 250 million). After KPN started with a reduction of the nominal value of its shares (from €0.24 to €0.04) in January 2014, other Dutch companies followed suit. Not only for reasons of reducing the costs of its anti-takeover device, but also Royal Ahold, Royal Imtech, Wereldhave and Royal Reesink decided to reduce the nominal value of their shares, sometimes even to the lowest nominal value possible: €0.01.

Crown Van Gelder (CVG) went one step further than Wereldhave this year and dissolved its anti-takeover foundation. The paper producer stated that this decision was taken in consultation with its bank and was connected with other measures to strengthen the (market) position of this Company, which posted a net loss of € 8 million for 2013. CVG is still adequately protected after the dissolution of the anti-takeover foundation. The company has issued depository receipts for its shares, for example, which means in practice that the trust office has considerable influence on the AGM voting outcomes. Furthermore, the company is required by law to apply the so-called structure regime, so that the AGM has no direct influence on the composition of the management board. Groothandelsgebouwen announced at its AGM to abolish its depository receipts for its shares if more than 75% of its shareholders and holders of depository receipts would like to abolish them.

The procedures at Ordina, Wereldhave, CVG and Wereldhandelsgebouwen contrasted sharply with events at AMG Advanced Metallurgical Group (AMG). The Supervisory Board at AMG decided for the first time since its Amsterdam listing to make binding nominations for the appointment and reappointment of a number of supervisory directors. The company fell back on the old argument that it wanted some protection against a chance majority of shareholders who are able to control the AGM decision-making process. The fact is that attendance at the AGM had been disappointing in recent years: in 2013, 24.9% of the subscribed share capital participated in the decision-making process at the AGM and the figure was 23.6% in 2012. In the event of a binding nomination at AMG a person is still held to have been appointed even if a majority of the capital present or represented at the meeting votes against, but this majority vote represents less than one-third of the total subscribed capital. It was not apparent from the explanatory notes to the agenda for the AGM that the company had taken action to encourage shareholders to participate in the decision-making process at the AGM, nor that it had made use of the legal right to identify all shareholders with an equity interest of at least 0.5% and to draw their attention to the importance of taking part in the AGM. There is no evidence whatsoever that it had been AMG's aim to achieve the participation of as many shareholders as possible. This was done by Exact, however, as is made clear by the 2013 annual report: "In 2013, Exact aimed to have the highest possible percentage of shares present or represented at the AGM. This included making standard proxy forms and voting instruction forms available online and enabling shareholders to give voting instructions electronically prior to the meeting. As a result, approximately 86% of the total number of shares outstanding with voting rights were present or validly represented at the AGM in 2013." Partly on account of the use of the binding nomination right by the SB of AMG, many shareholders voted against the nominations and against granting discharge to the SB (see appendix 1).

Sligro Food Group and Heijmans submitted proposals to raise the threshold for the right to place an item on the agenda from 1% to 3% of the subscribed capital. Sligro Food Group withdrew the proposal shortly before the AGM, since a number of long-term major shareholders had raised objections to this proposal in advance of the AGM. The Sligro management and supervisory board ultimately did not want to have the proposal put to a vote and informed the AGM that they were abandoning the proposal, which would have made it more difficult for minor shareholders to put forward subjects for the AGM agenda. Heijmans forced the proposal through with the support of its trust office.

9. Diversity in the board room

Since January 1st, 2013, Dutch listed companies must strive for a balanced division of seats on the Management Board and the SB between women and men in 2016 at the latest, which endeavour must be clearly reflected and emphasised in (the drafting of nominations for) appointments of executives and in the profile of the SB. According to the Act, there is a balance once each gender constitutes at least 30% of the complete staffing. This protocol is subject to the principle of "apply or explain". Companies who do not meet the numerical requirements 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.

The legal target of 30% is still far away for the management boards of the AEX and AMX companies (tables 5 and 6), although the number of female executives is gradually increasing. Only Wolters Kluwer, Unilever, Reed Elsevier, PostNL and USG People comply with the legal target.

Table 5: some indicators of diversity in the management boards of Dutch AEX companies (situation at 1 July each year)

	1999	2007	2009	2013	2014
Female executives	0%	5%	5%	5%	6%
Non-Dutch executives	14%	52%	41%	40%	37%
Female supervisory directors	4%	10%	17%	28%	26%
Non-Dutch supervisory directors	20%	52%	40%	50%	51%

Companies find it easier to appoint female supervisory directors than executives; the number of female supervisory directors is gradually approaching the 30% at the AEX companies. ASML, DSM, TNT Express and Wolters Kluwer comply with the legal target.

Table 6: some indicators of diversity in the management boards of Dutch AMX companies (situation at 1 July each year)

	1999	2009	2013	2014
Female executives	1%	0%	5%	8%
Non-Dutch executives	6%	19%	13%	18%
Female supervisory directors	5%	9%	10%	14%
Non-Dutch supervisory directors	9%	23%	19%	18%

The SBs of AMX companies remain well behind: only 14% of the supervisory directors of these companies are women.

All companies who have not yet reached the legal target have included a special section in the annual report on its diversity policy. Often these companies state that it looks for female executives and supervisory, but that the quality of executives or supervisory directors is more important than gender.

The number of non-Dutch supervisory directors is rising again after the dip during the financial crisis. More than 50% of the supervisory directors of the Dutch AEX companies do not have the Dutch nationality; in 2009 the number of supervisory directors with a non-Dutch nationality was 40%. Part of the increase can probably be contributed to the legal maximum of board memberships at large Dutch companies (5 since 1 January 2013; chairmanship counts double).

10. Sustainability

In general, reporting on environmental, social and governance (ESG) issues by Dutch listed companies is relatively strong. In their sustainability or integrated report, companies are structurally addressing material non-financial issues that impact business and society. By doing so, companies meet a demand from institutional investors who are increasingly incorporating ESG risks into their investment decision making process.

Although the importance and materiality of issues vary per company and per sector, some similar topics were discussed during dialogues with several companies.

- **Sustainability strategy**
Companies are better aligning a sustainability strategy with their core business and objectives. Sustainability strategies are covering relevant issues, and linked to the core mission and vision of corporation.
- **Workforce diversity**
This remains an important topic. Not only diversity of management, but also diversity at staff level attracts increased attention. In addition, besides gender diversity, geographical diversity is considered important.
- **Employee satisfaction**
For many corporations, skilled and motivated employees are key. Since skilled people are scarce in some sectors, and talent retention can be challenging, companies are putting more efforts in surveying and improving employee satisfaction and motivation.
- **Energy efficiency**
From an environmental perspective, as well as a cost-saving issue, companies are aiming for less energy use and higher energy efficiency. Furthermore, an increasing part of the energy mix is coming from sustainable sources.

Appendix 1: most controversial voting items at 2014 AGMs (excluding votes cast by Trust Offices)

AGM	Subject	Result
KPN	Disapplication of pre-emption rights	47.39% against
KPN	Authority to issue new shares	45.23% against
AMG	Discharge of Supervisory Board	44.45% against
Wolters Kluwer	Disapplication of pre-emption rights	43.18% against
AMG	Re-appointment of supervisory director Norbert Quinckert	42.91% against
AMG	Appointment of supervisory director Donatella Ceccarelli	42.91% against
Arcadis	Authority to issue anti-takeover preference shares	42.87% against
AMG	Authority to issue new shares (first 10% tranche)	42.86% against
AMG	Disapplication of pre-emption rights (first 10% tranche)	42.86% against (resolution voted down)³
Accell Group	Authority to issue anti-takeover preference shares	42.6% against
Wolters Kluwer	Authority to issue new shares	40.32% against
KPN	Cancellation of shares	39.69% against
KPN	Authority to repurchase shares	39.21% against
Heijmans	Authority to issue new shares (including anti-takeover preference shares)	39.2% against
Heijmans	Disapplication of pre-emption rights	39.2% against
AMG	Re-appointment of supervisory director Guy De Selliers	36.21% against
Stern Groep	Authority to repurchase shares	35% against
Corbion	Authority to issue ordinary shares	34.37% against
Corbion	Disapplication of pre-emption rights	32.23% against
Corbion	Authority to issue financing preference shares	32.00% against
Corbion	Re-appointment of supervisory director Rudy Markham	31.43% against
Pharming	Authority to issue new shares and disapplication of pre-emption rights	31.21% against
Pharming	Option scheme Management Board	28.55% against
PostNL	Authority to issue new shares	28.2% against
PostNL	Disapplication of pre-emption rights	27.8% against
Core Laboratories	Approval of amended Long-Term Incentive Plan	26.88% against
Corbion	Discharge of Supervisory Board	26.42% against
SBM Offshore	Disapplication of pre-emption rights	26.2% against
AMG	Disapplication of pre-emption rights (second 10% tranche)	25.45% against
Vopak	Re-appointment of supervisory director C.J. van den Driest	22.21% against
Wereldhave	Disapplication of pre-emption rights	21.87% against
DSM	Re-appointment of supervisory director Tom de Swaan	21.04% against
Heineken	Discharge of Supervisory Board	20.77% against
Nutreco	Authority to issue new shares	20.63% against
Philips	Disapplication of pre-emption rights	20.18% against
BAM Groep	Disapplication of pre-emption rights	20.07% against

³ 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 AMG general meeting.

Appendix 2: Best Practices

1. *Best audit committee report: Exact Holding N.V.*

The main task of the Audit Committee is to monitor and supervise that the Company maintains adequate procedures and control systems to manage the financial, operational and compliance risks to which it is exposed, and to oversee the integrity of its financial reporting. The Chairman, Mr. Kooistra, has knowledge of and experience in finance and administration at a listed company. In 2013, the Audit Committee held five meetings, in February, March, June, September and November. The CFO, the external auditor, KPMG, and the Internal Audit Director attended nearly all meetings; the Internal Audit Director did not attend the February 2013 meeting. As of November 2013, the corporate risk manager will attend all Audit Committee meetings. The Chairman of the Audit Committee met several times with the Internal Audit Director, in the absence of the members of the Board of Managing Directors. The Audit Committee met once with the external auditor KPMG to discuss and evaluate matters relevant to 2013, in the absence of the members of the Board of Managing Directors.

The members of the Audit Committee collectively have the experience and financial expertise to supervise the financial statements and the risk profile of the Company. The Audit Committee discussed recurring topics, such as the annual and interim financial statements, the management letter and key findings of the external auditor, impairment analysis, the effectiveness and outcome of the risk management process and the adequacy of internal control policies, plus the process of fraud reporting, whistleblowing reporting and specific company rules such as the Code of Conduct. The Audit Committee also discussed the tasks, scope and projects of the internal audit department, and the matters arising from the internal audit reports, the scope of the external auditor, approach and fees, as well as reports from the external auditor. The Audit Committee discussed auditor independence and the possibility of also performing non-audit-related services if necessary.

The Audit Committee conducted an extensive self-assessment with respect to its own functioning during the period under review. The self-assessment was facilitated by the Internal Audit Director and included a survey among the Audit Committee meeting participants, a self-assessment against eighty eight best practice statements by the Audit Committee members and the formulation of an action plan for improvements. Based on the outcome of the self-assessment the Audit Committee established the opinion that it performed well. Further enhancements would include various operational affairs of the Audit Committee.

As of its appointment in 2011, the external auditor, KPMG, identified the internal control environment as an area for improvement. Specifically the risk and control framework is mentioned, including further segregation of duties. In 2013, the Company improved and redesigned the Risk Control Framework as originally set up in 2012, with particular attention to the operational effectiveness of the framework. The segregation of duties were further embedded in the Risk and Control framework. Additionally, the three lines of defense risk model was implemented and the process of identifying key risks was completed in 2013. The risks identified were reviewed periodically and linked to the related internal controls to mitigate these risks. Other key areas highlighted by KPMG are the IT environment and taxation. In 2013, we have increased the quality of our security and continuity processes and have them certified via an ISAE 3402 type 1 report that included an assurance report provided by KPMG. In 2013, the Company documented a new tax strategy and embedded the key controls in the risk control framework. For more information on these areas reference is made to the section 'Risk Management'.

The Audit Committee, assisted by the external auditor, paid proper attention to the annual accounts over 2013, with focus on the system of internal control, the treatment of goodwill and the financial risks related to the chosen strategy.

Other, more specific subjects the Audit Committee discussed during its meetings in 2013 include the dividend policy and capital framework, the vacancies for key financial and risk management-related senior positions, the intangible assets on the balance sheet, and risks related to the international rollout of Exact Online. The Audit Committee also exchanged views with the CFO and the external auditor on accounting policies, the global tax strategy and the financial planning for the coming five years.

Furthermore, other specific subjects on the agenda of the Audit Committee included the scope and characteristics of Exact's risk appetite and the capitalization of R&D expenses. The Audit Committee also deliberated on Exact's overall tax strategy, including the use of the Dutch innovation box facility and an historically established Profit Participating Loan structure between Exact's Dutch, Belgian and US entities. The Company plans to adjust or dissolve the latter in the course of 2014. The Global Tax Director explained these specific subjects. One of the consequences of these actions was the adjustment of the calculation base for the short-term incentive for the Board of Managing Directors to a net income level rather than an EBITDA level. The 2013 Annual General Meeting approved this proposal to adjust the remuneration policy on this point.

Other in-depth topics on the agenda were the process to obtain the ISAE 3402 type I certificate, followed by the progress made to obtain the type II certificate for the Exact Online environment. The Committee also discussed the role of the Audit Committee and Supervisory Board in the financial reporting process. In this respect, the Audit Committee is of the opinion that the cooperation between management, the Internal Audit Department and KPMG was constructive. Annually, the Audit Committee evaluates the performance of the external auditor. This evaluation is facilitated by the internal auditor and includes senior finance management. The results are discussed in the Audit Committee. In general, the Audit Committee and Board of Managing Directors are satisfied with the external auditor's performance and work together with the external auditor to further increase the quality of the financial reporting.

2. Best audit report: Vastned Retail N.V.

To the shareholders of Vastned Retail N.V.

Statement regarding the financial statements

Our opinion with respect to the consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view of the financial position of Vastned Retail N.V. as at 31 December 2013 and of its result and its cash flows for the year 2013 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Our opinion with respect to the company financial statements

In our opinion the company financial statements give a true and fair view of the financial position of Vastned Retail N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Our engagement

We have audited the 2013 financial statements of Vastned Retail N.V. in Rotterdam. These financial statements include the consolidated financial statements and company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated statement of the comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013 and the company profit and loss account for the year then ended and notes, comprising a summary of the accounting policies applied and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section Our Responsibilities for the Audit of the Financial Statements of our report. We are independent of Vastned Retail N.V. within the meaning of applicable Dutch law and regulations and have fulfilled our other responsibilities under those ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Scope

In addition to the Dutch country organization, the scope of our audit of the financial statements of the group included three other foreign country organizations that are subject to a comprehensive audit for the year ended on 31 December 2013. They represent 87% of the total assets of the group, 91% of the investment property, 95% of the gross revenues of the group and 100% of the investment result. In addition, our audit included a single foreign country organization where review procedures for the year ended on 31 December 2013 have been performed. The audit team has visited all four country organizations this year. In addition, 12 financial statements audits are performed for local statutory purposes.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

- Accounting for acquisition and sale of investment property

We have audited the accounting for the acquisition and sale of investment property on the basis of the underlying acquisition/sale contracts, deeds of transfer and (dis)investment proposals. We have also verified whether the authorization for each transaction is accurate.

- The valuation of investment property

We have used the support of our internal valuation experts to verify the value of the property based on underlying valuation reports. We have applied IAS 40 to test the fair value concept used by the appraisers. We have also examined the relevant factors that affect the assessed value of an object and have discussed these with the external appraisers and the responsible portfolio managers.

- The valuation and recognition of interest rate derivatives

We have used bank statements to verify the value of the derivatives, with the support of internal financial instruments valuation experts. We have reviewed the recognition of the derivatives based on tests of the hedge documentation and the effectiveness calculations.

- Complying with the loan covenants

The company has entered into a number of loans to finance its business operations, for which agreements have been made with the bank. These agreements have been laid down in covenants. We have reviewed the underlying calculation for the covenants on the basis of the contracts and the financial information as at year-end 2013.

- The risk of management override of internal controls

We have performed control and substantive testing on journal entries to identify and mitigate the risk of fraud or override of internal controls by management; furthermore we have critically reviewed material estimates made by management and the supporting documentation.

Going concern

The financial statements of the company have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the company's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the company.

Based on our audit of the financial statements of the company, we have also not identified such a material uncertainty. However, neither management nor the auditor can guarantee the company's ability to continue as a going concern.

Responsibilities of management and supervisory board for the financial statements

Management of the company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code and for the preparation of the Management Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The supervisory board are responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We apply a materiality for the financial statements as a whole. We have set the materiality for the group at EUR 28 million for the property investments (based on 3% of the shareholders' equity) and at EUR 2.7 million for the other financial statement items, i.e., approximately 5% of the expected distribution to the shareholders. Based on our risk assessment and our review of the control environment, we have set the materiality we use during the audit at 90% and 70% of the planning materiality, respectively – this is EUR 25.2 million for the property investments and EUR 1.89 million for the other financial statement items. The objective of this approach is to guarantee that the aggregate of identified and non-identified audit differences for the group audit does not exceed the materiality applied for the financial statements as a whole.

As part of an audit in accordance with Dutch Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and the business operations within the Company to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the group audit. We bear sole responsibility for our audit opinion.

We are required to communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Statement on the report of the board of management and the other information

Pursuant to the legal requirement under Part 9 of Book 2 of the Dutch Civil Code regarding our responsibility to report on the report of the board of management and the other information:

- we have no deficiencies to report as a result of our examination whether the annual report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the other information as required by Part 9 of Book 2 has been annexed; and
- we report that the report of the board of management, to the extent we can assess, is consistent with the financial statements.

Rotterdam, 19 March 2014

Deloitte Accountants B.V.
Signed on the original: D.A. Sonneveldt