

ACLE/Rematch

# The Corporate Governance View of Institutional Investors

Appreciation of Corporate Governance of  
Dutch listed companies by Institutional Investors

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## **Executive Summary**

This study uses survey data from 118 institutional investors to investigate the corporate governance measures that concern institutional shareholders that invest capital in The Netherlands. The scope of our survey includes all important investor-types, i.e. pension funds, mutual funds, insurance companies and hedge funds. We can match the survey data with data on the distribution of the investors' investments, their investment horizons and portfolio orientations. We find that institutional investors believe that Dutch corporate governance institutions are less effective than the US system in protecting investors' rights. Preferred corporate governance mechanisms are equity ownership by management, transparency about the holdings of large investors, independent supervisory boards, a high free float, and equity-based compensation. Investors rely on few 'triggers' for seeking governance changes at firms, namely conflicts over corporate goals and strategy, planned acquisitions, poor performance, measured in terms of share price and accounting, and excessive management compensation. Investors consider to coordinate their activities for seeking change. Preferred measures of shareholder activism are selling shares, voting against the AGM, and discussions with the Executive Board. The institutional investors believe that shareholders should be responsible for making the decisions about executive compensation. Regarding CEO pay in The Netherlands, the majority of investors believe that firms should not lower the level of CEO compensation. They state that firms should make compensation more equity-based and reduce the level of severance payments. Effective decision-making at the AGM is related to increasing the use of electronic means of communications with shareholders.

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## Main Results

More than 50% of the respondents never use an external proxy voting advisor. Of the respondents who use an external proxy voting advisor, 65% use their advice to determine a position.

Almost 70% of the portfolio of the respondents is a result of a positive investment decision. For hedge funds this is 93%.

Within the spectrum of internal defense mechanisms, equity ownership by executives (5.8) and supervisory board independence (5.7) are considered as the most important. With regard to the external mechanisms, transparency about the holdings of large shareholders (5.8) and a high free float (5.7) are considered as the most important.

Most of the respondents that indicated to have a preference for one of the Board structures have a preference for a two tier board (52% vs. 21%).

According to the respondents, they think that in The Netherlands, compared to the US,:

- minority shareholders interests are less adequately protected;
- it is less easy for shareholders to exercise their rights in the companies they invest;
- the public information provided by companies is less sufficient for shareholders to make significant decisions, and
- the appropriate legal measures are to a lesser extent in place to allow shareholders to influence the general strategy of the company in which they invest.

Both for the US as well as for The Netherlands, the goals & strategy of the company is the event with the highest potential of triggering a corrective action (for the US 6.0, for The Netherlands 6.1), when deemed as not sufficient. Other important potential triggers for such an action are planned acquisitions (for the US 5.6, for The Netherlands 5.7) and a poor corporate strategy (both for the US and The Netherlands 5.6).

Institutional investors, on behalf of their investments, would be prepared to sell their shares held in the companies (80% of investors), vote against at the AGM (66%) and pressure for changes in discussions with executive board members (55%).

The degree of activity depends on the type of investor, with hedge funds (with regard to a suboptimal capital structure) and pension funds (with regard to excessive compensation packages) more inclined to take action than other groups.

59% of the respondents have indicated that they would consider coordinating a corrective action with other institutional investors.

Investors are generally not asking for a reduction in the overall level of CEO compensation in The Netherlands (27%). When CEOs leave, however, the majority prefers a reduction of the level of severance payments (55%). Furthermore, in The Netherlands the compensation of the CEO should be more equity based according to 52% of the respondents.

The majority of the respondents hold the opinion that the shareholders at the AGM should decide on the design and volume of executive stock option plans in The Netherlands, for one tier boards (54%) as well as two tier boards (59%). About one third of the respondents indicate that the compensation committee should decide about these plans.

According to the respondents, shareholders are provided with significantly more adequate information on the agenda of the AGM in the US than in The Netherlands.

Effective decision making is, according to the institutions, highly dependent on electronic documents for the AGM (5,5) and use of electronic voting systems (5,3).

# 1. Introduction

The purpose of this study, conducted on request of the ‘Monitoring Commissie Corporate Governance Code’ by the Amsterdam Center for Law & Economics (ACLE) and Rematch Holding bv, is to investigate the key corporate governance measures that concern institutional shareholders that invest capital in The Netherlands. Over the last two decades, institutional investing has become an important component of the financial markets and there has been a growing trend towards institutional investor participation in corporate governance. This increase in institutional ownership has been accompanied by an enhanced role played by institutions in monitoring the corporate governance behaviour of companies and ascertaining, for example, whether particular companies comply with the best practice standards elaborated in the guidelines established by corporate governance bodies.

Institutional investor activism has also increased in prominence with institutions pursuing proxy challenges and coordinated shareholder action. Prior research has studied the participation of investor activists in targeting poorly performing firms and pressuring boards of directors to improve corporate performance. In recent years, activist institutions in the United States (US) have made use of a federally-mandated privilege to submit shareholder proposals included in the management’s annual proxy statement for a vote at the annual general meeting. The proposal process provides a mechanism for shareholders to raise corporate governance and performance concerns and to pressure boards to implement the proposed changes. Most proposals submitted by investors (other than hedge funds) relate to the elimination of anti-takeover devices, executive compensation, the board of directors and voting rules. In the last five years, hedge funds have embraced activist strategies, taking investment stakes in underperforming firms and directly engaging management to undertake changes that are favourable for outside shareholders and their financial agenda.

The evolving role of institutional investor participation in corporate governance is likely to continue and its growth is driven by investor strategies which have changed significantly. It is, therefore, key to build a better understanding of institutional investor attitudes towards:

1. Different corporate governance mechanisms,
2. Triggers of corrective actions in target companies,
3. The level and structure of executive compensation,
4. Voting behaviour and decision making at the annual general meeting.

Surprisingly, prior research has not considered an empirical

analysis of institutional investors' attitudes towards corporate governance issues and whether there are differences among institutional investors that invest globally (we are, for example, not aware of any studies for the United States). This study seeks to facilitate an understanding of the corporate governance factors that are most important for institutional investors, such as hedge funds, insurance companies, mutual funds and pension funds, which make significant investments in Dutch listed companies, and ascertains whether there are differences in preferences across different investors about the value of corporate governance mechanisms, shareholder activism, executive compensation, and voting behaviour and decision making at the annual general meeting (AGM).

We introduce in this study a new dataset from a survey of institutional investors that have significant holdings in Dutch listed companies. The survey comprises information from 118 institutional investors. The scope of our survey includes all important investor-types, i.e. pension funds, mutual funds, insurance companies and hedge funds. We can match this survey data with extremely specific data on the distribution of the investors' investments, their investment horizons and portfolio orientations. The data enable an empirical assessment of governance preference conditioned by investor class as well as investor preference. Through our survey, we are also able to compare the view of investors about specific corporate governance arrangements in The Netherlands with their view about the same mechanisms in the United States. This allows us to benchmark the situation in The Netherlands with the situation in the United States. Institutional investors' positions regarding the extent to which they made use of external proxy voting advisors were also sought. Our data suggests that the majority of institutional investors in our sample never use the services of proxy voting advisors. Only a small number of investors employ advisors and these advisors are primarily employed when it comes to specific agenda item or specific circumstances at the targeted firms. The negligible role of proxy voting advisors for our sample investors ensures that the views expressed in the survey are also relevant for the investors' actual investment decisions and the proxy voting behavior.

The data reveal three primary findings. First, the survey indicates, consistent with the literature, that institutional investors recognize that Dutch corporate governance institutions are less effective than the US system in protecting investors' rights. To minimize agency problems, investors have a preference for equity ownership by management, transparency about the holdings of large investors, independent supervisory boards, a high free float and equity-based compensation. Moreover, the data show that investors tend to rely on few 'triggers' for seeking governance changes at individual firms where they have invested: We find that activist investors are

willing to press for changes in the governance of companies, in both the US and The Netherlands, in response to conflicts over corporate goals and strategy, planned acquisitions, poor performance, measured in terms of share price and accounting, and excessive management compensation. Consistent with the literature, shareholder activists tend to concentrate their activities through selling shares (80% of the investors), voting against the AGM (66%), and discussions with the Executive Board (55%).

Second, the data indicate that institutional investors prefer that shareholders be responsible for making the decisions about executive compensation, whether in a one-tier or two-tier system, at the annual general meeting. When changes are needed in the system of executive compensation, the perception is that the change in the US should be targeted at reducing the level of CEO severance payments. The views on the overall level of CEO pay are roughly balanced, 46% of the investors think it should be reduced and 54% think it should not. Regarding CEO pay in The Netherlands, the majority of investors believe that firms should not lower the level of CEO compensation. They state that firms should make compensation more equity-based and reduce the level of severance payments when CEOs leave. With regard to the design of executive stock options, the most important component of CEO compensation, the data offer supportive evidence that the investors are sensitive to a transparent disclosure of option compensation, relative operating and stock price benchmarks (that managers need to fulfil before they are eligible to exercise their options) and long vesting periods. Absolute stock price benchmarks are considered relatively unimportant.

Third, the data indicate that effective decision-making at the AGM in the Netherlands and the US is related to increasing the use of electronic means of communications with shareholders, including the provision of electronic documents and the use of electronic voting systems. Investors indicate that they regard proxy voting, the opportunity to exchange views via web boards, and confirmation that the notification of the AGM and documents have been received by shareholders as important mechanisms to promote effective decision making at the AGM. The intuition for this result lies in the perception that individual shareholders are not adequately consulted with prior to major changes in corporate policy and are less likely to have related party transactions fully discussed with adequate information at the AGM. Overall, investors care about timely and adequate information.

This study is organized as follows. In the second section, we present the research design, the sampling methodology, and discuss summary statistics of the investors in the sample. In the third section, we provide analyses of perceptions of corporate governance by institutional investors that are invested in firms listed in The Netherlands. We analyze shareholder activism in

section four. In the fifth section, we examine the views on executive compensation. Section six discusses shareholder consultation and decision making at the AGM.

## **2. Methodology**

### **2.1 Research Design**

Our survey focuses on four areas: (i) perceptions of corporate governance, (ii) shareholder activism, (iii) executive compensation, and (iv) shareholder consultation and decision making at the AGM. Based on a careful review of the existing academic literature, we developed a draft survey that was circulated to a group of prominent academics for feedback. We incorporated their suggestions and revised the survey. We then sought advice of the Monitoring Committee on the survey design and made changes to the questions with the goal of minimizing biases induced by the questionnaire and maximizing the response rate.

The survey was a joint effort of the Amsterdam Center for Law and Economics (ACLE) and Rematch Holding bv. Using the penultimate version of the survey, we conducted beta tests at both ACLE and Rematch. This involved having graduate students and institutional investors fill out the survey, note the time required and provide feedback. The final version of the survey contained 16 questions, many with subparts, and was five pages long.

### **2.2 Delivery and Response**

We used one mechanism to deliver the survey. We sent an email from Rematch on 1 November 2007 to 1178 different institutional investors. A reminder was sent three weeks later. We employed a team of three people at Rematch to follow up on the mailing of the survey. To maximize the response rate, phone calls were conducted during the week of 26 December, 2007. The investors returned their completed survey by email to Rematch. The survey responses are anonymous. Although we do not know the identity of the survey respondents, we do know a number of investor-specific characteristics, as discussed below.

### **2.3. Summary Statistics about Institutional Investors**

A total of 118 institutional investors returned our survey, comprising pension funds, insurance companies, mutual funds, insurance companies, hedge funds and other investors. The number of responses to the different survey questions lies slightly below this number due to data missing. Table 1 shows that the average institutional investor in our sample has about 1.1 billion

USD assets under management. The largest investor in our sample has invested assets worth 46 billion USD. The average investor further has an annual share turnover of 27% and operates 1.47 individual funds. The fraction of assets invested by the investors in the Netherlands is approximately 12%, and 19% for the United States (see also Figure 1). Table 2 and the corresponding Figure 2 show that investors range from hedge funds (6% of the sample) to mutual funds (62%), insurance companies (8%), and pension funds (6%). Table 3 and Figure 3 present data for the origins of the institutions that were surveyed. The figures indicate that a large percentage of the institutional investors originate from Luxembourg (28%) with the rest evenly spread among The Netherlands (11%), France (8%), UK (8%), US (8%) and Germany (6%) and the remaining 21% from other countries. The large number from Luxembourg is strictly speaking right, however the domicile of the fund has to do with the Investor (fiscal) friendly regulations; fund management itself has in most only in 6 cases been done from Luxembourg. Others are 5 in the UK, 3 in US 4 in the Netherlands and 4 in Switzerland, 2 in Belgium, 2 in Germany and 1 in Spain. Figure 4/Table 4 show that the median investor invests 12.8% of its money for the short term (less than 120 days), 42.1% for the medium term (between 120 days and two years) and 45.1% for the long term (longer than two years) in The Netherlands. Interestingly, these numbers are similar for investments in firm listed in the US. This suggests that Dutch investments are generally not more short-term than US investments. Figure 5/Table 5 further show that the institutional investors invest on average about 70% their portfolios as a result of an active investment decision. The other 30% are invested as a result of a passive investment decision, i.e. for diversification or index tracking only. Hedge funds show the largest fraction of actively invested funds (93%), pension funds the lowest (49%).

Table 6 and Figure 6 present the data for usage of proxy voting advisors by the institutional investors. It indicates that a majority never uses proxy advisors and that it is uncommon to use an advisor unless there are specific circumstances or a specific issue arising at a firm.<sup>1</sup> The low usage of proxy voting by the survey respondents strengthens the findings of this study as it implies that the investors in the sample are active in corporate governance and voting issues.

Figure A1/Table A1 in the Appendix contain an evaluation of a potential non-response bias for our study. It shows that the responding investors are not significantly different from the population of all institutional investors with regard to the assets under management, the share turnover and the number of funds

<sup>1</sup> Institutional investors that do use proxy voting advisors either vote themselves at the AGM or do not vote at all. Based on our data, we cannot distinguish between these two cases.

they operate. Unsurprisingly, the respondents have a larger fraction of the portfolio invested in The Netherlands and a smaller fraction invested in the US. Investors from continental Europe, especially from The Netherlands and Luxembourg are overrepresented in our sample while investors from the UK and the US are underrepresented. Overall, we do not believe that the differences between the sample and the population of institutional investors produce any major biases for our analysis.

### **3. Perception of Corporate Governance**

The primary objective of institutional investor's asset allocation is to achieve an optimal trade-off of risk and return. The achievement of this objective, however, will differ in accordance with specific institutional characteristics. For example, different institutions may exhibit differences in investment objectives, different contributor/stakeholder/beneficiary demographics, and different sensitivities to regulatory oversight and accounting rules. Therefore, our empirical analyses of corporate governance mechanisms control, among other things, for the type of institutional investor (mutual fund, insurance company, hedge fund, pension fund)

Institutional investors have various motivations in their investment strategies when deciding to allocate capital. We hypothesize that institutional investors are more likely to invest in financial markets where, in addition to financial criteria, sound legal and institutional frameworks are in place. Different corporate governance mechanisms reflect the legal and institutional framework and therefore matter for the asset allocation and investment decisions of institutional investors.

To capture the broad spectrum of governance issues, our survey separates questions about the relevance of specific corporate governance mechanisms, investor protection, executive compensation, the design of options, and shareholder consultation and decision-making in the AGM. These groupings are neither mutually exclusive nor all-encompassing; they are intended primarily to organize the exposition which follows below.

#### **3.1 Relevance of Corporate Governance Mechanisms**

Table 7 and Figure 7 show the assessment of different corporate governance mechanisms by institutional investors. Hereby, the institutional investors signal effectively what they view as the most important tools of mitigating agency conflicts in corporations. More specifically, investors were asked to score the importance of a set of corporate governance mechanisms when taking investment decisions in The Netherlands on a scale from 1 to 7 (1 meaning 'not important at all' and 7 meaning 'very important'). The responses reflect what the market expects as the most effective mechanisms for mitigating agency problems. The results that follow below are broadly in line with what previous research has found about what markets value in terms of monitoring large shareholders and management. However, some differences to previous research also emerged.

The most popular governance and control mechanism relied upon

are equity ownership by managers (5.85), transparency about holdings of large shareholders (5.84), supervisory board independence (5.74), a high free float (5.72), and the use of equity based compensation (5.51). The most interesting results come from the corporate governance and control mechanisms that the institutional investors are less sensitive to when making their investment decisions. Contrary to empirical research, investors are not very concerned about the prohibition of greenmail payments, preference shares, limitations on director terms and small supervisory boards. We also find some differences across the different investor-types (see Table 8 and Figures 8a-8e). Pension funds and insurance companies, for example, care a lot about a high free float (6.17 and 6.00, respectively), while hedge funds care mainly about equity ownership by management (6.25). It is possible, of course, to explain the documented differences among institutional investor preferences in terms of their corresponding investment programs. Hedge funds, for example, are known for having investment programs that benefit from a strong alignment of interests between managers and shareholders.

In summary, the data suggests that the governance factors that give rise to investment are likely to differ based on the type of investor and in relation to investment orientation. However, despite some differences across classes of investor-types, the overall results suggest that the decision to invest is sensitive to the presence of disclosure mechanisms and governance tools that make it possible for investors both to assess potential returns on investments relative to other investments (e.g. through transparency about holdings of other investors) and to mitigate agency concerns (e.g. through equity ownership by managers).

### **3.2 One-Tier vs. Two-Tier Board Systems**

Our analysis focused so far on the corporate governance and control factors that are considered relevant for allocation decisions by institutional investors to equity investment in Dutch listed companies. Apart from looking at the relative importance of different governance mechanisms, we also explicitly consider the preferences of investors with regard to the board structure of a firm. One of the longest standing questions about Dutch corporate governance concerns whether one-tier or two-tier boards are considered more optimal from the standpoint of investors. The economic literature so far finds no theoretical and empirical evidence on the superiority of any of the two board structures. Existing studies so far only look at the effects of a system of codetermination and board independence on corporate performance (Bhagat & Black 2002; Wintoki, Linck & Netter 2007)<sup>2</sup>. It is important to note that both types of boards, a one-tier

<sup>2</sup> See Bhagat, S. and Black, B., The Non-Correlation Between Board

structure and a two-tier structure, are allowed in many European countries, including The Netherlands, France, Germany, and Russia. Our results are hence of relevance not only for the Dutch debate but also for a more general discussion in corporate governance.

Figure 10/Table 10 display the preferences of institutional investors with regard to board structures. On average, institutional investors have a preference for a two-tier structure with separate executive and supervisory boards (52% vs. 21%). About 27% of the investors have no preference. About 48% of the mutual funds prefer the advantages of the two-tier board, 22% the one-tier board. Investors with both small and large holdings in Dutch companies are relatively more likely to prefer the two-tier board as are investors with large and small exposure in the United States. We also find that investors that originate from the Netherlands, the UK, and France have high levels of confidence in the two-tier board system. However, investors from Luxembourg seem less likely to endorse the two-tier structure. While our analysis shows that Dutch institutional investors, and investors from specific European countries, are confident with the two-tier board, the results are not very conclusive given that 21% have a preference for a one-tier structure and 27% no preference. This conclusion is in line with the results of previous studies on board structure.

### **3.3 Assessment of Investor Protection**

As a result of increased attention to corporate governance issues, institutional investors are adopting policies about investments they make in companies with particular governance structures. Similarly, investors also adopt policies about investment in different countries and therefore assess the transparency and investor protection of different national jurisdictions. Consistent with this, the literature on investor protection warns that differences in capital markets (e.g. the level of equity finance or the number of IPOs) are most likely attributable to the impact of laws and institutions on governance structures of publicly listed firms.

One hypothesis naturally arises with respect to this literature: we can expect that better investor protection that comes with superior law and legal institutions gives rise to lower cost of capital for firms which should lead to a better corporate performance. The literature has developed measures for investor protection in different countries. The anti-directors index from La Porta, Lopez-

de-Silanes, Shleifer and Vishny (1998, LLSV)<sup>3</sup>, for example, comprises a number of factors including minority shareholder protection, easy to exercise rights, sufficient public information and legal rights in place. A higher 'anti-directors' index indicates a better legal system with respect to the protection for investors. The Netherlands differs from other countries in terms of the LLSV anti-director index. The US, for example, have an index value of 5, while The Netherlands have a value of 2.

A drawback of these investor protection measures is that they are not based on the assessment of institutional investors. In this study we therefore asked several questions on how institutional investors think about investor protection in The Netherlands and the US. The investors could respond to these questions on a scale from 1 (strongly disagree) to 7 (strongly agree). The data provide support for the findings on the level of investor protection in The Netherlands as identified by LLSV. Table 10/Figure 10 indicate that funds believe that (i) minority shareholders are less well protected in The Netherlands (3.71) than the US (4.41); (ii) investors rights are harder to exercise in The Netherlands (3.97) than the US (4.47), (iii) financial disclosure is less sufficient in The Netherlands (4.63) than the US (5.07) and (iv) legal rights to influence the strategy of a company are less in place in The Netherlands (3.57) than the US (4.05). All these differences between The Netherlands and the US are statistically significant. Interestingly, both investors with large and small holdings in The Netherlands perceive that the Dutch system of investor protection is less effective than the US. This finding also applies both for large and small institutional investors. This perception is generally consistent across all classes of institutional investors, from hedge funds to other investors. Surprisingly, investors with an origin in The Netherlands also have a strong preference for the US type of investor protection system.

In sum, the influence of the legal environment and investor protection measures are important factors for institutional investors with regard to the way they think about financial markets. Moreover, the US system is considered superior compared to The Netherlands.

<sup>3</sup> See La Porta, R., Lopez-de-Silanes, F., Shleifer A. and R. Vishny., Law and Finance. Journal of Political Economy, 106 , 1113-1155 (1998).

## **4. Shareholder Activism**

Until the 1980s, institutional investors challenged the authority of managers by contacting other institutions to help support (through widespread lobbying and influence activities) their AGM-voting campaigns for measures against specific management friendly proposals. This practice tended to produce mixed voting and firm performance results, due to the absence of an activist sub-group that would have been needed to overcome the costs of regulatory barriers and to initiate governance reforms that create benefits both for the sub-group as well as all other shareholders. Since the 1980s, the form of shareholder activism has changed. The pattern of shareholder activism now ranges from investors voting with their feet by selling their shares to initiatives on taking-over underperforming firms. Institutional investors in the US have used a particular route, the non-binding shareholder proposal, to broaden their governance agenda. The first generation of proposals concerned poison pills and takeovers. The activist investors then expanded their types of governance proposals to cover takeover defences, board and committee independence issues, and executive compensation. Institutional investors in Europe have also become increasingly active in influencing the pattern of corporate governance in target companies. While employing different mechanisms to pressure management change, activists pursue goals to improve the long term performance of the companies in which they invest. The widespread growth of hedge fund activism has further lead to the introduction of innovative tactics and a broadening of the agenda items on the reform agenda of shareholder activists.

### **4.1 Shareholder Activism Measures**

We asked institutional investors a question related to the measures they are prepared to take as corrective actions against the companies in which they are invested. Our central hypothesis is that institutional investors in our days are very inclined to actively confront the management of firms to ask for corporate governance changes. Moreover, we hypothesize that investors like hedge funds, which take large positions in target firms are more inclined to confront management directly than other investors who are more likely to just sell underperforming stocks.

Table 12 report summary statistics on shareholder activism for different investor-types and different investor-horizons. Respondents were asked what kind of corrective actions they would be willing to take on behalf of their investments. Most respondents (80%) stated that they would be willing to sell shares in the companies they own. Moreover, 66.32% of the respondents indicated that they would choose to use their votes against the

management at the AGM and 54.74% stated they would hold discussions with executive board members. Based on our survey, we are unable to assess whether the discussion with the executive board are aimed to be constructive criticism or an open confrontation. The results are summarized in Figure 12.

The data provide some support for our hypothesis on investors taking active actions inside firms insofar as it relates to institutional investors voting against at the AGM and pressuring for changes in discussions with executive board members. At the same time, however, it is noteworthy that respondents are even more inclined (80%) to sell their shares held in a company. This is obviously not a strategy of direct confrontation with the management of firms. Pension funds are significantly more likely to exit firms by selling their shares than are insurance companies (83.33% versus 71.43%). Interestingly, there is little or no difference in institutional investors with long versus short term investment horizons (84.55% versus 80.65%). The data do provide some support for the conjecture that hedge funds are more likely to confront management directly, insofar as they are more likely to contact the supervisory board to seek management change, disclose voting against the AGM and pursue legal measures, than are insurance companies, mutual funds and pension funds.

#### **4.2 Coordination of Shareholder Activism**

The rise of shareholder activism has coincided with the ability of shareholders to contact other investors over governance matters and voting. Until recently, restrictions in some countries have placed limits on funds initiating contact amongst themselves in relation to governance and proxy issues. We hypothesize that hedge funds and other institutions which are least likely to have conflicting aims and which are least exposed to legal restrictions, are most likely to coordinate their activism with other investors.

To pursue this issue, institutional investors were asked whether they would consider coordinating with other investors to initiative corrective action. Table 14 shows that all categories of investors tended to view coordination with other investors positively. Pension funds (83.33%) and hedge funds (75%), in particular, are very positively inclined to coordinate actions while insurance companies and mutual funds are slightly less likely to coordinate (60% and 59.32% respectively). From the data, we are able to observe that large investors are more likely to coordinate with other investors. We are also able to observe that institutions originating from The Netherlands, France, US and UK are also more likely to coordinate than institutions from Germany and Luxembourg. Moreover, investors who have large holdings in the US and The Netherlands are, on average, only slightly more willing to cooperate than investors with small holdings in the US and The Netherlands. We are also able to observe that investors

across different investment horizons (long versus short horizon) have similar responses to the propensity to coordinate with other investors (58.06% and 55.17% respectively).

Overall, Table 14 as well as Figure 14 show that institutional investors are inclined to coordinate their activity to achieve their governance goals in the firms in which they are invested. Moreover, we find evidence that the propensity to coordinate depends on the type of investor (pension fund and hedge fund versus insurance companies and mutual funds), which provides evidence in support of our hypothesis that the institutional investors most active in coordinating their governance actions against firms were also least likely to be affected by conflicts and regulation. Our results are generally also consistent with earlier studies indicating that investors which have companies and investors as clients are more pressure sensitive and therefore less likely to engage in activist strategies (Brickley, Lease and Smith 1988)<sup>4</sup>. Insurance companies, for example, are usually considered very pressure sensitive due to potential business ties with the firms they have invested in. A similar argument applies to mutual funds that belong to banking groups making business with the firms their mutual funds invested in.

### **4.3 Triggers of Shareholder Activism**

Previous research provides evidence that shareholders are more likely to challenge management in response to what they perceive as poor governance structures or the underperformance of management. Based on these considerations, we hypothesize that what drives shareholder activism and triggers a corrective action is most likely related to corporate underperformance and weak corporate governance.

Table 13 and Figure 13 provide interesting evidence in respect of our expectations. Investors were asked to score how important a set of corporate events are for inducing investor intervention on a scale from 1 (not important) to 7 (very important). The data indicate a strong relation between investor action and perceived underperformance by firms. Institutional investors will intervene when they perceive firm underperformance in respect of goals and strategy, planned acquisitions, poor corporate strategy and poor accounting performance. The data indicate that investors have statistically the same response values for the US and The Netherlands. Taken together, these findings indicate that institutional investors are most likely to intervene in the activities of companies in response to perceived shortcomings on corporate strategy and goals, planned acquisitions and poor accounting

<sup>4</sup> Brickley J. A., Lease, R.C. and C. W. Smith, Ownership Structure and Voting on Antitakeover Amendments Journal of Financial Economics, Vol. 20, No. 1/2, 267-291 (1988)

performance. In sum, the data show that firm underperformance and poor corporate strategy by far have the most significant effect on triggering institutional investor action. It is to be noted, moreover, that lower payments to shareholders and a poor stock market performance (in relative and absolute terms) have similar, but slightly lower levels of response by investors. Overall, we find strong arguments consistent with the hypothesis that investors are highly sensitive to firm underperformance and weak governance (understood in terms of goals and strategy).

## **5. Executive Compensation**

The rise of executive compensation is a direct result of a perceived need to bring about change in corporate performance and to draw a link between executive compensation and shareholder value. Much research has documented a strong correlation between pay and corporate size, typically measured by reference to sales (Murphy 1999)<sup>5</sup>. Top executive pay levels vary not only by corporate size, but also differ substantially according to industrial sector, performance and a firm's growth opportunities. Pay-sales sensitivities are much higher in manufacturing industries than in financial services and utilities, a phenomenon which is similar across countries.

There is evidence of increasing convergence of top executive pay levels and of remuneration structures resulting from the emergence of an international market for top managers, the abolition of legal prohibitions on executive stock options, and the use of peer groups to determine competitive levels of compensation. However, comparative research shows that the total level of CEO pay in the US is roughly double than that in any other country, even allowing for differences in purchasing power and taxation of direct pay and perquisites. This substantial discrepancy between the United States and all other countries is only observed at the level of the CEO and does not extend down to lower-level management. Notice also that executive pay in the US and UK significantly outpaces the practices of The Netherlands.

A number of explanations were offered for the dramatic rise in CEO compensation in the US compared to other countries. First, contrasting compensation levels may reflect the difference in firm size between the US and the UK, and other OECD countries. Second, the high level of executive pay may be due partly to the substantial gap in stock market performance across the 1990s. Nevertheless, even if stock options are taken into account, the differences in compensation practices between Europe and the US are still substantial. Third, the divergence in practice may be due to the degree of influence the CEO has over the board of directors

### **5.1 Assessment of Decision Making Around Executive Compensation**

Much recent evidence shows the price-per-share price elasticities are higher in companies with concentration of institutional ownership (Hartzell and Starks 2002)<sup>6</sup>. We speculate that in firms with concentrated institutional ownership, shareholders are more

<sup>5</sup> Murphy, K., Executive Compensation, Handbook of Labor Economics, (1999)

<sup>6</sup> Hartzell, J. and L. Starks, Institutional Investors and Executive Compensation, Journal of Finance, (2002)

likely to successfully influence the CEO pay levels, and control the extraction of private benefits from shareholders in the form of increased management compensation. As a related matter, existing research provides evidence suggesting that shareholder voting is more likely to serve as a check against greater compensation for managers. Based on this evidence, we predict that institutional investors would prefer to decide on the design and volume of the stock option plans adopted by firms in The Netherlands.

In Table 15 and Figure 15a/b we canvassed views about whether investors preferred, in the case of a one-tier board firm, having shareholders decide over directors' remuneration at the AGM. Most respondents (in terms of the no votes) are opposed to giving management power over executive compensation (97%). The same applies for non-executive board members (80%) or non-executive board members who serve on the compensation committee. The data provide a majority response to the suggestion of giving shareholders decision-making power over executive compensation in a one-tier system. These figures are even stronger for a two-tier system (59% versus 41%). Overall, Table 15 gives support to our hypothesis that institutional investors prefer to have the decision-making power placed in shareholders' hands at the AGM.

## **5.2 Assessment of Executive Compensation**

Table 16 and Figures 16a-16b present summary information about how institutional investors think in respect to potential adjustment of CEO compensation in the US and The Netherlands. Turning to the Netherlands, we find that a majority of investors prefer a reduction of the level of severance payments (golden handshakes) when CEOs leave. The majority of investors do not think that overall CEO pay should be reduced in The Netherlands. Moreover, a (small) majority believes that the compensation of Dutch CEOs should be more equity-based (i.e. more stock options or restricted shares). For the US, we find that respondents have a similar view with regard to reducing the level of severance pay. Interestingly, while overall CEO pay in The Netherlands is generally not considered as being too high, 54% of the investors believe that CEO pay in the US should be reduced.

With regard to our hypothesis above, the data suggest that a majority of investors is dissatisfied with the overall level of executive compensation in the US but not so much in The Netherlands. This result is in line with the above mentioned differences in the observed levels of CEO pay in The Netherlands and in the US.

## **5.3 Importance of Executive Stock Option Design Features**

Table 17 and Figure 17 show how institutional investors think about a wide set of design features of executive stock option plans

including: (1) relative stock performance benchmarks; (2) relative operating performance benchmarks; (3) absolute stock market performance benchmarks; (4) absolute operating performance benchmarks; (5) exercise prices that are in the money; (6) exercise prices that are out of the money; (7) long vesting periods; (8) long time to maturities; and (9) disclosure of option characteristics. Industry codes of good practice typically endorse the adoption of disclosure of the option characteristics and the volume granted, long vesting periods and subjecting pay schemes to shareholder approved benchmarks. It is notable that the results in Table 17 are consistent with the specific features of good governance codes. Moreover, the data indicates that investors are willing to endorse stock option schemes so long as they are benchmarked by demanding performance conditions. We find little evidence in favour of linking compensation to absolute stock performance benchmarks, which is common among large institutional investors in the US and other jurisdictions. This result is in line with the suggestions of optimal contracting models. Finally, we find that institutional investors do not find options that are designed with exercise prices in the money very important.

## **6. Shareholder Consultation and Decision Making in the AGM**

Historically, the Dutch corporate governance system was centered on limited influence of shareholders on management, as compared to the Anglo-American system. Such concerns were addressed in legislation, effective 1 October 2004, which included (i) increased powers for shareholders to ratify certain management board resolutions that effect the identity or character of the NV or its businesses, (ii) a new regulation that gives shareholders a right to vote on the adoption of the company's remuneration policy and an entitlement to vote on a yearly basis to approve the directors' option plans, (iii) a right to add resolutions to the agenda of a listed company's AGM for members holding at least 1% of share capital or a stake with a market value of € 50million, (iv) a measure that gives depository receipt holders in a public company the right to use proxies to exercise their voting rights (except in the context of a public takeover); (v) an obligation that the board of directors disclose yearly to the supervisory board the main elements of its strategy, business risks and management and control systems; and (vi) regulation that requires that quoted company comply with the corporate governance code or explain the reasons for non-compliance. And, on 1 January 2007, the Electronic Means of Communication (Promotion) Act came into force which allows electronic participation in the general shareholders meeting as well as simplifying the issuance of proxies and voting instructions. Further, it is possible for firms to allow shareholders to cast their votes even before the general meeting of shareholders. Taken together, the reforms were designed to increase scrutiny and accountability of directors while providing shareholders with the institutional arrangements that enhance their basic rights of voting and economic participation.

### **6.1 Mechanisms to Promote Effective Decision Making**

We hypothesize that institutional investors of public companies will perceive the importance of mechanisms that enhance continuous shareholder involvement in the AGM through electronic supply of information, communication and decision-making, the right to obtain a proxy to exercise voting rights, and the opportunity to exchange views among other shareholders on shareholder platforms which can serve to increase the role institutional investors coordination and monitoring of management.

Table 18 and Figure 18 document how important various mechanisms are for effective shareholder decision making at the AGM. Respondents were asked to score how important they perceive a particular mechanism on a scale from 1 ('not important

at all') to 7 ('very important'). In Panel A, the data indicate that increasing electronic means of communication (5.49), electronic provision of documents for AGM (5.45), use of electronic voting system (5.27) support for proxy voting (5.21) and appointment of a proxy voter (4.69) are the most important ways for promoting effective decision making at the AGM. We find in Panel B no different responses among institutional investors for the mechanisms that are likely to promote decision making for investors at the AGM in the US.

Our findings provide interesting evidence in respect of our primary hypothesis outlined above and in section 2. First, in conformity with our expectation, electronic means of communication, information distribution and decision making are important to institutional investors that invest in both the US and The Netherlands. As such, the data offer suggestions that institutions find, but in a lower ranking of importance, the opportunity to exchange views with other investors valuable for enhancing monitoring and effective decision making (consistent with the hypothesis in section 4).

## **6.2 Shareholder Consultation**

Corporate and securities law regulation can facilitate institutional investor participation at least in two ways. First, financial market disclosures enable different types of investors to effectively evaluate their investment allocation decisions. Second, full and fair disclosure of company information makes it possible for shareholder to limit the abuse of power by majority shareholders and incumbent management. As we saw above in section 6.1, information may be sent to them individually in relation to the AGM and shareholders, under certain provisions, may have the right of inspection. Moreover it is worth noting that there are a variety of means by which a company may choose to consult with its shareholders. Today, disclosure is mandated in the US through the periodic and continuous disclosure of information requirements under the 1933 and 1934 Acts, the SEC rules and the NYSE Manual. In the EU, we expect that similar transparency and disclosure rules developed in the Transparency Directive, the Market Abuse Directive, Takeover Directive as well as corporate governance codes and listing rules will have a similar impact on investor in terms of assuring that shareholders are informed in voting their shares and participating in the affairs of the company.

Based on these considerations, our central hypothesis is that with increased transparency and disclosure rules adequately in place in The Netherlands and the US, institutional investors are more likely to be adequately informed shareholders of the public companies in which they invest. However, there are probably some possible discrepancies in the level of information disclosure which is due to different mechanisms and the quality of enforcement in some

countries.

Table 19 and Figure 19 provide information on institutional responses about shareholder consultation in the US and the Netherlands. Respondents were asked to score the quality of different mechanisms of shareholder consultation by companies on a scale of 1 (strongly disagree) to 7 (strongly agree). Turning to Panel A (the US), most respondents indicated that they were provided more than adequately (4.77) with information on the AGM, and were given sufficient time (4.57) to ask questions in writing prior to the AGM or sufficient time to ask questions at the AGM (4.27). By contrast, when related party transactions, which are an important issue for shareholders, are discussed by companies, institutions feel they are less well consulted (3.96). In Panel B (The Netherlands), we find institutional investors have similar perceptions in relation to their communications with Dutch companies.

Our findings confirm our expectations that increased disclosure and transparency will lead to adequately informed shareholders. However, we find, nevertheless, that many investors are less than satisfied with the quality of information supplied in regard to related party transactions as well as the discussion about such transactions at the AGM. The finding, noted in section 3.3, indicates that US and The Netherlands is less sensitive to reporting standards and enforcement around related party transactions.

### **6.3 Preparation of the AGM**

Table 20 and Figure 20 provide useful insights on measures taken by institutional investors to prepare for the AGM. Respondents were asked to respond yes or no in respect of the measures they undertake to prepare for the AGM. Table 20 shows that investors in the Netherlands are more likely to prepare their own point of view in relation to the agenda of the company than investors in US firms (54.44% NL versus 34.44% US). Panel B indicates that the percentage of institutions in The Netherlands are less likely to contact other institutional investors (94.44%), get legal advice (95.56%) contact the executive board of the company (93.33%) or decide to vote in concert with other institutional investors (87.78%). Panel A provides comparison data for the US which also indicate that investors are unlikely to get legal advice (95.56%), contact other investors (86.67%), the executive board of the company (87.78%) or vote in concert with other institutions (85.56%). The data indicate there is a stronger propensity for investors in Dutch publicly listed firms to prepare and defend their own point of view than institutions invested in US firms. We conjecture that this is due to the longer history of institutional investors teaming up and working together to have influence than has occurred to date in The Netherlands.

## 7. Conclusions

This study investigated for the first time the factors that motivate institutional investor participation in corporate governance in publicly listed firms in The Netherlands. We introduce a new dataset from a survey of international and Dutch institutional investors and look at the differences between (i) different investor-types, (ii) large and small investors, (iii) between investors who originate from different countries in Europe and the US, and (iv) investors having different portfolio allocations in the US and The Netherlands. We have no reason to believe, as discussed in section 2, that our results are severely biased with respect to our sample selection.

We showed that institutional investors are sensitive to the presence of disclosure mechanisms and governance tools that make it possible for investors both to assess potential returns on investments relative to other investments (e.g. through transparency about holdings of other investors) and to mitigate agency concerns (e.g. through equity ownership by managers). Our analysis then focused on the factors that trigger shareholder activism for institutional investors that have investments in The Netherlands and the US. We provide support for the view that institutional investors prefer to vote against at the AGM, pressure for changes in discussions with executive board members and sell their shares held in targeted companies. We find no differences between investors with long and short term investment horizons. Given the high propensity of institutional investors to consider coordinating their action, we investigate the factors that give rise to different investors becoming active. The degree of activity depends on the type of investor (with pension fund and hedge fund more inclined to take action versus insurance companies and mutual funds that are much less responsive), which is generally consistent with the view that more conflict sensitive funds are less likely to seek engagements on governance issues with management. We find, moreover, that investors respond to the perceived shortcomings on corporate strategy and goals, planned acquisitions and poor accounting performance.

If we turn to executive compensation, we find support for having shareholders decide over directors' remuneration at the AGM, in both one- and two-tier firms. Turning to The Netherlands, the new data suggests that investors are generally not asking for a reduction in the overall level of CEO pay. Finally, there is a majority view for more equity based pay and for reducing the level of severance pay when CEOs leave.

Finally, the data indicated that investors are much more likely to make use of and support the introduction of electronic means of

communication, information disclosure and decision making. Overall, institutions indicated that they were provided, in the US and in The Netherlands, with more than adequately (with information on the AGM, and are given sufficient time to ask questions in writing prior to the AGM or sufficient time to ask questions at the AGM. However, there was evidence that related party transactions, which are an important issue for shareholders, are not sufficiently discussed in the AGM or disclosed by companies, which is consistent with earlier studies. The data also indicated there is a stronger propensity for investors in Dutch publicly listed firms to prepare and defend their own point of view than institutions invested in US firms. Overall, investors care about timely and adequate information. Additional research is needed to investigate this issue across countries to shed more light on the topic

## Figures

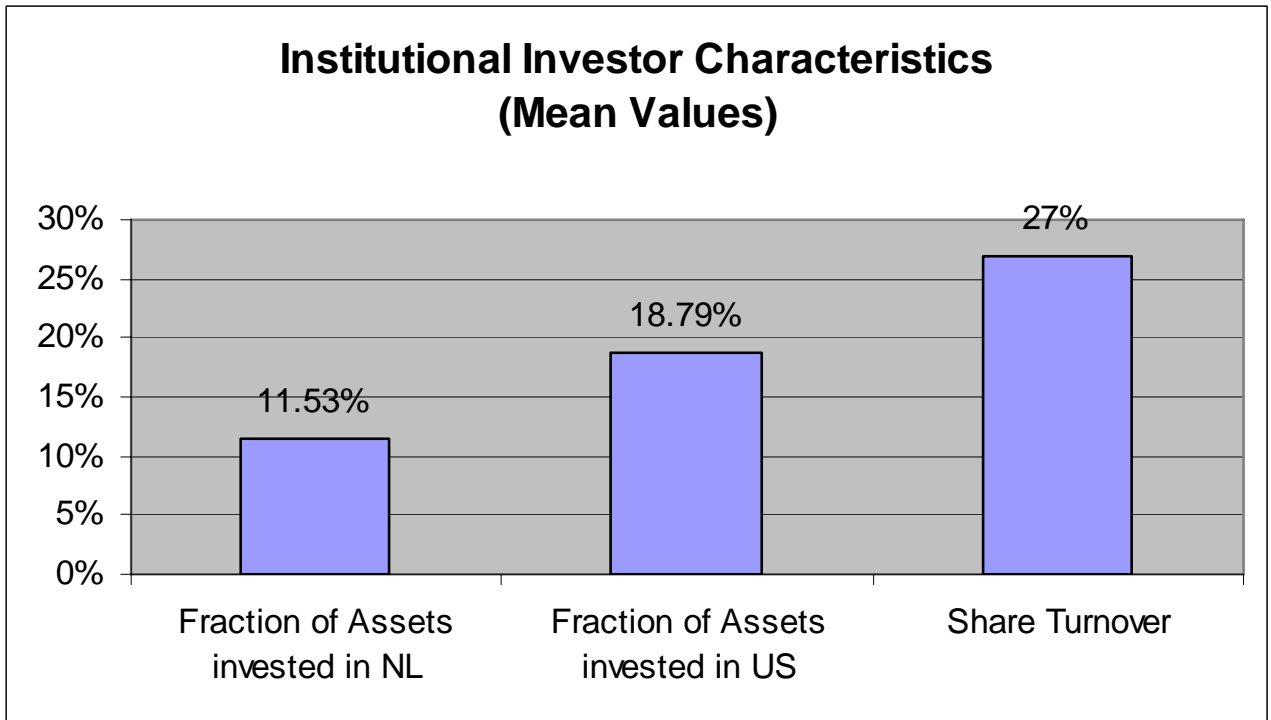


Figure 1

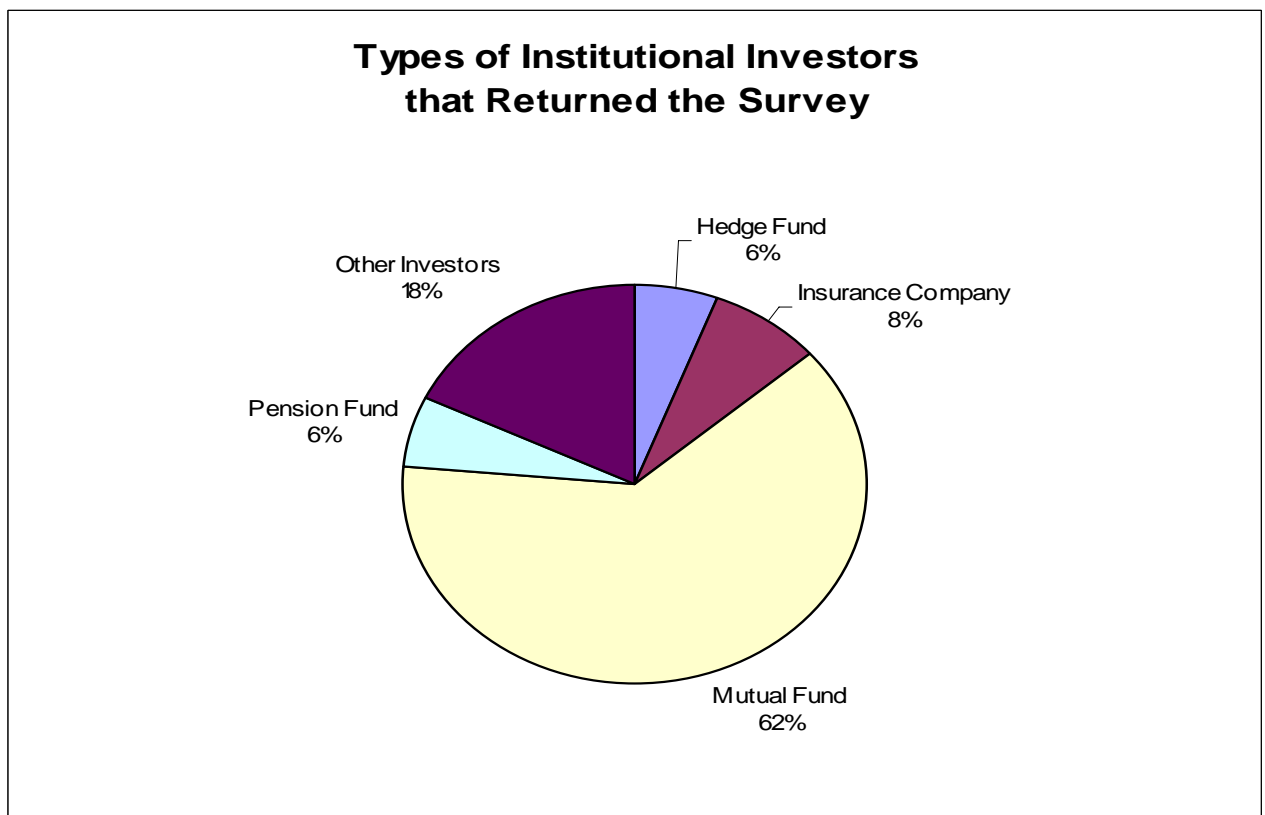


Figure 2

### National Origins of Institutional Investors that Returned the Survey

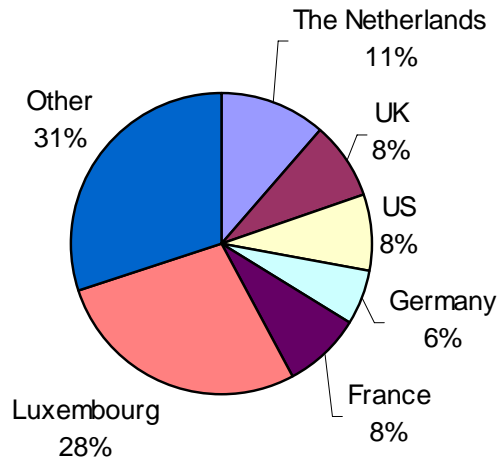


Figure 3

### Investment Horizon of Investors (Mean Responses)

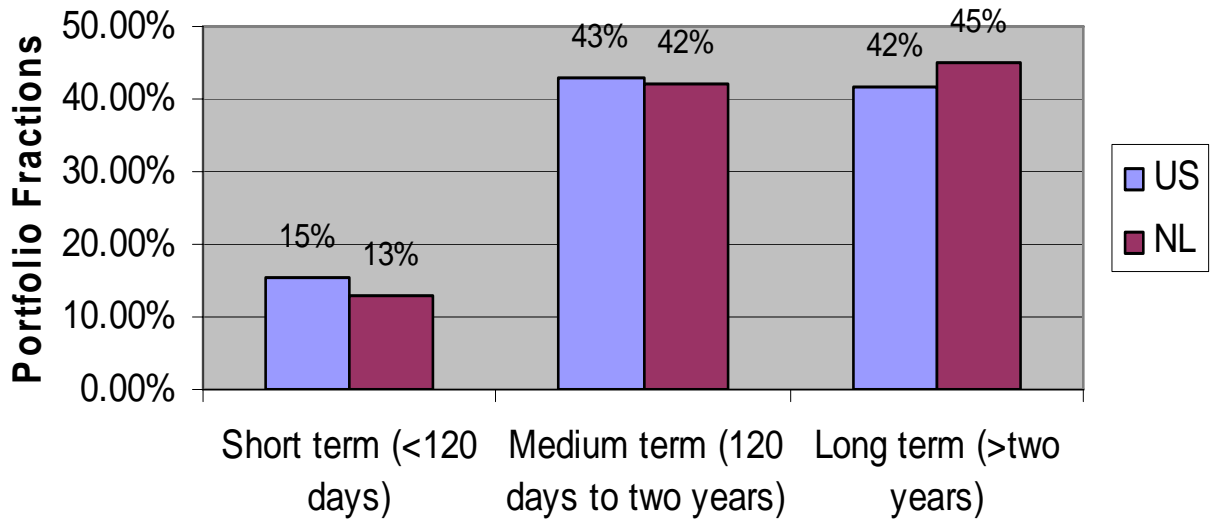


Figure 4

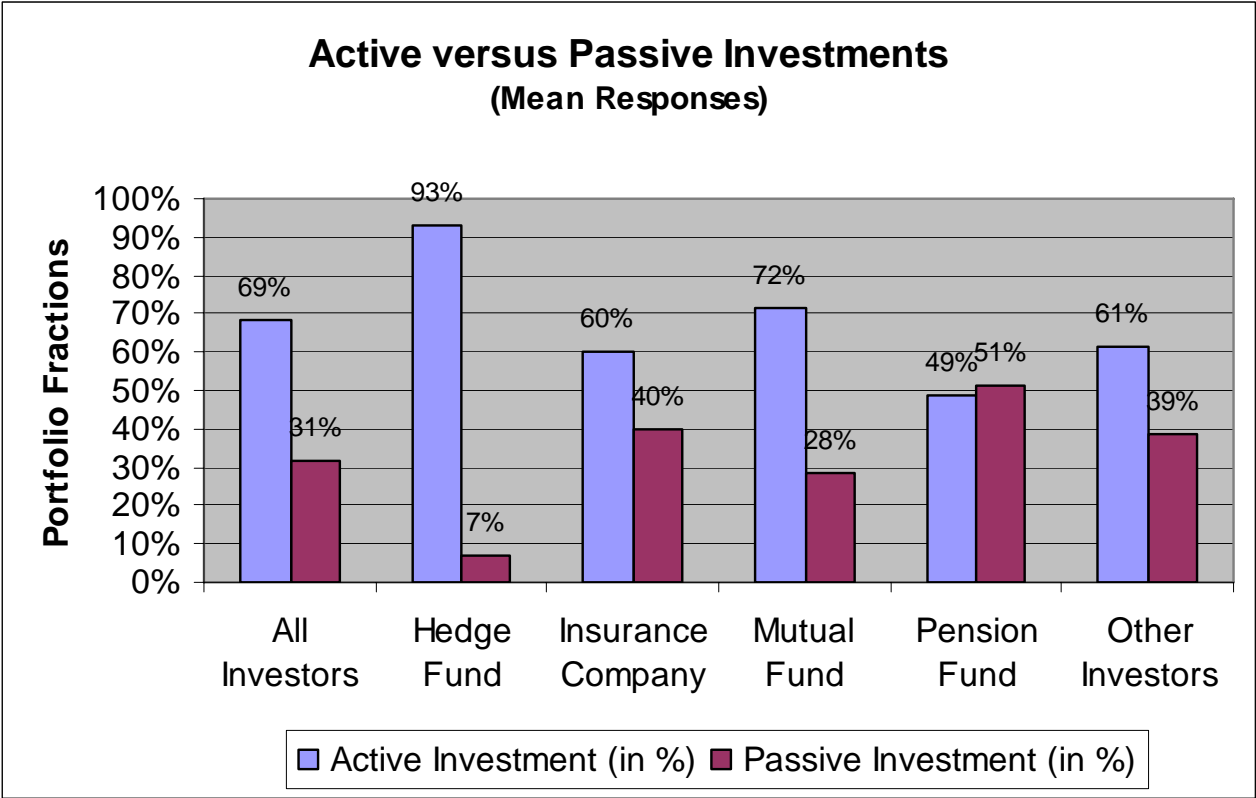


Figure 5

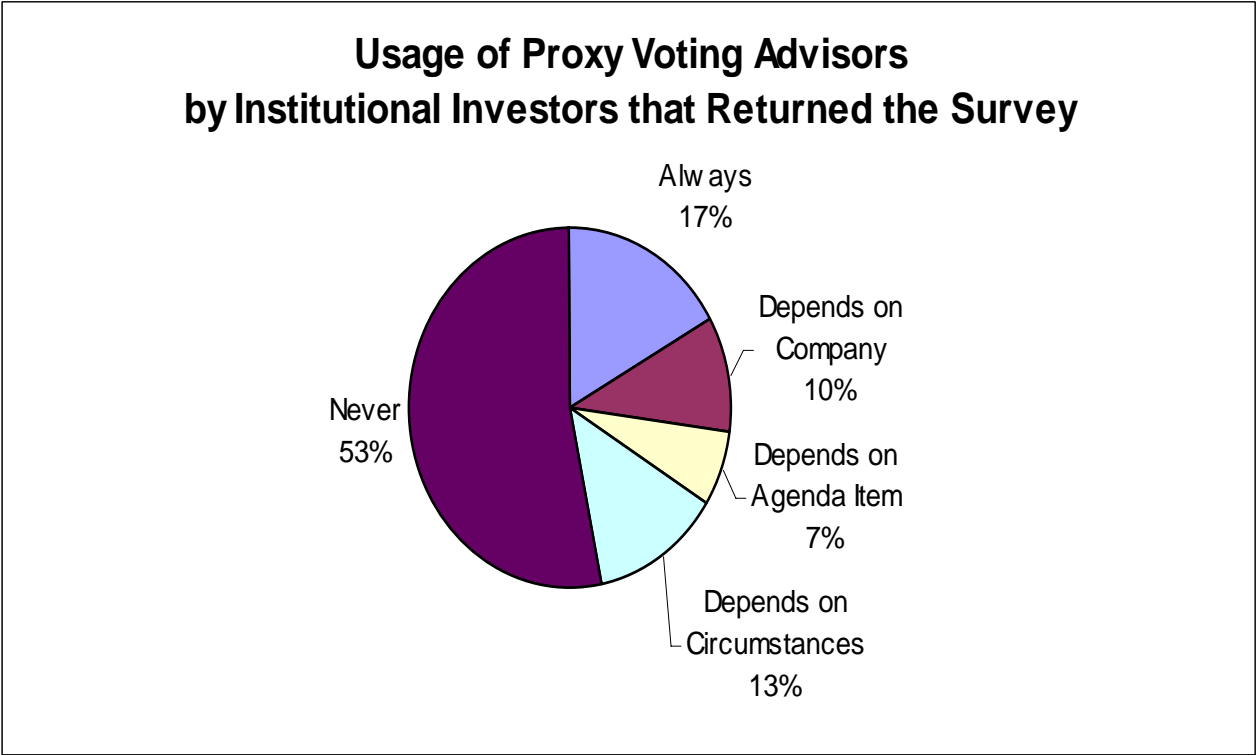


Figure 6

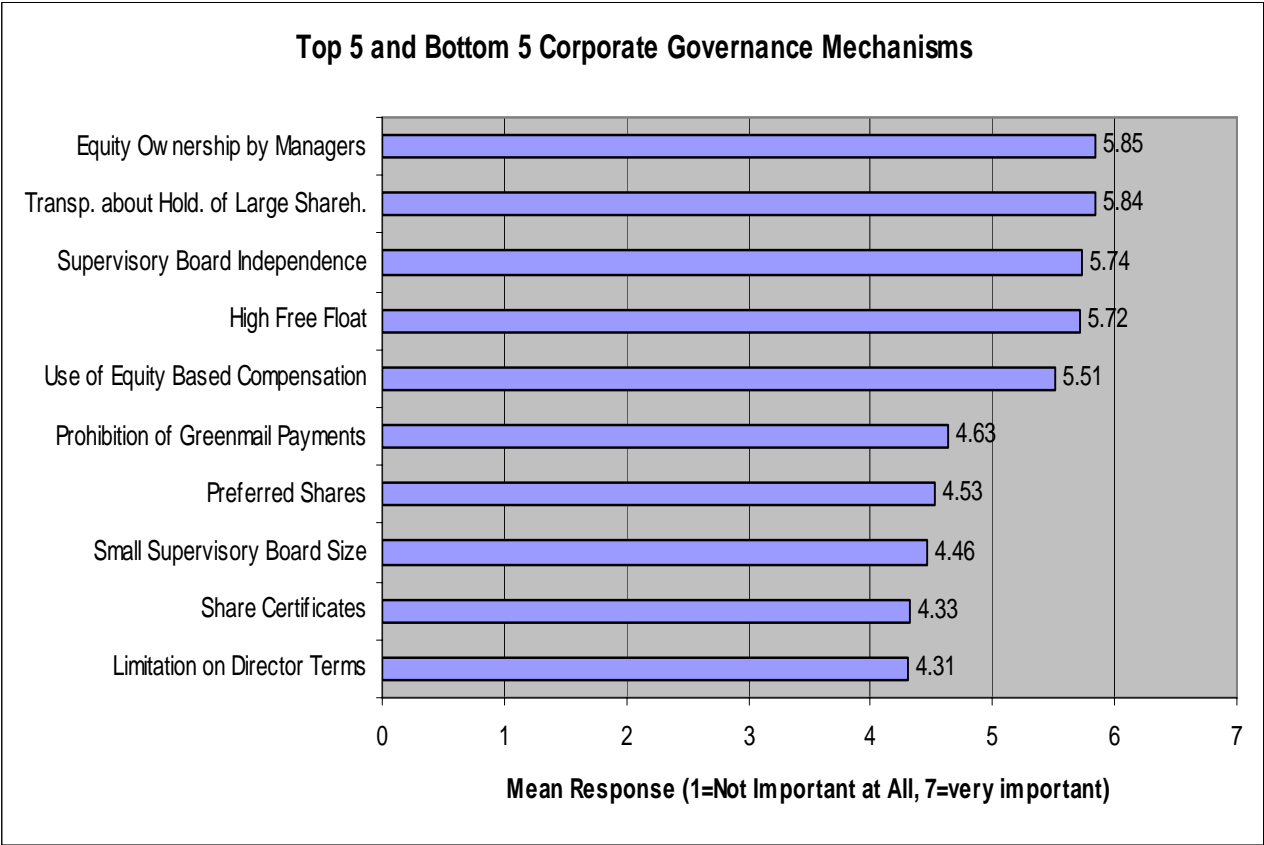


Figure 7

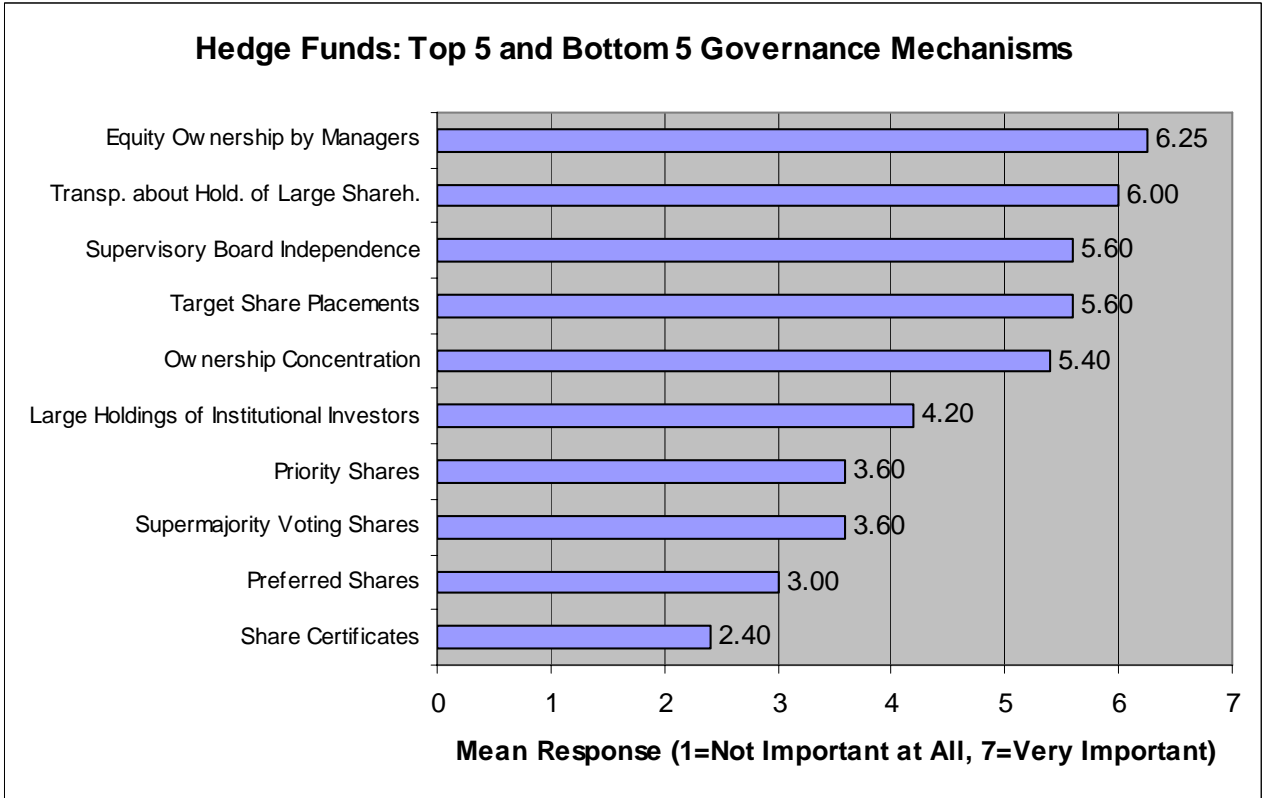


Figure 8a

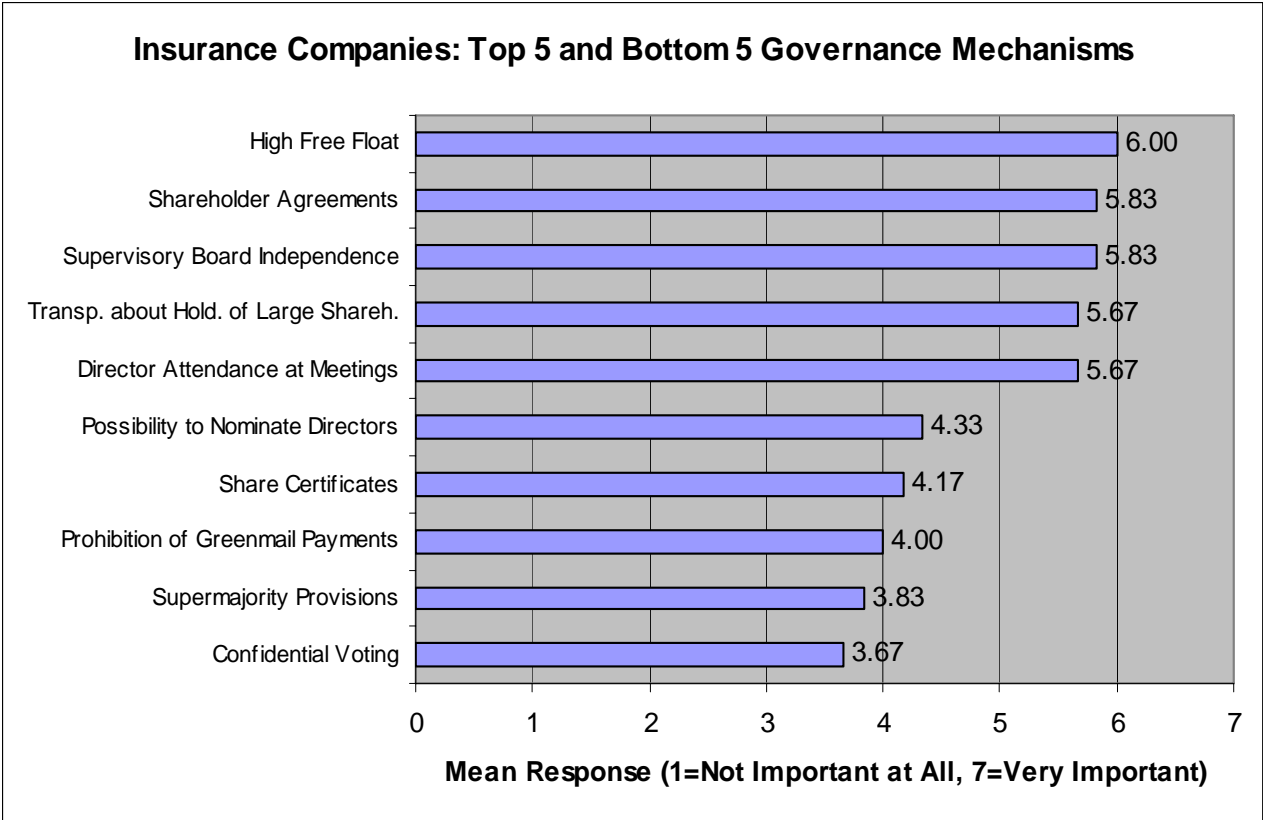


Figure 8b

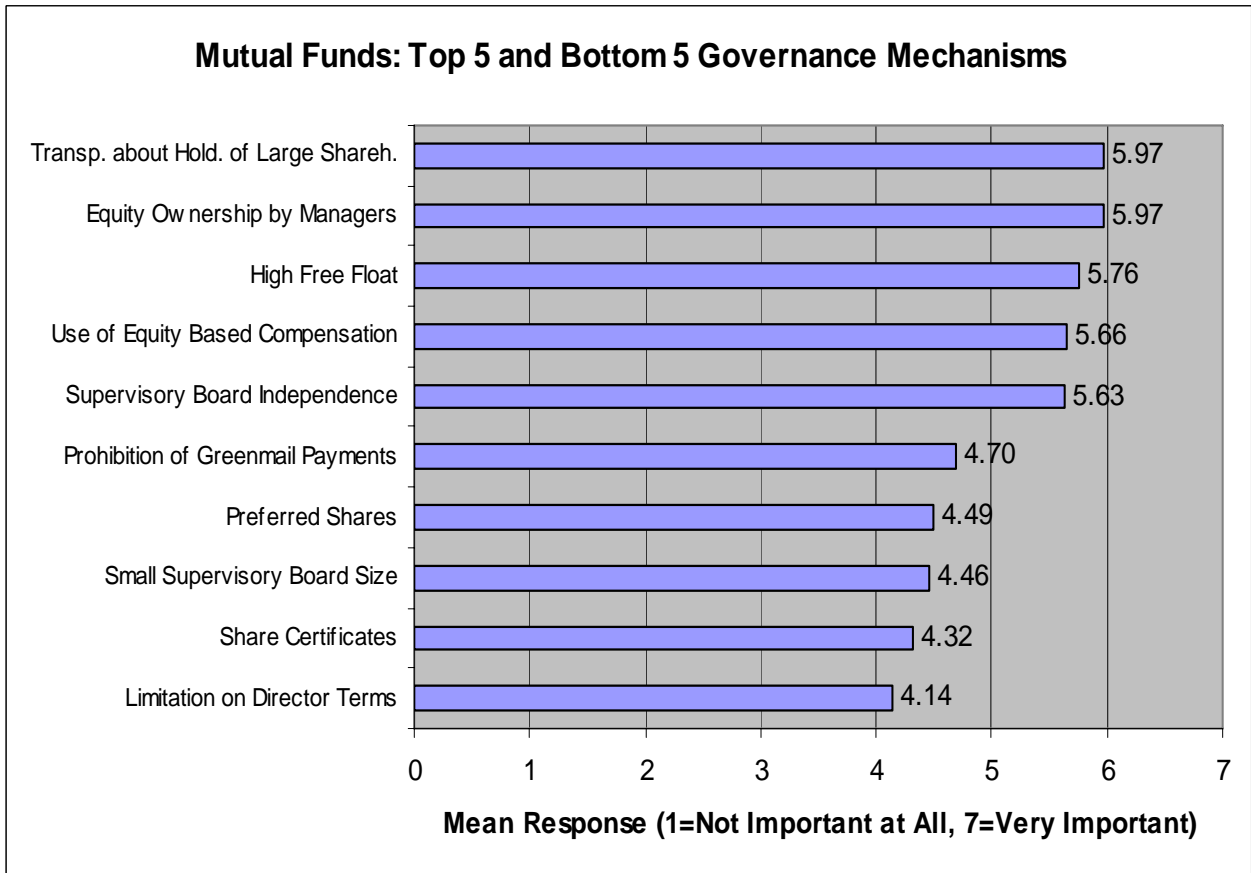


Figure 8c

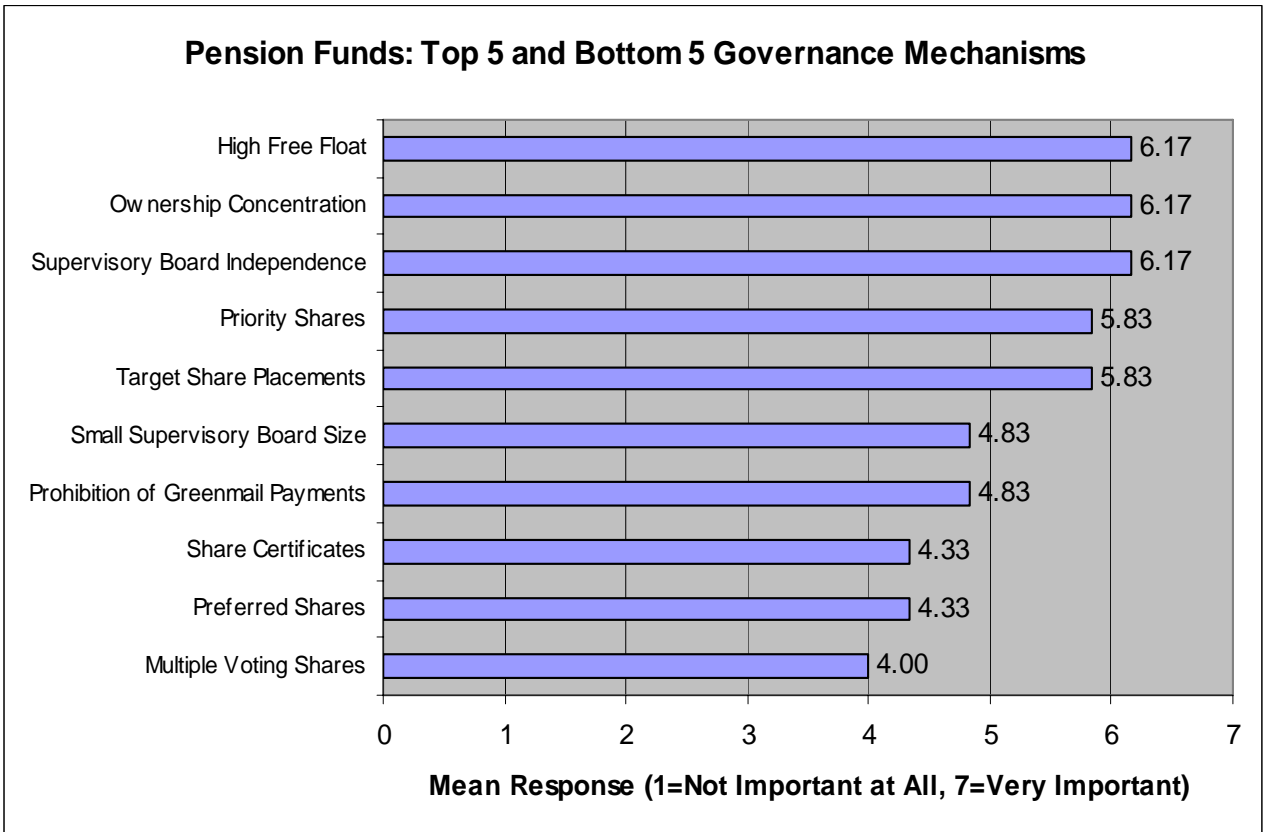


Figure 8d

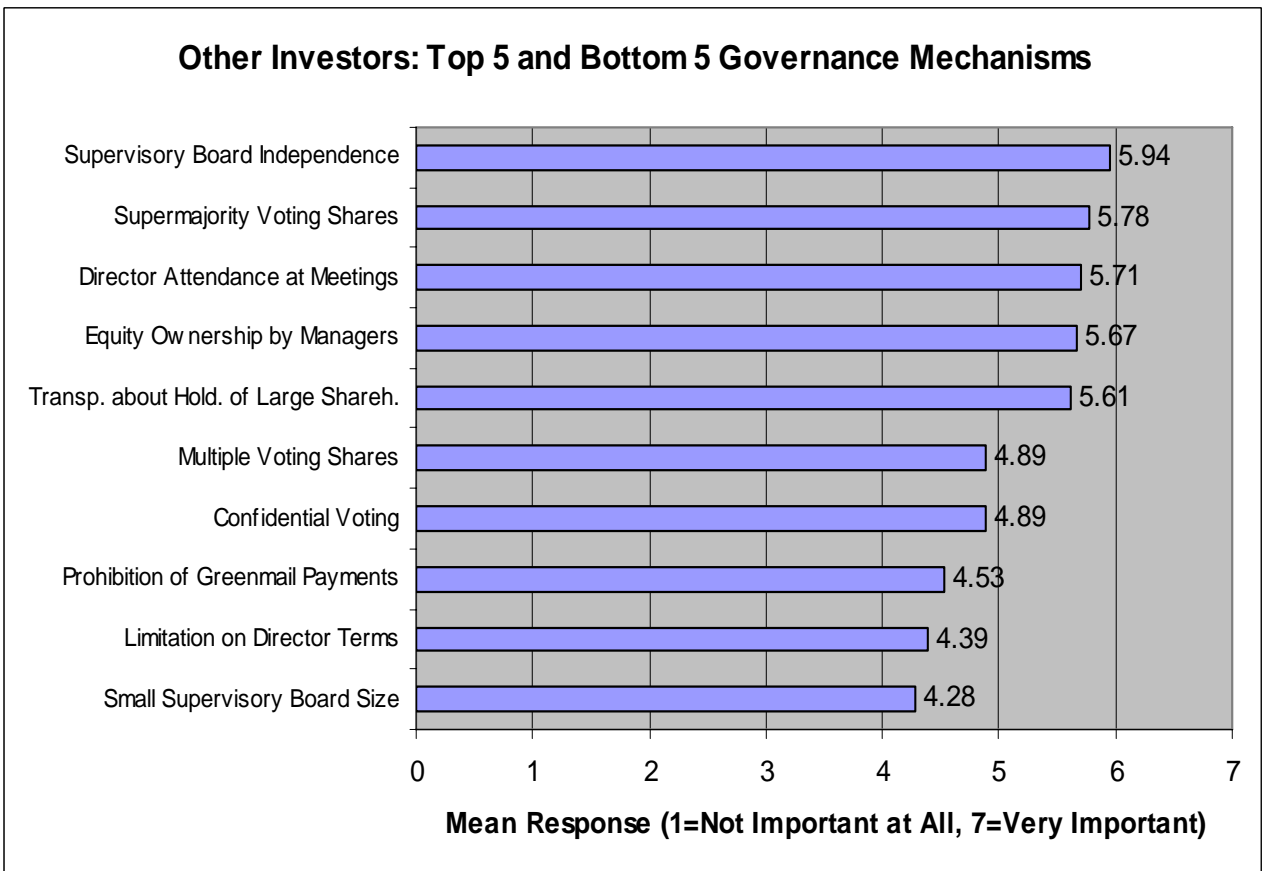


Figure 8e

### Investors with Large NL Holdings: Top 5 and Bottom 5 Governance Mechanisms

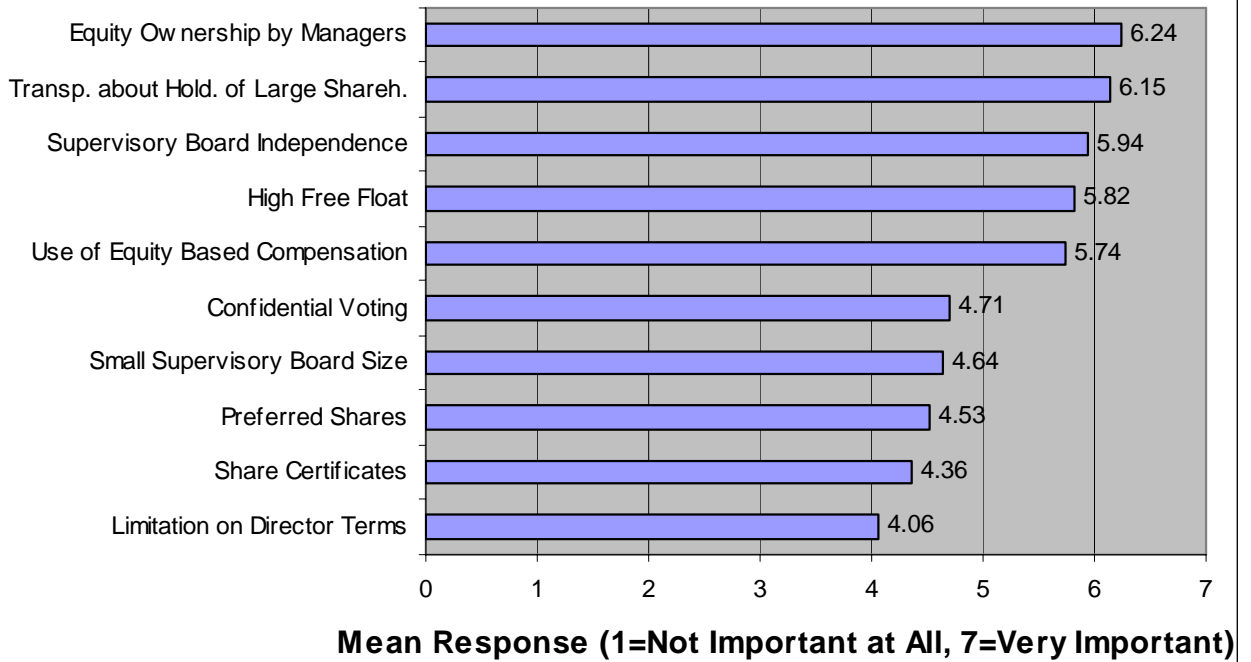


Figure 9a

### Investors with Small NL Holdings: Top 5 and Bottom 5 Governance Mechanisms

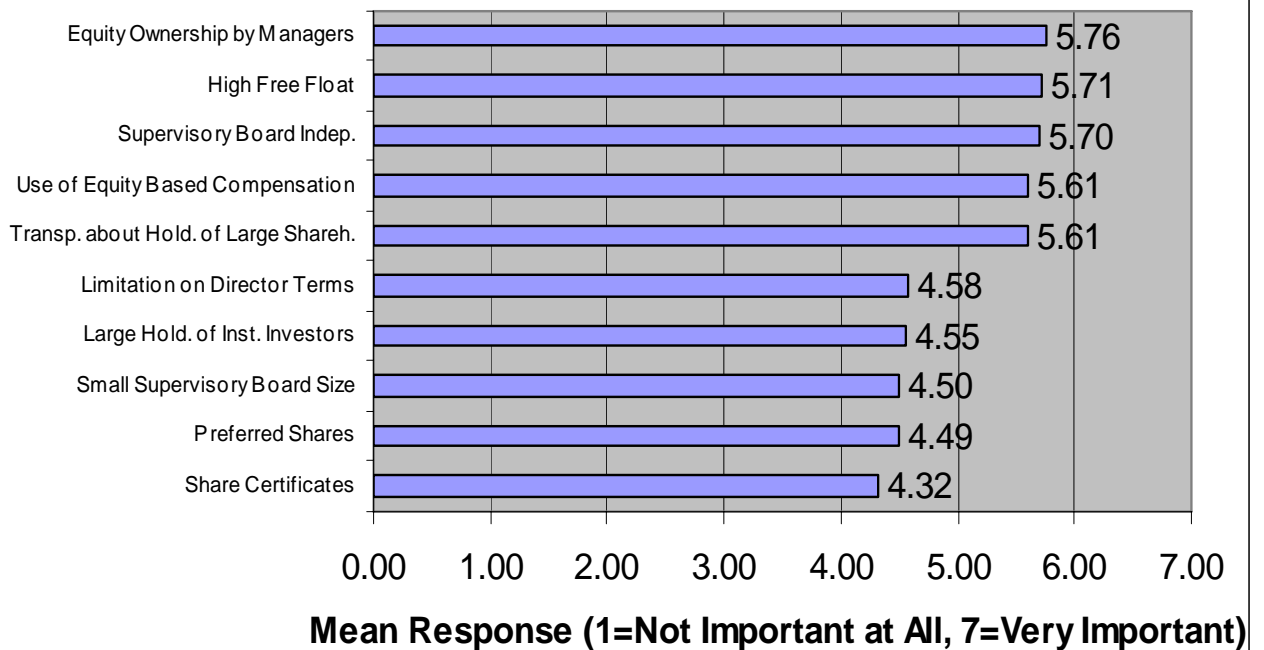


Figure 9b

### One Tier versus Two Tier Board System: Preference of Institutional Investors

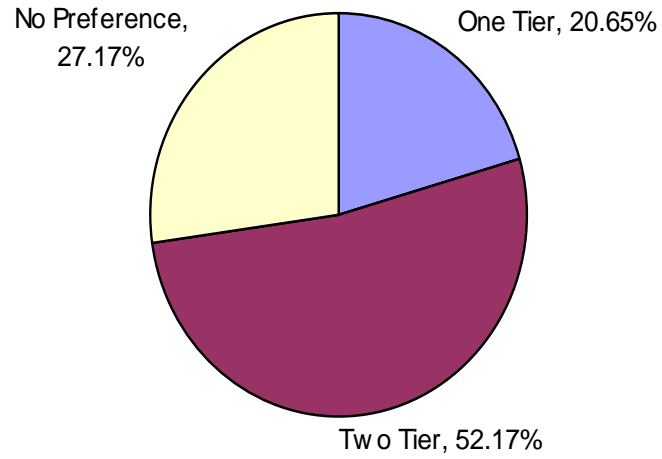


Figure 10

### Assessment of Investor Protection in the US and The Netherlands

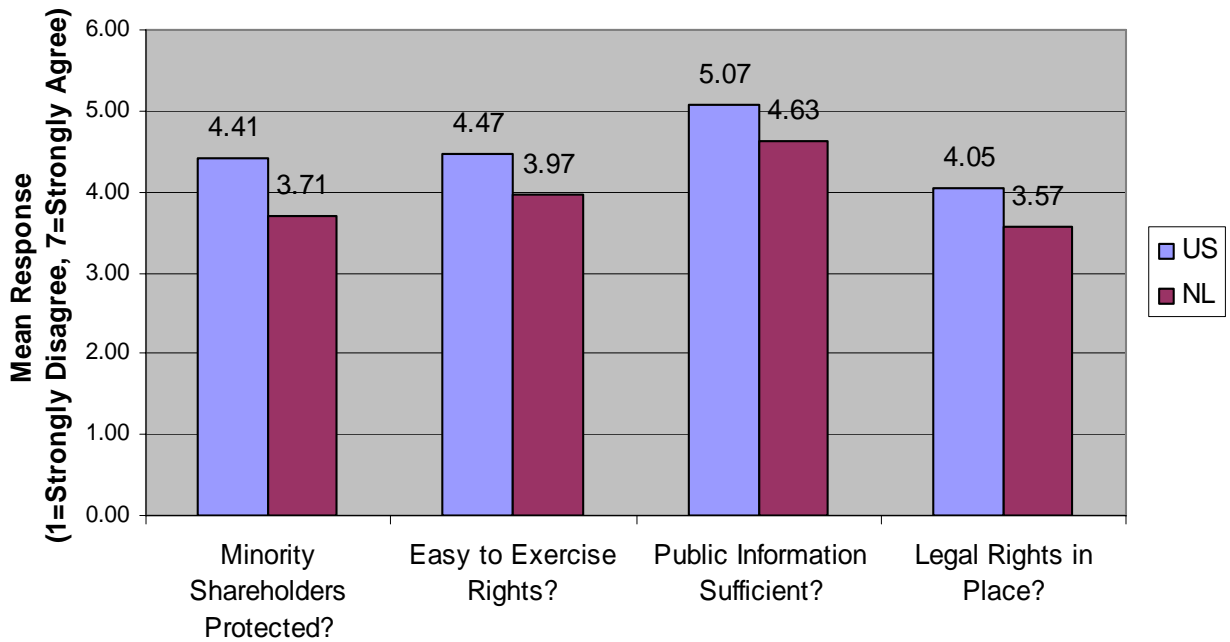


Figure 11

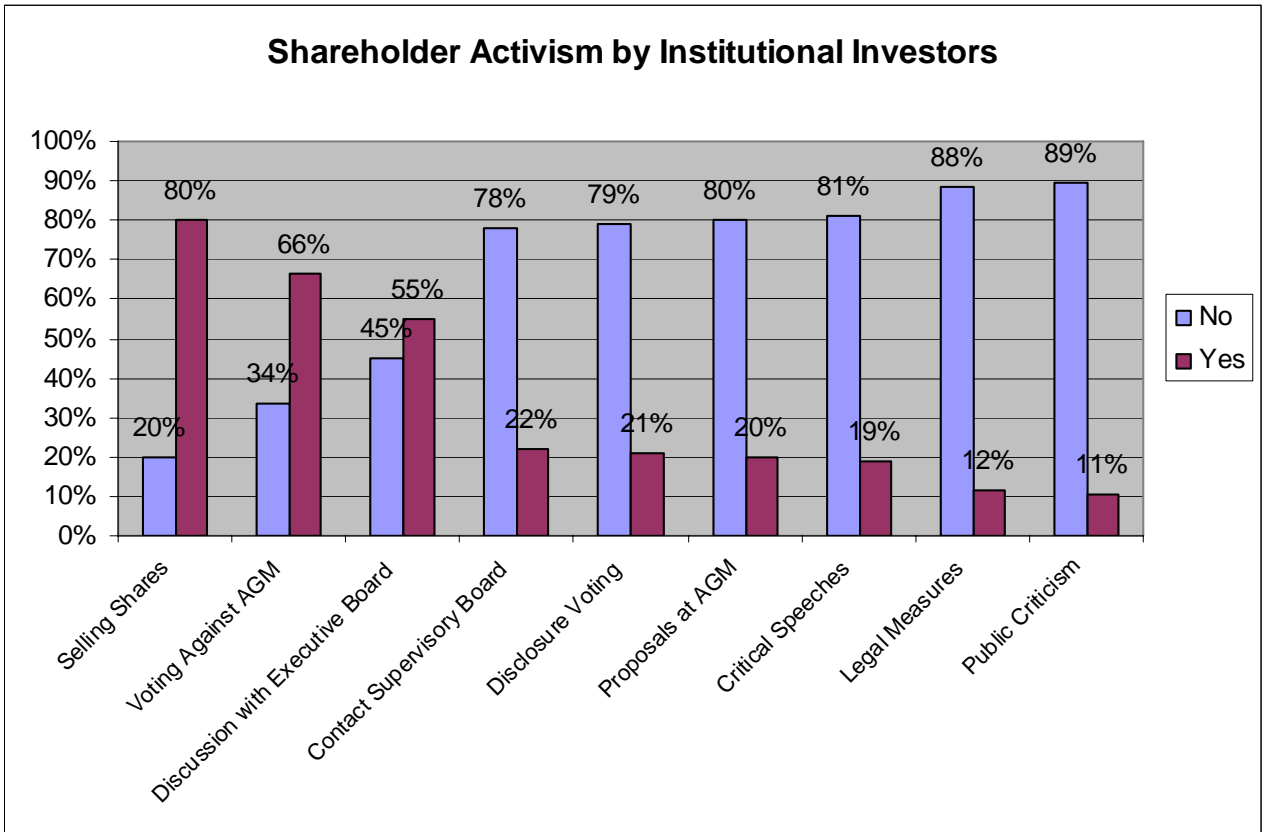


Figure 12

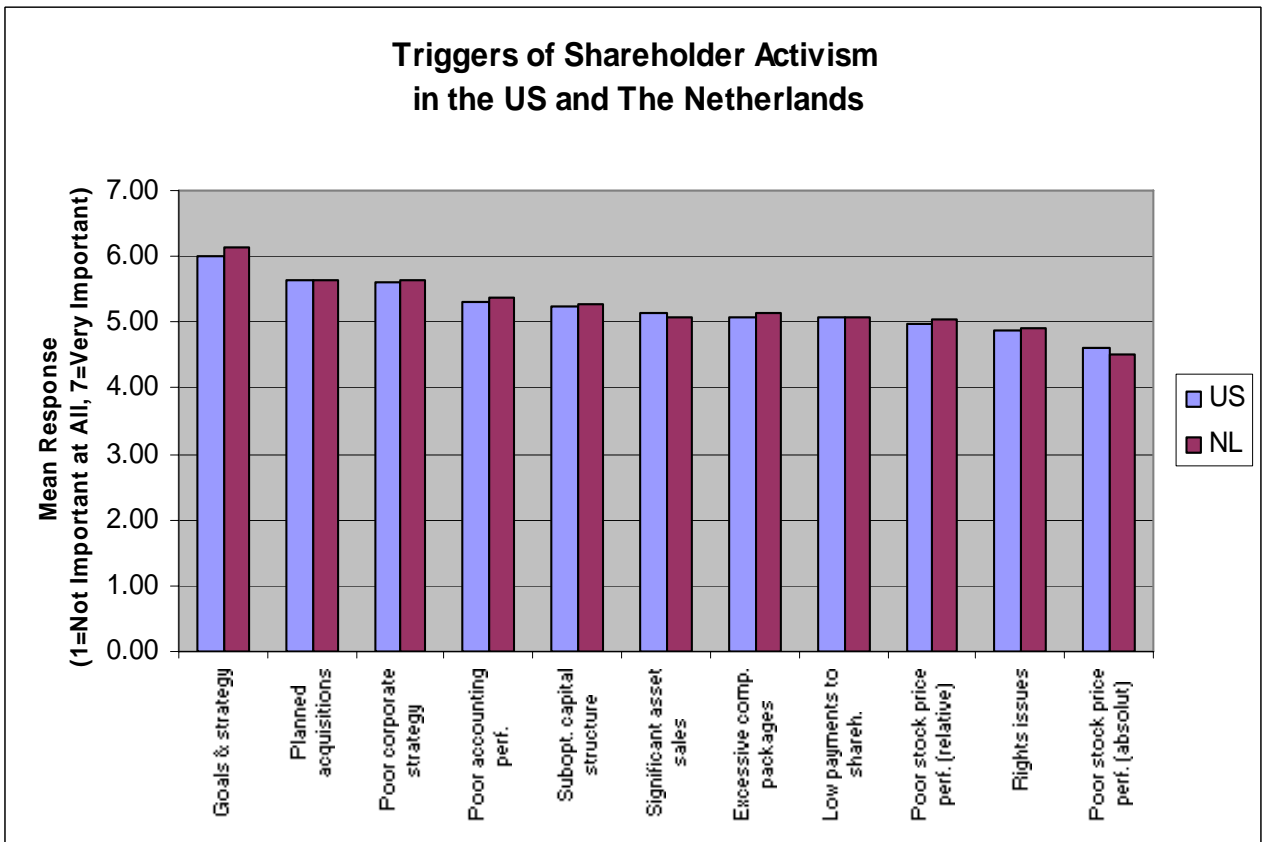


Figure 13

### Coordination of Shareholder Activism by Institutional Investors

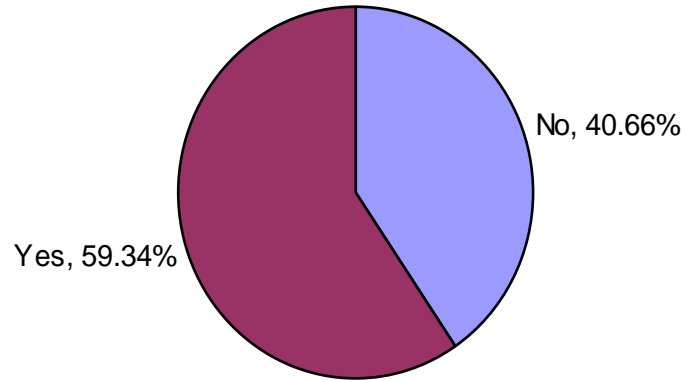


Figure 14

### Decision Making around Executive Compensation: Who Should Decide in a One Tier Board System?

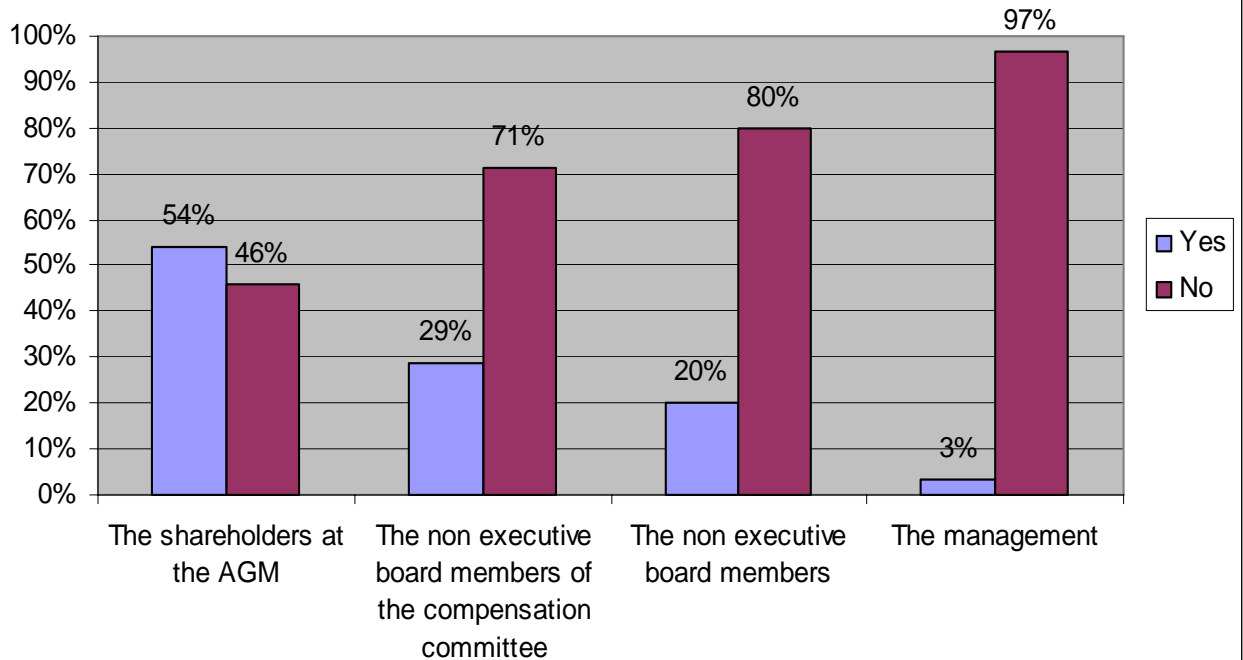


Figure 15a

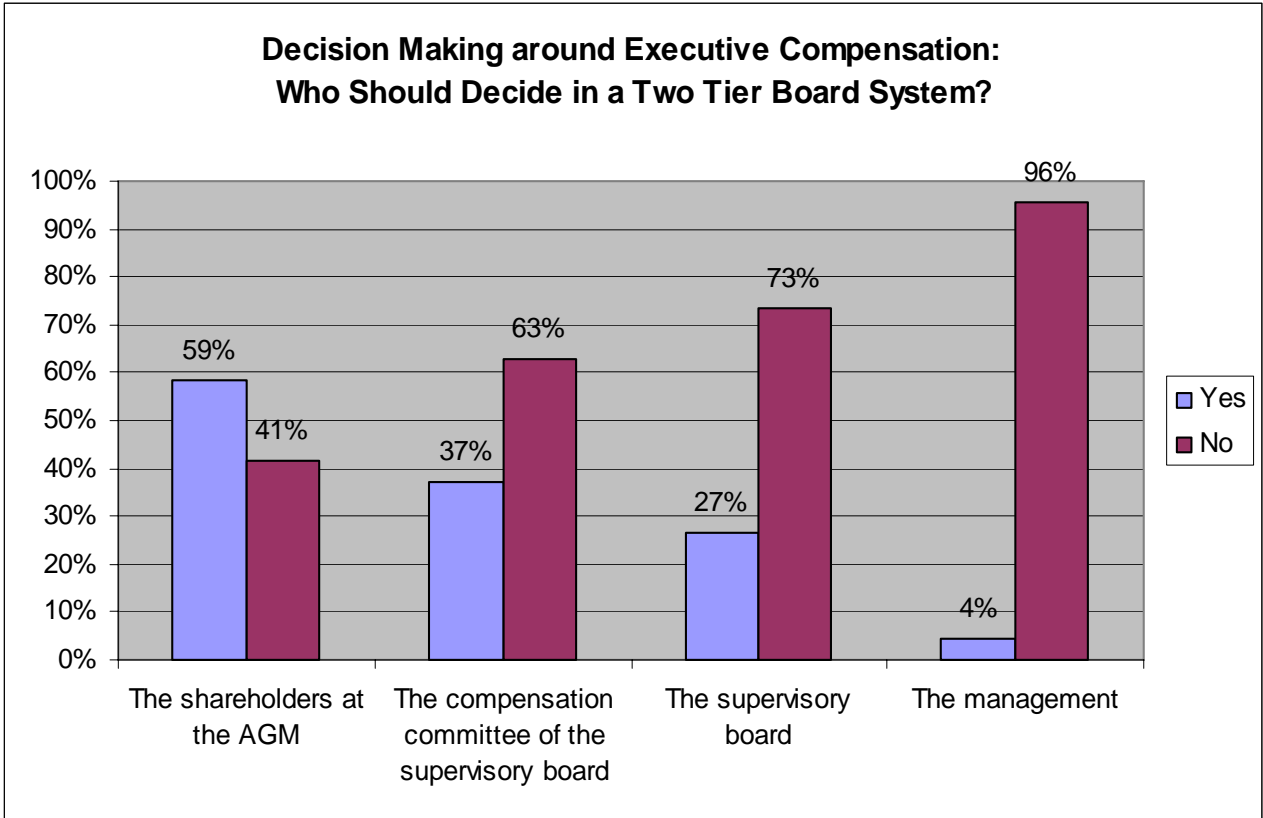


Figure 15b

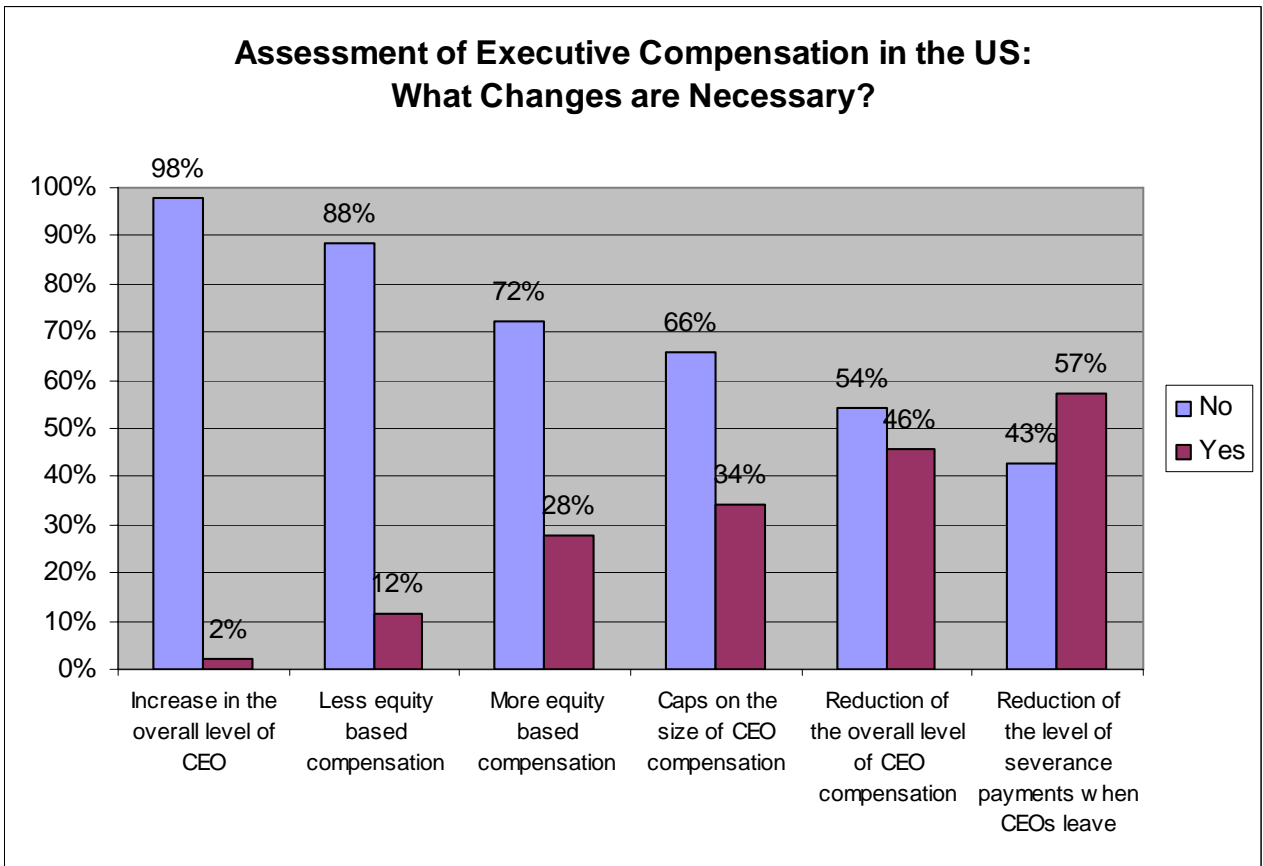


Figure 16a

### Assessment of Executive Compensation in The Netherlands: What Changes are Necessary?

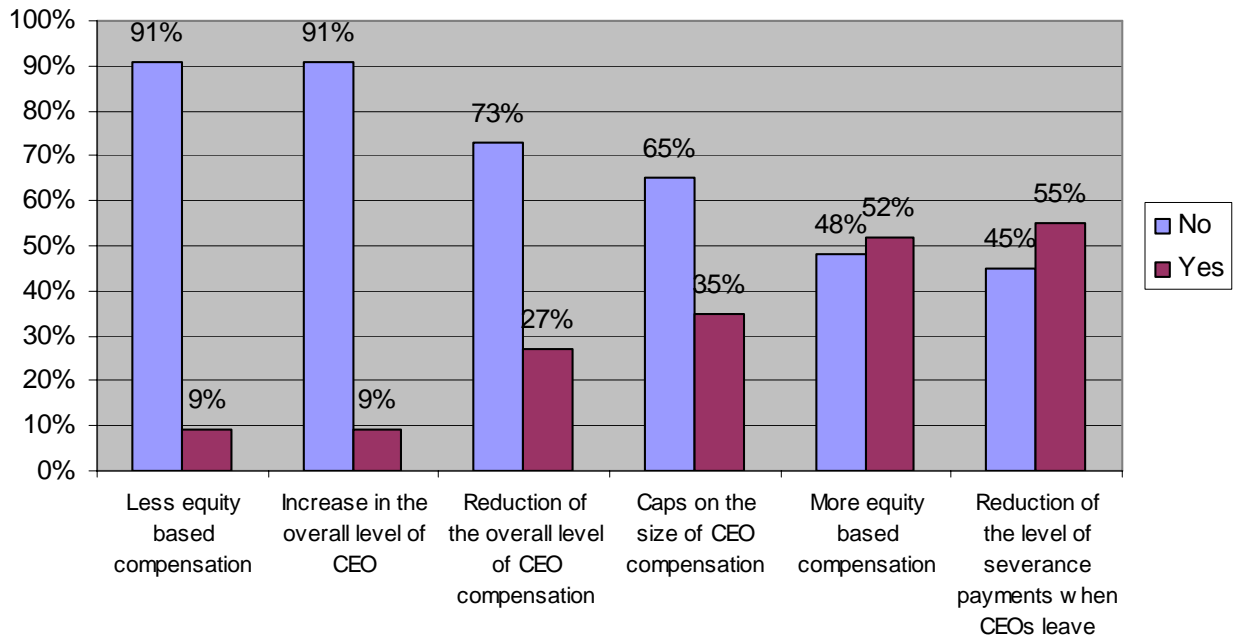


Figure 16b

### Importance of Executive Stock Option Design Features

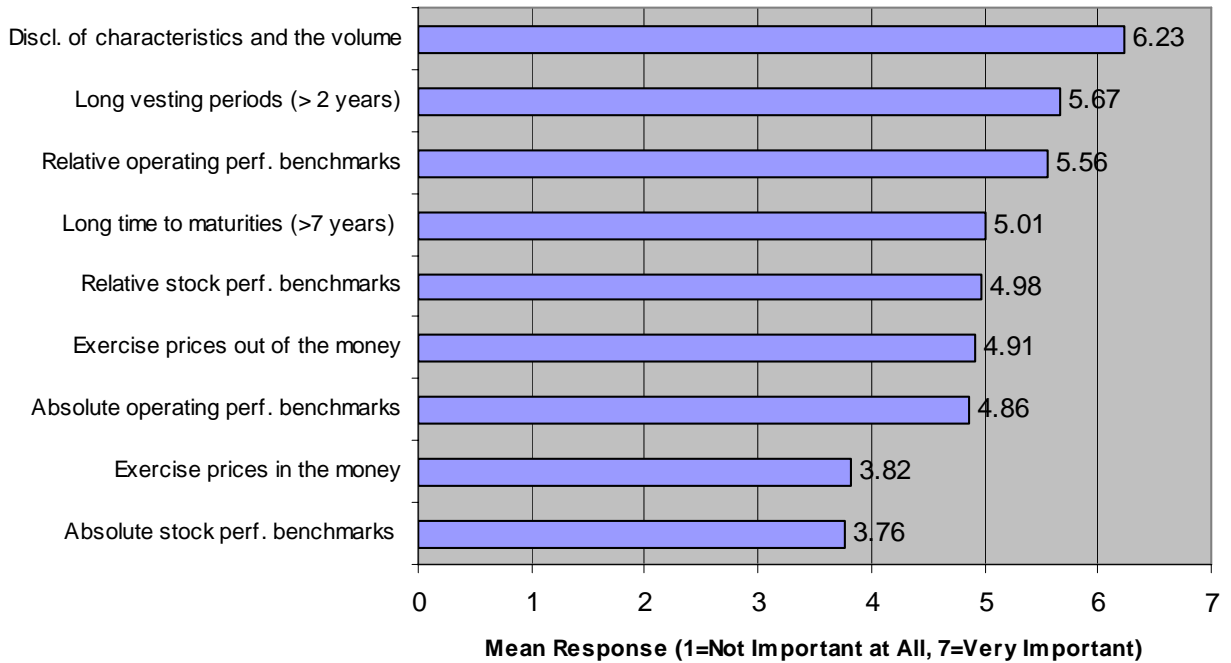


Figure 17

### Mechanisms to Promote Effective Decision Making at AGMs in the US and in The Netherlands

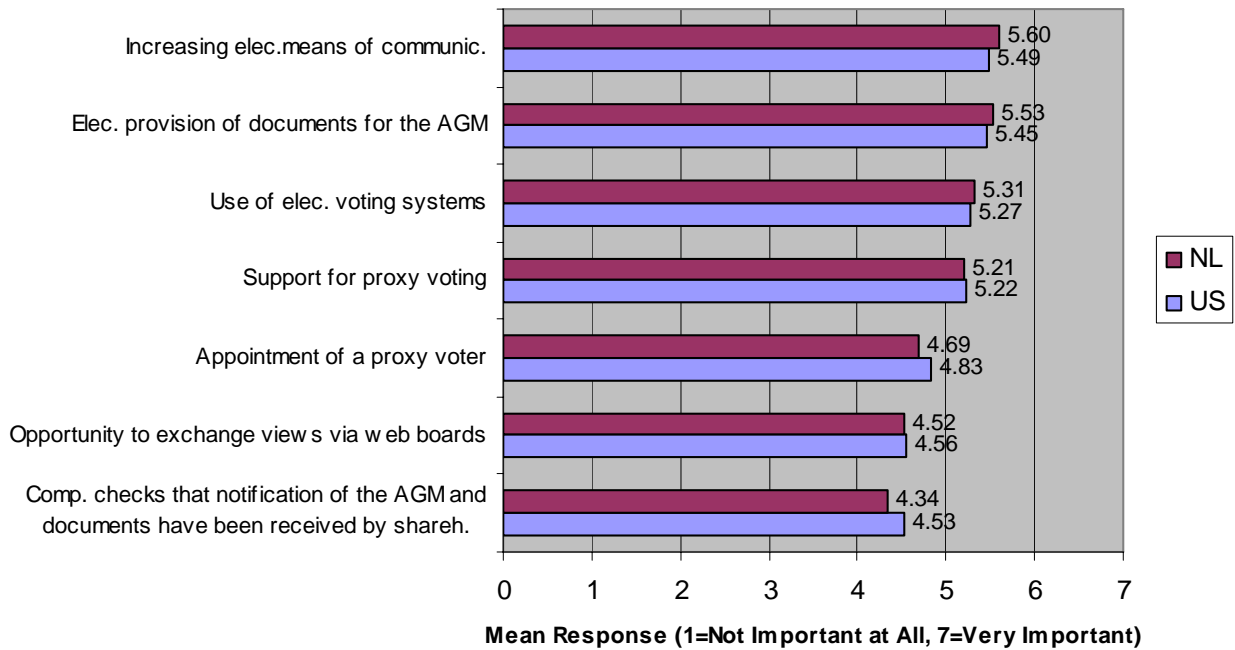


Figure 18

### Assessment of Shareholder Consultation in the US and in The Netherlands

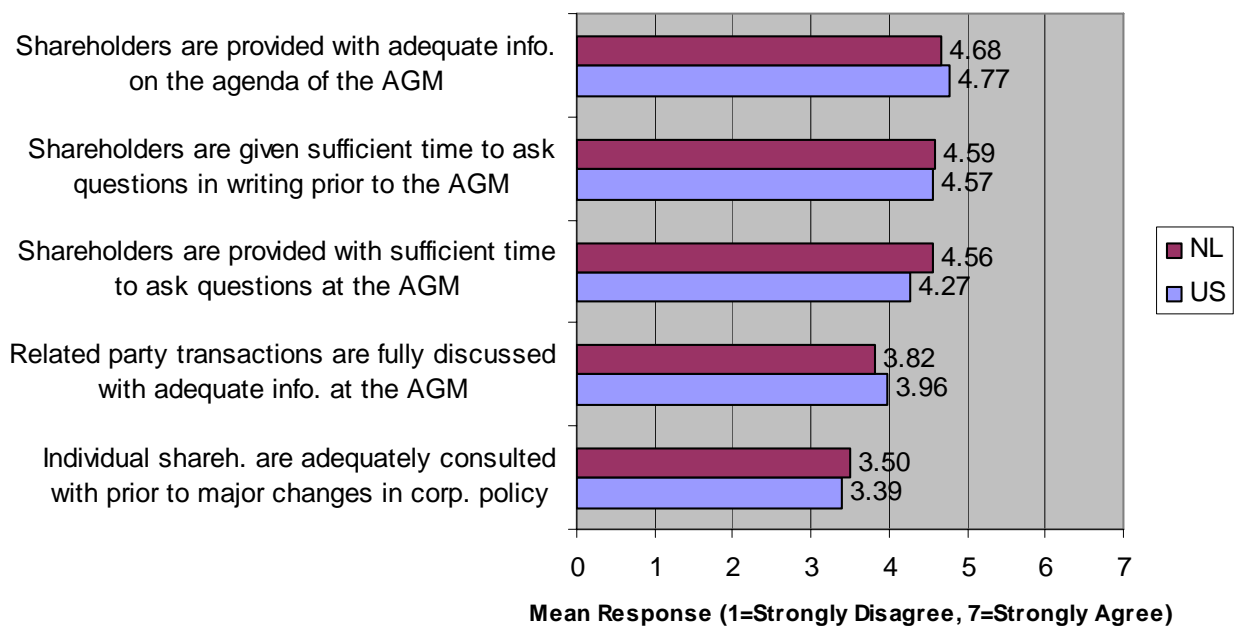


Figure 19

## Preparation of Dutch AGM by Institutional Investors

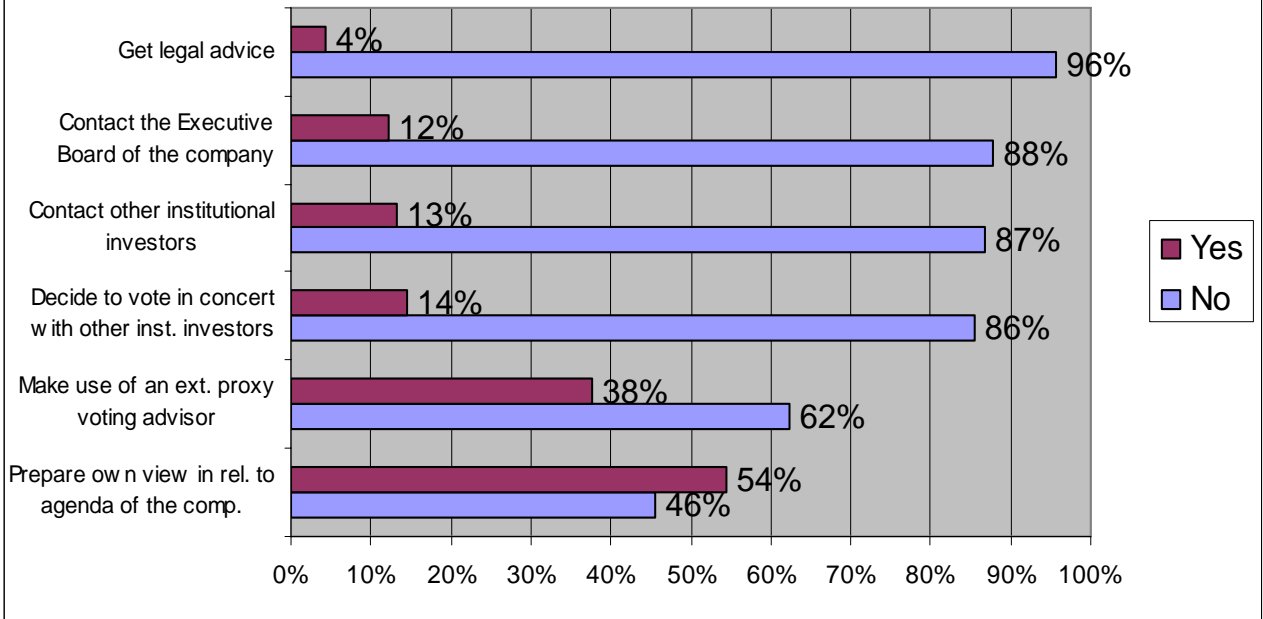


Figure 20

## Appendix

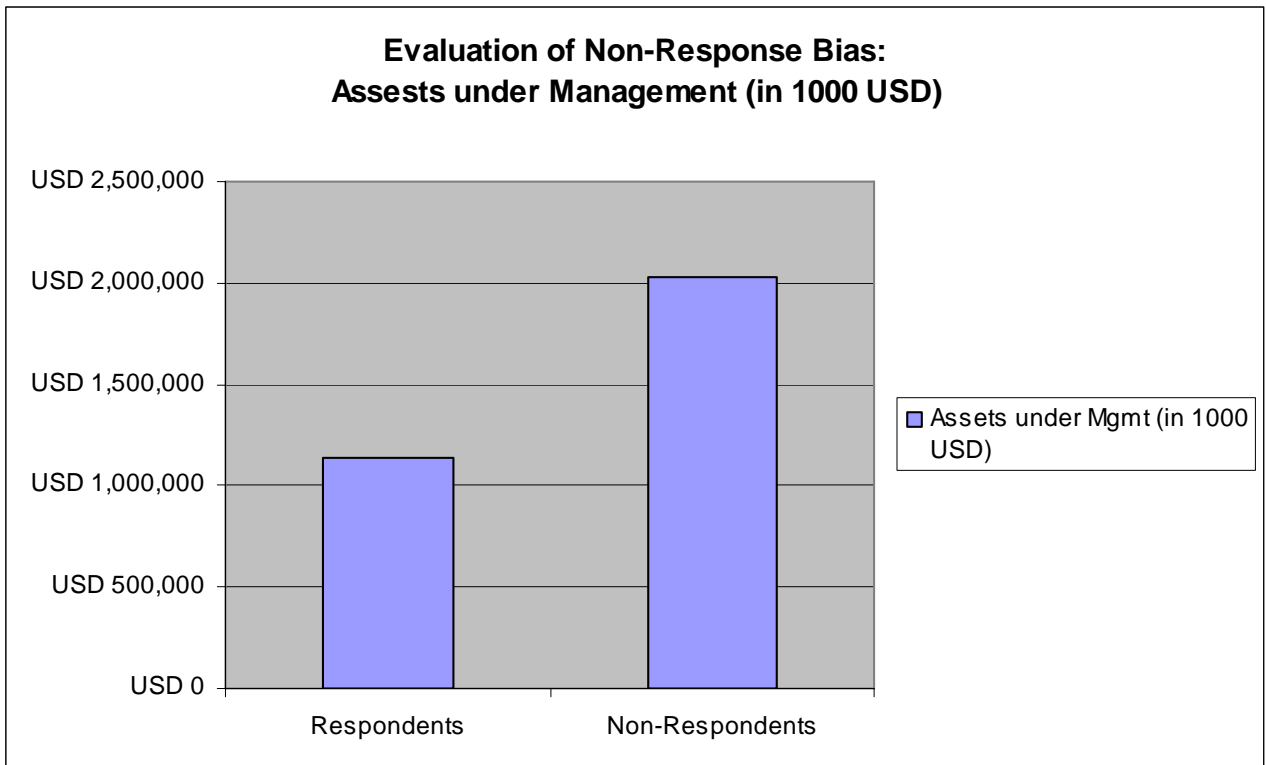


Figure A1

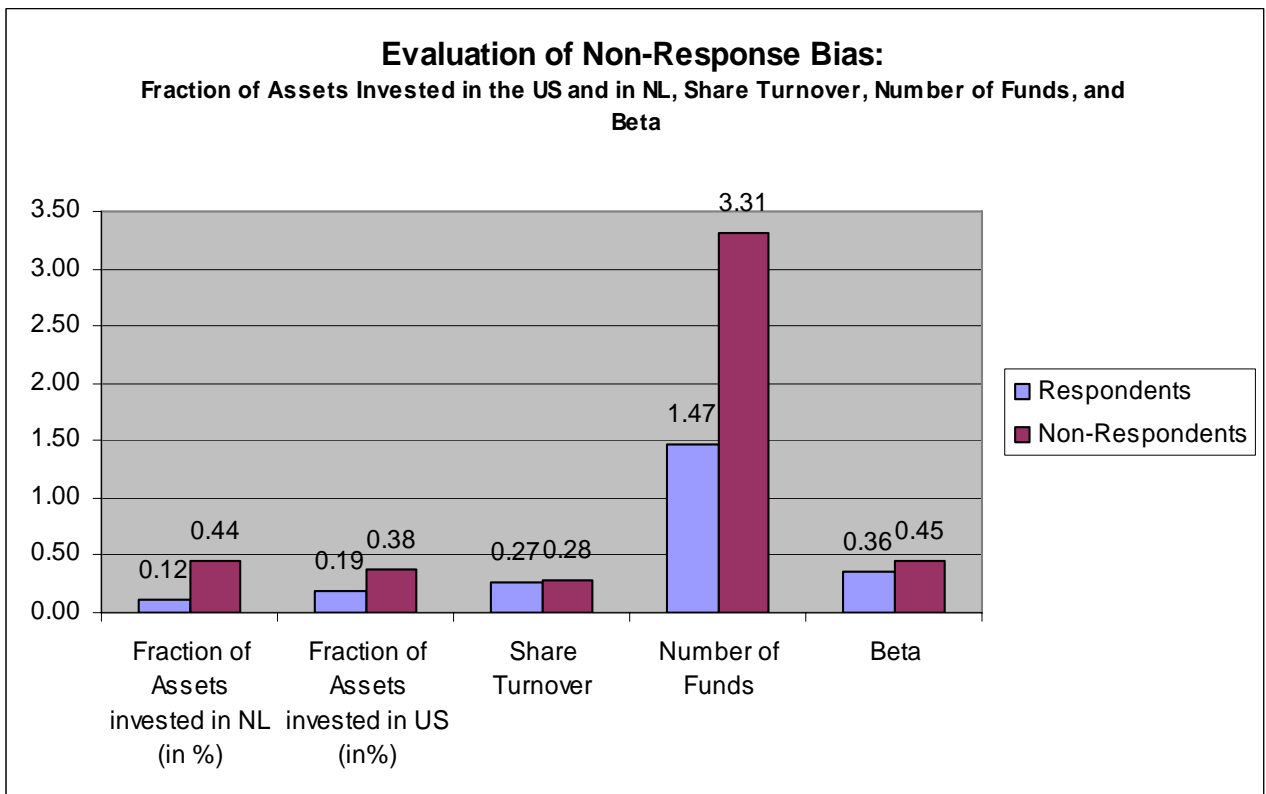


Figure A2

**Table 1**  
**Institutional Investor Characteristics**

Panel A of this table summarizes descriptive statistics of the main characteristics of the institutional investors that returned our questionnaires (118 responses). It contains information on the Assets Under Management of the investors (measured in 1000 USD), on the fraction of all assets of the investors that are invested in firms listed in The Netherlands (in %), on the fraction of all assets that are invested in firms listed in the US (in %), on the Share Turnover of the investors (measured as the value of all buy and sell transaction divided by the market value of the portfolio), on the number of individual funds that each investor operates to invest its money, and on the Portfolio Betas of the investors. Portfolio Betas are measured as the market-value weighted Beta of the institution's portfolio. The table contains means, medians, standard deviations (STD), minimums, and maximums of the respective variables. It also contains the number of available observations (Obs). Panel B of this table contains pairwise correlations of all variables. The data source for the variables is FactSet/Lion Shares. The number of observations varies due to limited data availability in FactSet/LionShares.

**Panel A: Summary Statistics**

Characteristic	Mean	Median	STD	Min	Max	Obs
Assets under Mgmt (in 1000 USD)	1,140,000	153,000	4,860,000	1,509	46,100,000	95
Fraction of Assets invested in NL (in %)	11.53%	7.83%	16.98%	0.00%	100.00%	90
Fraction of Assets invested in US (in %)	18.79%	0.11%	21.44%	0.00%	90.97%	40
Share Turnover	0.27	0.23	0.17	0.04	0.94	79
Number of Funds	1.47	1.00	0.75	1.00	4.00	79

**Panel B: Correlations**

	Assets under Mgmt (in 1000 USD)	Fraction of Assets invested in NL (in %)	Fraction of Assets invested in US (in %)	Share Turnover	Number of Funds
Assets under Mgmt (in 1000 USD)	1.0000				
Fraction of Assets invested in NL (in %)	-0.0486	1.0000			
Fraction of Assets invested in US (in %)	-0.0799	0.0041	1.0000		
Share Turnover	-0.1610	-0.1276	-0.1130	1.0000	
Number of Funds	0.0332	0.0069	-0.1280	-0.1401	1.0000

**Table 2**  
**Types of Institutional Investors**

This table contains for all different institutional investors types in our sample (hedge funds, insurance companies, mutual funds, pension funds and other investors) the number of returned questionnaires, the assets under management, and the fraction of all assets that are invested in firms listed in the US and in firms listed in The Netherlands. Except for the variable survey responses, the table contains means and medians of the respective variables as well as the number of available observations (Obs). The type of investor information is based on self-reported data in the returned questionnaires. The full questions can be found in the attached questionnaire. The data source for all investor characteristics is FactSet/LionShares. The number of observations varies due to limited data availability in FactSet/LionShares.

Type of Investors	Survey Responses		Assets under Mgmt (in 1000 USD)			Fraction of Assets invested in NL			Fraction of Assets invested in US		
	Number	Percent	Mean	Median	Obs	Mean	Median	Obs	Mean	Median	Obs
Hedge Fund	7	5.9%	402,442	71,800	5	14.24%	14.71%	4	90.97%	90.97%	1
Insurance Company	9	7.6%	197,000	97,000	8	6.51%	7.21%	8	20.56%	20.56%	2
Mutual Fund	74	62.7%	1,525,117	177,000	64	12.48%	7.84%	61	15.66%	10.81%	26
Pension Fund	7	5.9%	1,454,333	662,000	3	6.17%	5.99%	3	4.58%	4.58%	2
Other Investors	21	17.8%	165,711	90,400	15	10.61%	7.17%	14	22.59%	27.25%	9
(therein) (Asset Manager)	16	13.6%	85,360	90,400	11	11.99%	7.97%	11	25.03%	31.27%	7
(Bank)	2	1.7%	18,850	18,850	2	3.60%	3.60%	2	14.05%	14.05%	2
(Misc)	3	2.5%	754,500	754,500	2	9.44%	9.44%	1	-	-	0
Obs	118	100.0%			95			90			40

**Table 3**  
**National Origins of Institutional Investors**

This table contains information on the national origins (countries) of the institutional investors that returned our survey (118 responses). The numbers are also subdivided for the different investor types (hedge funds, insurance companies, mutual funds, pension funds, other investors). The type of investor information is based on self-reported data from the returned questionnaires. The table contains the number of observations from a specific country as well as the percentages of all investors that are from a specific country. The data source for the national origins is FactSet/LionShares. The number of observations varies due to limited data availability in FactSet/LionShares.

National Origin	All Investors		Hedge Fund		Insurance Company		Mutual Fund		Pension Fund		Other Investors	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
The Netherlands (NL)	11	11.34%	2	50.00%	1	12.50%	4	6.25%	2	40.00%	2	13.33%
UK	8	8.25%	1	25.00%	1	12.50%	3	4.69%	1	20.00%	2	13.33%
US	8	8.25%	1	25.00%	0	0.00%	4	6.25%	2	40.00%	1	6.67%
Germany (DE)	6	6.19%	0	0.00%	1	12.50%	5	7.81%	0	0.00%	0	0.00%
France (FR)	8	8.25%	0	0.00%	2	25.00%	5	7.81%	0	0.00%	1	6.67%
Luxembourg (LU)	27	27.84%	0	0.00%	0	0.00%	20	31.25%	0	0.00%	7	46.67%
Other	29	29.90%	1	25.00%	3	37.50%	23	35.94%	0	0.00%	2	13.33%
Total	97	100.00%	4	100.00%	8	100.00%	64	100.00%	5	100.00%	15	100.00%

**Table 4**  
**Distribution of Investments: Self-Reported Investment Horizon of Institutional Investors**

This table contains self-reported information on the investment horizons of the different institutional investors that returned our questionnaires. It contains their portfolio fractions that are intended to be invested for the short term (less than 120 days), the medium term (between 120 days and two years), and the long term (more than two years). The investment horizon information is also subdivided for the different investor types (hedge funds, insurance companies, mutual funds, pension funds, other investors). Panel A contains the investment horizon information for the investments in firms that are listed in the US while Panel B contains this information for investments in firms that are listed in The Netherlands. The table also reports the number of available responses (Obs). The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire. Panel C contains correlations between the fraction of assets that are invested long term (>two years) in the US and in The Netherlands and the share turnover of an investor. Note that a higher share turnover suggests a shorter investment horizon.

**Panel A: Investments in the US**

	All Investors		Hedge Fund		Insurance Company		Mutual Fund		Pension Fund		Other Investors	
	Fraction Invested		Fraction Invested		Fraction Invested		Fraction Invested		Fraction Invested		Fraction Invested	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Short term (<120 days)	15.49%	10.00%	29.40%	10.00%	32.50%	32.50%	13.35%	10.00%	15.00%	20.00%	6.67%	5.00%
Medium term (120 days to 2 years)	43.00%	50.00%	40.60%	40.00%	50.00%	50.00%	39.52%	40.00%	45.00%	60.00%	55.00%	55.00%
Long term (>2 years)	41.51%	40.00%	30.00%	20.00%	17.50%	17.50%	47.13%	40.00%	40.00%	20.00%	38.33%	40.00%
Total (in %)	100.00%		100.00%		100.00%		100.00%		100.00%		100.00%	
Obs	39	39	5	5	2	2	23	23	3	3	6	6

**Panel B: Investments in The Netherlands**

	All Investors		Hedge Fund		Insurance Company		Mutual Fund		Pension Fund		Other Investors	
	Fraction Invested		Fraction Invested		Fraction Invested		Fraction Invested		Fraction Invested		Fraction Invested	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Short term (<120 days)	12.79%	10.00%	28.40%	10.00%	10.00%	10.00%	11.44%	10.00%	15.00%	20.00%	8.13%	2.50%
Medium term (120 days to 2 years)	42.13%	50.00%	37.60%	33.00%	50.00%	50.00%	41.17%	50.00%	45.00%	60.00%	46.87%	55%
Long term (>2 years)	45.08%	40.00%	34.00%	20.00%	40.00%	40.00%	47.39%	50.00%	40.00%	20.00%	45%	35%
Total (in %)	100.00%		100.00%		100.00%		100.00%		100.00%		100.00%	
Obs	50	50	5	5	1	1	33	33	3	3	8	8

**Panel C: Correlation of Self-Reported Investment Horizon and Share Turnover**

	Investments in the US		Investment in NL	
	Correlation	p-value	Correlation	p-value
Correlation (Long Term Investment, Share Turnover)	-0.4472	0.017	-0.2431	0.1875

**Table 5****Distribution of Investments of Institutional Investors: Active versus Passive Investments**

This table lists self-reported information on the parts of the portfolios of the institutional investors that are invested as a result of a positive investment decision (active investment decision) and as a result of a passive investment decision (for diversification or index tracking only). The table lists this information for different investor types (hedge funds, insurance companies, mutual funds, pension funds, other investors). The table also contains the number of available responses (Obs). The table also reports the number of available responses (Obs). The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire.

	<b>All Investors</b>		<b>Hedge Fund</b>		<b>Insurance Company</b>		<b>Mutual Fund</b>		<b>Pension Fund</b>		<b>Other Investors</b>	
	<b>Fraction Invested</b>		<b>Fraction Invested</b>		<b>Fraction Invested</b>		<b>Fraction Invested</b>		<b>Fraction Invested</b>		<b>Fraction Invested</b>	
	<b>Mean</b>	<b>Median</b>	<b>Mean</b>	<b>Median</b>	<b>Mean</b>	<b>Median</b>	<b>Mean</b>	<b>Median</b>	<b>Mean</b>	<b>Median</b>	<b>Mean</b>	<b>Median</b>
Active Investment (in %)	69%	80%	93%	94%	60%	65%	72%	80%	49%	60%	61%	70%
Passive Investment (in %)	31%	20%	7%	6%	40%	35%	28%	20%	51%	40%	39%	30%
Total (in %)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Obs	99	99	6	6	8	8	60	60	7	7	18	18

**Table 6**  
**Usage of Proxy Voting Advisors by Institutional Investors**

This table records whether and to what extent the institutional investors that returned our questionnaire make use of external proxy voting advisors such as ISS or Glass Lewis when determining how to vote in a Dutch annual general meeting. Panel A contains information on whether or not investors use proxy advisors in principal. For those investors who use proxy advisors, Panel B contains information on the extent to which they use the advice of the proxy voting firms. The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire.

**Panel A: Usage of Proxy Voting Advisor**

	<b>Number</b>	<b>Percent</b>
Always	20	17%
That depends on the company	12	10%
That depends on the agenda item	8	7%
That depends on the circumstances	15	13%
Never	63	53%
Sum	118	100%

**Panel B: Manner of Usage of Proxy Advice**

	<b>Number</b>	<b>Percent</b>
Always follow advice fully	5	9%
Use advice to determine own position	36	65%
Use advice in case of own doubts	7	13%
Others	7	13%
Sum	55	100%

**Table 7**  
**Relevance of Corporate Governance Mechanisms**

This table tabulates responses on the assessment of a wide range of different corporate governance mechanisms. Institutional investors were asked to assess for how important they consider different corporate governance and control devices when taking investment decisions in The Netherlands. The governance and control devices ranges from issues related to anti-takeover devices, supervisory board and committee independence issues, equity compensation issues, to voting issues and ownership and capital structure issues. Responses were measured on a scale from 1 (not important at all) to 7 (very important). The table also contains the mean value, median value, and standard deviation (STD) of the responses as well as the number of available responses (Obs). The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire.

Mechanism		Response							Mean	Value Median	STD	Obs
		Not important at All 1	Un- important 2	More or Less Unimportant 3	Neutral 4	Somewhat Important 5	Important 6	Very Important 7				
<b>Issues Related to Anti-Takeover Devices</b>												
Poison Pills		3	5	7	9	18	26	24	5.26	6	1.64	92
	Percent	3%	5%	8%	10%	20%	28%	26%				
Golden Parachuts		5	5	7	11	24	28	12	4.91	5	1.62	92
	Percent	5%	5%	8%	12%	26%	30%	13%				
Supermajority Provisions		3	5	14	17	12	25	16	4.84	5	1.67	92
	Percent	3%	5%	15%	18%	13%	27%	17%				
Prohibition of Greenmail Payments		2	8	7	29	14	18	15	4.63	4	1.55	90
	Percent	2%	9%	8%	32%	16%	20%	17%				
Target Share Placements		2	7	7	14	14	32	15	5.05	6	1.59	91
	Percent	2%	8%	8%	15%	15%	35%	16%				
<b>Supervisory Board and Committee Independence Issues</b>												
Supervisory Board Independence		2	2	2	7	17	31	31	5.74	6	1.37	92
	Percent	2%	2%	2%	8%	18%	34%	34%				
Small Supervisory Board Size		2	8	9	27	24	17	5	4.46	4.5	1.39	92
	Percent	2%	9%	10%	29%	26%	18%	5%				
Limitation on Director Terms		3	16	7	20	23	18	6	4.31	5	1.61	93
	Percent	3%	17%	8%	22%	25%	19%	6%				
Possibility to Nominate Directors		3	5	4	22	23	23	13	4.91	5	1.49	93
	Percent	3%	5%	4%	24%	25%	25%	14%				
Director Attendance at Meetings		2	2	3	14	15	33	23	5.48	6	1.41	92
	Percent	2%	2%	3%	15%	16%	36%	25%				

**Executive Compensation Issues**

Use of Equity Based Compensation		1	3	3	6	27	34	19	5.51	6	1.27	93
	Percent	1%	3%	3%	6%	29%	37%	20%				
Equity Ownership by Managers		0	3	2	7	14	34	32	5.85	6	1.23	92
	Percent	0%	3%	2%	8%	15%	37%	35%				

**Voting Issues**

Confidential Voting		1	8	6	33	8	25	12	4.74	4	1.52	93
	Percent	1%	9%	6%	35%	9%	27%	13%				
Multiple Voting Shares		2	5	5	29	14	25	12	4.86	5	1.47	92
	Percent	2%	5%	5%	32%	15%	27%	13%				
Supermajority Voting Shares		2	4	5	19	15	31	15	5.13	6	1.48	91
	Percent	2%	4%	5%	21%	16%	34%	16%				
Right to Call Special Shareholder Meetings		3	6	4	15	16	30	18	5.14	6	1.60	92
	Percent	3%	7%	4%	16%	17%	33%	20%				
Preferred Shares		5	10	2	28	16	23	8	4.53	5	1.63	92
	Percent	5%	11%	2%	30%	17%	25%	9%				
Share Certificates		5	10	4	32	16	19	5	4.33	4	1.55	91
	Percent	5%	11%	4%	35%	18%	21%	5%				
Priority Shares		5	6	2	22	16	27	13	4.88	5	1.64	91
	Percent	5%	7%	2%	24%	18%	30%	14%				

**Ownership and Capital Structure Issues**

Ownership Concentration		0	5	4	10	21	33	20	5.43	6	1.35	93
	Percent	0%	5%	4%	11%	23%	35%	22%				
Large Holdings of Institutional Investors		1	11	2	18	23	30	8	4.86	5	1.48	93
	Percent	1%	12%	2%	19%	25%	32%	9%				
Cross-Shareholdings		0	6	3	15	21	33	14	5.24	6	1.35	92
	Percent	0%	7%	3%	16%	23%	36%	15%				
Transparency about Holdings of Large Shareholders		0	0	6	8	11	38	30	5.84	6	1.16	93
	Percent	0%	0%	6%	9%	12%	41%	32%				
Shareholder Agreements		1	2	7	11	18	33	21	5.43	6	1.37	93
	Percent	1%	2%	8%	12%	19%	35%	23%				
High Free Float		0	4	1	9	14	40	25	5.72	6	1.24	93
	Percent	0%	4%	1%	10%	15%	43%	27%				
High Leverage		2	2	4	25	16	23	21	5.19	5	1.45	93
	Percent	2%	2%	4%	27%	17%	25%	23%				

**Table 8**  
**Relevance of Corporate Governance Mechanisms and Institutional Investor Types**

This table contains responses on the assessment of different corporate governance mechanisms for different institutional investor types (hedge funds, insurance companies, mutual funds, pension funds, other investors). Investors were asked to assess for how important they consider different corporate governance and control devices when taking investment decisions in The Netherlands. The governance and control devices ranges from issues related to anti-takeover devices, supervisory board and committee independence issues, equity compensation issues, to voting issues and ownership and capital structure issues. Responses were measured on a scale from 1 (not important at all) to 7 (very important). For all different investor types, the table contains the mean value, median value, and standard deviation (STD) of the responses as well as the number of available responses (Obs). The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire.

Mechanism	Hedge Fund				Insurance Company				Mutual Fund				Pension Fund				Other Investors			
	Mean	Median	STD	Obs	Mean	Median	STD	Obs	Mean	Median	STD	Obs	Mean	Median	STD	Obs	Mean	Median	STD	Obs
<b>Issues Related to Anti-Takeover Devices</b>																				
Poison Pills	4.80	5.00	2.28	5	4.83	5.00	2.40	6	5.28	6.00	1.61	57	5.33	5.50	1.86	6	5.44	6.00	1.34	18
Golden Parachutes	4.20	5.00	1.92	5	4.50	5.00	1.64	6	4.82	5.00	1.58	57	5.33	6.00	2.25	6	5.39	6.00	1.46	18
Supermajority Provisions	5.20	6.00	2.49	5	3.83	4.00	1.17	6	4.81	5.00	1.62	57	5.17	5.50	1.72	6	5.06	5.00	1.73	18
Prohibition of Greenmail Payments	4.80	6.00	2.39	5	4.00	4.00	1.41	6	4.70	5.00	1.51	56	4.83	5.50	1.60	6	4.53	4.00	1.59	17
Target Share Placements	5.60	7.00	2.61	5	4.67	5.00	1.97	6	4.96	5.00	1.53	56	5.83	6.00	0.41	6	5.06	5.00	1.66	18
<b>Supervisory Board and Committee Independence Issues</b>																				
Supervisory Board Independence	5.60	7.00	2.61	5	5.83	7.00	1.83	6	5.63	6.00	1.26	57	6.17	6.00	0.75	6	5.94	6.00	1.35	18
Small Supervisory Board Size	4.20	4.00	2.05	5	4.83	5.00	1.17	6	4.46	5.00	1.39	57	4.83	5.50	1.60	6	4.28	4.00	1.32	18
Limitation on Director Terms	4.80	6.00	2.39	5	4.33	4.50	0.82	6	4.14	4.00	1.67	58	5.33	5.00	0.52	6	4.39	4.00	1.58	18
Possibility to Nominate Directors	4.80	5.00	2.28	5	4.33	4.00	1.03	6	4.88	5.00	1.55	58	5.17	5.00	0.75	6	5.17	5.00	1.47	18
Director Attendance at Meetings	4.80	5.00	2.49	5	5.67	6.00	1.51	6	5.47	6.00	1.31	58	5.33	5.50	0.82	6	5.71	6.00	1.57	17
<b>Executive Compensation Issues</b>																				
Use of Equity Based Compensation	5.20	6.00	2.49	5	5.17	5.00	1.60	6	5.66	6.00	1.07	58	5.17	6.00	1.60	6	5.33	5.00	1.28	18
Equity Ownership by Managers	6.25	6.50	0.96	4	5.33	5.50	1.63	6	5.97	6.00	1.18	58	5.50	6.00	1.76	6	5.67	6.00	1.14	18
<b>Voting Issues</b>																				
Confidential Voting	4.20	4.00	2.39	5	3.67	3.50	1.37	6	4.79	4.00	1.44	58	5.33	6.00	1.03	6	4.89	5.00	1.64	18
Multiple Voting Shares	4.20	4.00	2.17	5	5.00	5.00	1.55	6	4.98	5.00	1.38	57	4.00	4.00	1.26	6	4.89	5.00	1.60	18
Supermajority Voting Shares	3.60	4.00	2.30	5	5.33	5.50	1.63	6	5.05	5.00	1.42	56	5.00	5.50	1.26	6	5.78	6.00	1.17	18
Right to Call Special Shareholder Meetings	4.80	5.00	2.28	5	4.67	4.50	1.63	6	5.11	6.00	1.57	57	5.17	5.50	1.72	6	5.50	6.00	1.58	18
Preferred Shares	3.00	2.00	2.55	5	4.83	5.50	1.60	6	4.49	4.00	1.56	57	4.33	4.00	1.51	6	5.06	5.00	1.47	18
Share Certificates	2.40	2.00	1.52	5	4.17	4.50	1.83	6	4.32	4.00	1.47	56	4.33	4.50	1.37	6	4.94	5.00	1.47	18
Priority Shares	3.60	4.00	2.61	5	4.67	5.50	2.16	6	4.82	5.00	1.45	56	5.83	6.00	0.98	6	5.17	5.50	1.79	18
<b>Ownership and Capital Structure Issues</b>																				
Ownership Concentration	5.40	6.00	0.89	5	4.67	5.00	1.86	6	5.43	6.00	1.37	58	6.17	6.00	0.41	6	5.44	6.00	1.38	18
Large Holdings of Institutional Investors	4.20	4.00	1.48	5	4.50	5.00	2.07	6	4.72	5.00	1.42	58	5.50	6.00	0.84	6	5.39	6.00	1.54	18
Cross-Shareholdings	5.20	6.00	2.17	5	4.83	5.00	1.33	6	5.32	6.00	1.31	57	5.00	5.00	1.10	6	5.22	5.50	1.40	18
Transparency about Holdings of Large Shareholders	6.00	6.00	1.00	5	5.67	6.00	1.37	6	5.97	6.00	1.14	58	5.33	6.00	1.21	6	5.61	6.00	1.24	18
Shareholder Agreements	5.40	6.00	2.51	5	5.83	6.00	1.47	6	5.48	6.00	1.35	58	5.67	6.00	1.03	6	5.06	5.00	1.16	18
High Free Float	4.80	4.00	2.17	5	6.00	6.00	0.89	6	5.76	6.00	1.13	58	6.17	6.00	0.41	6	5.61	6.00	1.50	18
High Leverage	5.20	5.00	1.30	5	5.33	5.50	1.21	6	5.22	5.00	1.52	58	5.50	6.00	1.22	6	4.94	5.00	1.51	18

**Table 9**

**Relevance of Corporate Governance Mechanisms and Institutional Investor Characteristics (Size, Country Holdings, Investment Horizon)**

This table contains mean and median responses on the assessment of different corporate governance mechanisms. The sample is divided according to different investor characteristics: Large investors (assets under management  $\geq$  median value) versus small investors (assets under management  $<$  median value), investors that have large US holdings (US holdings  $\geq$  median value) versus investors that have small US holdings (US holdings  $<$  median value), investors that have large US holdings in The Netherlands (NL holdings  $\geq$  median value) versus investors that have small holdings in The Netherlands (NL holdings  $<$  median value), and investors that have a long investment horizon (share turnover  $\leq$  median value) versus investors that have a short investment horizon (share turnover  $>$  median value). Investors were asked to assess for how important they consider different corporate governance and control devices when taking investment decisions in The Netherlands. The governance and control devices range from issues related to anti-takeover devices, supervisory board and committee independence issues, equity compensation issues, to voting issues and ownership and capital structure issues. Responses were measured on a scale from 1 (not important at all) to 7 (very important). The table also contains p-values of paired two-sided t-tests comparing the mean values of the two respective subgroups. The data source for this information are the returned questionnaires as well as FactSet/ LionShares (investor characteristics). The full questions can be found in the attached questionnaire.

Mechanism	Large Investor		Small Investor		Diff Sign?	Large US Holdings		Small US Holdings		Diff Sign?	Large NL Holdings		Small NL Holdings		Diff Sign?	Long Horizon		Short Horizon		Diff Sign?	
	Mean	Median	Mean	Median		Mean	Median	Mean	Median		Mean	Median	Mean	Median		Mean	Median	Mean	Median		Mean
						p-value						p-value						p-value			
<b>Issues Related to Anti-Takeover Devices</b>																					
Poison Pills	5.62	6.00	5.03	5.00	0.1195	5.56	6.00	4.59	5.00	0.0727	5.53	6.00	5.24	6.00	0.4624	5.26	6.00	5.13	6.00	0.7722	
Golden Parachutes	5.00	5.00	4.89	5.00	0.7542	4.89	5.00	4.94	5.00	0.9237	5.12	5.00	4.95	5.00	0.6316	4.97	5.00	4.83	5.00	0.7374	
Supermajority Provisions	5.08	5.00	4.51	4.00	0.1387	5.00	6.00	5.00	5.00	0.0001	4.85	5.00	4.78	5.00	0.8592	4.90	5.00	4.47	4.50	0.3168	
Prohibition of Greenmail Payments	4.95	5.00	4.41	4.00	0.1233	4.72	4.00	4.47	4.00	0.6313	4.76	5.00	4.61	4.00	0.6825	4.70	5.00	4.38	4.00	0.4094	
Target Share Placements	4.97	5.00	5.09	6.00	0.7612	5.39	6.00	4.71	5.00	0.2085	5.00	5.00	5.08	6.00	0.8246	4.65	5.00	5.17	6.00	0.1992	
<b>Supervisory Board and Committee Independence Issues</b>																					
Supervisory Board Independence	5.79	6.00	5.78	6.00	0.9706	5.41	6.00	6.00	6.00	0.2138	5.94	6.00	5.70	6.00	0.4446	5.72	6.00	5.57	6.00	0.6760	
Small Supervisory Board Size	4.44	4.00	4.66	5.00	0.4775	4.44	4.00	4.89	5.00	0.3667	4.64	5.00	4.50	4.50	0.6641	4.47	4.00	4.45	5.00	0.9538	
Limitation on Director Terms	4.08	4.00	4.53	5.00	0.2278	4.50	4.50	4.39	4.50	0.8258	4.06	4.00	4.58	5.00	0.1657	4.22	4.00	4.30	5.00	0.8444	
Possibility to Nominate Directors	5.10	5.00	4.69	5.00	0.2357	5.06	5.00	4.83	5.00	0.6869	4.91	5.00	4.95	5.00	0.9189	4.91	5.00	4.90	5.00	0.9868	
Director Attendance at Meetings	5.45	6.00	5.53	6.00	0.8065	5.44	6.00	5.61	6.00	0.7380	5.48	6.00	5.53	6.00	0.8984	5.42	6.00	5.33	6.00	0.8219	
<b>Executive Compensation Issues</b>																					
Use of Equity Based Compensation	5.69	6.00	5.47	5.50	0.4260	5.39	5.50	5.61	6.00	0.6147	5.74	6.00	5.61	6.00	0.5980	5.50	6.00	5.67	6.00	0.5640	
Equity Ownership by Managers	6.03	6.00	5.75	6.00	0.3347	5.67	6.00	6.06	6.50	0.4115	6.24	6.00	5.76	6.00	0.0541	5.88	6.00	6.00	6.00	0.6745	
<b>Voting Issues</b>																					
Confidential Voting	4.69	4.00	4.78	4.50	0.8061	5.06	5.50	4.44	4.00	0.2443	4.71	4.00	4.76	4.00	0.8705	4.41	4.00	4.90	4.50	0.1892	
Multiple Voting Shares	5.10	5.00	4.89	4.00	0.5050	5.06	4.50	4.89	4.50	0.7272	4.97	5.00	5.22	6.00	0.4343	5.16	5.00	4.93	5.00	0.5264	
Supermajority Voting Shares	5.00	5.00	5.20	5.00	0.5557	5.22	5.50	5.00	5.00	0.6566	5.12	5.00	5.16	5.00	0.9043	5.03	5.00	5.24	6.00	0.5854	
Right to Call Special Shareholder Meetings	5.16	5.00	5.08	6.00	0.8407	5.17	6.00	5.11	5.00	0.9233	4.91	5.00	5.37	6.00	0.2196	4.84	5.00	5.13	5.50	0.4925	
Preferred Shares	4.67	4.00	4.14	4.00	0.1602	4.17	4.00	4.56	4.00	0.4943	4.53	4.50	4.49	4.00	0.9081	4.22	4.00	4.41	4.00	0.6188	
Share Certificates	4.42	4.00	4.00	4.00	0.2455	3.94	4.00	4.39	4.00	0.4450	4.36	4.00	4.32	4.00	0.9104	3.94	4.00	4.41	4.00	0.2157	
Priority Shares	5.00	5.00	4.29	4.00	0.0617	4.11	4.00	5.06	5.50	0.1190	5.00	5.00	4.62	5.00	0.2985	4.29	4.00	4.86	5.00	0.1505	
<b>Ownership and Capital Structure Issues</b>																					
Ownership Concentration	5.26	6.00	5.36	6.00	0.7388	5.44	5.50	5.44	6.00	0.0001	5.59	6.00	5.21	5.00	0.2031	5.28	6.00	5.30	5.50	0.9557	
Large Holdings of Institutional Investors	4.72	5.00	4.89	5.00	0.6226	4.72	5.00	5.00	5.00	0.5526	5.18	5.00	4.55	5.00	0.0738	4.91	5.00	4.60	5.00	0.4396	
Cross-Shareholdings	5.21	5.50	5.31	6.00	0.7687	5.39	5.50	5.33	6.00	0.9011	5.48	6.00	5.18	6.00	0.3491	5.23	5.00	5.30	6.00	0.8354	
Transparency about Holdings of Large Shareholders	5.79	6.00	5.97	6.00	0.5288	5.72	6.00	5.83	6.00	0.8097	6.15	6.00	5.61	6.00	0.0606	6.09	6.00	5.63	6.00	0.1348	
Shareholder Agreements	5.54	6.00	5.42	6.00	0.7090	5.17	6.00	5.56	6.00	0.4374	5.71	6.00	5.45	6.00	0.4028	5.38	6.00	5.57	6.00	0.5844	
High Free Float	5.62	6.00	5.97	6.00	0.1873	5.83	6.00	6.17	6.00	0.3801	5.82	6.00	5.71	6.00	0.6882	5.84	6.00	5.67	6.00	0.5647	
High Leverage	5.41	6.00	4.83	4.50	0.1066	4.61	4.00	5.94	6.00	0.0092	5.41	6.00	5.03	5.00	0.2766	5.44	6.00	5.03	5.00	0.2669	

**Table 10**  
**One Tier versus Two Tier Board System: Preferences of Institutional Investors**

This table tabulates information on the preferences of the institutional investors with regard to the board structures of firms: Investors could express their preference with respect to (i) a one tier board structure (a system with executive and non-executive directors on the same board), (ii) a two tier board structure (a system with separate management and supervisory boards), or could state that they had (iii) no preference. The table contains the absolute number of responses as well as the percentage of responses for each of the three categories. We summarize the information for different investor types (hedge funds, insurance companies, mutual funds, pension funds, other investors) and for several other characteristics of the investors (size of investors, fraction of US and NL holdings, investment horizon and national origin). The data source for this information are the returned questionnaires as well as FactSet/LionShares (investor characteristics). The full questions can be found in the attached questionnaire.

	Board System					
	One Tier		Two Tier		No Preference	
	Responses	Percent	Responses	Percent	Responses	Percent
All Investors	19	20.65%	48	52.17%	25	27.17%
Hedge Fund	2	40.00%	3	60.00%	0	0.00%
Insurance Company	1	16.67%	3	50.00%	2	33.33%
Mutual Fund	13	22.03%	28	47.46%	18	30.51%
Pension Fund	0	0.00%	4	66.67%	2	33.33%
Other Investors	3	18.75%	10	62.50%	3	18.75%
Large Investor (>=Median)	9	23.08%	18	46.15%	12	30.77%
Small Investor (>Median)	7	20.59%	17	50.00%	10	29.41%
Large US Holdings (>=Median)	4	23.53%	7	41.18%	6	35.29%
Small US Holdings (<Median)	2	11.76%	10	58.82%	5	29.41%
Large NL Holdings (>=Median)	9	26.47%	16	47.06%	9	26.47%
Small NL Holdings (<Median)	5	13.89%	18	50.00%	13	36.11%
Long Horizon (Share Turnover>Median)	5	16.13%	15	48.39%	11	35.48%
Short Horizon (Share Turnover<=Median)	8	27.59%	13	44.83%	8	27.59%
Origins:						
The Netherlands (NL)	1	10.00%	7	70.00%	2	20.00%
UK	1	20.00%	3	60.00%	1	20.00%
US	1	14.29%	2	28.57%	4	57.14%
Germany (DE)	0	0.00%	2	40.00%	3	60.00%
France (FR)	0	0.00%	3	75.00%	1	25.00%
Luxembourg (LU)	8	34.78%	9	39.13%	6	26.09%
Other	5	23.81%	10	47.62%	6	28.57%

**Table 11**  
**Assessment of Investor Protection in the US and in The Netherlands**

This table contains information on how institutional investors think about investor protection in the US and in The Netherlands. Investors could answer on a scale from 1 (strongly disagree) to 7 (strongly agree) to a set of statements regarding investor protection in the US and in The Netherlands. The table contains the mean and median values of the responses as well as the number of available responses (Obs). We also tested whether the mean response for the US differed significantly from the mean response for The Netherlands and report p-values of paired two-sided t-tests. Panel A contains the response information for all investors pooled while Panel B subdivides the sample according to different investor types and investor characteristics (size of investor, US and NL holdings of the investor and investment horizon). The data source for this information are the returned questionnaires and FactSet/LionShares (investor characteristics). Panel A also contains the investor protection index from the study by La Porta, Lopez de Silanes, Shleifer and Vishny (1998) (higher values meaning stronger investor protection). The full questions can be found in the attached questionnaire.

**Panel A: All Investors**

	US Response				NL Response				Diff Sign?
	Mean	Median	STD	Obs	Mean	Median	STD	Obs	p-value
<b>Survey Responses</b>									
Minority Shareholders Protected?	4.41	4.00	1.53	74	3.71	4.00	1.42	89	0.0028
Easy to Exercise Rights?	4.47	5.00	1.43	74	3.97	4.00	1.51	90	0.0180
Public Information Sufficient?	5.07	6.00	1.48	74	4.63	5.00	1.43	90	0.0091
Legal Rights in Place?	4.05	4.00	1.43	74	3.57	4.00	1.33	90	0.0042
<b>Measures in Literature</b>									
LLSV Shareholder Rights Measure	5.00				2.00				

**Panel B: By Investor Types**

Minority Shareholders Protected?	US Response				NL Response				Diff Sign?
	Mean	Median	STD	Obs	Mean	Median	STD	Obs	p-value
Hedge Fund	5.80	6.00	1.10	5	4.00	5.00	2.00	5	0.0213
Insurance Company	3.33	3.00	1.03	6	3.00	3.00	0.63	6	0.4650
Mutual Fund	4.36	4.00	1.57	44	3.86	4.00	1.43	56	0.1427
Pension Fund	4.50	4.50	1.29	4	3.20	2.00	1.30	5	0.3910
Other Investors	4.47	5.00	1.51	15	3.53	3.00	1.46	17	0.1022
Large Investor (>=Median)	4.68	5.00	1.51	31	3.76	4.00	1.51	38	0.0098
Small Investor (>Median)	4.13	4.00	1.50	31	3.59	3.00	1.37	34	0.1296
Large US Holdings (>=Median)	4.00	4.00	1.37	17	3.59	4.00	1.33	17	0.2186
Small US Holdings (<Median)	4.94	5.00	1.30	17	4.11	4.00	1.53	18	0.0514
Large NL Holdings (>=Median)	4.65	5.00	1.44	26	3.62	3.50	1.46	34	0.0055
Small NL Holdings (<Median)	4.18	4.00	1.61	33	3.69	4.00	1.49	35	0.1670
Long Horizon (Share Turnover>Median)	4.62	5.00	1.30	26	4.27	4.00	1.31	30	0.1533
Short Horizon (Share Turnover<=Median)	4.32	4.00	1.68	25	3.52	3.00	1.27	29	0.0842

Origins:									
The Netherlands (NL)	4.57	4.00	1.40	7	3.30	3.00	1.06	10	0.1975
UK	4.00	4.50	2.16	4	3.20	2.00	1.92	5	0.3534
US	5.14	5.00	1.21	7	4.29	4.00	0.95	7	0.1112
Germany (DE)	4.00	4.00	1.63	4	3.00	3.00	1.87	5	0.4444
France (FR)	2.33	1.00	2.31	3	3.50	3.00	1.73	4	0.8075
Luxembourg (LU)	4.78	5.00	1.40	18	3.43	3.00	1.47	23	0.0116
Other	4.29	4.00	1.44	31	4.09	4.00	1.36	35	0.8870

#### Easy to Exercise Rights?

	US Response				NL Response				Diff Sign?
	Mean	Median	STD	Obs	Mean	Median	STD	Obs	p-value
Hedge Fund	5.80	6.00	1.10	5	4.20	5.00	2.17	5	0.0560
Insurance Company	4.33	4.50	1.37	6	4.00	4.50	1.67	6	0.3632
Mutual Fund	4.55	5.00	1.37	44	4.07	4.00	1.43	56	0.1635
Pension Fund	4.00	4.00	0.82	4	3.33	3.00	1.51	5	0.1817
Other Investors	4.00	4.00	1.65	15	3.76	4.00	1.64	17	0.5647
Large Investor (>=Median)	4.68	5.00	1.05	31	4.08	4.00	1.48	38	0.0707
Small Investor (>Median)	4.19	4.00	1.72	31	3.76	4.00	1.56	34	0.3646
Large US Holdings (>=Median)	4.18	5.00	1.59	17	4.18	4.00	1.55	17	1.0000
Small US Holdings (<Median)	4.65	5.00	1.17	17	4.06	4.00	1.26	18	0.2921
Large NL Holdings (>=Median)	4.46	5.00	1.50	26	3.74	4.00	1.62	34	0.0417
Small NL Holdings (<Median)	4.39	5.00	1.34	33	4.06	4.00	1.41	35	0.5670
Long Horizon (Share Turnover>Median)	4.12	4.00	1.37	26	4.23	4.00	1.30	30	0.7366
Short Horizon (Share Turnover<=Median)	4.64	5.00	1.55	25	3.59	4.00	1.62	29	0.0075

Origins:									
The Netherlands (NL)	4.71	5.00	1.38	7	4.30	4.50	1.57	10	0.7445
UK	4.50	4.50	0.58	4	3.60	3.00	1.95	5	0.5195
US	4.86	5.00	1.35	7	3.71	4.00	1.25	7	0.0300
Germany (DE)	4.00	4.00	0.00	4	3.60	4.00	1.67	5	1.0000
France (FR)	3.33	3.00	2.52	3	3.50	3.00	1.73	4	0.4226
Luxembourg (LU)	4.83	5.00	1.62	18	3.52	3.00	1.62	23	0.0116
Other	4.29	5.00	1.40	31	4.36	5.00	1.36	36	0.9067

#### Public Information Sufficient?

	US Response				NL Response				Diff Sign?
	Mean	Median	STD	Obs	Mean	Median	STD	Obs	p-value
Hedge Fund	5.80	6.00	1.10	5	6.00	5.00	2.17	5	0.1419
Insurance Company	4.67	4.50	1.21	6	4.83	5.00	1.17	6	0.6952
Mutual Fund	5.16	6.00	1.38	44	4.73	5.00	1.26	56	0.0657
Pension Fund	5.00	5.00	1.15	4	4.83	4.50	0.98	5	0.3910
Other Investors	4.73	6.00	2.02	15	4.12	5.00	1.90	17	0.0000
Large Investor (>=Median)	5.23	6.00	1.36	31	4.84	5.00	1.31	38	0.1231
Small Investor (>Median)	5.00	6.00	1.67	31	4.59	5.00	1.58	34	0.0497
Large US Holdings (>=Median)	4.59	5.00	1.66	17	4.47	4.00	1.42	17	0.6515
Small US Holdings (<Median)	5.76	6.00	0.90	17	4.89	5.00	1.18	18	0.0183

Large NL Holdings (>=Median)	5.27	6.00	1.48	26	4.76	5.00	1.50	34	0.0159
Small NL Holdings (<Median)	4.91	6.00	1.59	33	4.60	5.00	1.42	35	0.2924
Long Horizon (Share Turnover>Median)	5.35	6.00	1.09	26	5.03	5.00	5.03	30	0.0175
Short Horizon (Share Turnover<=Median)	5.00	6.00	1.87	25	4.52	5.00	1.64	29	0.1776
Origins:									
The Netherlands (NL)	5.43	6.00	0.79	7	4.80	5.00	1.03	10	0.0941
UK	4.25	5.00	2.36	4	4.20	5.00	2.17	5	0.8240
US	5.57	6.00	1.27	7	4.71	4.00	0.95	7	0.0453
Germany (DE)	5.25	5.00	1.50	4	5.40	6.00	0.89	5	0.8460
France (FR)	4.00	5.00	2.65	3	3.75	4.00	2.22	4	-
Luxembourg (LU)	5.22	6.00	1.59	18	4.61	5.00	1.64	23	0.0855
Other	4.97	6.00	1.38	31	4.64	5.00	1.33	36	0.2449

**Legal Rights in Place?**

	US Response				NL Response				Diff Sign?
	Mean	Median	STD	Obs	Mean	Median	STD	Obs	p-value
Hedge Fund	4.20	5.00	1.00	5	4.20	5.00	2.05	5	0.2420
Insurance Company	4.33	4.50	0.82	6	3.67	4.00	1.03	6	0.1019
Mutual Fund	4.02	4.00	1.47	44	3.59	4.00	1.33	56	0.0909
Pension Fund	4.75	5.00	1.50	4	3.33	3.00	1.37	5	0.1942
Other Investors	3.53	4.00	1.51	15	3.35	4.00	1.27	17	0.3343
Large Investor (>=Median)	3.97	4.00	1.47	31	3.58	4.00	1.50	38	0.0947
Small Investor (>Median)	4.03	4.00	1.33	31	3.47	4.00	1.19	34	0.0370
Large US Holdings (>=Median)	3.29	4.00	1.16	17	3.29	3.00	1.21	17	1.0000
Small US Holdings (<Median)	4.59	4.00	1.37	17	3.83	4.00	1.25	18	0.0586
Large NL Holdings (>=Median)	3.88	4.00	1.34	26	3.53	4.00	1.40	34	0.0747
Small NL Holdings (<Median)	4.15	4.00	1.46	33	3.54	4.00	1.36	35	0.0532
Long Horizon (Share Turnover>Median)	4.04	4.00	1.37	26	3.90	4.00	1.30	30	0.2326
Short Horizon (Share Turnover<=Median)	4.08	4.00	1.50	25	3.21	3.00	1.35	29	0.0257
Origins:									
The Netherlands (NL)	4.43	4.00	1.27	7	4.00	4.00	1.33	10	0.2308
UK	3.00	3.00	1.83	4	2.80	2.00	1.64	5	0.6042
US	4.57	4.00	0.98	7	4.29	4.00	1.38	7	0.3559
Germany (DE)	3.50	4.00	1.00	4	3.40	3.00	1.67	5	1.0000
France (FR)	2.67	2.00	2.08	3	2.25	2.00	1.26	4	0.4226
Luxembourg (LU)	3.94	4.00	1.66	18	3.04	3.00	1.33	23	0.0400
Other	4.26	4.00	1.29	31	3.92	4.00	1.05	36	0.2292

**Table 12**  
**Shareholder Activism by Institutional Investors**

This table contains information on the measures investors are prepared to take as corrective actions (shareholder activism) against the companies they have invested in. The information is presented for different investor types (hedge funds, insurance company, mutual fund, or pension fund) and according to whether investors have a long (Share Turnover>Median) or short investment horizon (Share Turnover<=Median). The data source for this information are the returned questionnaires and FActSet/LionShares (investment horizon). The full questions can be found in the attached questionnaire.

		Overall		Hedge Funds		Mutual Funds		Insurance Company		Pension Funds		Long Horizon		Short Horizon	
		No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
Selling Shares		19	76	1	3	13	48	2	5	1	5	5	28	6	25
	Percent	20%	80%	25%	75%	21.31%	78.69%	28.57%	71.43%	16.67%	83.33%	15.15%	84.85%	19.35%	80.65%
Voting Against Company at AGM		32	63	1	3	20	41	3	4	6	0	13	20	14	17
	Percent	33.68%	66.32%	25.00%	75.00%	32.79%	67.21%	42.86%	57.14%	100.00%	0.00%	39.39%	60.61%	45.16%	54.84%
Critical Speeches at AGM		77	18	3	1	49	12	6	1	5	1	28	5	29	2
	Percent	81.05%	18.95%	75.00%	25.00%	80.33%	19.67%	85.71%	14.29%	83.33%	16.67%	84.85%	15.15%	93.55%	6.45%
Proposals at AGM		76	19	2	2	48	13	6	1	5	1	27	6	24	7
	Percent	80.00%	20.00%	50.00%	50.00%	78.69%	21.31%	85.71%	14.29%	83.33%	16.67%	81.82%	18.18%	77.42%	22.58%
Discussion with Executive Board		43	52	1	3	25	36	5	2	4	2	19	14	14	17
	Percent	45.26%	54.74%	25.00%	75.00%	40.98%	59.02%	71.43%	28.57%	66.67%	33.33%	57.58%	42.42%	45.16%	54.84%
Contact Supervisory Board		74	21	1	3	48	13	6	1	5	1	29	4	24	7
	Percent	77.89%	22.11%	25.00%	75.00%	78.69%	21.31%	85.71%	14.29%	83.33%	16.67%	87.88%	12.12%	77.42%	22.58%
Public Criticism		85	10	3	1	55	6	6	1	6	0	31	2	28	3
	Percent	89.47%	10.53%	75.00%	25.00%	90.16%	9.84%	85.71%	14.29%	100.00%	0.00%	93.94%	6.06%	90.32%	9.68%
Disclosure of Voting at AGM		75	20	2	2	47	14	6	1	6	0	27	6	24	7
	Percent	78.95%	21.05%	50.00%	50.00%	77.05%	22.95%	85.71%	14.29%	100.00%	0.00%	81.82%	18.18%	77.42%	22.58%
Legal Measures		84	11	2	2	57	4	7	0	5	1	31	2	29	2
	Percent	88.42%	11.58%	50.00%	50.00%	93.44%	6.56%	100.00%	0.00%	83.33%	16.67%	93.94%	6.06%	93.55%	6.45%

**Table 13**  
**Triggers of Shareholder Activism in the US and in The Netherlands**

This table lists information on the importance of a set of corporate events for triggering a corrective action (shareholder activism) by an institutional investor. We have information on the relative importance of the triggers for target firms listed in the US and target firms listed in The Netherlands. The responses are measured on a scale from 1 (not important at all) to 7 (very important). The table contains the mean and median response values as well as the standard deviation (STD) and the number of available responses (Obs). We also tested whether the mean response values for the US and The Netherlands are significantly different from each other and report the respective p-values of a paired two-sided t-test. The data source for this table are the returned questionnaires. The full questions can be found in the attached questionnaire.

Trigger	US				NL				Diff
	Mean	Median	STD	Obs	Mean	Median	STD	Obs	Sign? p-value
Poor accounting performance	5.30	6.00	1.62	69	5.37	6.00	1.48	87	0.709
Poor stock price performance (absolute perf.)	4.61	5.00	1.66	69	4.50	5.00	1.60	88	0.418
Poor stock price performance relative to peers	4.99	5.00	1.60	69	5.03	5.00	1.53	88	0.182
Excessive compensation packages	5.09	5.00	1.50	69	5.14	5.00	1.46	88	0.568
Low payments to shareholders despite high cash hold.	5.09	5.00	1.34	69	5.07	5.00	1.40	88	0.418
Suboptimal capital structure	5.25	5.00	1.16	69	5.27	5.00	1.17	88	1.000
Poor corporate strategy	5.61	6.00	1.22	69	5.63	6.00	1.32	88	1.000
Rights issues	4.88	5.00	1.24	69	4.91	5.00	1.31	88	0.159
Significant asset sales	5.14	5.00	1.12	69	5.07	5.00	1.17	88	0.182
Planned acquisitions	5.64	6.00	1.08	69	5.66	6.00	1.04	87	0.321
Goals & strategy	6.01	6.00	1.16	69	6.14	6.00	1.04	88	0.260

**Table 14**  
**Coordination of Shareholder Activism by Institutional Investors**

Panel A of this table contains information on whether the institutional investors that returned our questionnaire coordinate their shareholder activism with other investors. The table also subdivides the sample according to different investor criteria. Panel B contains information on the reasons why investors do not coordinate their shareholder actions. The data source for this information are the returned questionnaires and FactSet/LionShares (investor characteristics). The full questions can be found in the attached questionnaire.

**Panel: Coordination of Activism**

Type of Investor	Coordinate Shareholder Activism?			
	No		Yes	
	Responses	In Percent	Responses	In Percent
All Investors	37	40.66%	54	59.34%
Hedge Fund	1	25.00%	3	75.00%
Insurance Company	2	40.00%	3	60.00%
Mutual Fund	24	40.68%	35	59.32%
Pension Fund	1	16.67%	5	83.33%
Other Investors	9	52.94%	8	47.06%
Large Investor (>=Median)	12	30.77%	27	69.23%
Small Investor (>Median)	18	52.94%	16	47.06%
Large US Holdings (>=Median)	8	47.06%	9	52.94%
Small US Holdings (<Median)	9	50.00%	9	50.00%
Large NL Holdings (>=Median)	15	44.12%	19	55.88%
Small NL Holdings (<Median)	13	36.11%	23	63.89%
Long Horizon (Share Turnover>Median)	13	41.94%	18	58.06%
Short Horizon (Share Turnover<=Median)	13	44.83%	16	55.17%
Origins:				
The Netherlands (NL)	3	30.00%	7	70.00%
UK	1	20.00%	4	80.00%
US	1	14.29%	6	85.71%
Germany (DE)	3	75.00%	1	25.00%
France (FR)	0	0.00%	4	100.00%
Luxembourg (LU)	12	52.17%	11	47.83%
Other	10	45.45%	12	54.55%

**Panel B: Reasons for No-Coordination**

**Why No Coordination?**

Legal Risks	22
Other Reasons	15

**Table 15****Assessment of Decision Making around Executive Compensation**

This table contains information on who should decide on the design and volume of executive stock option plans of firms in The Netherlands according to the view of institutional investors. Panel A contains this information for firms that have a one tier board structure and Panel B contains this information for firms that have a two tier board structure. The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire.

**Panel A: One Tier Board Structure**

<b>Who Should Decide?</b>	<b>Yes</b>	<b>In Percent</b>	<b>No</b>	<b>In Percent</b>
The shareholders at the AGM	51	54.26%	43	45.74%
The non executive board members	19	20.21%	75	79.79%
The non executive board members of the comp. comm.	27	28.72%	67	71.28%
The management	3	3.19%	91	96.81%

**Panel B: Two Tier Board Structure**

<b>Who Should Decide?</b>	<b>Yes</b>	<b>In Percent</b>	<b>No</b>	<b>In Percent</b>
The shareholders at the AGM	55	58.51%	39	41.49%
The supervisory board	25	26.60%	69	73.40%
The compensation committee of the superv. board	35	37.23%	59	62.77%
The management	4	4.26%	90	95.74%

**Table 16****Assessment of Executive Compensation in the US and in The Netherlands: What Kind of Changes are Necessary?**

This table contains information on how institutional investors think about the necessity to adjust CEO compensation in the US and in The Netherlands. The investors could respond to a set of pre-formulated statements by stating whether they think an adjustment is necessary or not. The table also contains p-values of paired two-sided t-tests comparing the mean answer to the question on CEO compensation in the US with the mean answer on CEO compensation in The Netherlands. Panel A contains information on all investors pooled while Panel B contains this information subdivided by investor type (hedge fund, insurance company, mutual fund, pension fund, other investors) and investor characteristics. The data source for this information are the returned questionnaires and FactSet/LionShares (investor characteristics). The full questions can be found in the attached questionnaire.

**Panel A: All Investors**

	US			NL			Diff Sign? p-value				
	No	In Percent	Yes	In Percent	Obs	No		In Percent	Yes	In Percent	Obs
Reduction of the overall level of CEO compensation	51	54.26%	43	45.74%	94	69	73.40%	25	26.60%	94	0.0003
Increase in the overall level of CEO	92	97.87%	2	2.13%	94	86	91.49%	8	8.51%	94	0.0135
More equity based compensation	68	72.34%	26	27.66%	94	45	47.87%	49	52.13%	94	0.0000
Less equity based compensation	83	88.30%	11	11.70%	94	86	91.49%	8	8.51%	94	0.2590
Reduction of the level of severance paym. when CEOs leave	40	42.55%	54	57.45%	94	42	44.68%	52	55.32%	94	0.6722
Caps on the size of CEO compensation	62	65.96%	32	34.04%	94	61	64.89%	33	35.11%	94	0.7648

**Panel B: By Investor Types**

Reduction of the overall level of CEO compensation	US			NL			Diff Sign? p-value				
	No	In Percent	Yes	In Percent	Obs	No		In Percent	Yes	In Percent	Obs
Hedge Fund	2	50.00%	2	50.00%	4	3	75.00%	1	25.00%	4	0.3910
Insurance Company	2	28.57%	5	71.43%	7	4	57.14%	3	42.86%	7	0.1723
Mutual Fund	34	56.67%	26	43.33%	60	45	75.00%	15	25.00%	60	0.0066
Pension Fund	4	66.67%	2	33.33%	6	3	50.00%	3	50.00%	6	0.3632
Other Investors	9	52.94%	8	47.06%	17	14	82.35%	3	17.65%	17	0.0201
Large Investor (>=Median)	19	47.50%	21	52.50%	40	27	67.50%	13	32.50%	40	0.0306
Small Investor (>Median)	19	52.78%	17	47.22%	36	28	77.78%	8	22.22%	36	0.0016
Large US Holdings (>=Median)	8	47.06%	9	52.94%	17	13	76.47%	4	23.53%	17	0.0201
Small US Holdings (<Median)	8	44.44%	10	55.56%	18	13	72.22%	5	27.78%	18	0.0204
Large NL Holdings (>=Median)	18	51.43%	17	48.57%	35	30	85.71%	5	14.29%	35	0.0006
Small NL Holdings (<Median)	19	50.00%	19	50.00%	38	23	60.53%	15	39.47%	38	0.1600

Long Horizon (Share Turnover>Median)	18	56.25%	14	43.75%	32	25	78.13%	7	21.88%	32	0.0325
Short Horizon (Share Turnover<=Median)	15	48.39%	16	51.61%	31	24	77.42%	7	22.58%	31	0.0015
Origins:											
The Netherlands (NL)	6	60.00%	4	40.00%	10	7	70.00%	3	30.00%	10	0.5911
UK	2	40.00%	3	60.00%	5	3	60.00%	2	40.00%	5	0.3739
US	3	42.86%	4	57.14%	7	5	71.43%	2	28.57%	7	0.1723
Germany (DE)	3	60.00%	2	40.00%	5	5	100.00%	0	0.00%	5	0.1778
France (FR)	2	40.00%	3	60.00%	5	2	40.00%	3	60.00%	5	1.0000
Luxembourg (LU)	12	52.17%	11	47.83%	23	20	86.96%	3	13.04%	23	0.0081
Other	23	58.97%	16	41.03%	39	27	69.23%	12	30.77%	39	0.1031

Increase in the overall level of CEO	US			NL			Diff Sign? p-value				
	No	In Percent	Yes	In Percent	Obs	No		In Percent	Yes	In Percent	Obs
Hedge Fund	4	100.00%	0	0.00%	4	3	75.00%	1	25.00%	4	0.3910
Insurance Company	7	100.00%	0	0.00%	7	7	100.00%	0	0.00%	7	-
Mutual Fund	59	98.33%	1	1.67%	60	54	90.00%	6	10.00%	60	0.0241
Pension Fund	6	100.00%	0	0.00%	6	6	100.00%	0	0.00%	6	-
Other Investors	16	94.12%	1	5.88%	17	16	94.12%	1	5.88%	17	-
Large Investor (>=Median)	39	97.50%	1	2.50%	40	34	85.00%	6	15.00%	40	0.0234
Small Investor (>Median)	36	100.00%	0	0.00%	36	35	97.22%	1	2.78%	36	0.3242
Large US Holdings (>=Median)	17	100.00%	0	0.00%	17	14	82.35%	3	17.65%	17	0.0826
Small US Holdings (<Median)	17	94.44%	1	5.56%	18	15	83.33%	3	16.67%	18	0.1631
Large NL Holdings (>=Median)	34	97.14%	1	2.86%	35	32	91.43%	3	8.57%	35	0.1603
Small NL Holdings (<Median)	38	100.00%	0	0.00%	38	35	92.11%	3	7.89%	38	0.0831
Long Horizon (Share Turnover>Median)	31	96.88%	1	3.13%	32	28	87.50%	4	12.50%	32	0.0831
Short Horizon (Share Turnover<=Median)	31	100.00%	0	0.00%	31	30	96.77%	1	3.23%	31	0.3253
Origins:											
The Netherlands (NL)	10	100.00%	0	0.00%	10	9	90.00%	1	10.00%	10	0.3434
UK	5	100.00%	0	0.00%	5	5	100.00%	0	0.00%	5	-
US	6	85.71%	1	14.29%	7	5	71.43%	2	28.57%	7	0.3559
Germany (DE)	5	100.00%	0	0.00%	5	5	100.00%	0	0.00%	5	-
France (FR)	5	100.00%	0	0.00%	5	4	80.00%	1	20.00%	5	0.3739
Luxembourg (LU)	23	100.00%	0	0.00%	23	22	95.65%	1	4.35%	23	0.3282
Other	38	97.44%	1	2.56%	39	36	92.31%	3	7.69%	39	0.1600

More equity based compensation	US					NL					Diff Sign? p-value
	No	In Percent	Yes	In Percent	Obs	No	In Percent	Yes	In Percent	Obs	
Hedge Fund	2	50.00%	2	50.00%	4	0	0.00%	4	100.00%	4	0.1817
Insurance Company	7	100.00%	0	0.00%	7	5	71.43%	2	28.57%	7	0.1723
Mutual Fund	45	75.00%	15	25.00%	60	28	46.67%	32	53.33%	60	0.0000
Pension Fund	3	50.00%	3	50.00%	6	2	33.33%	4	66.67%	6	0.3632
Other Investors	11	64.71%	6	35.29%	17	10	58.82%	7	41.18%	17	0.3322
Large Investor (>=Median)	29	72.50%	11	27.50%	40	16	40.00%	24	60.00%	40	0.0004
Small Investor (>Median)	24	66.67%	12	33.33%	36	17	47.22%	19	52.78%	36	0.0063
Large US Holdings (>=Median)	10	58.82%	7	41.18%	17	5	29.41%	12	70.59%	17	0.0201
Small US Holdings (<Median)	12	66.67%	6	33.33%	18	9	50.00%	9	50.00%	18	0.0827
Large NL Holdings (>=Median)	25	71.43%	10	28.57%	35	14	40.00%	21	60.00%	35	0.0004
Small NL Holdings (<Median)	26	68.42%	12	31.58%	38	18	47.37%	20	52.63%	38	0.0095
Long Horizon (Share Turnover>Median)	20	62.50%	12	37.50%	32	13	40.63%	19	59.38%	32	0.0171
Short Horizon (Share Turnover<=Median)	25	80.65%	6	19.35%	31	17	54.84%	14	45.16%	31	0.0030
Origins:											
The Netherlands (NL)	8	80.00%	2	20.00%	10	5	50.00%	5	50.00%	10	0.0811
UK	3	60.00%	2	40.00%	5	2	40.00%	3	60.00%	5	0.3739
US	3	42.86%	4	57.14%	7	1	14.29%	6	85.71%	7	0.1723
Germany (DE)	4	80.00%	1	20.00%	5	3	60.00%	2	40.00%	5	0.3739
France (FR)	5	100.00%	0	0.00%	5	3	60.00%	2	40.00%	5	0.1778
Luxembourg (LU)	16	69.57%	7	30.43%	23	8	34.78%	15	65.22%	23	0.0024
Other	29	74.36%	10	25.64%	39	23	58.97%	16	41.03%	39	0.0320

Less equity based compensation	US					NL					Diff Sign? p-value
	No	In Percent	Yes	In Percent	Obs	No	In Percent	Yes	In Percent	Obs	
Hedge Fund	4	100.00%	0	0.00%	4	4	100.00%	0	0.00%	4	-
Insurance Company	7	100.00%	0	0.00%	7	7	100.00%	0	0.00%	7	-
Mutual Fund	53	88.33%	7	11.67%	60	55	91.67%	5	8.33%	60	0.4188
Pension Fund	5	83.33%	1	16.67%	6	5	83.33%	1	16.67%	6	-
Other Investors	14	82.35%	3	17.65%	17	15	88.24%	2	11.76%	17	0.3322
Large Investor (>=Median)	35	87.50%	5	12.50%	40	37	92.50%	3	7.50%	40	0.4211
Small Investor (>Median)	33	91.67%	3	8.33%	36	33	91.67%	3	8.33%	36	-
Large US Holdings (>=Median)	15	88.24%	2	11.76%	17	17	100.00%	0	0.00%	17	0.1635
Small US Holdings (<Median)	15	83.33%	3	16.67%	18	16	88.89%	2	11.11%	18	0.3313
Large NL Holdings (>=Median)	32	91.43%	3	8.57%	35	32	91.43%	3	8.57%	35	1.0000

Small NL Holdings (<Median)	33	86.84%	5	13.16%	38	35	92.11%	3	7.89%	38	0.3238
Long Horizon (Share Turnover>Median)	28	87.50%	4	12.50%	32	28	87.50%	4	12.50%	32	1.0000
Short Horizon (Share Turnover<=Median)	28	90.32%	3	9.68%	31	29	93.55%	2	6.45%	31	0.3253
Origins:											
The Netherlands (NL)	10	100.00%	0	0.00%	10	9	90.00%	1	10.00%	10	0.3434
UK	5	100.00%	0	0.00%	5	5	100.00%	0	0.00%	5	-
US	5	71.43%	2	28.57%	7	6	85.71%	1	14.29%	7	0.3559
Germany (DE)	5	100.00%	0	0.00%	5	5	100.00%	0	0.00%	5	-
France (FR)	3	60.00%	2	40.00%	5	3	60.00%	2	40.00%	5	1.0000
Luxembourg (LU)	22	95.65%	1	4.35%	23	22	95.65%	1	4.35%	23	-
Other	33	84.62%	6	15.38%	39	36	92.31%	3	7.69%	39	0.0832

Reduction of the level of severance payments when CEOs leave	US		NL		Obs	No	In Percent	Yes	In Percent	Obs	Diff Sign? p-value
	No	In Percent	Yes	In Percent							
Hedge Fund	0	0.00%	4	100.00%	4	1	25.00%	3	75.00%	4	0.3910
Insurance Company	4	57.14%	3	42.86%	7	5	71.43%	2	28.57%	7	0.3559
Mutual Fund	27	45.00%	33	55.00%	60	26	43.33%	34	56.67%	60	0.8107
Pension Fund	2	33.33%	4	66.67%	6	1	16.67%	5	83.33%	6	0.3632
Other Investors	7	41.18%	10	58.82%	17	9	52.94%	8	47.06%	17	0.1635
Large Investor (>=Median)	15	37.50%	25	62.50%	40	18	45.00%	22	55.00%	40	0.4123
Small Investor (>Median)	14	38.89%	22	61.11%	36	15	41.67%	21	58.33%	36	0.7111
Large US Holdings (>=Median)	4	23.53%	13	76.47%	17	8	47.06%	9	52.94%	17	0.1037
Small US Holdings (<Median)	4	22.22%	14	77.78%	18	6	33.33%	12	66.67%	18	0.3313
Large NL Holdings (>=Median)	14	40.00%	21	60.00%	35	15	42.86%	20	57.14%	35	0.7678
Small NL Holdings (<Median)	15	39.47%	23	60.53%	38	17	44.74%	21	55.26%	38	0.4868
Long Horizon (Share Turnover>Median)	14	43.75%	18	56.25%	32	18	56.25%	14	43.75%	32	0.1606
Short Horizon (Share Turnover<=Median)	11	35.48%	20	64.52%	31	12	38.71%	19	61.29%	31	0.7120
Origins:											
The Netherlands (NL)	3	30.00%	7	70.00%	10	3	30.00%	7	70.00%	10	1.0000
UK	2	40.00%	3	60.00%	5	1	20.00%	4	80.00%	5	0.3739
US	0	0.00%	7	100.00%	7	3	42.86%	4	57.14%	7	0.0781
Germany (DE)	2	40.00%	3	60.00%	5	1	20.00%	4	80.00%	5	0.3739
France (FR)	3	60.00%	2	40.00%	5	3	60.00%	2	40.00%	5	-
Luxembourg (LU)	9	39.13%	14	60.87%	23	10	43.48%	13	56.52%	23	0.7469
Other	21	53.85%	18	46.15%	39	21	53.85%	18	46.15%	39	1.0000

Caps on the size of CEO compensation	US			NL			Diff Sign? p-value				
	No	In Percent	Yes	In Percent	Obs	No		In Percent	Yes	In Percent	Obs
Hedge Fund	3	75.00%	1	25.00%	4	3	75.00%	1	25.00%	4	-
Insurance Company	4	57.14%	3	42.86%	7	4	57.14%	3	42.86%	7	-
Mutual Fund	40	66.67%	20	33.33%	60	37	61.67%	23	38.33%	60	0.3214
Pension Fund	3	50.00%	3	50.00%	6	4	66.67%	2	33.33%	6	0.3632
Other Investors	12	70.59%	5	29.41%	17	13	76.47%	4	23.53%	17	0.3322
Large Investor (>=Median)	24	60.00%	16	40.00%	40	23	57.50%	17	42.50%	40	0.7435
Small Investor (>Median)	24	66.67%	12	33.33%	36	23	63.89%	13	36.11%	36	0.3242
											0.0000
Large US Holdings (>=Median)	13	76.47%	4	23.53%	17	13	76.47%	4	23.53%	17	1.0000
Small US Holdings (<Median)	9	100.00%	0	0.00%	9	9	100.00%	0	0.00%	9	-
Large NL Holdings (>=Median)	21	60.00%	14	40.00%	35	21	60.00%	14	40.00%	35	1.0000
Small NL Holdings (<Median)	25	65.79%	13	34.21%	38	23	60.53%	15	39.47%	38	0.3238
Long Horizon (Share Turnover>Median)	23	71.88%	9	28.13%	32	23	71.88%	9	28.13%	32	1.0000
Short Horizon (Share Turnover<=Median)	17	54.84%	14	45.16%	31	17	54.84%	14	45.16%	31	1.0000
Origins:											
The Netherlands (NL)	7	70.00%	3	30.00%	10	6	60.00%	4	40.00%	10	0.3434
UK	3	60.00%	2	40.00%	5	3	60.00%	2	40.00%	5	-
US	3	42.86%	4	57.14%	7	3	42.86%	4	57.14%	7	-
Germany (DE)	3	60.00%	2	40.00%	5	2	40.00%	3	60.00%	5	0.3739
France (FR)	5	100.00%	0	0.00%	5	4	80.00%	1	20.00%	5	0.3739
Luxembourg (LU)	15	65.22%	8	34.78%	23	15	65.22%	8	34.78%	23	1.0000
Other	26	66.67%	13	33.33%	39	28	71.79%	11	28.21%	39	0.3236

**Table 17**  
**Importance of Different Executive Stock Option Design Features**

This table contains information on how important institutional investors consider a wide set of design features of executive stock option plans from a shareholder's perspective. Responses were measured on a scale from 1 (not important at all) to 7 (very important). The table also contains the mean value, median value, and standard deviation (STD) of the responses as well as the number of available responses (Obs). The table further contains an ordering of the responses from the most important design feature (1) to the least important design feature (9). The data source for this information are the returned questionnaires.

Design Feature	Responses							Value			Obs	Order of Importance
	Not important at All	Un-important	More or Less Unimportant	Neutral	Somewhat Important	Important	Very Important	Mean	Median	STD		
	1	2	3	4	5	6	7					
Relative stock perf. benchmarks in the vesting cond.	5	3	2	17	16	34	7	4.98	5	1.53	84	5
Percent	6%	4%	2%	20%	19%	40%	8%					
Relative operating perf. benchmarks in the vesting cond.	1	2	2	9	12	47	12	5.56	6	1.19	84	3
Percent	1%	2%	2%	11%	14%	56%	14%					
Absolute stock perf. benchmarks in the vesting cond.	13	12	8	24	10	10	7	3.76	4	1.84	85	9
Percent	15%	14%	9%	28%	12%	12%	8%					
Absolute operating perf. benchmarks in the vesting cond.	5	5	4	17	15	28	10	4.86	5	1.64	84	7
Percent	6%	6%	5%	20%	18%	33%	12%					
Exercise prices that are in the money	12	13	4	28	9	9	8	3.82	5	1.84	83	8
Percent	14%	16%	5%	34%	11%	11%	10%					
Exercise prices that are out of the money	5	3	3	21	13	25	12	4.91	5	1.62	82	6
Percent	6%	4%	4%	26%	16%	30%	15%					
Long vesting periods (longer than two years)	2	1	1	8	13	39	19	5.67	6	1.26	83	2
Percent	2%	1%	1%	10%	16%	47%	23%					
Long time to maturities (longer than 7 years)	3	5	3	16	15	30	10	5.01	5	1.54	82	4
Percent	4%	6%	4%	20%	18%	37%	12%					
Discl. of the option charact. and the granted volume	0	0	1	7	3	33	39	6.23	6	0.95	83	1
Percent	0%	0%	1%	8%	4%	40%	47%					

**Table 18**  
**Mechanisms to Promote Effective Decision Making at AGM in the US and in The Netherlands**

This table documents how important different mechanisms and items are for effective shareholder decision making at the Annual General Meeting (AGM) according to institutional investors. Responses were measured on a scale from 1 (not important at all) to 7 (very important). The table also contains the mean value, median value, and standard deviation (STD) of the responses as well as the number of available responses (Obs). The table also contains an ordering of the responses from the most important mechanism (1) to the least important mechanism (7). Panel A reports responses for AGMs in the US and Panel B reports responses for AGMs in The Netherlands. The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire.

**Panel A: In the US**

Mechanism		Responses							Mean	Value		Obs	Order of Importance
		Not important at All 1	Un-important 2	More or Less Unimportant 3	Neutra l 4	Somewhat Important 5	Important 6	Very Important 7		Median	STD		
Electronic provision of documents for the AGM		0	2	0	15	8	22	13	5.45	6	1.27	60	2
	Percent	0.00	0.03	0.00	0.25	0.13	0.37	0.22					
Use of electronic voting systems		0	2	0	19	9	17	12	5.27	5	1.30	59	3
	Percent	0.00	0.03	0.00	0.32	0.15	0.29	0.20					
The company checks that the notification of the AGM and documents have been received by shareholders		1	6	1	25	8	12	5	4.53	4	1.44	58	7
	Percent	0.02	0.10	0.02	0.43	0.14	0.21	0.09					
Support for proxy voting		0	1	3	15	10	23	7	5.22	6	1.20	59	4
	Percent	0.00	0.02	0.05	0.25	0.17	0.39	0.12					
Appointment of a proxy voter		1	2	1	21	14	15	4	4.83	5	1.24	58	5
	Percent	0.02	0.03	0.02	0.36	0.24	0.26	0.07					
Opport. for shareh. and the board to exchange views via web		2	4	5	15	19	9	5	4.56	5	1.44	59	6
	Percent	0.03	0.07	0.08	0.25	0.32	0.15	0.08					
Increasing electronic means of communication		0	0	0	8	21	23	7	5.49	6	0.88	59	1
	Percent	0.00	0.00	0.00	0.14	0.36	0.39	0.12					

**Panel B: In The Netherlands**

Mechanism		Responses							Mean	Value		Obs	Order of Importance
		Not important at All 1	Un-important 2	More or Less Unimportant 3	Neutra l 4	Somewhat Important 5	Important 6	Very Important 7		Median	STD		
Electronic provision of documents for the AGM		0	2	0	13	16	26	16	5.53	6	1.18	73	2
	Percent	0.00	0.03	0.00	0.18	0.22	0.36	0.22					
Use of electronic voting systems		0	2	0	22	14	21	15	5.31	6	1.25	74	3
	Percent	0.00	0.03	0.00	0.30	0.19	0.28	0.20					
The company checks that the notification of the AGM and documents have been received by shareholders		1	10	4	28	13	12	5	4.34	4	1.45	73	7
	Percent	0.01	0.14	0.05	0.38	0.18	0.16	0.07					
Support for proxy voting		0	1	5	16	16	29	8	5.21	5	1.18	75	4
	Percent	0.00	0.01	0.07	0.21	0.21	0.39	0.11					
Appointment of a proxy voter		2	3	5	25	16	17	6	4.69	5	1.37	74	5
	Percent	0.03	0.04	0.07	0.34	0.22	0.23	0.08					
Opport. for shareh. and the board to exchange views via web		2	7	7	18	22	13	6	4.52	5	1.47	75	6
	Percent	0.03	0.09	0.09	0.24	0.29	0.17	0.08					
Increasing electronic means of communication		0	0	0	10	25	25	15	5.60	6	0.96	75	1
	Percent	0.00	0.00	0.00	0.13	0.33	0.33	0.20					

**Table 19**  
**Assessment of Shareholder Consultation in the US and The Netherlands**

This table contains information on how institutional investors think about shareholder consultation by companies in the US (Panel A) and in The Netherlands (Panel B). The responses are measured on a scale from 1 (strongly disagree) to 7 (strongly agree). The table also contains the mean value, median value, and standard deviation (STD) of the responses as well as the number of available responses (Obs). The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire.

**Panel A: In the US**

Mechanism	Responses							Mean	Value Median	STD	Obs
	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree				
Shareh. are provided with adequate info. on the agenda of the AGM	2	2	5	13	12	20	2	4.77	5	1.40	56
Percent	0.04	0.04	0.09	0.23	0.21	0.36	0.04				
Shareholders are given sufficient time to ask questions in writing prior to the AGM	0	2	10	15	12	17	0	4.57	5	1.20	56
Percent	0.00	0.04	0.18	0.27	0.21	0.30	0.00				
Individual shareh. are adeq. consulted with prior to major changes in corp. policy	6	11	11	15	9	4	0	3.39	3.5	1.44	56
Percent	0.11	0.20	0.20	0.27	0.16	0.07	0.00				
Related party transactions are fully discussed with adequate info. at the AGM	1	9	9	19	9	8	1	3.96	4	1.37	56
Percent	0.02	0.16	0.16	0.34	0.16	0.14	0.02				
Shareholders are provided with sufficient time to ask questions at the AGM	1	6	7	20	9	11	2	4.27	4	1.39	56
Percent	0.02	0.11	0.13	0.36	0.16	0.20	0.04				

**Panel B: In The Netherlands**

Mechanism	Responses							Mean	Value Median	STD	Obs
	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree				
Shareh. are provided with adequate info. on the agenda of the AGM	2	3	10	15	17	26	1	4.68	5	1.37	74
Percent	0.03	0.04	0.14	0.20	0.23	0.35	0.01				
Shareholders are given sufficient time to ask questions in writing prior to the AGM	0	4	12	18	17	22	1	4.59	5	1.26	74
Percent	0.00	0.05	0.16	0.24	0.23	0.30	0.01				
Individual shareh. are adeq. consulted with prior to major changes in corp. policy	6	17	10	20	12	7	0	3.50	4	1.47	72
Percent	0.08	0.24	0.14	0.28	0.17	0.10	0.00				
Related party transactions are fully discussed with adequate info. at the AGM	2	14	15	22	8	11	2	3.82	4	1.47	74
Percent	0.03	0.19	0.20	0.30	0.11	0.15	0.03				
Shareholders are provided with sufficient time to ask questions at the AGM	2	4	10	21	13	17	6	4.56	4	1.47	73
Percent	0.03	0.05	0.14	0.29	0.18	0.23	0.08				

**Table 20**  
**Preparation of AGMs in the US and in The Netherlands**

This table tabulates information on the measures taken by institutional investors to prepare for the annual general meeting (AGM) of a company. Panel A provides this information for AGMs of firms in the US while Panel B provides this information for AGMs of companies in The Netherlands. The data source for this information are the returned questionnaires. The full questions can be found in the attached questionnaire.

**Panel A: In the US**

**Summary Statistics**

	Responses	Percent	Responses	Percent	
Prepare your own point of view in relation to agenda of the company	59	65.56%	31	34.44%	90
Contact other institutional investors	85	94.44%	5	5.56%	90
Contact the Executive Board of the company	84	93.33%	6	6.67%	90
Get legal advice	86	95.56%	4	4.44%	90
Decide to vote in concert with other institutional investors	79	87.78%	11	12.22%	90
Make use of an external proxy voting advisor	67	74.44%	23	25.56%	90

**Correlations**

	(1)	(2)	(3)	(4)	(5)	(6)
Prepare your own point of view in relation to agenda of the company (1)	1.00					
Contact other institutional investors (2)	0.33	1.00				
Contact the Executive Board of the company (3)	0.28	0.32	1.00			
Get legal advice (4)	0.30	0.42	0.81	1.00		
Decide to vote in concert with other institutional investors (5)	-0.06	0.21	0.31	0.25	1.00	
Make use of an external proxy voting advisor (6)	0.22	0.08	0.05	0.00	0.09	1.00

**Panel B: In The Netherlands**

**Summary Statistics**

	No		Yes		Obs
	Responses	Percent	Responses	Percent	
Prepare your own point of view in relation to agenda of the company	41	45.56%	49	54.44%	90
Contact other institutional investors	78	86.67%	12	13.33%	90
Contact the Executive Board of the company	79	87.78%	11	12.22%	90
Get legal advice	86	95.56%	4	4.44%	90
Decide to vote in concert with other institutional investors	77	85.56%	13	14.44%	90
Make use of an external proxy voting advisor	56	62.22%	34	37.78%	90

**Correlations**

	(1)	(2)	(3)	(4)	(5)	(6)
Prepare your own point of view in relation to agenda of the company (1)	1.00					
Contact other institutional investors (2)	0.29	1.00				
Contact the Executive Board of the company (3)	0.21	0.15	1.00			
Get legal advice (4)	0.20	0.23	0.58	1.00		
Decide to vote in concert with other institutional investors (5)	0.00	0.21	0.33	0.22	1.00	
Make use of an external proxy voting advisor (6)	0.25	0.17	0.13	-0.06	0.07	1.00

**Table A1**  
**Evaluation of Non-Response Bias**

Panel A of this table compares descriptive statistics of the institutional investors that returned our questionnaires with all other institutional investors in the FactSet/LionShares data base. It contains information on the Assets Under Management of the investors (measured in 1000 USD), on the fraction of all assets of the investors that are invested in firms listed in The Netherlands (in %), on the fraction of all assets that are invested in firms listed in the US (in %), on the Share Turnover of the investors (measured as the value of all buy and sell transaction divided by the market value of the portfolio), on the number of individual funds that each investor operates to invest its money, and on the Portfolio Betas of the investors. Portfolio Betas are measured as the market-value weighted Beta of the institution's portfolio. The Beta of an individual stock is a measurement of the sensitivity of a company's stock price to the overall fluctuation in the Standard & Poor's 500. The Beta is calculated for a 5-year time period. The table contains means, medians, standard deviations (STD), minimums, and maximums of the respective variables. It also contains the number of available observations (Obs). The table also contains p-values of t-tests comparing the mean values of a variable for the respondents with the mean values of the non-respondents. Panel B compares the national origins of the respondents and the non-respondents. The data source for the variables is FactSet/Lion Shares. The number of observations varies due to limited data availability in FactSet/LionShares.

**Panel A: Investor Characteristics**

Characteristic	Respondents				Non-Respondents				Diff Sign? p-value
	Mean	Median	STD	Obs	Mean	Median	STD	Obs	
Assets under Mgmt (in 1000 USD)	1,140,000	153,000	4,860,000	95	2,030,000	256,000	9,910,000	3730	0.1982
Fraction of Assets invested in NL (in %)	11.53%	7.83%	16.98%	90	4.44%	2.91%	6.46%	3730	0.0000
Fraction of Assets invested in US (in%)	18.79%	0.11%	21.44%	40	37.79%	29.23%	32.87%	2257	0.0009
Share Turnover	0.27	0.23	0.17	79	0.28	0.23	0.35	3730	0.8085
Number of Funds	1.47	1.00	0.75	79	3.31	1.00	12.00	3730	0.3464
Beta	0.36	0.20	0.38	94	0.45	0.28	0.47	3731	0.0000

**Panel B: National Origins**

	Respondents		Non-Respondents	
	Number	Percent	Number	Percent
The Netherlands (NL)	11	11.34%	61	1.81%
UK	8	8.25%	462	13.71%
US	8	8.25%	969	28.75%
Germany (DE)	6	6.19%	228	6.76%
France (FR)	8	8.25%	300	8.90%
Luxembourg (LU)	27	27.84%	600	17.80%
Others	29	29.90%	751	22.28%
Total	97	100.00%	3371	100.00%

# ACLE/Rematch Investor Appreciation Survey

## Final questionnaire

*Confidential-Please do not circulate*

### Introduction

Thank you very much for participating in this survey.

*Here should come some text from the Monitoring Committee about the purpose and content of the survey.*

- The optimal screen resolution for viewing this questionnaire is 1280 by 1024 pixels.
- If you have problems in completing the survey please do not hesitate to contact [Mireille Molenbroek](#).
- Your answers will be treated in the strictest confidence and total anonymity is guaranteed.
- During the survey, please do not use your browser's FORWARD and BACK buttons. Instead, use the buttons below to move backward and forward through the survey.
- Use the link in the e-mail message when you wish to continue responding to the survey after a pause. Do not bookmark the survey page!

As a token of our appreciation for your co-operation you can apply for a complimentary copy of one of the following books:

- The Age of Turbulence: Adventures in a New World by Alan Greenspan
- Pay without Performance: The Unfulfilled Promise of Executive Compensation by Lucian Bebchuk and Jesse Fried
- Corporate Governance (2nd Edition) by Kenneth A. Kim and John R. Nofsinger

We would like to make use of all provided answers. In case you unexpectedly did not fill in the questionnaire completely, we will make use of the answers you already handed over to us. We assume that you have no objection to this, in case you have, please tick the box below.

- I do not want my answers to be processed if I have not completed the survey entirely.

In this survey we use a 7 point scale. There are two different types of questions in which this scale is used. Below both scales are written down, in the explanation of the specific question only the extremes of the scale are written down.

- |                             |                      |
|-----------------------------|----------------------|
| 1. not important at all     | 1. strongly disagree |
| 2. unimportant              | 2. disagree          |
| 3. more or less unimportant | 3. somewhat disagree |
| 4. neutral                  | 4. neutral           |
| 5. somewhat important       | 5. somewhat agree    |
| 6. important                | 6. agree             |
| 7. very important           | 7. strongly agree    |

### Part A: general information regarding institution/fund

*This part of the questionnaire contains some general questions about the fund/institution you work for.*

A1 You work for a fund/institution which can be best described as:

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> hedge fund        | <input type="checkbox"/> pension fund        | <input type="checkbox"/> endowment, charity   |
| <input type="checkbox"/> insurance company | <input type="checkbox"/> private equity fund | <input type="checkbox"/> other, namely: _____ |
| <input type="checkbox"/> mutual fund       |  |   |

A2.a Do you make use of an external proxy voting advisor (like ISS or Glass Lewis) when determining how to vote in a Dutch annual general meeting?

- |  |  |                                |
|--|--|--------------------------------|
| <input type="checkbox"/> always                      | <input type="checkbox"/> that depends on the agenda item   | <input type="checkbox"/> never |
| <input type="checkbox"/> that depends on the company | <input type="checkbox"/> that depends on the circumstances |                                |

*In case the answer of question A2.a is not 'never'.*

A2.b In what manner do you use the external proxy voting advisor?

- I always follow their advice blindly (full proxy)  
 I use their advice to determine my own position  
 In case I have (some) doubts about my own position, the advice of the external proxy voting advisor is binding for me  
 other, namely: \_\_\_\_\_

A3 Which part of your shares portfolio (in percentages) do you intend to invest for:

**US (standard)**

- \_\_\_\_\_ short term (less than 120 days)  
\_\_\_\_\_ medium term (between 120 days and two years)  
\_\_\_\_\_ long term (more than two years)

**The Netherlands**

- \_\_\_\_\_ short term (less than 120 days)  
\_\_\_\_\_ medium term (between 120 days and two years)  
\_\_\_\_\_ long term (more than two years)

A4 Which part of your shares portfolio (in percentages) is the result of a positive investment decision (active, satellite) and which part is the result of diversification (passive, core)?

- \_\_\_\_\_ positive investment (active, satellite)  
\_\_\_\_\_ diversification (passive, core)

## Part B: your perception of shareholder participation and corporate governance in the Netherlands

*In part B questions are asked about your perception of the internal and external mechanisms in the Netherlands and the preparation for the AGM.*

B1 How important do you consider the following corporate governance and control devices when taking investment decisions in the Netherlands? (Scale from 1 not important at all to 7 very important)

**Internal mechanisms**

*Issues related to Anti-takeover devices*

- \_\_\_\_\_ poison pills  
\_\_\_\_\_ golden parachutes  
\_\_\_\_\_ supermajority provisions  
\_\_\_\_\_ prohibition of greenmail payments  
\_\_\_\_\_ target share placements

*Supervisory Board and Committee Independence Issues*

- \_\_\_\_\_ supervisory board independence (majority of independent directors)  
\_\_\_\_\_ small supervisory board size  
\_\_\_\_\_ limitations on director terms  
\_\_\_\_\_ possibility to nominate directors  
\_\_\_\_\_ director attendance at meetings

*Executive Compensation Issues*

- \_\_\_\_\_ use of equity-based compensation  
\_\_\_\_\_ equity ownership by executives

**External mechanisms**

*Voting Issues*

- \_\_\_\_\_ confidential voting  
\_\_\_\_\_ multiple voting shares  
\_\_\_\_\_ supermajority voting requirements  
\_\_\_\_\_ right to call special shareholder meetings  
\_\_\_\_\_ preferred shares  
\_\_\_\_\_ share certificates  
\_\_\_\_\_ priority shares

*Ownership and Capital Structure Issues*

- \_\_\_\_\_ ownership concentration  
\_\_\_\_\_ large holdings of institutional investors  
\_\_\_\_\_ cross-shareholdings  
\_\_\_\_\_ transparency about the holdings of large shareholders  
\_\_\_\_\_ shareholder agreements  
\_\_\_\_\_ high free float  
\_\_\_\_\_ high leverage

B1.a How important is the corporate governance structure in your decision making process for estimating the likelihood of a possible takeover bid? (Scale from 1 not important at all to 7 very important)

\_\_\_\_\_

*In case the answer of question B1.a is 6 or higher:*

B1.b What kind of aspect of the corporate governance structure would increase the likelihood?

\_\_\_\_\_  
\_\_\_\_\_

B2 What would be your preference with respect to the board structure?

- one tier board (executive and non-executives directors)       no preference  
 two tier board (management and supervisory board)

B3 Do you agree with the following statements? (Scale from 1 strongly disagree to 7 strongly agree)

**US (standard)**

- \_\_\_\_\_ minority shareholders interests are adequately protected
- \_\_\_\_\_ it is easy for shareholders to exercise their rights in the companies they invest
- \_\_\_\_\_ the public information provided by companies is sufficient for shareholders to make significant decisions
- \_\_\_\_\_ the appropriate legal measures are in place to allow shareholders to influence the general strategy of the company in which I invest

**The Netherlands**

- \_\_\_\_\_ minority shareholders interests are adequately protected
- \_\_\_\_\_ it is easy for shareholders to exercise their rights in the companies they invest
- \_\_\_\_\_ the public information provided by companies is sufficient for shareholders to make significant decisions
- \_\_\_\_\_ the appropriate legal measures are in place to allow shareholders to influence the general strategy of the company in which I invest

**Part C: Corrective Actions**

Shareholders in recent years have become considerably more willing to take corrective actions in relation to the companies in which they own shares. Part C contains questions about this subject.

C1 What kind of corrective actions are you prepared to take on behalf of your investments?

- |   |   |
|---|---|
| <input type="checkbox"/> none                               | <input type="checkbox"/> discussions with executive board members                   |
| <input type="checkbox"/> selling shares held in the company | <input type="checkbox"/> contacting the supervisory board to seek management change |
| <input type="checkbox"/> voting against at AGM              | <input type="checkbox"/> publicly criticizing executive board members               |
| <input type="checkbox"/> critical speeches at the AGM       | <input type="checkbox"/> disclosure of voting (against) at AGM                      |
| <input type="checkbox"/> proposals at the AGM               | <input type="checkbox"/> use of lawsuits against managers                           |

C2.a How important are the following events for potentially triggering a corrective action? (Scale from 1 not important at all to 7 very important)

US (standard)	NL	
_____	_____	poor accounting performance (e.g. missing of pre-set EBIT or sales figures)
_____	_____	poor stock price performance (absolute performance)
_____	_____	poor stock price performance relative to peers
_____	_____	excessive compensation packages
_____	_____	low payments to shareholders despite high cash holdings
_____	_____	suboptimal capital structure
_____	_____	poor corporate strategy (e.g. firm is too diversified)
_____	_____	rights issues
_____	_____	significant asset sales
_____	_____	planned acquisitions
_____	_____	goals & strategy

In case the importance of question C2.a with respect to 'Goals & strategy' is 6 or higher:

C2.b I will contact the Executive Board of a company when I consider one of the following criteria of the goals & strategy insufficient:

**US (standard)**

- ambition
- credibility

- clarity
- execution

**The Netherlands**

- ambition
- credibility
- clarity
- execution

C3.a Would you consider coordinating such a corrective action with other investors?

- yes
- no

In case the answer of question C3.a is 'no'.

C3.b What is the reason for not coordinating your actions with other investors?

- legal risks (acting in concert)
- other reason: \_\_\_\_\_

## Part D: Executive Compensation

Part D deals with the executive compensation in the Netherlands, compared to the US.

D1 Do you think that CEO compensation should be adjusted in some of the following ways?

### US (standard)

- reduction of the overall level of CEO compensation
- increase in the overall level of CEO
- more equity based compensation
- less equity based compensation
- reduction of the level of severance payments when CEOs leave
- caps on the size of CEO compensation

### The Netherlands

- reduction of the overall level of CEO compensation
- increase in the overall level of CEO
- more equity based compensation
- less equity based compensation
- reduction of the level of severance payments when CEOs leave
- caps on the size of CEO compensation

D2 Who should in your view decide on the design and volume of executive stock option plans of firms in the Netherlands?

### one tier Board

- the shareholders at the AGM
- the non executive board members
- the non executive board members of the compensation committee
- the management

### two tier Board

- the shareholders at the AGM
- the supervisory board
- the compensation committee of the supervisory board
- the management

D3 How important do you consider the following incentives of executive stock options plans for the design of stock option plans from a shareholder's perspective? (Scale from 1 not important at all to 7 very important)

- \_\_\_\_\_ relative stock performance benchmarks (like TSR) in the vesting conditions
- \_\_\_\_\_ relative operating performance benchmarks in the vesting conditions
- \_\_\_\_\_ absolute stock performance benchmarks (like TSR) in the vesting conditions
- \_\_\_\_\_ absolute operating performance benchmarks in the vesting conditions
- \_\_\_\_\_ exercise prices that are in the money
- \_\_\_\_\_ exercise prices that are out of the money
- \_\_\_\_\_ long vesting period periods (longer than two years)
- \_\_\_\_\_ long time to maturities (longer than seven years)
- \_\_\_\_\_ disclosure of the option characteristics and the granted volume

## Part E: voting behavior and decision making in the AGM

The final part of the questionnaire contains questions about your voting behavior in the Annual General Meeting in the Netherlands compared to the US and decision making in the Annual General Meeting in both countries.

(In case the answer to question A.2b is 'I always follow their advice blindly (full proxy)', the questions below are skipped)

E1 How important are the following items in terms of promoting effective shareholder decision making in the AGM? (Scale from 1 not important at all to 7 very important)

### US (standard)

- \_\_\_\_\_ electronic provision of documents for the AGM
- \_\_\_\_\_ use of electronic voting systems
- \_\_\_\_\_ the company checks that the notification of the AGM and documents have been received by shareholders
- \_\_\_\_\_ support for proxy voting
- \_\_\_\_\_ appointment of a proxy voter
- \_\_\_\_\_ opportunity for shareholders and the board to exchange views via web boards
- \_\_\_\_\_ increasing electronic means of communication (e.g. web cast of AGM)
- \_\_\_\_\_ other, namely: \_\_\_\_\_

### The Netherlands

- \_\_\_\_\_ electronic provision of documents for the AGM
- \_\_\_\_\_ use of electronic voting systems
- \_\_\_\_\_ the company checks that the notification of the AGM and documents have been received by shareholders
- \_\_\_\_\_ support for proxy voting
- \_\_\_\_\_ appointment of a proxy voter
- \_\_\_\_\_ opportunity for shareholders and the board to exchange views via web boards
- \_\_\_\_\_ increasing electronic means of communication (e.g. web cast of AGM)
- \_\_\_\_\_ other, namely: \_\_\_\_\_

E2 Do you agree with the following statements regarding consultation of shareholders? (Scale from 1 strongly disagree to 7 strongly agree)

**US (standard)**

- \_\_\_\_\_ shareholders are provided with adequate information on the agenda of the AGM
- \_\_\_\_\_ shareholders are given sufficient time to ask questions in writing prior to the AGM
- \_\_\_\_\_ individual shareholders are adequately consulted with prior to major changes in corporate policy
- \_\_\_\_\_ related party transactions are fully discussed with adequate information at the AGM
- \_\_\_\_\_ shareholders are provided with sufficient time to ask questions at the AGM
- \_\_\_\_\_ other, namely: \_\_\_\_\_

**The Netherlands**

- \_\_\_\_\_ shareholders are provided with adequate information on the agenda of the AGM
- \_\_\_\_\_ shareholders are given sufficient time to ask questions in writing prior to the AGM
- \_\_\_\_\_ individual shareholders are adequately consulted with prior to major changes in corporate policy
- \_\_\_\_\_ related party transactions are fully discussed with adequate information at the AGM
- \_\_\_\_\_ shareholders are provided with sufficient time to ask questions at the AGM
- \_\_\_\_\_ other, namely: \_\_\_\_\_

E3 Prior to an annual general shareholder meeting of a company, do you:

**US (standard)**

- prepare your own point of view in relation to agenda of the company
- contact other institutional investors
- have meetings with other institutional investors
- contact the Executive Board of the company
- get legal advice
- decide to vote in concert with other institutional investors
- make use of an external proxy voting advisor

**The Netherlands**

- prepare your own point of view in relation to agenda of the company
- contact other institutional investors
- have meetings with other institutional investors
- contact the Executive Board of the company
- get legal advice
- decide to vote in concert with other institutional investors
- make use of an external proxy voting advisor