



# **POLICY PLAN 2008**

# EUMEDION

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## **Concise overview of Eumedion activities in 2008**

### **1. Policy in the Netherlands**

- proposed legislation to implement the advice of the Monitoring Committee
- cabinet response to the SER advice on the position of employees in a company
- proposed legislation to facilitate introduction of a one-tier board structure
- evaluation of the right to institute an inquiry
- discussion of the introduction of a market supervisor /role of the AFM in takeover bids
- guidance on problems associated with acting in concert
- proposals for amendment of the Tabaksblad Code
- proposed legislation for implementation of amended Second Company Law Directive
- proposed legislation for implementation of amended European Directives on annual accounts law

### **2. International policy**

- Response European Commission to consultation on simplification of a number of European directives
- Response European Commission to consultation on shareholders' rights
- Response European Commission to consultation on limitation of auditors' liability
- Follow-up discussion on influence of sovereign wealth funds in Europe

### **3. Shareholders' meetings 2008**

- Compliance with spearheads letter 2008
- Facilitation of attendance at AGMs and AGM analyses by Eumedion members
- Report on evaluation of 2008 AGM season and follow-up through spearheads letter 2009

### **4. Research and development best practices**

- Acquisition own shares /dividend payment
- Influence sovereign wealth funds
- Update Eumedion Corporate Governance Manual
- Introduction of thesis prize

## **5. Business operations**

- Monthly newsletter
- Preparation of information flyer about Eumedion
- Maintenance of website
- Generation of publicity by means of speeches given by Executive Director and seeking out the media
- Organization of symposium 2008
- Organization of seminar on proposals for amendment of Tabaksblat Code
- Substantive theme for Members Meetings
- Recruitment of new members
- Facilitation of work of Eumedion committees

## 1. Foreword

It became clearly visible in 2007 that shareholders are taking an increasingly active attitude where listed companies are concerned. This is mainly true at those companies with management boards that are performing inadequately, that are pursuing an unclear or incohesive strategy and whose share price on the stock exchange is lagging behind that of their most important competitors. Certain activist shareholders sometimes pressurize members of management boards and supervisory boards to split up the company or to put the company up for sale. The more active attitude taken by shareholders affects how management boards and supervisory boards interact with these shareholders. It takes some time to adjust to the changed relationships inside listed companies and it is not surprising that a number of major events in the Netherlands, including the greatest takeover in Dutch history, have caused politicians and society to worry about the alleged “subsidiarization” of the Netherlands. A discussion gathered pace in 2007 about the question of whether the Netherlands had gone too far in terms of shareholders’ rights in comparison with other countries. It was sometimes stated in this context that the Dutch listed companies are now more vulnerable than anywhere else in the world, that not enough attention is paid to the interests of employees, that court decisions in disputes between a company and its shareholders are unpredictable and would encourage risk-avoidance behaviour by executives, and that the Dutch public takeover bid rules are not well tailored to hardening practices on the Dutch takeover market. This discussion has already been reflected in a number of current policy proposals and will continue in 2008.

In 2008 Eumedion will also take an active part in the debate on the balance of power at listed companies, just as it did in 2007. The following sections contain a review of the concrete policy proposals and Eumedion’s position on these, in addition to a summary of the spearheads letter for the 2008 season of shareholders’ meetings. The spearheads letter comprises the subjects that Eumedion members would like to bring to the attention of the individual listed companies and which they will address in their contributions at the various shareholders’ meetings. This is followed by an overview of Eumedion’s activities in 2008, such as the annual symposium and the publication of a number of research studies. The work of Eumedion’s policy preparation committees will also be explained.

All in all, Eumedion will again play a constructive role in the Dutch and European corporate governance debate in 2008.

# EUMEDION

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Schiphol, 28 November 2007.

Roderick Munsters  
(Chairman)

Rients Abma  
(Executive Director)

## **2. Points for attention in 2008**

In 2008 Eumedion will have to deal with a number of policy initiatives whose origins lie in the 2007 discussion of the balance of power at listed companies. Few new proposals are anticipated from the European Union, in view of the fact that, following completion of the ambitious Financial Services Action Plan, the European Commission wants to mark time on initiatives for the revision of directives concerning company law, annual accounts legislation and securities law. There will be more emphasis on fewer rules than on new ones, however, since reduction of the administrative burden for the business sector is a spearhead in the European Union as well. The European Commission may make proposals for the simplification of a number of European directives and it also cannot be ruled out that a discussion will be conducted at European level about the effects of investments by Russian, Arab, Chinese and Indian sovereign wealth funds in European listed companies. Initiatives at European or national level to protect what are known as strategic sectors should be taken into account.

### **2.1 The Netherlands**

#### *2.1.1. Proposed legislation to implement the advice of the Monitoring Committee*

The Corporate Governance Code Monitoring Committee (hereafter the Frijns Committee) held a market consultation in 2007 about the relationship between listed companies and their shareholders and about the scope of application of the Tabaksblat Code. In response to the consultation, the Frijns Committee sees no reason to make drastic amendments to the Tabaksblat Code or to introduce fundamental changes to the Dutch corporate governance system by legislation. The Frijns Committee does, however, recommend further rules for relations between a company and its shareholders, in order to ensure the processes involving management board, supervisory board and (general meeting of) shareholders move forward carefully, and to facilitate a better balance of interests. To this end, the Frijns Committee has recommended the legislator to amend the Dutch corporate governance laws on the following points:

- a) a reduction of the first threshold for notification of control interests from 5 to 3 percent;
- b) shareholders with a certain percentage interest should disclose their intentions;
- c) companies should be enabled to discover the identity of the shareholders;
- d) the threshold for the right of shareholders to place subjects on the agenda of shareholders' meetings should be raised to 3 percent of the issued capital;
- e) what are known as the structure companies should also have the freedom under the articles of association to set out further requirements for the decision-making process relevant to the dismissal of members of the management board and/or supervisory board.

The cabinet has stated in response to the recommendations that it would adopt the proposals in outline. The legislative proposal is expected to be submitted to the lower house of the Dutch Parliament [Tweede Kamer] in the spring of 2008.

### *- Eumedion's position*

Eumedion endorses the opinion of the Frijns Committee that no fundamental changes have to be made to the Dutch corporate governance structure. In addition, Eumedion shares the opinion of the Frijns Committee that continuous and constructive dialogue between a company and its shareholders is of great value. The corresponding principle is that the company must be able to identify its shareholders. Eumedion distances itself, however, from the proposals to limit the rights of the (general meeting of) shareholders, such as the proposal that would make it more difficult for shareholders to make use of the right to place items on the agenda, and the raising of the thresholds that entitle the general meeting of shareholders of so-called structure companies to dismiss a supervisory board or "break through" a nomination for the appointment of one or more supervisory directors. Eumedion also questions the advisability of compulsory public notification in the case of shareholders with a 3 percent interest in a listed company, if the company is in fact already able to discover the identity of its shareholders. It is Eumedion's belief that the proposal to compel major shareholders to make public disclosure of their intentions may have a negative effect on the wish for the shareholder to conduct a constructive dialogue with the company. This dialogue will not benefit from the fact that a shareholder must put his cards on the table in public in an early phase.

### *2.1.2 SER advice on strengthening the position of the employee*

In addition to the advice of the Frijns Committee, the Government asked the Social and Economic Council of the Netherlands (SER) in 2007 to issue specific advice on the question of whether the position of employees in a company should be strengthened and how this can be achieved in such a way as to ensure that the interests of employees are taken into consideration in the decision-making process at/ with regard to Dutch companies.

The SER issued its draft advice in November 2007 and concludes that there is no reason for fundamental reinforcement of the Dutch participation arrangements; the existing instruments are underused. What the SER does argue in favour of, however, is that the works council (OR) should be given a right to speak in a shareholders' meeting when the meeting is deciding on the approval of important management decisions, or on the appointment and dismissal of members of the management and supervisory boards. This right to speak does not apply when the majority of the employees are outside the Netherlands. In addition, the SER has recommended a revision of the right to institute an inquiry (see paragraph 2.1.3).

### *- Eumedion's position*

It is possible that the Government will enshrine in law the recommendation on the OR's right to speak. Eumedion has no fundamental objections to the introduction of a right to speak for the OR in the



shareholders' meeting, but does have doubts concerning the effectiveness of such a measure. A large number of the votes are cast a long time ahead of the shareholders' meeting, in which case the views of the OR can no longer be taken into consideration when a shareholder is deciding how to vote. In addition, the proposal might well mean a worsening of the position of the OR at large international listed companies in comparison with the position that the OR has tacitly acquired in practice in recent years. The management board already invites the OR to make a statement at important shareholders' meetings.

The Government has announced that, as an extension of this subject, a legislative proposal is being prepared to make it easier for listed companies to introduce what is known as a one-tier board model. Eumedion supports this proposed legislation in essence, but subsequent proposals for concrete application of this board model by a listed company will nevertheless be assessed on their individual merits.

### *2.1.3. Evaluation of the right to institute an inquiry*

The Dutch Ministry of Justice set up a working party in 2007 to evaluate the operation of the right to institute an inquiry. In addition, the Ministry is engaged in discussions with specialists on the subject of dispute resolution. Experts in the field and the business sector have recently expressed growing criticism on the functioning of the right to institute an inquiry and the role of the Enterprise Section of the Amsterdam Court of Appeal. This criticism includes the following issues:

- a) (excessively) low thresholds for a shareholder or group of shareholders to submit an application for an inquiry (10% of the issued capital or a shareholding with a total nominal value of 225,000 euro);
- b) the granting of immediate temporary measures frequently proves to have a prolonged effect;
- c) the outcome of an inquiry process is unpredictable and leads executives to avoid risks;
- d) the right to institute an inquiry is used not only to have possibly unsound management policy or mismanagement established, but also to expose all kinds of other less fundamental conflicts between shareholders and management boards.

Within the context of its advice on the position of employees in a company, the SER advised in November 2007 that a number of points in the right to institute an inquiry should be amended, viz.:

- a) the right to institute an inquiry should be judged in two fact-finding instances. An appeal has suspensive force in principle;
- b) a reasonable assessment must be made of the interests of the parties in order to address the question of whether the state of the legal entity justifies immediate measures;
- c) the court must align its assessment policy with the American business judgment rule when considering whether there are valid reasons to doubt the soundness of policy or whether mismanagement is involved;

- d) the access thresholds for shareholders to submit an application for an inquiry should change for companies whose nominal share capital is in excess of 22.5 million euro. In that case, shareholders providing 1 percent of the issued capital have access to the right to institute an inquiry. If the cabinet decides to raise the threshold for the right to place an item on the agenda to 3% of the issued capital, the threshold for the right to institute an inquiry should also be raised to this percentage;
- e) the management board of the company is given access to the right to institute an inquiry;
- f) the union is given access to the right to institute an inquiry, if at least 25 percent of the company's employees work in the Netherlands.

### *- Eumedion's position*

Eumedion has observed an increase in the number of cases being brought before the Enterprise Section and that a number of shareholders are mainly interested in "eliciting" immediate measures, while there is less concern with the initiation of an investigation into possible mismanagement by the board in a number of cases. It cannot be generally concluded, nevertheless, that the right to institute an inquiry is being "abused". In the great majority of cases there were grounds to at least doubt the soundness of the policy being pursued by the management boards (Laurus, Ahold, HBG, Landis, LCI, AND, Unilever, Versatel, Shell and ABN AMRO). The case of the loyalty dividend at DSM was the only one in which it might be doubted whether the case was actually related to possible mismanagement and whether immediate relief was justified. The Advocate General also criticised this in his statement and the decision will probably be quashed, partly on these grounds. Expectations are, therefore, that the Enterprise Section will be more reticent in future when judging cases that have little or no connection with possible mismanagement and so will be slower to grant immediate relief. As a consequence, Eumedion sees little reason to drastically rethink the right to institute an inquiry and therefore rejects the SER proposals to overhaul the right to institute an inquiry. Shareholders are doubly affected by the proposals, in Eumedion's opinion. First of all, it is made more difficult for shareholders to submit an application for an inquiry and secondly, it is more difficult for shareholders to be granted a request for an inquiry and possible immediate relief. The erosion of the protection for the minority shareholder will have a negative effect on the investment climate in the Netherlands in the long-term and on the quality of corporate management in the Netherlands. Eumedion has called on the cabinet not to adopt the SER proposals regarding the right to institute an inquiry.

### *2.1.4. Discussion of the role of the AFM as market supervisor in takeover bids*

The Dutch public takeover rules were modernized on 28 October 2007 after many years of discussion. The Netherlands has now introduced a mandatory bid for shareholders who acquire at least 30 percent of the voting rights. The Netherlands Authority for the Financial Markets (AFM) has been given more

tools for intervention in the course of the bidding process; supervision commences sooner, there are tighter time periods, and rules have been drawn up for competing bids and certainty of funds. The Enterprise Section is to be the body that must judge whether a shareholder or group of shareholders is required to issue a public bid. A discussion will nevertheless be conducted in 2008 about the next change to the Dutch takeover rules. Various parties have made a case for the introduction of a market supervisor along English lines, which can respond flexibly to problems that occur in connection with takeover bids. This would make it possible to shorten the present, sometimes long, takeover procedures and possible delaying tactics by some players can be removed.

### *- Eumedion's position*

Eumedion will take a stance in 2008 regarding which form of regulation of the takeover market contributes best to solving the problems that have recently occurred on the takeover market. The discussion will also consider whether certain forms of regulation are in fact in keeping with the Dutch stakeholder model.

### *2.1.5. The problems of "acting in concert"*

Following the implementation of the introduction of the mandatory bid into Dutch legislation and regulations, initial experience with this measure will be gained in 2008. Potential bottlenecks are mainly to be expected when parties work together in order to constructively increase their leverage in the dialogue with listed companies and may unwittingly cross the bidding threshold by doing so. These problems will also arise within the context of the (collective) obligation to disclose substantial share interests.

### *- Eumedion's position*

Eumedion will urge the AFM in particular to provide a workable definition of the concept of "acting in concert" to ensure that the process of dialogue between institutional investors is not frustrated, and/or to clarify what does or does not fall within the limits of "acting in concert". The Frijns Committee actually made an appeal to shareholders in 2007 to engage in dialogue with listed companies.

### *2.1.6. Proposals for the amendment of the Tabaksblat Code*

The Frijns Committee will present its general evaluation of the operation of the Tabaksblat Code in the spring of 2008. The term of office and the work of the Frijns Committee will then have been completed. It is not yet clear whether the Frijns Committee may also make concrete proposals for amendments to the Tabaksblat Code, or whether a new committee will be set up for that purpose.

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### *- Eumedion's position*

Eumedion would like to encourage the cabinet to ask the Monitoring Committee to continue its work. It would also seem logical, in Eumedion's opinion, for the Monitoring Committee to prepare any proposals for amendments to the Tabaksblat Code. The fact is that the Monitoring Committee has the best understanding of the bottlenecks in the present Code and is also able to make the best suggestions for any amendments in response to the monitoring reports already published. In Eumedion's view, however, these proposals should be submitted to the market first for consultation.

With regard to the possible amendment of the Tabaksblat Code, Eumedion is thinking in terms of drawing up further rules of conduct for shareholders. It is not always clear at present, especially to non-Dutch shareholders, what rules of conduct apply to shareholders in the Netherlands. At the time when the Tabaksblat Code was being drawn up, the objective was to strengthen the *checks and balances* at listed companies. One means of doing this was to strengthen the position of the general meeting of shareholders. Since shareholders are now actually making use of the new rights, it might be advisable to promote awareness of the Dutch market in a subsequent version of the code, by including certain rules of conduct for shareholders and for the interaction of the management board and supervisory board with shareholders, something which has gradually become crystallized in the jurisprudence. Inspiration for the formulation of these rules can be drawn, for example, from the decisions of the Enterprise Section with regard to Gucci, Uni-Invest, HBG, Rodamco North America, Stork and ABN AMRO. The Monitoring Committee has given initial impetus in this direction with the introduction of the "response time" in the event of the presentation of radical suggestions for the agenda. Eumedion is also looking at the incorporation of the following rules of conduct:

- a) a shareholder with a substantial block of shares should, on the grounds of reasonableness and fairness, disclose this fact and consult reasonably with the company in question.
- b) the company in question has an obligation to take note of the intentions of the shareholder and to investigate these intentions.
- c) shareholder and target company subsequently have an obligation to consult with each other.
- d) the general meeting of shareholders can express its opinions on strategy by exercising the rights conferred on it by law. The general meeting of shareholders should take reasonableness and fairness into consideration when exercising these rights.
- e) in the event that a major shareholder is not in agreement with the strategy or policy of the company, he must present credible alternatives and consult with the board of management on these alternatives. If this is not done, a policy change that a major shareholder wishes to implement entails too great a risk for other parties concerned, such as employees and minority shareholders.

- f) the supervisory board should play a mediating role in the event of conflicts between shareholders and the management board. It should adopt a position that is sufficiently independent of the management board.

The rules of conduct for interaction between company and shareholder set out above will also be incorporated into the Eumedion Corporate Governance Manual, which is to be updated in 2008 (also see paragraph 5.1).

### *2.1.7. Other policy initiatives*

A number of further European directives should be transposed into Dutch legislation and regulations in 2008.

The amended Second Company Law Directive should be implemented in Dutch legislation no later than 15 April 2008. This amended directive extends the options for companies to purchase their own shares (presently a maximum of 10 percent of the issued capital) and also makes it possible for companies to grant loans to third parties for the purposes of acquiring shares in the company. Eumedion is in sympathy with the proposal to extend the options for a company to purchase its own shares, but believes that this scope must not become so wide that the risk of abuse increases (that own shares are purchased as a form of anti-takeover measure, for example).

The amended European directives on annual accounts legislation should be implemented in Dutch legislation and regulations by 5 September 2008. The amended directives include stipulations that all European listed companies must provide information on their corporate governance practices in their annual reports and on the degree of their compliance with a corporate governance code. Eumedion applauds the implementation of these directives in the European Union, since the framework of the corporate governance structure for European listed companies will become transparent to investors.

The European directive on shareholders' rights must be implemented no later than the summer of 2009. The Ministry of Justice has already held a consultation round concerning the implementation of a number of elements in the directive regarding which the member states themselves still have freedom of choice. One of these elements is the introduction of a uniform record date for listed companies. Eumedion is in favour of a record date which is 3 to 4 weeks prior to the date of the shareholders' meeting and will also communicate this to the lower house of the Dutch parliament when the legislative proposal for implementation of this Directive is being debated.

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### *Points for attention shareholders' meetings 2008*

True to tradition, Eumedion sends a spearheads letter to the 75 largest Dutch listed companies before a season of shareholders' meetings and Eumedion has done this again for the 2008 season. The spearheads letter contains subjects to which Eumedion members will pay extra attention in the 2008 AGM season and may bring up for discussion in the shareholders' meeting. One spearhead and one permanent point for attention have been selected for the 2008 season.

The spearhead relates to strategy and risk management (including management of non-financial risks). Eumedion would be pleased to see the incorporation of an informative and readily comprehensible risk paragraph in annual reports for 2007, comprising the most important information relating to risks and risk management. Eumedion recommends to the AEX and AMX companies in particular, that this paragraph should also include a quantitative description of the risks as much as possible. Space could be made in the paragraph as well for information on the risk management and control systems (particularly those relating to the strategic, operational and compliance risks as well) and the basic principles/characteristics of these, a review of the modifications implemented in the control systems, where deficiencies still remain, and what priority action is being taken.

A permanent point for attention is the structure of the remuneration policy for the board of management and Eumedion reminds the biggest listed companies once more of its recommendations on executive remuneration, which were published at the end of 2006. Eumedion members are mainly concerned with the most important principles in these recommendations, such as alignment of the remuneration policy with the long-term objectives of the company, that (in normal circumstances) the long-term bonus should constitute a greater part of the total remuneration package than the annual (short-term) bonus, and that the supervisory board has a certain amount of discretionary freedom in the decision on the definitive allocation of variable components of remuneration.

The spearheads letter was sent in early November to the companies quoted on the AEX, AMX and AScX indexes and the text of the letter has also been published on the Eumedion website ([www.eumedion.nl](http://www.eumedion.nl)).

As in previous years, Eumedion will once more facilitate the attendance of its members at shareholders' meetings in 2008 and the mutual provision of proxies. Furthermore, Eumedion assists its members in preparing analyses of the items on the agenda. Eumedion will also send its findings with regard to the season of annual accounts and shareholders' meetings to the Corporate Governance Code Monitoring Committee and will present these findings to the general public.

## 2.2 International

No radical proposals with regard to corporate governance are to be expected in the European Union. The European Commission's priority is to reduce the administrative burdens on the business sector, in which context it will probably put forward concrete proposals for the simplification of a number of directives relating to annual accounts and companies. Eumedion is in favour of this in itself, but will keep a watchful eye to ensure that the position of the shareholder does not come under pressure as a result of the simplification. In addition, Eumedion will urge clarification of the definitions of "acting in concert" in the European Transparency Directive and in the European Takeover Bids Directive.

The European Committee is expected to respond in early 2008 to the results of the 2007 consultation on shareholders' rights. No radical proposals are to be expected, considering the current political climate.

Furthermore, the European Commission will also respond to the results of its 2007 consultation on the possible limitation of auditors' liability. Eumedion is not an advocate of a statutory cap on liability and believes that the risk of liability keeps the auditor alert. Moreover, limitation of the auditor's liability would also mean an increase in the risks for investors, which would undoubtedly lead to a rise in the cost of capital. Eumedion is not prepared to go beyond the principle of proportionate liability prevailing in the Netherlands; a causal relationship must be present between the breach of standards (the acts and omissions of the auditor) and the alleged loss. Indemnification for the loss should only be payable by the auditor when the loss is a demonstrable consequence of an error by the auditor. Eumedion sees no reason to incorporate the principle of proportional liability into European legislation and has suggested to the European Commission that this principle be included in a recommendation addressed to the member states of the European Union.

In response to the discussion about the potential influence and (lack of) transparency of the sovereign wealth funds from emerging economies like China, India, Russia and a number of Arab states, it is possible that the European Commission will put forward proposals in 2008 for the protection of a number of strategic sectors. Eumedion will consider its position in this regard, partly on the basis of a research study on this subject (also see paragraph 3).

Eumedion will also monitor corporate governance developments in the member states of the European Union and submit comments, if necessary, on consultation documents that are launched. This can also be done in cooperation with national organizations of institutional investors or within the framework of the International Corporate Governance Network (ICGN). The response to international developments

will be even more effective in 2008, since the Executive Director of Eumedion is a member of the board of the ICGN and of the ICGN Shareholder Rights Committee.

### **3. Research and development best practices**

Eumedion intends to carry out or complete a number of research studies in 2008. The following projects have definitely been planned.

#### *3.1 Purchase own shares/payment of dividend*

In 2008 the University of Groningen (RuG) will complete the study commissioned by Eumedion of the policy on reserves and dividend pursued by Dutch listed companies, and the policy with regard to the purchase of own shares. Eumedion has asked the RuG to provide insight into the factors (considered on the basis of both theory and practice) involved in the decision-making process at a company with regard to whether to pay dividend or to purchase own shares. The RuG has also been asked to study the question of whether significant differences exist between companies and between sectors with regard to paying dividend or purchasing own shares, what the background to this is, and whether there is a relationship between the policy on reserves/dividend and the strategy of the company, and between the purchase of own shares and the authorization to issue new shares. The research is expected to provide Eumedion members with tools/best practices to enable them to make a sound assessment of the items on the agenda relating to the authorization to purchase own shares and the discussion of dividend policy.

#### *3.2 Influence sovereign wealth funds*

Investment vehicles related to government authorities in emerging economies such as Russia, China and a number of Arab countries are investing more and more in shares in Western companies. The transparency of these sovereign wealth funds frequently leaves something to be desired. Eumedion is presently researching the effects of this development and whether action should be undertaken in terms of policy.

### **4. Events**

As in previous years, Eumedion will once more organize a symposium in the autumn of 2008 on a corporate governance subject of current interest. The Research Committee will propose a theme in the course of 2008, partly depending on developments during the coming season of shareholders' meetings.

In addition, Eumedion will organize a number of meetings at which the research studies commissioned by Eumedion (see paragraph 3) will be presented. Such meetings will definitely be arranged when the



studies on purchase of own shares/dividend policy and the influence of sovereign wealth funds are published.

Ad hoc meetings can also be organized on subjects of current interest, to which a speaker is invited for example, to set out his point of view on relevant developments. Eumedion intends, for example, to organize a seminar in the run-up to possible amendments to the Tabaksblat Code (see paragraph 2.1.6) to consider possible proposals from Eumedion and from other organizations.

In 2008 Eumedion will also introduce a thesis prize for a student whose thesis makes a significant contribution to the corporate governance debate.

### **5. Services**

Eumedion offers its members services related to 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*

Eumedion will continue to publish the monthly Newsletter in 2008. The Newsletter discusses the latest developments in corporate governance in the Netherlands and the European Union, besides examining significant issues at listed companies, Eumedion's stated positions, national and European legislation initiatives, and developments relating to the Tabaksblat Code.

##### *- Information flyer*

Eumedion will produce a flyer that will explain in clear terms what Eumedion is and what it does. This flyer will become available in the course of 2008.

##### *- Corporate Governance Manual*

The Corporate Governance Manual published by the SCGOP in 2004 will be updated in 2008, in response to the expansion of the organization, the new house style, the coming into force of new legislation and regulations, the publication of the Eumedion recommendations on executive remuneration, the authorization to issue shares and the policy on purchase of own shares/dividend. In addition, the manual will include the Eumedion guidelines for the interpretation of the provisions of the Tabaksblat Code that refer to institutional investors. The manual provides institutional investors with a tool for formulating their own voting policy and reporting on this, as well as with handles for assessing

concrete items on the agenda for the general meeting of shareholders. Members will always be sent the manual free of charge.

### *- Website*

The website will continue in 2008 to be an important source of communication between Eumedion and its members and the “outside world”. All Eumedion’s stated positions will be found on the website, as well as the information about shareholders’ meetings. The website will be given a clearer layout and be made more user-friendly in 2008.

### **5.2 Members meetings**

Eumedion will hold at least two Members Meetings in 2008. The meetings will start with a “routine business” part, following which a guest speaker will shed light on a corporate governance theme of current interest.

### *- Spring Meeting (22 April 2008)*

At this meeting, the General Board of Eumedion must account for its management in the past year. The annual report is discussed and a proposal is put to the Members Meeting to approve the annual accounts. The Board will also ask the Meeting to grant them discharge from all liability. The initial findings from the 2008 shareholders’ meetings season will also be presented during this meeting 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 the casting of votes will also be considered and the information supplied by Eumedion itself with regard to implementation of the voting policy. The evaluation will produce input for the letter to the Monitoring Committee, which will contain the most important findings.

### *- Autumn Meeting (3 December 2008)*

The 2009 policy plan will be discussed and adopted at this meeting, as will the budget for 2009. The membership of the General Board in 2009 will also be discussed.

## **6. Committees**

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

### *6.1 Legal Committee*

In 2008 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 proposed legislation

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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, among other things. The following subjects are on the agenda of the Audit Committee in 2008: the monitoring of compliance with the Eumedion spearhead on strategy and risk management; the implementation of the revised annual accounts directives; the implementation of the auditors' directive; the issue of auditors' liability; developments relating to the "in control statement"; developments involving the financial reporting of listed companies (IFRS/supervision of financial reporting), the convergence of IFRS and US GAAP; and the governance of the International Accounting Standards Board. Eumedion (Michel Hameleers) will also be represented in the Foundation for Annual Reporting (RJ) in 2008. Subjects on the agenda for the RJ are discussed in the Audit Committee and feedback will be given on the decision-making process. In 2008, the chairman of the Audit Committee (Gerben Everts) will take part in the international "Investor – Auditor Dialogue", intended to strengthen and deepen the dialogue between auditors and investors.

### *6.3. Research Committee*

The Research Committee will supervise the fields of research referred to in section 3 and will consider the theme for the 2008 Eumedion Symposium.

### *6.4. Investment Committee*

Throughout the year, the Investment Committee discusses current and material corporate governance issues of importance at 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. The question of which member attends which general meeting of shareholders is also discussed in the Investment Committee. This member is responsible for preparing an analysis of the items on the agenda for the relevant shareholders' meeting and the prompt delivery of this analysis to the Eumedion secretariat. The objective is to send the analysis to the Eumedion members and to place it on the closed section of the Eumedion website no later than fifteen days in advance of the shareholders' meeting. The Investment Committee is also responsible for drafting the letter to the Monitoring Committee on the evaluation of the 2008 shareholders' meeting season and for preparing the spearheads letter for the 2009 season. In ad hoc situations, the Investment Committee will also be

consulted on the comments to be prepared by the Legal Committee regarding proposed legislation or a consultation document.

## *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 in the revision of the Eumedion Corporate Governance Manual 2008.

## **7. Internal organization**

### *7.1. Recruitment of new members and maintaining contacts*

Eumedion is seeking to further expand its member basis in 2008. Specifically, a number of international players will be actively approached to become members. The Executive Director of Eumedion will also hold periodic discussions with members on how Eumedion is functioning and the quality of the service and representation, which will make it possible to gain better insight into what members want from Eumedion and also how they value Eumedion's activities. Members will also be encouraged to take part in Eumedion's policy preparation committees. In addition, the Executive Director will consult periodically 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*

A policy adviser was appointed at the end of 2006. No further expansion of the secretariat is planned for 2008. Eumedion will continue to be housed in the offices of the Dutch Pension Fund for the Public and Educational Sectors [Stichting ABP] at Schiphol.

### *7.3 Generation of publicity*

Eumedion will again contribute actively to the public debate on corporate governance in 2008, a task that includes writing letters to the opinion pages of newspapers. The Executive Director will also make

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the stated positions of Eumedion known in as many places as possible, which includes giving lectures and presentations during seminars and congresses.

## 8. Contact details

More information about Eumedion will be found on the Eumedion website at [www.eumedion.nl](http://www.eumedion.nl).

You can also contact the Eumedion secretariat:

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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.