GLASS LEWIS

2019

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

NETHERLANDS

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Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' Continental Europe Policy Guidelines by highlighting the key policies that we apply specifically to companies listed in the Netherlands and the relevant regulatory background to which Dutch companies are subject, where they differ from Europe as a whole. Given the growing convergence of governance regulations and practices across companies subject to European Union rules and directives, Glass Lewis combined our general approach to Continental European companies in a single set of guidelines, the Continental Europe Policy Guidelines, which set forth the underlying principles, definitions and global policies that Glass Lewis uses when analysing Continental European companies.

While our approach to issues addressed in the Continental Europe Policy Guidelines are not repeated here, we will clearly indicate in these guidelines when our policy for Dutch companies deviates from the Continental Europe Policy Guidelines.

CORPORATE GOVERNANCE BACKGROUND

Company law in the Netherlands is primarily governed by Book 2 of the Dutch Civil Code (Burgerlijk Wetboek), providing the legislative framework for Dutch corporate governance. Best practices for Dutch corporate governance are primarily defined by the Dutch Corporate Governance Code (the "Code") which was first published in December 2003, and updated in 2008 to comply with the Decree on December 26, 2008, implementing European Directive 2007/36/CE on Shareholders' Rights. The Code is published by the Corporate Governance Code Monitoring Committee (also known as the Frijns Committee). The Code contains: (i) legal provisions; (ii) comply-or-explain provisions; and (iii) recommendations.

In December 2016, the Dutch Corporate Governance Code Monitoring Committee published the revised Dutch Corporate Governance Code following an extensive consultation period throughout 2016. The Code was enshrined into Dutch law on September 7, 2017.

REGULATORY UPDATES

On July 17, 2018, the Ministry of Finance launched a public consultation on statutory measures related to fixed remuneration in the financial sector.

Three measures are under consideration:

- Introduction of clawback provisions for a portion of the fixed remuneration of directors of a bank or insurer receiving state aid;
- Introduction of the legal requirement to pay a part of the fixed remuneration at financial institutions in equity-based instruments subject to a holding period; and
- Introduction of the legal requirement that the remuneration policy of a company in the financial sector shall be linked to its public function.

The consultation ended on August 31, 2018. A number of stakeholders involved in the process raised concerns about the legality of the first measure, in relation to European law; as such, the Ministry of Finance is now seeking input form the Council of State.

The Ministry of Finance is scheduled to report back on the feasibility of these measures to the House of Representatives (Tweede Kamer) in December 2018.

Further, on October 16, 2018, the bill for the implementation into Dutch law of the Shareholder Rights Directive II was submitted to the House of Representatives. The bill is expected to be approved in early 2019.

The main effect of the new legislation will be on say-on-pay votes. Currently Dutch law requires a binding vote from shareholders if a company has adopted a new remuneration policy or has proposed a material amendment to the current policy, with no annual vote on the implementation of the policy. After the implementation, the remuneration policy will likely be subject to a binding vote every four years (or when changes are implemented), accompanied by an advisory vote on its implementation.

Finally, in the coalition agreement (the base for future legislation) presented by the current government in 2018, the introduction of a so called “thinking time” clause is discussed: if a shareholder proposal that calls for a significant alteration of the company’s strategy is presented, the company can invoke a 250-day “thinking time” pause on any action. During this period, stakeholders must be consulted and the company must explain its chosen course to all existing shareholders. This “thinking time” cannot be taken in combination with anti-takeover defenses that the company has already put in place, such as the issuing of priority or preference shares. As of yet, no legislation or preliminary act has been proposed or implemented.

We will update these guidelines in order to incorporate any changes that may affect our policy.

SUMMARY OF CHANGES FOR THE 2019 NETHERLANDS POLICY GUIDELINES

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we’ve made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant sections of this document:

BOARD DIVERSITY

We have updated our policy on board diversity in regard to companies that do not comply with Dutch gender legislation (at least 30% of directorships shall be held by women and at least 30% by men).

From 2019, in line with our Continental Europe Policy Guidelines, when a board fails to meet this requirement and has not disclosed any cogent explanation or plan to address the gap in board gender diversity, we will recommend voting against the nominating committee chair. In the event that the nominating committee chair is not up for election, we may recommend voting against nominees belonging to the gender that is represented by less than 30% of directors.

AUTHORITY TO ISSUE SHARES

We have clarified that we will generally recommend voting against any authority to issue shares without pre-emptive rights in excess of 20%, of which 10% may be issued for general purposes and an additional 10% only in the event of a merger or acquisition, in line with market practice.

OTHER UPDATES

We have updated our guidelines to explicitly reference the role of continuity foundations (Stichting Continuïteit) in the governance of Dutch companies. Further, we now directly reference the 20% cap on variable remuneration for financial institutions established by the *Wet Beloningsbeleid Financiële Ondernemingen* ("WBFO").

A Supervisory Board that Serves the Interests of Shareholders

ELECTION OF BOARD MEMBERS

Under Dutch law, companies that meet certain thresholds[1] of share capital and number of employees are considered to be "large companies" (*grote naamloze vennootschappen*) and are required to implement the "structure regime" (*structuurvennootschap*), which stipulates either a one-tier or two-tier board structure.

Under this regime, both shareholders and the works council[2] may propose candidates to the supervisory board.[3] Management board members may be elected either by the supervisory board or by shareholders in the so-called "mitigated structure regime," which applies only to companies that are subsidiaries of international corporations.[4] A company that is not required to adopt a two-tier board structure by law may elect to voluntarily implement one.[5]

Unless otherwise provided by these guidelines, any and all rules applicable to a company governed by a two-tier board structure will apply to a company that is governed by a one-tier board structure. Accordingly, in the case of a company governed by a one-tier board structure, the term "supervisory board" will refer to the board of directors.

INDEPENDENCE

In the Netherlands, we put supervisory board members into two categories based on an examination of the type of relationship they have with the company:

> **Independent Supervisory Board Member** — An independent supervisory board member has no material[6] financial, familial[7] or other current relationships with the company,[8] its executives, or other board members, except for board service and standard fees paid for that service. An individual who

1 According to Book 2, Article 153(2) of the Dutch Civil Code, in order to qualify as a "large company," a company must have an issued capital of at least €16 million, employ at least 100 workers in the Netherlands and must have established a "Works Council" pursuant to the Works Council Act of 1979.

2 The works council is a body composed of employees within an enterprise that represents employees' interests and rights.

3 Book 2, Article 158(6) of the Dutch Civil Code. Shareholders, however, may reject such nominations by a simple majority of the votes cast if the votes represent at least one third of the issued capital.

4 Book 2, Article 153(3) of the Dutch Civil Code.

5 Book 2, Article 140 of the Dutch Civil Code.

6 Per Glass Lewis' Continental Europe Policy Guidelines, "material" as used herein means a relationship in which the value exceeds: (i) €50,000 (or 50% of the total remuneration paid to a board member, or where no amount is disclosed) for board members who personally receive remuneration for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) €100,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm; (iii) 1% of either company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company); (iv) 10% of shareholders' equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a board member for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

7 A director is an affiliate if the director has a family member who is employed by the company. According to Provision 2.1.8 of the Dutch Corporate Governance Code ("Code"), relatives up to the second degree are considered included in this category. Per Glass Lewis' Continental Europe Policy Guidelines, familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home.

8 A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

has been employed by the company within the past five years is not considered to be independent. We use a three year[9] look back for all other relationships.

Affiliated Supervisory Board Member — An affiliated supervisory board member has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company.[10] We will normally consider board members affiliated if they:

- Are a member of the management board at a company where a member of the management board of the company they supervise is a supervisory board member;[11]
- Have temporarily managed the company during the previous twelve months when management board members were absent or unable to discharge their duties;[12]
- Have served on the board for more than 12 years;[13]
- Have employers who have a material financial relationship with the company;[14]
- Own or control 10% or more of the company's share capital or voting rights.[15]

Additionally, the following category only applies to companies with a one-tier board structure:

Insider — An inside director simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

Voting Recommendations on the Basis of Board Independence for a Two-Tier Board

In accordance with Dutch governance standards, we generally recommend that all but one member of the board be independent.[16] In the event that more than one supervisory board member is an affiliate, we will typically recommend voting against some of the affiliated supervisory board members in order to satisfy the aforementioned threshold. However, we accept the presence of representatives of significant shareholders in proportion to their equity or voting stake in the company, as detailed in our Continental Europe Policy Guidelines, so long as a majority of the members of the board are independent.

As outlined in our Continental Europe Policy Guidelines, we refrain from recommending to vote against directors who are not considered independent due to lengthy board tenure on that basis alone in order to meet recommended independence thresholds.

Voting Recommendations on the Basis of Committee Independence for a Two-Tier Board

We believe that the majority of the members who serve on a company's audit, remuneration and nominating committees should be independent.[17] We will take into account the company's ownership structure when evaluating the composition of these committees.

9 According to Provision 2.1.8 of the Code, business relationships in the year prior to the appointment are considered current for this purpose.
10 If a company classifies a non-executive board member as non-independent, Glass Lewis will classify that board member as an affiliate.
11 Provision 2.1.8(IV) of the Code.
12 Provision 2.1.8(I) of the Code.
13 Provision 2.2.2 of the Code recommends that members serve on the supervisory board for a maximum of 12 years. The supervisory board should provide explanation for the proposed reappointment of any member who has already served for eight years.
14 Provision 2.1.8(III) of the Code.
15 Provision 2.1.8(VI) of the Code.
16 Provision 2.1.7(I) of the Code.
17 Provision 2.3.4 of the Code.

Further, we will generally recommend voting against any audit committee chair who: (i) is also the supervisory board chair;[18] or (ii) was a member of the management board during the previous five years.[19] Likewise, we will generally recommend voting against any remuneration committee chair who was a member of the management board during the previous five years.[20]

Voting Recommendations on the Basis of Board Independence for a One-Tier Board

The Dutch Code stipulates that the majority of one-tier board members must be non-executive, of which all but one must be independent.[21] Glass Lewis believes a board will be most effective in protecting shareholders' interests when at least a majority of board members are independent. Where 50% or more of the directors are affiliated and/or are insiders, we typically recommend voting against some of the affiliated and/or inside directors in order to satisfy the majority threshold.

Voting Recommendations on the Basis of Committee Independence for a One-Tier Board

Under a one-tier board structure, we believe only non-executive directors should serve on a company's audit, remuneration and nominating committees.[22] We believe a majority of the shareholder-elect members of the nominating committee should be independent of company management and other related parties. We accept the presence of representatives of significant shareholders on this committee in proportion to their equity or voting stake in the company.

We will recommend voting against any audit committee chair who: (i) is also the board chair;[23] or (ii) is currently or was an executive director during the previous five years.[24]

OTHER CONSIDERATIONS FOR INDIVIDUAL BOARD MEMBERS

Our policies with regard to performance, experience and conflict-of-interest issues are not materially different from our Continental Europe Policy Guidelines, with the following exception.

EXTERNAL COMMITMENTS

In line with our Continental Europe Policy Guidelines, we generally recommend voting against a supervisory board member who serves as an executive officer or management board member of any public company while serving on more than two public company boards and any other supervisory board member who serves on more than five public company boards.[25] We count board chairships as two directorships. We adopt a case-by-case approach when making voting recommendations based on external commitments, as described in our Continental Europe Policy Guidelines.

Management board members of a large company (*grote naamloze vennootschappen*) cannot hold more than two supervisory board positions in other large companies, or one chairship of a supervisory board or board of directors of another large company. Any supervisory board member or non-executive at a one-tier board is limited to five supervisory board memberships or non-executive positions at other large companies. Chairships count as two supervisory board positions.[26]

18 *Ibid.*
19 *Ibid.*
20 *Ibid.*
21 Provision 5.1.1 of the Code.
22 Provision 5.1.4 of the Code.
23 *Ibid*.
24 *Ibid*.
25 Book 2. Article 142(a) of the Dutch Civil Code specifies a limit of four external board mandates for board members. Chair positions are counted double.
26 These limitations took effect on January 1, 2013, with the implementation of the Act of Management and Supervision of NV and BV Companies. The definition of a large company for this purpose differs from the one detailed in Footnote 1 above. To be considered a large company for the purpose of determining external board limitations, the value of a company's assets must exceed €17.5 million, net turnover must exceed €35 million, and the average number of employees in the Netherlands must be at least 250.

Foundations (*Stichting administratiekantoor* "STAK" and *Stichting Continuïteit* "STICO") and Depository Receipts

Dutch law authorises the establishment of an administrative foundation ("STAK"), which is governed by a board of directors, to administer the shares in a company on behalf of the beneficial owners. STAKs issues depositary receipts for the shares to the beneficial owners but retain the actual shares. As the voting rights are attached to the shares and not the depositary receipts, STAKs are empowered to vote the shares directly without authorisation from the beneficial owners. The economic rights also lie with the shares; however, STAKs are obliged to pass on all financial benefits received from the shares to the depositary receipt holders. In order for depositary receipt holders to exercise their voting rights at general meetings, they must proactively request the right to do so.

As STAKs are generally obliged to cast all unclaimed voting rights in favour of management at general meetings, we view STAKs' interests to be aligned with the company. As such, in general, we consider any member or former member (within the last three years) of a STAK's board, who has served in such a position for at least 12 years or has any other evident relationship to the company, as not independent. Additionally, when a company has not provided clear disclosure of the STAK's activities and remuneration, in accordance with best practice in the Netherlands, we will not consider such a candidate to be independent. Further, we will recommend voting against any board nominee who would remain serving simultaneously on the company's STAK while serving on the board of directors or supervisory board.

Continuity foundations ("STICO") can also be used by Dutch issuers to thwart a takeover. This entity effectively functions as a poison pill. Typically, the STICO has the option to purchase most of the authorized, but unissued share capital in the event of a public takeover, crippling any takeover bids before they can succeed.

Finally, given that the structure of the foundations makes it inefficient for shareholders to exercise their rights, we generally favour proposals that seek to repeal depository receipts or restrict the functions of the foundations to minimise the potential for a conflict of interest for the board vis-a-vis unaffiliated shareholders.

BOARD STRUCTURE AND COMPOSITION

Our policies with regard to board-level risk management oversight, board size and board diversity are not materially different from our Continental Europe Policy Guidelines. In deviation from our Continental Europe Policy Guidelines, we apply different standards for the election of former management board chairs to the supervisory board.

SEPARATION OF THE ROLES OF BOARD CHAIR AND CEO

According to the Code, the supervisory board chair should not be a former member of the company's management board.[27] Therefore, we will typically recommend voting against the new appointment of a chair who was a member of the management board during the previous five years, absent a compelling rationale from the company and an otherwise sufficiently independent board.

Furthermore, the board chair of a one-tier board structure may not be a current or former executive director.[28] Therefore, we will typically recommend voting against the new appointment of a chair who was an executive director during the previous five years, absent a compelling rationale from the company and an otherwise sufficiently independent board. When the chair is also currently an executive, we may recommend voting against the nominating committee chair, absent a compelling rationale from the company and an otherwise sufficiently independent board or a lead independent director.

27 Provision 2.1.9 of the Code.

28 Provision 5.1.3 of the Code.

CHANGE IN BOARD STRUCTURE

Dutch companies are allowed to change their board structure from a two-tier to a one-tier board.[29] We will review any proposals to migrate from a two-tier to a one-tier board structure on a case-by-case basis. We may recommend voting against the proposal when we have serious concerns regarding the independence of the chair or the overall independence of the board following the change.

BOARD SIZE

Under Dutch law, companies with a two-tier system must have supervisory boards consisting of at least three members.[30] Companies with a one-tier system must have a board consisting of at least three non-executive members.[31]

BOARD DIVERSITY

Dutch legislation, in line with local corporate governance recommendations, contains a transitional clause regarding gender diversity pursuant to which at least 30% of directorships shall be held by women and at least 30% by men.

This provision was initially introduced in 2013 and expired in 2016 and was subsequently reintroduced on April 13, 2017. In light of the current level of diversity of the Dutch market, it is likely that further legislation will be introduced at the expiry of the transitional provision on January 1, 2020.

As such, from 2019, in line with our Continental Europe Policy Guidelines, when a board fails to meet this requirement and has not disclosed any cogent explanation or plan to address the gap in board gender diversity, we will recommend voting against the nominating committee chair. In the event that the nominating committee chair is not up for election, we may recommend voting against nominees belonging to the gender that is represented by less than 30% of directors.

BOARD COMMITTEES

In the Netherlands, audit committees are mandatory for listed companies, although the board as a whole may serve in the capacity of the audit committee.[32] The Code recommends that at least one member be a financial expert, with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.[33] The Code also specifically recommends that boards comprising more than four individuals have separate audit, remuneration and nominating committees.[34] In line with our Continental Europe Policy Guidelines, in the absence of remuneration or nominating committees,[35] we will generally recommend voting against the board chair on this basis; provided, however, that this will generally not apply to small-cap companies with boards composed of fewer than four members.

Our policies with regard to the formation of committees and committee performance are not materially different from our Continental Europe Policy Guidelines.

29 Royal Decree of June 6, 2011, amending Book 2 of the Dutch Civil Code. The law took effect on January 1, 2013.
30 Book 2, Article 158.2 of the Dutch Civil Code.
31 Book 2. Article 164a of the Dutch Civil Code.
32 Royal Decree of July 26, 2008.
33 Provision 2.1.4 of the Code.
34 Provision 2.3.2 of the Code.
35 Principle 2.3.2 of the Code recommends that companies with boards consisting of at least four members establish an audit committee, a remuneration committee and a nominating committee.

ELECTION PROCEDURES

Our policies with regard to election procedures are not materially different from our Continental Europe Policy Guidelines. The following are clarifications regarding best practice recommendations in the Netherlands.

CLASSIFIED BOARDS AND TERM LIMITS

Dutch law requires that supervisory board members either resign or stand for re-election at least every four years.[36] As a result, most Dutch companies appoint supervisory board members for the full term allowable by law. Pursuant to the Code, the supervisory board should draw up a retirement schedule in order to avoid, as much as possible, a situation in which many supervisory board members retire at the same time.[37]

As further explained in our Continental Europe Policy Guidelines, Glass Lewis supports the declassification of boards and the annual election of directors. Nevertheless, given market practice, we will generally accept the presence of staggered boards. We further note that the Code recommends that members be appointed to the supervisory board for a maximum of two terms of four years each, followed by two terms of two years each.[38]

36 Book 2, Article 161 of the Dutch Civil Code.
37 Provision 2.2.4 of the Code.
38 Provision 2.2.2 of the Code.

Transparency and Integrity in Financial Reporting

In the Netherlands, shareholders are required to approve a company's financial statements and the allocation of profits and dividends annually. Shareholders are also required to approve a company's choice of independent auditor. Our policies for these issues in the Netherlands do not deviate materially from Glass Lewis' Continental Europe Policy Guidelines.

ACCOUNTS AND REPORTS

As a routine matter, Dutch law requires that shareholders approve a company's annual and consolidated financial statements, within the four months following the close of the fiscal year, in order for them to be valid.[39]

NON-FINANCIAL REPORTING

Although our approach does not deviate materially from our Continental Europe Policy Guidelines, we note that best practice for non-financial reporting has converged more in the Netherlands than in most other countries. In line with market practice, we expect most large and midcap issuers to adopt a comprehensive reporting framework such as the International Integrated Reporting Framework. Similarly, large Dutch companies are typically expected to report explicitly on any connection between their strategy and the UN Sustainable Development Goals ("SDGs"). Where companies fail to provide meaningful reporting on environmental, social and governance risks to shareholder satisfaction, we may recommend voting against the committee responsible for reviewing sustainability or non-financial issues. If no committee is explicitly tasked with oversight of this function, we may recommend voting against the chair of the audit committee.

39 Book 2, Article 101 of the Dutch Civil Code.

The Link Between Pay and Performance

Under Dutch law, it is not mandatory for public companies in the Netherlands to place their remuneration policy up for a shareholder vote on an annual basis. However, Dutch law does require a binding vote from shareholders if a company has adopted a new remuneration policy or has proposed a material amendment to the current policy.[40] Our policies regarding these matters do not differ materially from our Continental Europe Policy Guidelines. However, we do account for a company's compliance with best practice in the Netherlands, as described below, when evaluating these proposals.

VOTE ON REMUNERATION POLICY ("SAY-ON-PAY")

Due to the nature of the say-on-pay vote in the Netherlands, Glass Lewis bases its recommendations primarily on any and all significant changes or modifications made to a company's remuneration structure or award amounts, including base salaries. We will recommend voting for a proposed remuneration policy only when we believe the positive aspects of the proposed amendments overwhelmingly outweigh any potential negative effects that the changes may have on the overall remuneration structure.

In general, there is a high level of compliance by Dutch companies with corporate governance recommendations and best practice regarding executive remuneration. It is common for variable remuneration at Dutch companies to be based on multiple performance metrics. Furthermore, sign-on bonuses and guaranteed bonuses are rare, and on average individual limits for variable remuneration are low when compared with the rest of Europe. Also, the supervisory board is authorised by law to recover any variable pay awarded based on incorrect data or reporting (i.e., "clawback provision").[41] In addition, the Code recommends the following principles in the Netherlands, with which we believe most companies should comply:

- Stock options or other performance-based equity awards are expected to have a vesting period of at least three years;[42] and
- There should be clear disclosure of the link between remuneration and long-term value creation, the pay ratio between the management board members and a reference group, the performance criteria for any variable remuneration awarded, the link between pay and performance and, in the event that there was a severance payment made, the rationale for it.[43]

Please see our Continental Europe Policy Guidelines for further information regarding what we view as positive modifications to a remuneration policy.

FINANCIAL INSTITUTIONS

Under the *Wet Beloningsbeleid Financiële Ondernemingen* ("WBFO") financial institutions are not permitted to facilitate a variable remuneration cap of higher than 20% of base salary.[44] Additionally, variable remuneration of any kind is prohibited to the members of the management board during the period of Dutch state

40 Book 2, Article 135 of the Dutch Civil Code.

41 *Ibid*.

42 Provision 3.1.2(VII) of the Code.

43 Provision 3.1.2 of the Code.

44 Article 1.121 (II) of the Act on the Remuneration Policy for Financial Undertakings.

shareholding in the Company.[45] As this is mandated by national law, we do not consider such practices to be contentious in nature.

SEVERANCE PAYMENTS

In general, we believe that severance payments should be limited to one year's fixed salary and should not be paid in the event of inadequate performance or voluntary departure.[46]

SUPERVISORY BOARD REMUNERATION PLANS

We are generally opposed to the introduction of variable share-based awards for supervisory boards, given that these awards may align the interests of supervisory board members with those of management.[47]

As such, we will generally recommend against any supervisory board remuneration plan that includes shares and/or rights to shares to supervisory board members. Otherwise, we will generally support these proposals if the proposed fees are reasonable and in line with those paid by the company's peers.

45 Article 1.128 (I) of the Act on the Remuneration Policy for Financial Undertakings.
46 Provision 3.2.3 of the Code.
47 Provision 3.3.2 of the Code.

Governance, Financial Structure and the Shareholder Franchise

In the Netherlands, shareholders may be asked to approve the ratification of board and management acts or amendments to a company's articles of association. Our policy on these issues does not deviate materially from Glass Lewis' Continental Europe Policy Guidelines.

RATIFICATION OF SUPERVISORY BOARD AND MANAGEMENT BOARD ACTS

In the Netherlands, companies routinely request that shareholders ratify the acts of the supervisory board and management board for the past fiscal year. Moreover, shareholders can be asked to release resigning board members from liability.

The discharge from liabilities is binding for all shareholders and can hinder legal claims against board members. In fact, it protects board members against claims for damages from the company. It does not, however, release them from their fiduciary duties owed to the company and its shareholders. They will still be held liable for any tortious or negligent act committed in the performance of their duties. Moreover, if the information provided to shareholders prior to the meeting was incorrect or incomplete, shareholders can still bring proceedings against the board. Lastly, the discharge granted by shareholders does not release board members from liabilities toward third parties.[48] Therefore, we will evaluate each proposal on a case-by-case basis.

In line with our Continental Europe Policy Guidelines, we may recommend voting against ratification where we believe the ratification may prejudice shareholders due to the pending nature of an investigation or in cases where we believe that the individual ratification of board members would better serve the interests of shareholders and the vote has been offered only as a bundled item.

OWNERSHIP REPORTING REQUIREMENTS

The Disclosure of Major Holdings in Listed Companies Act of 1996 requires any shareholder whose ownership in a company rises above or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95% to immediately notify the company and the Financial Markets Authority, specifying the number of shares and corresponding voting rights held.

On July 1, 2013, the minimum disclosure threshold was lowered to 3% ownership and any shareholder having reached this threshold must notify the company within four months of this new standard taking effect.[49] We recommend that shareholders support amendments to a company's articles of association that align with the new provisions of the law, as long as they do not attempt to introduce any additional ownership reporting requirements beyond what is legally required.

48 Book 2, Articles 139 and 150 of the Dutch Civil Code.

49 Article 5(38) of the Act on Financial Supervision.

Capital Management

Shareholders of Dutch companies may be asked to approve capital-related proposals, namely the issuance of ordinary or preference shares and/or convertible debt instruments and the authority to repurchase shares. Our policies with regard to these matters do not differ materially from our Continental Europe Policy Guidelines.

AUTHORITY TO ISSUE SHARES AND/OR CONVERTIBLE SECURITIES

In the Netherlands, shareholders are required to approve all proposals related to the issuance of shares and/or convertible securities. According to Dutch law, shareholders may delegate the power to authorise share issuances to the board or management.[50] The authority to issue shares must have a specified length, which in no event may be greater than five years, as well as a specified maximum number of shares that may be issued under the authority. In addition, the company may determine to issue the shares and/or convertible securities with or without preemptive rights. However, in the event that it wishes to waive such rights, the board must request shareholder approval given that issuing additional shares may dilute existing holders.[51] We will generally recommend voting against any authority to issue shares without preemptive rights in excess of 20% of share capital, of which 10% may be issued for general purposes, and the remaining 10% only in the event of a merger or acquisition, in line with market practice.

AUTHORITY TO REPURCHASE SHARES

Under Dutch law, companies can repurchase their own stock if: (i) shareholders' equity less the payment required to make the purchase does not fall below the sum of paid-up capital and any reserves required by Dutch law and the articles of association; and (ii) the company would thereafter not hold shares with an aggregate nominal value exceeding one-half of the issued share capital. Furthermore, the authority granted by shareholders applies for a maximum period of 18 months and must specify the number of shares that may be acquired and the price within which the shares may be acquired.[52]

Our policy on this matter does not differ materially from our Continental Europe Policy Guidelines. Dutch companies may seek the authority to repurchase shares above 20% of current issued share capital. We will recommend voting against such a proposal when the company does not explicitly state that the shares will be cancelled.

ANTI-TAKEOVER DEVICES

ISSUANCE OF PROTECTIVE PREFERENCE SHARES

We apply heightened scrutiny to verify whether a management friendly foundation ("Stichting") has been granted a call option to purchase preference shares from the company, since the exercise of the call option may result in delaying or preventing a takeover bid. We will vote against the issuance of protective preference shares under almost all circumstances. Nevertheless, we will consider making an exception in cases where a company has combined the authority to issue common shares and preference shares into a single proposal. While we view bundled proposals as depriving shareholders the opportunity to weigh the merits of each aspect of the proposal, we will support the proposal if we believe that a vote against it might hinder the company's ability to access the capital market in a timely and efficient manner through the issuance of the common shares.

50 Book 2, Article 96(1) of the Dutch Civil Code.
51 Book 2, Article 96a of the Dutch Civil Code.
52 Book 2, Article 98 of the Dutch Civil Code.

Shareholder Initiatives and Management of the Firm

In the Netherlands, shareholders may exercise their right to call a special meeting and/or propose additional items to the meeting agenda. Our policies regarding these matters do not differ materially from our Continental Europe Policy Guidelines.

RIGHT TO CALL A SPECIAL MEETING

Under Dutch law, a shareholder or a group of shareholders holding at least 10% of the issued share capital, or a lower percentage if provided for by the articles of association, can be authorised by a court to convene a general meeting.[53]

Glass Lewis strongly supports the right of shareholders to call special meetings. However, in order to prevent abuse and waste of corporate resources by a very small minority of shareholders we believe that such rights should be limited to 5% of a company's share capital. A lower threshold may leave companies subject to meetings whose effect might be the disruption of normal business operations in order to focus on the interests of only a small minority of owners. However, we will evaluate proposals to lower the threshold on a case-by-case basis.

RIGHT TO ADD AN ITEM TO THE AGENDA

Shareholders and holders of depositary receipts who alone or together represent more than 3% of the outstanding share capital have the right to add items to the agenda of a shareholder meeting.[54]

Companies are however permitted to set a lower threshold in their articles of association. As such, the previous legally mandated threshold will continue to apply to companies in cases in which they have stated the threshold in their articles of association. Given that the law requires companies to seek shareholder approval of an amendment to the articles of association in order to implement the new threshold.[55] We generally recommend that shareholders vote against such amendments in order to preserve existing shareholder rights. However, we will evaluate these proposals on a case-by-case basis, taking into account a company's ownership structure and the history of shareholder proposals presented at general meetings.

53 Book 2, Article 110 of the Dutch Civil Code.
54 Book 2, Article 114a of the Dutch Civil Code.
55 Book 2, Article 121 of the Dutch Civil Code.

DISCLAIMER

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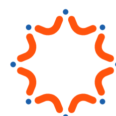
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