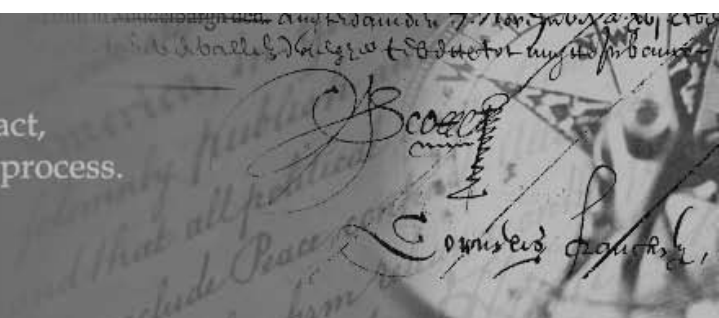


The Governance Platform







Newsletter n°5 - Second Half 2010

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

The background of the bottom section features a faded, grayscale image of a handwritten document. The text is cursive and includes phrases such as "primary Public", "and that all parties", "include Peace", and "him". A prominent signature, possibly "Boer", is visible in the center-right of the document.

Activity Report 2010

The Governance Platform has established an ongoing dialogue with 17 European blue chip companies, of which 7 are listed on the AEX.

	Aegon N.V., Akzo Nobel N.V., Koninklijke KPN N.V., Reed Elsevier plc/N.V., Royal Dutch Shell plc/N.V., TNT N.V., Unilever plc/N.V.
	Alstom, Total
	Nestlé, UBS
	Bayer, Daimler, Siemens
	Enel
	Telefonica

Furthermore, in accordance with the proposal made by the Investor Circle in May 2010, Carrefour was added to the list. Contact with the company was made and engagement will begin shortly.

Extension of engagement from “G” to “ESG”

At the proposal of the Board, the Governance Platform decided to broaden the scope of its involvement from an exclusive focus on corporate governance issues to a full ESG (Environment, Social & Governance) approach from 2008 on. After drawing up an inventory of all the policy instruments in this area, the Investor Circle decided to start with a selection of five companies to monitor also on this aspect: Alstom, Bayer, Daimler, Nestlé and Total.

This means that full attention is now systematically paid to all aspects of corporate social responsibility for each of these companies. For the other companies, the focus will remain on governance issues in the broad sense of the term for the time being.

However, where current developments make it essential to do so, some of the E&S points of interest may also be raised in the dialogue with the other companies.

The E&S approach is based on a preliminary examination of publicly available information

about the attitudes and behaviour displayed by the company in question in this connection (and is thus not confined to the information supplied by the company itself).

The themes examined in this connection include violations of human rights, child labour, corruption, discrimination, emissions of harmful substances, breaches of competition and/or anti-trust legislation, the impact of activities on local communities and so on.







































The Platform starts by considering the quality of the information (or the lack of it) provided by the company (in some cases in the form of an annual report such as a sustainability report).

The Platform then analyses the way in which corporate social responsibility is taken into account by the company in (1) its internal management structure (including reporting and monitoring), (2) its activities and/or investment decisions, and (3) relations with the different stakeholders (investors, suppliers, customers, employees, partners in joint investments or projects, local authorities, etc.).

Overview of engagement for the period between January 2010 and December 2010

The overview that follows sets out the actual activities undertaken in connection with the Platform's involvement with each company during the full year 2010. The diagram indicates that there is a plan of approach with a number of objectives for each of the selected listed companies. Each plan of approach is, of course, updated on a continuous basis. With most of the companies, the Platform's involvement takes the form of one or more meetings, usually with members of the Board/Top of management. In a number of cases, the personal visit has been complemented by written correspondence in which additional questions were raised, points of view confirmed or enquiries made about progress achieved on specific issues.

The following activity report relates to involvement up to and including 31th December 2010.

	Action plan Update	Discussion	Letter / Other communication
Aegon			
Akzo-Nobel			
Alstom			
Bayer			
Carrefour			
Daimler			
Enel			
KPN			
Nestlé			
Reed Elsevier			
Shell			
Siemens			
Telefonica			
TNT			
Total			
UBS			
Unilever			

Commitment points covered

The involvement agenda with each company is defined by the Investor Circle, which consists of senior managers from all participants. The agenda is based on current issues or long-term points of interest, and these naturally vary from one company to another. The table below indicates the topics covered per company:

	Strategy Results Communication	Cash/debt management M&A policy	Board Composition Organisation	Chairman CEO	Shareholder rights	Remuneration	Dividend shares buybacks	Takeover Defences	Corporate social responsibility
Aegon	●		●		●	●		●	
Akzo Nobel	●	●	●	●		●			
Alstom	●		●	●		●	●		●
Bayer	●		●	●	●	●			●
Carrefour	●	●	●	●	●	●	●		
Daimler	●		●		●	●			●
Enel	●	●	●		●	●	●		
KPN	●		●	●		●			
Nestlé	●	●	●	●	●	●	●		●
Reed Elsevier	●	●	●	●	●	●			
Siemens	●		●			●			
Shell	●					●			
Telefonica	●		●	●	●	●	●		
TNT	●	●	●			●	●	●	
Total	●		●		●				●
UBS	●		●		●	●			
Unilever	●	●				●	●	●	



The following table shows the percentage of selected companies with whom the Governance Platform raised issues covered as part of the Governance Platform engagement in 2010 compared to last year:

	2009	2010
Number of companies in the Engagement list	19 companies	17 companies
Strategy Results Communication	94.7 %	94.1 %
Cash/Debt Management M&A policy	36.8 %	41.2 %
Boards Composition Organisation	78.9 %	82.4 %
Chairman CEO	42.1 %	41.2 %
Shareholders rights	26.3 %	58.8 %
Remuneration	84.2 %	88.2 %
Dividend Shares buybacks	42.1 %	41.2 %
Takeover Defenses	21.1 %	17.6 %
Corporate Social Responsibility	21.1 %	29.4 %

Engagement results and achievements during the period between July 2010 and December 2010

While the Governance Platform publishes the list of companies with which it is in dialogue, it usually does not disclose the contents of the dialogue to third parties except where it is part of the Action Plan or communicated by the company itself. Consequently, the following provides to a large extent an update on engagement with companies without necessarily mentioning the identity of the companies. There are however some exceptions.

1. Delisting of the preference shares of Unilever N.V.

The Governance Platform has been in discussion with Unilever about (the delisting of) the preference shares and the future of the depositary receipts since the Annual General Meeting of April 2009. In September 2010, The Governance Platform discussed the current situation which is still difficult to alter, at Unilever.

To prevent that the holders of the preference shares can dominate the Annual General Meeting with their voting right of circa 30%,

(while these preference shares only represent 0,4% of the total share capital), the Foundation Unilever Trust Office (“the Foundation”) certificated the ordinary shares. By certification of the ordinary shares, the voting rights remain with the Foundation, instead of being scattered over all of the individual shareholders. With this construction the Foundation is better able to prevent absenteeism on the Annual General Meeting and subsequent dominance of the holders of preference shares at those meetings. At the 2009 Annual General Meeting, Unilever has announced its willingness to reduce the disproportional voting rights as a result of the preference shares. During this meeting, chairman Michael Treschow, Unilever’s Non-Executive Director, expressed Unilever’s intention to abolish the certification of the shares as soon as possible.

Finally, after one year, Unilever presented some specific steps at the 2010 AGM. The Annual General Meeting approved the resolutions to attract through a public bid the preference shares (of which the majority is held by ING Group, Aegon and ASR Nederland) against repayment of the face value the 4%-, as well as the public bid of the 6%- and 7% of the preference shares.

If the ‘big three’ will not accept the public bid, it would be hard to take over the preference shares with a value of more than 90%. The Governance Platform asked Unilever what is being undertaken to end the deadlock that followed the public bid. The withdrawal of the 4%- preference shares, including the reimbursement has been finalized in August of 2010. The public bid concerning the 6% and 7% preference shares still needs to be executed. Unilever is in touch with the holders of the preference shares on a frequent basis, but unfortunately only in their role as Unilever’s ordinary share holders. In relation to the preference shares situation, Unilever has not yet discussed the public bid with these parties, being the three main holders of preference shares. The Governance platform requested Unilever to be more proactive in this matter.

The Governance platform is interested in the expectations of Unilever regarding possible outcomes of their public bid; to what extent will the expansion, and especially the withdrawal of the preference shares in case of such a public bid, influence the stock price? According to Unilever the economic impact of a public bid on the preference shares is hard to predict. One reason is that the time horizon for a public bid cannot be determined. This is also the case for the possible end to the supposed Dutch Discount related to certification. Another reason for influencing the stock price is that investors outside The Netherlands seem to experience difficulty understanding the preference shares situation.

And what about the holders of the remaining 10% of the preference shares? Unilever has no specific plans to press the holders of the remaining of the 10% preference shares into action. The focus of their attention is the three main holders of preference shares.

The Platform asked Unilever about alternatives for the public bid. According to Unilever the public bid leaves much to be desired and for this reason they had a lot of “smart people” working

on any possible alternatives. Unilever aspires to take careful decisions on this matter but is not really optimistic about any alternatives.

The Governance Platform advocates the “one share-one vote”-philosophy. Although it is not the company that has to be pressed into action, it is via the company that the holders of the preference shares should be pressed into action. We suggested to Unilever to stay focused on the reluctance of the preference shareholders to cooperate and to keep communicating proactively with its shareholders. More details on any development should for instance be provided every quarter or half year. The Governance Platform insists Unilever to be proactive on this matter.

2. Discussion on the organization of the Board with Nestlé and Alstom

The Governance Platform has continued to be attentive to the organization of the Board of the companies in which it engaged. It is believed that the efficiency of the Board structure depends on how the Board is composed and organized. In addition, the choice of the chairman/president also deserves careful attention.

In 2010, the Platform pursued its constructive dialogue with Nestlé and, as far as the organization of the Board is concerned, especially focused the discussion on the role of the Chairman’s and Corporate Governance Committee.

Following a meeting held in July 2010, the Platform addressed a letter to the company in October 2010 with additional questions in order to receive more information as to how the Corporate Governance Committee actually functions and interacts with the Board of directors. We also insisted on the need to have a clear allocation of tasks and responsibilities between the special committees and the Board.

Nestlé answered that the considerations raised

by the Governance Platform will be included in the relevant committees of the Board and that it will provide us with a feedback from these discussions.

In June 2010, the Governance Platform also had a specific discussion with Alstom regarding the decision to have the positions of Chairman and CEO held by the same person. In order to reiterate the position of the Platform which is strongly opposed to the combination of Chairman-CEO a letter was sent to the company. The Governance Platform also proposed some alternatives.

As a response to this letter, Alstom explained that some of our suggestions are currently examined by the company (notably concerning the combination Chairman-CEO).

The evolution of our dialogue with Nestlé and Alstom emphasized the contribution of our constructive engagement with those companies.

3. Engagement with other companies

Regarding the **composition of the Board**, another strategic point is the availability of the members. The Platform monitors how the companies take into account the availability of its members. The purpose of this issue is to be sure that the members can provide enough reassurance as to their commitment to effectively fulfill their duties as directors. This issue was especially raised with Alstom and UBS.

The Governance Platform is still attentive to the **succession planning of the Chairman and/or CEO**. Considering the importance of those functions, a succession planning must always be carefully prepared. The Platform therefore stresses the importance of having a well-prepared and transparent procedure to deal with this issue (KPN and Reed Elsevier).

The Platform also continues to look into whether the companies have adopted an

efficient **remuneration policy** in line with the shareholders interests (Nestlé, UBS, Unilever, Alstom, Akzo Nobel and Reed Elsevier). The Platform still encourages companies to ensure the transparency of the implementation of this remuneration policy.

As far as the implication of the shareholders is concerned, the “say on pay” (prior shareholder approval) is often highlighted. In this context, the Governance Platform does not have a common stance and rather has a pragmatic approach taking into account the legal environment of each company.

The Governance Platform continues to push for greater transparency about the **use of cash** and **shareholder return**.

The use of cash is linked to the company’s strategy. In order to be properly informed about such strategy and how the company is generating and using its cash, the Governance Platform questions the companies’ cash management (Nestlé and Unilever). The Platform, for instance, asks for as much visibility on the company’s acquisition policy as possible.

The redistribution of cash to shareholders also remains a strategic point in our dialogue with companies (UBS, Nestlé). As far as the methods for redistributing this cash is concerned, the Platform does not have any preference. The Platform usually supports the most efficient solution that is consistent with the objective to create long-term shareholder value.

As far as the **shareholders rights** are concerned, the Governance Platform still encourages the companies to facilitate the participation of the shareholders at the Annual General Meeting. The members of the Platform are for instance very much in favor of a record date (in order to avoid the share blocking) as it is the case for most European blue chip companies (UBS). In addition, the Platform also looks into whether the companies promote dialogue with their

shareholders “beyond the Annual General Meeting” (Reed Elsevier).

Corporate social responsibility and the way in which it is taken into account by the company is also an important issue for the members of the Governance Platform. This is why, during its discussions with companies (Alstom and Nestlé), the Platform is interested in understanding how specific issues are dealt with and encourages the companies to be as transparent as possible on sustainability issues not only with respect to the group’s strategy and its investments but also with respect to the day-to-day management.

What is The Governance Platform?

The Governance Platform was established in 2005 and is a cooperation of a number of leading (in terms of size and professionalism) pension funds, assets managers and other professional parties operating in the market for investing in securities listed on the stock exchange. In the Governance Platform they combine their strengths and act jointly as a recognisable, powerful, expert discussion partner for listed companies.

By taking part in the Governance Platform, the aim of these institutional investors is to conduct an active corporate governance and socially responsible investment policy in a structured, ongoing and high-quality manner. For them, this represents a practical and efficient way of interpreting the Code on Corporate Governance, as well as effective and engaged stewardship in the broad sense.

Mission and operation of the Governance Platform

The Governance Platform has a clear mission: to promote the quality of corporate governance in listed companies by way of constructive, ongoing dialogue. To an increasing degree, account is also being taken of expectations in the area of corporate social responsibility and

socially responsible investing. In this way, the participants in the Governance Platform are able to enhance the long-term risk/return ratio of their investments in these listed companies.

Investing responsibly involves far more than just voting at shareholder meetings. Regular consultation with the company and the early discussion of acute issues can enhance shareholder value and reduce risk.

Various topics are dealt with in face-to-face discussions: strategy, dividend policy, communication with shareholders, the composition of the Board, management remuneration, shareholder involvement, protective structures, environmental policy, social policy, sustainable development, etc.

Being in dialogue does not just mean asking for explanations. The Governance Platform is a sounding Board that offers advice and makes practical proposals.

The list of companies is drawn up annually by the participants. Prior to the dialogue taking place, an engagement plan with the essential points of interest identified is approved by the participants on the basis of in-depth research.

Engagement plans, updates and meeting reports are discussed and assessed regularly in the Investor Circle, which is made up of all participants, while governance policy in the broad sense and the major priorities for involvement are defined by the Supervisory Board.

The work carried out by the Supervisory Board and the Investor Circle is prepared by the Board of the Governance Platform, which is also responsible for implementing the engagement plans. Management, organisation and involvement activities are outsourced by the Governance Platform to the Deminor consultancy. Consequently, the Board consists of people linked to Deminor (Charles Demoulin and Bernard Thuysbaert).

Members

- APG Investments
- Blue sky Group
- Pensioenfonds Grafische Bedrijven
- MN Services Vermogensbeheer
- Pensioenfonds Vervoer
- Pensioenfonds Metaal & Techniek
- Robeco
- SNS Asset Management
- TKP (on behalf of the KPN and TNT pension funds)

Contact:

The Governance Platform Foundation

p/a Deminor Nederland BV
Atrium Building
Strawinskylaan 3051
1077 ZX Amsterdam

Boards of Directors

Charles Demoulin
Bernard Thuysbaert

Spokesman (media):

Bernard Thuysbaert

Research and Engagement team

Stéphanie Kervyn (Deminor International, Brussels): stephanie.kervyn@deminor.com
Joost Kramer (Deminor Netherlands, Amsterdam): joost.kramer@deminor.com
Frances Kuijs (Deminor Netherlands, Amsterdam): frances.kuijs@deminor.com

Secretariat

p/a Deminor Nederland B.V.

Tel +31 (0) 20 3012 340

Fax +31 (0) 20 3012 344