



BUSINESS PLAN

For more information:

Eumedion

C/o SCGOP

P.O. Box 2889

6401 DJ Heerlen

Jos van Niekerk, tel. +31 70 302 48 44, e-mail: jos.van.niekerk@scgop.nl

Rients Abma, tel. +31 20 405 79 41, e-mail: rients.abma@scgop.nl

internet: www.scgop.nl

Summary

Background to the conversion of the Foundation for Corporate Governance Research for Pension Funds [Stichting Corporate Governance Onderzoek voor Pensioenfondsen or SCGOP] into the Eumedion

There have been a number of large-scale accounting scandals worldwide in recent years and one of the causes of these was a defective corporate governance structure. Fraud and corruption, inadequate monitoring by supervisory directors, high increases in remuneration despite poor performance, and inadequate auditing by auditors have resulted in a crisis of confidence on the capital markets and among the general public. Listed companies have lost substantial asset value, leading to significant losses for investors.

These events have led to the amendment of legislation in many countries in the last few years and to the design of codes of conduct intended to improve the corporate governance structure of listed companies. The rights of shareholders were extended correspondingly. In this way, shareholders can exercise responsibilities of their own when management and supervision fail. The size of their shareholdings means that major institutional investors have the potential to exert considerable influence on the decision-making process in annual general meetings of shareholders. Institutional investors have a fiduciary responsibility to their beneficiaries or investors to study the corporate governance of the companies in which they (intend to) invest. In addition, society expects that institutional investors in particular will start to make use of their shareholders' rights, since these have recently been widened. In the Netherlands, the introduction of the Dutch Corporate Governance Code (also known as the Tabaksblat Code) and the corresponding legislation was an important catalyst in the increased attention focused on corporate governance.

The Tabaksblat Code has had a legal basis since 31 December 2004. This code of conduct contains principles and best practice provisions intended to improve the management and supervision of Dutch listed companies. With effect from the financial year 2004, the annual reports of Dutch listed companies must state the extent of their compliance with the principles and best practice provisions of the code and reasons have to be given for non-compliance with a principle or best practice provision. Listed companies are also accountable to the annual general meeting of shareholders for the extent of their compliance with the code, and the Tabaksblat

Committee and the Dutch government expect institutional investors in particular to monitor whether listed companies are doing this in a prudent manner. In order to enable them to fulfil this role, more controlling rights have been conferred on shareholders, both by means of the code and through legislation. Shareholders can use their votes to more effect than they could previously and companies in which they invest can be called to account for the policies pursued. *Engagement* by institutional investors enables them in particular to raise objections to a company's defective corporate governance structure. Influence can be brought to bear on management boards and supervisory boards to change the corporate governance structure and/or to improve compliance with the code. New rights therefore lead to new obligations for institutional investors, something which is emphasized by the code. The code contains best practice provisions for institutional investors with regard to the transparency of their voting policies, as well as their accountability for the implementation of these policies and their voting behaviour during annual general meetings. In addition, the code states the principle that institutional investors are prepared to enter into dialogue with listed companies on subjects such as failures to comply with the code.

Where institutional investors are concerned, the code does not address pension funds alone, but all institutional investors, which therefore also include asset managers, mutual funds and insurance companies. A growing number of these have already declared corporate governance to be a significant factor in their investment policies.

In response to the developments outlined above, the Board of the Foundation for Corporate Governance Research for Pension Funds (SCGOP) has decided to convert the Foundation into a foundation whose members include not only pension funds, but *all* institutional investors irrespective of their size. SCGOP will be converted into the Eumedion for this purpose. This broadening of the basis of the SCGOP is an excellent opportunity to raise corporate governance to a higher level from the perspective of Dutch institutional investors. This will benefit the performance of the listed companies in due course and will therefore ultimately benefit the institutional investors themselves. Increasing numbers of studies indicate a positive relationship between good corporate governance, corporate performance and the reduction of risks.

Objective of Eumedion

It is the objective of Eumedion to maintain and further develop good corporate governance on the basis of the responsibility of institutional investors established in the Netherlands and to advance the acceptance of and compliance with generally accepted corporate governance standards by listed companies and institutional investors in the Netherlands and Europe in particular.

Eumedion endeavours to achieve this objective by the following means:

- encouragement of joint consultations between institutional investors and with listed companies and their representative organizations,
- consultation with the Dutch government, institutions of the European Union, other relevant authorities and sectoral organizations,
- influencing legislation and regulations,
- providing service in the field of corporate governance to its members,
- other activities that advance the objective of Eumedion.

Eumedion has no profit-making objective. Although Eumedion has the legal form of a foundation, just like the SCGOP, it has many of the features of an association. The Members' Meeting, for example, has a right to adopt the annual policy plan (including the budget) and a right to approve the annual accounts, the authority to grant the Board discharge from liability for its management every year and the power to dismiss the entire Board. Each member has one vote.

Expected results of Eumedion

The professionalization and expansion of the current SCGOP into Eumedion results in an even more efficient platform with a clear and powerful vision of corporate governance. Eumedion expects that the increase in the services provided and the representation of interests will lead to a rise in the number of members. Eumedion operates as a service provider for its members and as a representative of the interests of those members with respect to the listed companies and policy-makers. Eumedion will encourage its members' awareness of the importance of corporate governance, assist its members in formulating their voting policies, provide them with up-to-date information on corporate governance developments at listed companies and with regard to legislation and regulations, offer them a platform for consultation on corporate governance matters in general and in relation to individual listed companies, and promote the effective and efficient provision of services in the field of corporate governance by specialized suppliers. In the first place, Eumedion expects

this improved awareness, increased knowledge and reduction in costs to lead to a greater presence of institutional investors at the annual general meetings of shareholders. The higher attendance level of shareholders is the legitimization of the role of the annual general meeting as a correction mechanism for failing management and supervision, and enables it to better fulfil its role in this capacity. In the second place, the consistent focus on improvement of corporate governance at listed companies is expected to improve the risk-reward profile at companies invested in. This is not only to the advantage of the underlying beneficiaries and investors, but is also to the good of the listed companies themselves. Finally, the expansion and professionalization of SCGOP into Eumedion will lead to a more unequivocal and more effective lobbying and advisory body for political and sectoral organizations, which represents the voice of the various categories of institutional investors on corporate governance. In this way, the demands of institutional investors with regard to corporate governance can be highlighted even more effectively.