



POLICY PLAN 2006

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1. Foreword

The document in front of you is the first policy plan from Eumedion. On 1 January 2006 Eumedion will formally commence its work as the successor to the Foundation for Corporate Governance Research for Pension Funds [Stichting Corporate Governance Onderzoek voor Pensioenfondsen; SCGOP]. A large number of asset managers and investment institutions have already shown interest in Eumedion and have also actually become affiliates, which means that Eumedion can start out with more than forty participants who manage a total of approximately 800 billion euro in invested capital. As a consequence, Eumedion can now be regarded as the primary representative of the interests of institutional investors in the field of corporate governance with respect to policy-makers and listed companies.

Eumedion has a challenging year ahead of it. Not only because Eumedion will be continuing to expand its membership and will have to justify its existence, but also because a further number of important legislative proposals are in the pipeline and attention is gradually shifting from the corporate governance of listed companies to the role and responsibility of shareholders and the functioning of the general meeting of shareholders.

Governance at listed companies has improved in recent years under the influence of the Tabaksblat Code and the new legislation. The balance of power at the listed companies has been restored to a certain extent, while there are indications of improvement in the risk-reward profile for shareholders as a result and that the Netherlands has become a more attractive country to invest in. It is important to take advantage of the present momentum in order to build on these positive effects, and a number of proposed pieces of legislation that should come into force in 2006 encapsulate this potential. Examples are the Bill to bring forward the registration date and the amendment of the regulations relating to public offers and anti-takeover measures. These legislative proposals are important points for attention for Eumedion, and the European directive on shareholders' rights can provide an additional impulse.

The listed companies themselves, however, can also make some improvements. One of Eumedion's points for attention where the listed companies are concerned relates to the functioning of the supervisory board. Eumedion endorses the remark of the Corporate Governance Code Monitoring Committee in its first monitoring report, that supervisory directors are required to set an example. It is Eumedion's opinion that they should also be more widely accountable for the supervisory and advisory tasks they have performed. In 2006 Eumedion will again highlight the fact that the agenda and underlying documents should be made available in good time, in order to enable shareholders to make solid analyses before voting. Eumedion believes that better explanations should be provided for any

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failures to comply with the Tabaksblat Code and that major breaches should be put to the vote at the general meeting of shareholders. Finally, trust offices should be more transparent about their conduct and voting behaviour.

The increase in the number of areas in which shareholders have right of co-decision and the fact that shareholders will also make use of this right, must inevitably give rise to discussion about the manner in which shareholders respond to the situation. The responsibility and role of the shareholder, the degree of transparency in this respect, and the functioning of the general meeting of shareholders will be important subjects for internal discussion at Eumedion in 2006. The issues to be considered include the question of the point at which shareholder involvement turns into micromanagement and management responsibilities. Eumedion continues to take the stance that shareholders must not try to take on the role of company management.

Another subject that demands attention in 2006 is the question of whether and how Eumedion can promote the interests of various providers of capital (shareholders, bond holders, holders of preference shares, etc.) with regard to policy. After all, the interests of the various providers of capital can be divergent in some situations.

In addition, the provision of information by institutional investors on their corporate governance policy and voting behaviour will also be a theme. Eumedion will comply in 2006 with the call of the Corporate Governance Code Monitoring Committee to develop a standard format for institutional investors' reports on their corporate governance policy.

In conclusion, 2006 promises to be an exciting year in which the achievements that are partly due to the efforts of SCGOP can be expanded by its successor. In accordance with its mission, Eumedion will also continue in 2006 to work on the maintenance and further development of good corporate governance at the listed companies, a mission that is endorsed by all the participants affiliated to Eumedion.

Schiphol, 23 December 2005.

Roderick Munsters
(Chairman)

Rients Abma
(Executive Director)

2. Corporate governance developments in 2005 and the points for attention in 2006

In 2005, corporate governance was once more a subject of great interest to both Dutch and international companies and to policy-makers. In the Netherlands, the implementation of the Tabaksblat Code was the focus of attention and shareholders were able for the first time to use the new corporate governance legislation, which took effect on 1 October 2004. The new legislation and the Tabaksblat Code have strengthened the position of shareholders and shareholders also made actual use of the newly created rights, or rather the rights restored to them. Shareholders were also making themselves heard in other countries. A number of further initiatives that are in the pipeline for 2006 can further strengthen the position of the shareholder.

2.1 The Netherlands

2.1.1. Developments 2005

The position of shareholders in Dutch listed companies was strengthened at the end of 2004. The Act regarding the amendment of the rules for statutory two-tier entities came into effect on 1 October 2004. As a result of this Act, the meeting of shareholders now has statutory authority to approve important decisions of the management board, such as major takeovers, to determine the remuneration policy, and to approve share and option schemes. In addition, shareholders who represent a certain capital interest have the right to add subjects to the agenda for the meeting of shareholders, extended in July 2005 by the statutory right to question the external auditor about his auditor's report in the general meeting. Finally, the Tabaksblat Code was embedded in law on 31 December 2004 through what is known as the "comply or explain" rule.

The new legislation and the Tabaksblat Code have a positive effect on the attractiveness of the Netherlands as a country in which to invest. Listed companies have become more transparent, supervisory boards have become more independent and have set up specialized sub-committees. In addition, the number of anti-takeover measures has decreased, so that shareholders can actually play a corrective role when company management fails. The checks and balances at the Dutch listed companies are improving, just as the Tabaksblat Committee intended. The positive influence of the Tabaksblat Code and the new legislation is reflected in the surge of the listed Dutch corporate sector on various international corporate governance rankings. In its letter to the Monitoring Committee on the evaluation of the 2005 annual general meeting season, Eumedion expressed general satisfaction with regard to the application of the Tabaksblat Code by the Dutch listed companies. Compliance is still inadequate in some areas, however, and improvement is essential in 2006, a view which Eumedion summarized in two letters to the Monitoring Committee. The improvements lie in the fields of remuneration policy for example, certification, the process surrounding and procedure at the shareholders' meeting, and the statement of the board of management on the operation of the internal

risk management and control systems. These letters can be downloaded from the Eumedion website (www.eumedion.nl).

Shareholders were able to avail themselves of the new shareholders' rights for the first time in 2005. This did not result so much in a higher percentage of votes being cast at the general meetings of shareholders, but more in the active involvement of shareholders with matters that are important for the future of the company. The average number of votes cast was 37% at the listed companies and this percentage has shown only a moderate rise in recent years, partly due to the generally outdated voting infrastructure. The Dutch market is still regarded internationally as a market in which shares have to be blocked in order to be able to vote, which does not encourage the interest of non-Dutch shareholders in particular in exercising their voting rights. When important matters are at issue, however, such as a major takeover or a discussion of corporate strategy, shareholders are increasingly making themselves heard. This happens long before the general meeting of shareholders and is accompanied by a willingness on the part of the shareholders and the company to enter into a dialogue. The shareholders' statutory right of co-decision on important decisions by the board of management and an active attitude by shareholders in this respect mean that the balance of power at the Dutch listed companies has been restored to a certain extent.

2.1.2. Points for attention in 2006

On the basis of its mission to maintain and further develop good corporate governance at listed companies, Eumedion is committed to continued improvement in the Dutch corporate governance climate in 2006, a further restoration of the balance of power at Dutch listed companies and adequate protection for minority shareholders. This will improve the risk-reward profile of the listed companies and the Netherlands will become an even more attractive jurisdiction for institutional investors to invest in.

Points for attention in legislation and regulations

Parliamentary discussion of the Bill to encourage the use of electronic means of communication will be concluded in 2006. Partly on the urging of Eumedion, the registration date has been brought forward by ministerial memorandum of amendments to this Bill, from 7 days to 30 days before the start of the general meeting of shareholders. As a consequence, the Bill can contribute to the Dutch market no longer being perceived internationally as a blocking market, so that the number of votes cast at the general meetings of shareholders can rise significantly. Eumedion will make every effort to ensure the rapid conclusion of the Bill.

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Parliamentary discussion of the Bill for implementation of the Takeover Bids Directive must be completed in the Dutch Parliament in 2006. This Bill was sent to the Lower House of the Dutch Parliament at the end of 2005 and must be implemented on 20 May 2006 at the latest. The Bill comprises three core elements. In the first place, the mandatory bid will be introduced in the Netherlands: a party (or a number of parties in alliance) which acquires control of a listed company (set at 30% of the voting rights) will be obliged to make a public offer for all the shares. In the second place, anti-takeover measures will become temporary in nature: anti-takeover measures will become ineffective no later than 6 months after a public offer has been issued, if the offeror controls 75% of the original issued share capital at that moment as a result of the offer (the “breakthrough rule”). In the third place, certification will lose its protective nature: holders of depositary receipts for shares will have voting rights in hostile takeover situations as well. The Bill can contribute to altering the perception of many foreign investors that Dutch companies are practically unassailable fortresses, due to the huge number of anti-takeover measures. Eumedion therefore supports the Bill in outline, but will nevertheless critically analyse the definition of parties working together to consider whether it has not been so widely formulated that it will frustrate an effective dialogue between shareholders and company as a result of the threat of a public offer being made by the (collective) shareholders. Eumedion will also respond in 2006 to the announced consultation document relating to the intended amendments to the delegated legislation on public offers. Eumedion believes that the modernization of the rules for making offers should lead to improved protection of the minority shareholders in takeover situations.

The Bill for the introduction of public supervision of financial reporting (by the Netherlands Authority for the Financial Markets) that was sent to the Lower House of the Dutch Parliament in November 2005 will contribute, in Eumedion’s opinion, to the correct application of the reporting standards by the listed companies. Eumedion supports this Bill in outline, but sent comments regarding further improvements to the Bill to the Lower House in November 2005, and will also make every effort in 2006 to have these suggestions expressed in the final wording of the Act and in the explanatory memorandum to the Act.

The Dutch Minister of Finance will submit the Bill for implementation of the Transparency Directive to the Lower House of the Dutch Parliament in 2006. Among other things, the Bill will mean that listed companies must publish their annual report and accounts earlier and must provide more information in their half-yearly reports, while the listed companies which do not publish quarterly figures must prepare a management report on the most important events and the financial position in the previous quarter. In addition, the quality of the information on important changes in control will be improved. In the Netherlands, this last point has already been included in the Bill regarding the disclosure of control and capital interest in share-issuing institutions. The parliamentary discussion of this Bill will be completed in

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2006. Eumedion's comments on the implementation of the Transparency Directive will be submitted in 2006.

The Netherlands Minister of Justice intends to send a Bill to the Lower House of the Dutch Parliament in 2006 to facilitate the introduction of a one-tier board structure at listed companies. A number of Dutch listed companies have already decided to introduce the one-tier structure and it is anticipated that further internationalization of the shareholder base and the possibility of setting up a European Company (SE) will encourage more companies to convert to the one-tier system. Eumedion is not opposed to the use of a one-tier board structure by more Dutch listed companies, although it is Eumedion's opinion that the Bill must furnish clarity on the positions of the executive and non-executive members of a board of management and the implications of the division of tasks between them for the liability of board members.

Finally, in response to a recommendation made by the Tabaksblat Committee, the Dutch Minister of Finance has announced that institutional investors will be required by law to have a policy on the exercise of controlling rights, to publish the policy and to report annually on its implementation. These points will probably be included in the proposed Financial Supervision Act. Eumedion's requirements with regard to such a provision were submitted to the Minister of Finance early in December 2005 and Eumedion will enter into discussions with the Minister of Finance in 2006 to delineate the scope of the obligation for institutional investors to some extent, with the objective of avoiding an unnecessary administrative burden on the small institutional investors in particular. Eumedion will naturally send its comments to the Lower House of the Dutch Parliament as well.

In 2006, Eumedion will again send its findings on the annual report and AGM season to the Corporate Governance Code Monitoring Committee, which can then take these findings into consideration when formulating its conclusions at the end of 2006.

Points for attention shareholders' meetings 2006

Eumedion has identified a number of spearheads for the listed companies in relation to the general meetings of shareholders in 2006. The listed companies are expected to take these spearheads into account when organizing the coming shareholders' meetings and preparing the annual reports. Should there be inadequate compliance, the Eumedion participants may introduce these issues for discussion during the shareholders' meetings.

The spearheads can be briefly summarized as follows:

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- 1) Improvement of the process surrounding and the procedure at the AGM, such as earlier provision of information on the subjects to be dealt with at the meeting, facilitation of distance voting and transparency on the outcome of votes.
- 2) Improvement in the quality of the explanations given for any breaches of the provisions of the Tabaksblat Code and the submission of major non-compliances with the Code to the shareholders, so that a vote can be taken on these.
- 3) The report of the supervisory board should contain more extensive reporting on the supervisory and advisory tasks performed by the supervisory board.
- 4) In the case of the companies that have issued depository receipts for (some of the) shares, more transparency is required on the actions of the trust offices and an indication of the circumstances in which the listed companies that issue depository receipts believe that the issue of depository receipts for shares can be cancelled;

The “spearheads” letter will be sent to the companies listed on the AEX, AMX and AScX indexes soon after the publication of the policy plan. The letter will also be available on the Eumedion website (www.eumedion.nl).

2.2 International

2.2.1. Developments

2005 was the first year in which the European listed companies had to prepare their annual accounts on the basis of a harmonized accounting system. In future, the annual accounts must be prepared on the basis of the international IAS/IFRS framework instead of the national reporting standards. This will lead to more transparent financial reports in the long run, and financial figures that are more comparable. The greatest challenge is the consistent implementation and interpretation of the IAS/IFRS in all EU member states. This will determine to a great extent whether the American authorities are also able and willing to take the step of accepting IAS/IFRS in full for the companies that are (also) listed in the United States, and therefore without the current obligation to reconcile IAS/IFRS annual accounts with the American US GAAP accounting system, and to allow US GAAP and IAS/IFRS to converge. In April 2005, for the first time, the European and American authorities named a year for achieving this convergence, viz. 2009 at the latest.

The picture was a mixed one in 2005 where shareholders’ rights were concerned. Some policy-makers in some EU member states still have to become accustomed to the effects of the continuing internationalization of the capital market and showed an inclination for neo-protectionism. Foreign investors, for example, who prevented a major takeover by a German enterprise and subsequently dismissed the management board of the company in question were castigated as “locusts” by German

politicians. The French government compiled a list of companies whose strategic importance is considered to be so great that they cannot be allowed to be taken over, and the Italian bank supervisory authority attempted to prevent a number of Italian banks from falling into foreign hands. There were also positive developments to report, however. The national corporate governance codes came into effect in Belgium, Sweden and Denmark, the Spanish government abolished its “golden shares”, Germany introduced legislation that was more shareholder-friendly as of 1 November 2005, while the government of the United Kingdom published wide-ranging proposals for modernization of British company law. In addition, the European Commission has discerned a tendency towards a market-driven convergence of corporate governance practices, partly as a result of the further integration of the European capital markets.

In the United States, after an intensive lobby of the American corporate sector, the SEC (the regulator of the U.S. securities market) abandoned the introduction of new regulations that would have made it easier for shareholders to reject nominations for the appointment of new executives and to recommend their “own” candidates. Instead of this, the American Bar Association is presently considering whether and how the corporate law of the State of Delaware, where most of the American listed companies are incorporated, can be amended to give shareholders more influence on executive appointments at American companies. As yet, the only way in which shareholders in American companies can communicate their dissatisfaction with a prospective executive officer is by abstaining from voting. They do not have the option of voting against a candidate, which means that a single vote is sufficient to secure a nominee’s approval by the meeting of shareholders. A number of US companies have amended their articles of association this year, to give shareholders more influence on executive appointments.

The European Commission continued its work in 2005 on the implementation of the Action Plan on Company Law and Corporate Governance presented in 2003. Considerable progress was made on the following action points in 2005:

- publication of a recommendation on the independence of supervisory directors (February);
- second consultation on measures to strengthen shareholders’ rights (May 2005). The subjects considered in this context included a prohibition on share blocking in a period before the general meeting, a right to table resolutions and the practical and legal barriers to the use of voting rights by shareholders. Mr McCreevy, the responsible European Commissioner, announced his intention to present a proposal for a directive on these subjects by the beginning of 2006 at the latest.
- adoption of the Directive on cross-border mergers (September), which will facilitate mergers between companies incorporated in the various EU member states;

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- adoption of the Directive on statutory audits (October). This Directive strengthens the independence of the external auditor and requires listed companies to set up audit committees;
- agreement between the European Commission and the Council of Ministers on changes to the Directive on capital protection (November). One of the amendments relates to the abolition of the ceiling on the purchase of own shares by a company (10% of the outstanding capital at present).
- agreement on a Directive on amendments to the European financial statements law (December). The obligation of all European listed companies to include a corporate governance statement in their annual accounts is embedded in this proposed directive, which also contains transparency requirements regarding transactions with related parties and off-balance sheet arrangements.

In addition to the implementation of these action points, the European Commission formed a number of expert advisory groups made up of stakeholders, to provide the Commission with technical and practical advice. On 29 April 2005, the European Commission set up an expert advisory group to provide the Commission with technical advice on new proposals involving corporate governance. Geert Raaijmakers from ABP was appointed a member of this expert advisory group, partly on the recommendation of SCGOP. A working party was set up on 15 November 2005 to investigate whether the liability of auditors should be limited and Bert Bos, CEO of Doctors Pension Fund Services, was appointed a member of this working party on the recommendation of SCGOP.

The European Commission published a consultation document at the end of 2005, in which interested parties are invited to state their opinion on the priorities of the second phase of the implementation of the Action Plan. In this consultation document, the European Commission also states a wish to address the principle of “one share, one vote” and the desirability of European legislation on the disclosure of their voting policy by institutional investors.

The International Corporate Governance Network (ICGN) published the “ICGN Stock Lending Code of Best Practice” at the end of 2005. This Code contains principles for the process of stock lending and transparency in this respect. Stock lending is an activity that has really taken off in recent years.

2.2.2. Points for attention in 2006

The number of new initiatives from “Brussels” will very probably be modest in 2006. This is due in part to the more critical position of the new European Commission with regard to new regulations and in part to the regulatory fatigue of the parties on the financial markets following the implementation of the 42 action points of the Financial Services Action Plan in the last few years. Where corporate governance is concerned, the central focus in 2006 will be on a single Directive, viz. the Directive on shareholders’ rights. Eumedion will provide constructive support for the negotiations on this Directive.

In addition, Eumedion will respond to the consultation document relating to the second phase of the implementation of the Action Plan on Company Law and Corporate Governance. Among other things, Eumedion will argue in favour of the introduction of the principle of “one share, one vote”. The introduction of a principle of this kind at European level could create a level playing field on the European takeover market, which would be to the long-term advantage of the European corporate sector. In Eumedion’s opinion, a principle of this kind should not be embedded in a non-obligatory recommendation addressed to the member states, but in a Directive.

Finally, Eumedion will closely monitor the agenda of the European expert advisory group for corporate governance and will assist its representative on the European working party on auditors’ liability with the preparation of the final report with possible recommendations for European measures in this context. In preparation for this, Eumedion will adopt a position on the question of the possible limitation of auditors’ liability.

3. Research and development of best practices

Eumedion intends to carry out both “fundamental” research in 2006 and smaller studies in certain sub-fields. In addition, Eumedion will, on the invitation of the Corporate Governance Code Monitoring Committee, set up a working party to recommend certain best practices with regard to the reports by institutional investors on the implementation of their corporate governance policies.

3.1 Fundamental research

Eumedion wishes to have research carried out in 2006 into the bottlenecks for institutional investors in exercising their voting rights, and will ask a number of research institutes to submit offers for an investigation of the existing obstacles. They will also be asked to review possible solutions to the problems, in order to enable and encourage institutional investors to make use of their rights as shareholders.

3.2 Research in sub-fields

Eumedion also wishes to commission studies of a number of subjects related to the agenda of the general meeting of shareholders.

- *Share buy-backs*

Pursuant to article 2:98 of the Netherlands Civil Code, the general meeting of shareholders must authorize the management board for a share buy-back. The authorization lasts for 18 months at the

most and the general meeting should specify in the authorization the number of shares that may be acquired, how they may be acquired, and the limits between which the price must lie.

The proposal to authorize the management board for a share buy-back is mostly a formality on the agenda of the general meeting of shareholders and frequently no reasons are given for why permission is being requested for a share buy-back. There is mostly no connection with the dividend policy and more information on the use of the company's own shares is desirable. In addition to this lack of information, another point for attention is the (maximum) price for which the shares can be purchased, which varies between 100, 110 and 115 percent of a stock exchange quotation defined in various ways. On the basis of a study of the usefulness and necessity of share buy-backs, Eumedion would be able to formulate best practices later in the year for the process of share buy-backs.

- *Delegation authorization to issue shares*

Pursuant to article 2:96 of the Netherlands Civil Code, the general meeting of shareholders has the authority to decide on the issue of shares. The general meeting may decide, however, to designate the management board the body that decides on a share issue. This designation is only valid for a period of 5 years and the number of shares that may be issued must be specified when the designation is made. A best practice has developed tacitly with regard to the designation period, viz. no longer than 18 months. Where the number of new shares to be issued is concerned, Dutch institutional investors usually accept a limit of 10 percent of the outstanding capital plus another 10 percent only to be used for takeovers. Non-Dutch investors mostly vote against delegating the management board to issue new shares. Should the policy of the Dutch institutional investors become stricter? Research into this may prove helpful in the possible formulation of best practices for the issue of new shares.

- *Dividend policy*

In its letter to the Corporate Governance Code Monitoring Committee, Eumedion argued in favour of more information on company policy on reserves and dividend. The description of the reserves and dividend policy should at least be consistent with corporate strategy and the points on the agenda regarding the purchase of own shares and the authorization to issue shares. This point will be explored in more depth on the basis of further research.

- *Remuneration policy*

Eumedion would like insight into the characteristics of remuneration systems that work well. SCGOP, Eumedion's predecessor, had two previous studies carried out into option schemes and also published recommendations on executive remuneration in March 2003. The possibility of updating the existing studies will be considered and whether the update must lead to amendment of the recommendations on remuneration.

3.3. Best practices information provided by institutional investors

The Corporate Governance Code Monitoring Committee remarks in its first monitoring rapport that the information provided by institutional investors regarding compliance with the Tabaksblat Code is usually not transparent; its user-friendliness leaves something to be desired, according to the Monitoring Committee. The Committee calls on institutional investors to provide information on compliance with the code by reference to a standard format for example. Eumedion has picked up the gauntlet and will form a working party to draw up best practices for institutional investors who have to provide information on their voting policy, the implementation of the voting policy, and voting behaviour during the general meetings of shareholders.

3.4. Relationship between shareholders and other providers of capital

The interests of shareholders and those of other providers of capital, such as bond holders, do not necessarily run parallel in certain situations. Possible examples might be a takeover financed by debt, purchase by the company of its own shares, and a change to the dividend policy. Tensions may develop in representing the interests of Eumedion participants, since they invest in both shares and bonds. Eumedion will have research carried out into the areas where tensions may arise and what solutions can be supplied. It may also be possible to consider these problems in the ICGN context.

4. Events

As in previous years, Eumedion will again organize a symposium on a corporate governance subject of current interest in the autumn of 2006. The Research Committee will propose a theme in the course of 2006, partly depending on developments during the coming AGM season.

In addition, Eumedion will organize ad hoc gatherings on subjects of current interest, to which a speaker will be invited, for example, to explain his vision of relevant developments. A lecture will definitely be organized on the functioning of the general meeting of shareholders.

5. Services

Eumedion offers its participants services in the field of corporate governance, to provide them with information on current developments in corporate governance and to assist them in formulating and implementing a voting policy of their own. The following services are offered.

5.1 Provision of information

- *Newsletter*

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Eumedion prepares a newsletter once a month, containing the latest developments in corporate governance in the Netherlands and the European Union. The newsletter examines significant issues at listed companies, Eumedion's stated positions, national and European legislation initiatives, and developments relating to the Tabaksblad code.

- Alert service

Participants will be informed immediately of corporate governance developments in the Netherlands that are of major importance to institutional investors. Such developments may be related to events at individual listed companies (with the emphasis on the Dutch AEX and Midcap shares), or might refer to legislation and regulations. The alerts may lead to further action on the part of Eumedion, ranging from the facilitation of contacts between institutional investors about the events in question, to the drafting of letters to policy-makers.

- Construction of a database for corporate governance characteristics of listed companies

Eumedion will construct a database for the benefit of its participants, containing the most important corporate governance elements of the listed companies (such as management structure, independence of supervisory board, anti-takeover measures, etc.). This will start with the shares on the Dutch AEX, Midcap and Smallcap indexes. In addition, this database will be updated with all the important corporate governance events at these companies throughout the financial year. This information may be of assistance to Eumedion participants for the purposes of conducting well-informed discussions with the management boards and supervisory boards of companies, outside of and at the general meeting of shareholders.

- Corporate Governance Manual

The Corporate Governance Manual that was published by the SCGOP in 2004 will be revised in 2006, in response to the expansion of the organization, the new house style and the coming into force of new legislation and regulations. The Manual provides institutional investors with a tool for drawing up their own voting policies and reporting on these. The Manual is sent to participants free of charge.

- Brochure

In 2006, shortly after the Act implementing the Takeover Bids Directive becomes effective, Eumedion will publish a brochure setting out the implications this new Act and the delegated legislation will have for institutional investors. Brochures will also be published when other Bills of importance to institutional investors are implemented.

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- Overview of providers of voting information

Eumedion annually provides its participants with information on the various providers of voting information and, if required, negotiates a bulk discount on this information when possible.

- Website

The new Eumedion website went online on 20 December 2005. It provides information on the latest developments in the field of corporate governance, nationally and internationally (only accessible by participants). An alert system will be introduced to inform participants immediately of new items on the website, and specific questions can also be addressed to Eumedion via the website. In addition, the website also contains hyperlinks to the corporate governance sections of the websites of the individual participants. Commentaries on legislation initiatives, policy plans, etc. will be put in the section of the website that can be consulted by anyone.

5.2 Participants' Meetings

Eumedion will hold at least two Participants' Meetings in 2006.

- Meeting 31 May 2006

At this meeting, the General Board of Eumedion must account for their management in the past year. The annual report is discussed and a proposal is put to the Participants' Meeting to approve the annual accounts. The Board will also ask the Meeting to grant them discharge from all liability. The 2006 AGM season will be evaluated during this meeting as well, and the most important and most notable matters put forward for discussion at the various shareholders' meetings will be reviewed. The extent to which difficulties occurred in casting votes will also be considered and the information supplied by Eumedion itself with regard to implementation of the voting policy. The services provided by Eumedion will also be evaluated and the evaluation will produce input for the letter to the Monitoring Committee, which will contain the most important findings.

- Meeting 6 December 2006

The 2007 policy plan will be discussed and adopted at this meeting, as will the budget for 2007. In addition, (new) members of the General Board will be (re-)appointed and the General Board and the participants will discuss (non-incident-driven) spearheads and the strategy to be pursued at the shareholders' meetings.

6. Committees

Eumedion policy is prepared in five committees, whose members are representatives of the individual participants.

6.1 Legal Committee

In 2006 the Legal Committee will address the policy issues set out in section 2. The Legal Committee takes the lead in preparing commentaries on consultation documents and on Bills relating to the subjects referred to in section 2. Furthermore, the Legal Committee cherishes the ambition to draw up pro-active discussion memos about topical corporate governance issues for the benefit of the subsequent establishment of Eumedion's position on these matters.

6.2. Audit Committee

The Audit Committee addresses policy aspects with regard to financial reports, risk control and management, and the role and independence of the external auditor. The following subjects are on the agenda of the Audit Committee in 2006: the Bill introducing public supervision of the financial reports of listed companies, the implementation of the European Transparency Directive, the question of auditors' liability, the "in control statement", the convergence of IFRS and US GAAP, the introduction of public supervision of accountancy organizations, and the monitoring of experience with the introduction of IFRS in the Dutch listed corporate sector.

6.3. Research Committee

The Research Committee will supervise the research fields referred to in section 3 and will consider the theme for the 2006 Eumedion Symposium.

6.4. Investment Committee

Throughout the year, the Investment Committee discusses current and material corporate governance issues of importance for individual listed companies. It also informs the Executive Board of Eumedion of flagrant breaches of the accepted corporate governance standards by individual listed companies and advises the Executive Board on taking concrete steps with respect to the listed companies in question or the policy-makers. In addition, the Investment Committee will be actively involved in preparing the comments on the modernization of the regulations for public offers, the preparation of the letter to the Monitoring Committee on the evaluation of the 2006 AGM season, and the preparation of the spearheads letter for the 2007 season.

6.5. Public Relations Committee

The PR Committee meets shortly after the end of every meeting of the General and Executive Boards to advise on whether the positions taken by the Board are suitable themes for generating media attention. The PR Committee endeavours to ensure Eumedion is regularly in the news with opinions

and research results. In addition, the PR Committee is actively involved in setting up and updating the Eumedion website and preparing a promotional brochure for Eumedion.

7. Internal organization

7.1. Recruitment of new participants and maintaining contacts

Eumedion is seeking to further expand its participant basis in 2006. Specifically, a number of non-pension funds will be approached to become participants. The Director of Eumedion will also hold periodic discussions with participants on how Eumedion is functioning and the quality of the service and representation, which will make it possible to gain better insight into what participants want from Eumedion and also how they value Eumedion's activities. The Director will also consult regularly with the policy-makers in the Hague and Brussels, with the supervisory authority, the Monitoring Committee and a number of social organizations like DUFAS, the Netherlands Association of Insurers, the Dutch Investors' Association [Vereniging van Effectenbezitters (VEB)], the Confederation of Netherlands Industry and Employers [VNO-NCW], the Association of Securities-Issuing Companies [Vereniging Effecten Uitgevende Ondernemingen (VEUO)], the Dutch Centre of Executive and Non-executive Directors, [Nederlands Centrum van Directeuren en Commissarissen (NCD)], and the Royal Netherlands Institute of Registered Accountants [Koninklijk Nederlands Instituut van Registeraccountants (NIVRA)]. There will also be regular contact with sister organizations outside the Netherlands, such as NAPF, ABI, EFRP, AEIP, ICGN and GIGN.

7.2. Secretariat

The professionalization of the organization and the expansion of its activities will lead to the appointment of a policy adviser in 2006. EUMEDION still has business accommodation in the offices of the Dutch Pension Fund for the Public and Educational sectors [Stichting ABP] at Schiphol, but will become independent of one single participant at the end of 2006. The relocation of the secretariat from Heerlen to Schiphol will be completed in 2006.

8. Contact details

You will find more information about Eumedion on the Eumedion website: www.eumedion.nl.

You can also contact the Eumedion secretariat:

Eumedion

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E-mail: info@eumedion.nl

Internet: www.eumedion.nl

Please contact Mr Rients Abma, the Executive Director of Eumedion, if you have any questions with regard to this policy plan. He can be reached at the above address and telephone number.