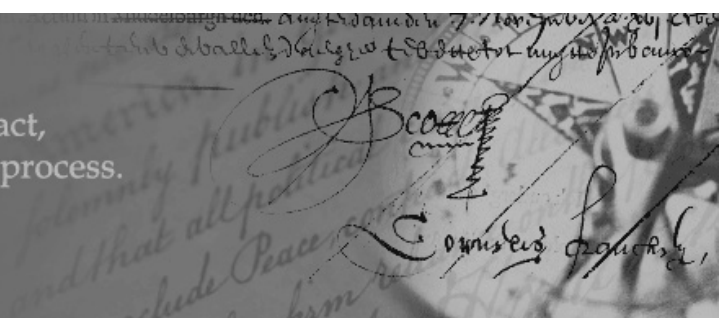


The Governance Platform

Newsletter n°1 - Third quarter 2008

The choice of a common stock is a single act,
its ownership is a continuing process.

The background of the bottom section features a faded, grayscale image of a document with handwritten text. The text is partially legible and includes phrases such as "merit", "Public", "and that all political", "include Peace", and "Considered". A prominent signature is visible in the center-right of the image.










2008 Report on Activities – January - September 2008

Increase in Number of Companies

In 2008, The Governance Platform added seven new non-Dutch companies to the listed

companies with which it is in dialogue.

The Platform now engages with 22 blue-chip companies, including nine listed on the AEX.

	Aegon, Akzo Nobel, Fortis, Heineken, KPN, Philips, Reed Elsevier, Shell, TNT, Unilever
	Alstom (<i>new</i>), Schneider Electric, Total
	Nestlé, Roche, UBS (<i>new</i>)
	Bayer (<i>new</i>), Daimler (<i>new</i>), Siemens
	Enel (<i>new</i>)
	British Sky Broadcasting (<i>new</i>)
 / 	Fortis
	Telefonica (<i>new</i>)

Extension of engagement from “G” to “ESG”






































At the proposal of the Executive Board, the Governance Platform decided to broaden engagement from “governance” aspects alone to a comprehensive “ESG” (Environment, Social & Governance) approach from 2008 on. After having gathered and analysed stock of the relevant policy instruments, the Investor Circle resolved to make a start in 2008 with five selected companies: Alstom, Bayer, Daimler, Nestlé and Total.

This means that attention will be paid to all aspects of corporate social responsibility at each of these companies.

Overview of engagement activities

The following overview shows the specific activities forming the engagement with each company during the first nine months of 2008. For each listed company the Platform relied on an action plan, which was constantly updated. With the majority of companies, engagement consisted of one or more discussions, generally at board level. In several cases, these personal visits were followed by an exchange of letters in which additional questions were asked, suggestions made or progress sought.

Overview of engagement - January-September 2008

	Action plan Update	Discussion	Letter Other communication
Aegon			
Akzo Nobel			
Alstom			
Bayer			
BskyB			
Daimler			
Enel			
Fortis			
Heineken			
KPN			
Nestlé			
Philips			
Reed Elsevier			
Roche			
Schneider Electric			
Shell			
Siemens			
Telefonica			
Total			
UBS			
Unilever			

Engagement: areas of attention

The engagement agenda for each company is determined by the Investor Circle and reflects topical issues or areas requiring long-term

attention. This agenda naturally differs from one company to the other. The following general themes were taken up with each company:

	Strategy Results Communication	Board Composition Organisation	Chairman CEO	Shareholder rights	Remuneration	Dividends Share buybacks	Takeover Defences	Corporate Social Responsibility
Aegon	●	●						●
Akzo Nobel	●				●	●		●
Alstom	●	●	●		●	●		●
Daimler		●			●	●		●
Enel	●			●	●	●		
Fortis	●	●	●		●	●	●	●
KPN	●	●			●	●		
Nestlé				●	●			
Roche			●		●			
Siemens					●			●
Telefonica	●	●	●	●	●			
Total		●	●	●	●			●
UBS	●	●	●		●			



Engagement results in the first nine months of 2008

While the Governance Platform publishes a list of companies with which it is in dialogue, it does not disclose the contents of the dialogue to third parties except when included in the action plan or communicated by the company itself.

Consequently, the following report generally does not refer to companies by name.

1. Contribution to amendment of Nestlé's Articles of Association

In 2005, Nestlé announced plans to submit extensive changes in its Articles of Association to the shareholders, offering the Governance Platform an excellent opportunity to open a dialogue with Nestlé in early 2007. The Executive Board had several meetings with Nestlé senior executives, most recently in February 2008.

The contribution made by the Governance Platform was not limited to the statutory provisions on which Nestlé itself was publicly consulting its shareholders. Its proposals also dealt with more specific and sometimes more technical provisions in the Articles having a significant impact on Nestlé's corporate governance and on shareholder rights.

The new Articles were presented in March 2008 and were approved at the shareholder meeting held in April 2008 with almost 99% of votes in favour. Several improvements proposed by The Governance Platform were included in the new Articles of Association, and Nestlé has acknowledged the contribution made by the Governance Platform. While the amendments to the Articles were a major step in the right direction, further improvement remains possible in some areas.

2. Monitoring and providing a sounding board for UBS and Fortis

The Governance Platform has been in dialogue with UBS and Fortis for quite some time. It has made constructive suggestions and proposals to improve governance structure and increase transparency, prompted in the case of Fortis by its acquisition of ABN AMRO and, more generally, the impact of the credit crisis emerging in the first half of 2008.

The current environment also gave UBS the incentive needed to enter into a dialogue.

The Governance Platform's primary objective with these companies was to act as a sounding board.

UBS has meanwhile realised that shareholder dialogue is essential if confidence is to be maintained. UBS has made several far-reaching improvements in corporate governance, including the appointment of new directors with the necessary experience and expertise, new internal rules, a strategic review, etc. These measures have already resulted in the achievement of several targets in the action plan. However, the Swiss bank faces other, new challenges that call for continuation of the dialogue.

In August, the Platform held lengthy talks with Fortis' senior executives to express shareholder concerns and once more to request attention to priorities in the fields of board composition and communication. The Governance Platform stressed the need for certain measures to be taken urgently to get Fortis out of trouble. In line with its philosophy and mission, the Platform was determined to make one last effort to obtain, by means of constructive dialogue, a reaction to its proposals. However, it became clear that Fortis was not prepared to commit to the necessary emergency measures and changes.

3. Dialogue with other companies

The Governance Platform believes that board composition (executive and supervisory boards) is one of the key factors in assessing governance structure.

The composition of a company's executive and supervisory bodies depends on its profile. A number of companies still suffer from **lack of diversity** (professional or sector experience, know-how, nationalities). This issue was discussed intensively in 2008.

Companies chaired by a "strong personality" need other directors with the necessary stature (expertise, etc.) to act as a counterweight. The dialogue often stressed that boards need to be collegiate bodies in order to avoid a "one man show". Ideally, boards need to present a combination of different profiles.

In the dialogue with companies suffering badly from the financial crisis, (particularly banks), close attention was paid to **financial expertise at supervisory level**. Financial structures and products are becoming more and more complex. This implies that not just governing bodies but also external supervisors must be able to handle this complexity. Against this backdrop, board composition becomes a critical instrument for assessing governance.

The chairman's role was another topic of discussion: selection, combination with the role of CEO in one-tier management structures, accountability when a former CEO is appointed chairman, succession plans, etc. While the chairman's office is frequently a matter of personality, the Governance Platform nevertheless offers objective and constructive arguments to support its view that the offices of CEO and Chairman need to be separated or, if this is not possible, that the vice-chairman needs to be an independent director. The Platform also argues in favour of early preparation of succession and transparent

succession procedures, the principle that former CEOs should not be appointed automatically as chairman, etc.

The Governance Platform believes that the **independence** of non-executive board members should not be merely a "cosmetic" issue. Some companies do not even have a definition of "independence", or at least not a published one, which makes it difficult to assess directors' independence. In this area, the Governance Platform also acts as a sounding board for companies. Companies listen carefully to its opinions and suggestions, in so doing becoming more aware of the need for better shareholder communication. Shareholders must be able to decide on the appointment of independent non-executive directors with full knowledge of the facts. This presupposes that they are in possession of the necessary information on proposed candidates.

Management remuneration is currently a front-page issue in the Netherlands and other European countries. Remuneration policy and information are therefore always on the dialogue agenda. The Governance Platform stresses first and foremost the need for transparency, especially at companies with particularly complex remuneration structures. The method used to determine variable compensation needs to be transparent and the criteria applied need to be closely linked to the long-term creation of shareholder value. The Governance Platform has also urged companies to discontinue the practice of allowing boards to approve "exceptional" or unlimited annual bonuses at their discretion.

Based on Dutch practice and law, the Governance Platform has urged foreign companies to introduce a separate motion on remuneration policy at annual shareholder meetings (which is not always compulsory, or even recommended, outside the Netherlands).

While addeeming shareholders' rights, the Governance Platform systematically asks the reasons for any exceptions to the principle of "one share, one vote". Owing to its European dimension, the Governance Platform has to give an opinion about different legal structures and mechanisms. The aim is to remain constructive and to suggest reasonable alternatives reflecting an understanding of local practices.

Low investor attendance at shareholder meetings is often brought up. Is this not a sign that they do not really want a say? The Governance Platform is of the opinion that many companies still do not do enough to **facilitate access to their shareholder meetings**. Several companies in this situation were asked to abolish all forms of share blocking and encouraged to introduce proxy and online voting procedures.

In their capacity as long-term investors, Governance Platform members also review the **strategic orientation** of certain companies – not with a view to usurping the role of management, but to be able to assess long-term results and performance. How does the strategy translate into the setting of clear financial and operational objectives? Is the strategy compatible with the aim of creating value in the long term? How are results measured? What yardsticks are used to compare performance against that of other players in the sector? During the dialogue, these questions invariably give rise to stimulating and constructive exchanges.

Does the strategy also factor in the basic principles of **corporate social responsibility**? Where appropriate, the Governance Platform also discusses projects and activities, some of them controversial, having an impact on the local population, the environment, etc. (inter alia at Total, Alstom and Daimler). Members of the Governance Platform are keen to learn how companies deal in practice with

risks of violation of human rights, environmental protection, etc.

Finally, the Platform takes up **dividend policy** and **share buybacks**, e.g. in the case of companies with excess cash not required for growth. Is it not better to return this money to the shareholders through increased or exceptional dividends? Or are share buybacks actually better? What are the most efficient ways, bearing in mind tax implications too, to distribute such funds to the shareholders?



What is the Governance Platform?

Established in 2005, the Governance Platform is a collaborative initiative among a number of pension funds, asset managers and other professionals in the market for investment in listed securities, all of which are leaders in their segments, in terms of both size and professionalism. The members of The Governance Platform combine their strengths to provide listed companies with a recognisable, powerful and expert discussion partner.

By participating in the Governance Platform, these institutional investors aim to pursue a structured, ongoing, high-quality, proactive investment policy promoting good corporate governance and social responsibility. They consider this a concrete and effective way of giving substance to the Tabaksblat Code (the Dutch corporate governance code) and ensuring good, caring stewardship in the broadest possible meaning of the word.

Mission and operation of the Governance Platform

The Governance Platform has a clearly defined mission: promoting the quality of corporate governance through constructive, ongoing dialogue with listed companies. Social responsibility standards for business and investment are also increasingly taken into account, enabling Platform members to enhance the long-term risk/return ratio of their investments in these listed companies. After all, responsible investment is far more than voting at shareholder meetings. Regular exchanges with companies and early discussion of topical issues are likely to improve shareholder value and minimise risks. The Platform's face-to-face talks tackle such issues as strategy, dividend policy, shareholder communication, board composition, management remuneration, shareholder rights, takeover defences, environmental policy, social policy, sustainable development, etc. A dialogue does not just involve asking questions. The Governance Platform is a sounding board, offering advice and making concrete proposals.

Every year, the members approve a list of companies. Before entering into a dialogue, the members approve an action plan with priorities based on in-depth research. The Investor Circle regularly discusses action plans, updates and meeting reports. The Investor Circle consists of all members. General governance policy and key dialogue priorities are laid down by the Supervisory Board.

Supervisory Board and Investor Circle activities are prepared by the Executive Board, which is also responsible for implementing action plans. The Governance Platform outsources management,

organisation and dialogue to Deminor, a consultancy firm. The Executive Board is accordingly made up of Deminor managers (Michael Bruyn, Charles Demoulin and Bernard Thuysbaert).



Members

- APG Investments
- Algemene Pensioenfond KLM
- Cordares (formerly SFB Vermogensbeheer)
- Grafische Bedrijfsfondsen
- MN Services Vermogensbeheer
- Nachenius Tjeenk & Co. (BNP Paribas Private Banking)
- Pensioenfond KLM Cabinepersoneel
- Pensioenfond KLM Vliegend Personeel
- Robeco
- SNS Asset Management
- TKP (on behalf of the KPN and TNT pension funds / company funds)
- Pensioenfond Vervoer

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