

P R E S S R E L E A S E

Annual reporting of the Monitoring Committee Corporate Governance Code

Conclusions one year after the introduction of the Corporate Governance Code:

Tighter focus enhances Code's positive effect

The Hague, 20 December 2005 – Listed companies conform largely to the Corporate Governance Code. This is the finding of the Dutch Monitoring Committee Corporate Governance Code in its first report, officially presented today to the Ministers of Finance, Economic Affairs and Justice. The Code of Conduct has shown to be practical and readily implementable according to the Committee but further clarification of two components would help to promote application of the Code. This concerns both the statement regarding internal risk management and audit systems and the remuneration policy for directors. Other key areas of attention are accessibility of shareholder meetings, application of the Code by Trust Offices and application by institutional investors.

Mr. Jean Frijns, Chairman of the Monitoring Commission, says that he regards the 88% compliance percentage as “high when one considers that this is the first year in which application of the Code was made mandatory for listed companies. However, this percentage must go up to the full 100%. The average score is currently still depressed by a number of smaller funds and by Dutch companies with a major listing on a foreign stock exchange.”

Need for clarification

The Code has proved to be practical and readily implementable and offers the desired framework for good corporate governance, says the Monitoring Committee. However, businesses have a need for greater clarity with respect to the provision regarding adequate and effective functioning of internal risk management and audit systems. The Monitoring Committee has therefore promulgated supplementary guidance provisions. Mr. Frijns: “The Committee makes a distinction between financial reporting risks and other risks and hence

opts for a differentiated approach. Accordingly, directors are required to state with a reasonable degree of certainty that their financial reporting is free from inaccuracies and that the process pertaining thereto is functioning properly. Where other risks are concerned, a description of the major risks has to be given, including the most important shortcomings and planned improvements in risk management.. Our aim with this supplementary guidance is to enhance the capability of companies to apply the Code better in the coming year where this point is concerned.”

Committee makes recommendations for remuneration policy and structure

The remuneration policy is an area that is capable of improvement. This is the case both for remuneration policy and remuneration structure. Greater simplicity and more uniformity regarding actual remuneration are desired in the reporting. More insight into the relation between remuneration and performance is also possible.

In establishing the variable component of the remuneration plan it is recommended not to deviate from the linkage of variable remuneration to previously determined, measurable performance criteria and targets, and to take special circumstances into account only within the discretionary component of the variable remuneration. The Board of Supervisory Directors is held retrospectively accountable for the policy conducted in this area. Furthermore, the Committee finds it important that the Supervisory Board seeks independent expert assistance.

Mr. Frijns: “The Monitoring Committee refrains from giving an opinion on remuneration levels. The Code stipulates that it should be such that businesses are able to attract and retain qualified and expert directors. Remuneration levels are determined by market forces. It is not within the brief of the Monitoring Committee to assume this role.”

The Committee will make concrete recommendations on remuneration policy in the course of 2006.

Shareholders’ role

Also on the agenda for 2006 is the role played by shareholders. Jean Frijns: “The past year has shown that this is a subject that is receiving considerable attention. Access to shareholder meetings is a key area of attention for us. This is something that can and must be simplified, for instance by webcasting and distance voting. Aside from that, we shall devote more attention to corporation-shareholder dialogue.” Where Trust Offices are

concerned, they have a lot of ground to make up before there can be any mention of correct compliance with the Code. To give an example, most of these offices organise no meetings for depositary receipt holders and they do not always give a clear insight into their own activities and standpoints. Furthermore, institutional investors apply the Code far less assiduously than listed companies.

Terms of reference and role of the Monitoring Committee

The Monitoring Committee Corporate Governance Code was installed in December 2004 by the Minister of Finance, the Minister of Justice and the Secretary of State for Economic Affairs with the objective of promoting the use of the Code and monitoring compliance and application thereof. The Monitoring Committee is tasked with publishing at least an annual report of its findings on compliance, topicality and practicality of the Code. To assist the Monitoring Committee in the fulfilment of its terms of reference in its maiden year, the Committee commissioned studies by various universities. The emphasis in 2006 will shift more towards organising market consultations on the aforementioned key areas of attention.

For further information please contact the secretary of the Monitoring Committee, mr. W. Poesiat, telephone ++ 31 (0)70 – 342 82 28.

A photo is available of the official presentation of the report to finance minister Zalm. The photograph will be sent to you asap via e-mail.