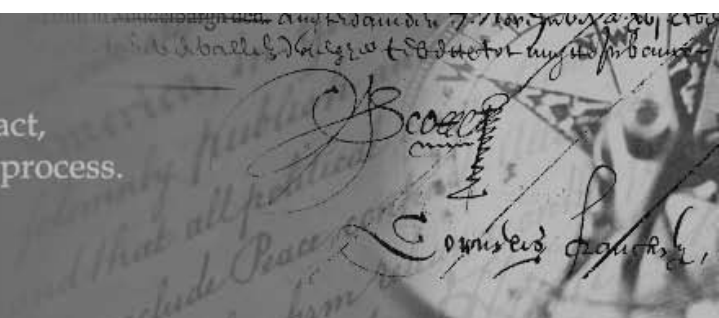


The Governance Platform






Newsletter n°6 - First Half 2011

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 partially legible, with words like 'Public', 'Peace', and 'Consider' visible. A prominent signature, possibly 'Boer', is written in the center-right of the document.

Activity Report First Half 2011

The Governance Platform has established an ongoing dialogue with 14 European blue chip companies, of which 5 are listed on the AEX.

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

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.

In 2011, the Board decided to apply part of the ESG approach to all companies that are or will be engaged.

For all companies attention is now paid to the how and when they report on issues concerning ESG. Full attention is paid to all aspects of corporate social responsibility for the above mentioned five companies.

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 2011 and June 2011

The overview that follows sets out the actual activities undertaken in connection with the Platform's involvement with each company during the first six months of 2011. 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 30th June 2011.

	Action plan Update	Discussion	Letter / Other communication
Aegon			
Alstom			
Bayer			
Carrefour			
Daimler			
Enel			
KPN			
Nestlé			
Reed Elsevier			
Shell			
Siemens			
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	●		●		●	●		●	●
Alstom	●		●	●		●	●		●
Bayer	●		●	●	●	●			●
Carrefour	●	●	●	●	●	●	●		
Daimler	●		●		●	●			●
Enel	●	●	●		●	●	●		
KPN	●		●	●	●	●			●
Nestlé	●	●	●	●	●	●	●		●
Reed Elsevier	●	●	●	●		●			●
Shell	●					●			
Siemens	●					●			
Total	●		●		●	●			●
UBS	●		●		●	●			
Unilever	●	●	●			●	●	●	●



Engagement results and achievements during the period between January 2011 and June 2011

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. New Policy Statement 2011

The Governance Platform decided to update and replace its Engagement Policy which was initially adopted in 2008. This Policy Statement was approved by the members of the Governance Platform in June 2011 and outlines the main issues which the Governance Platform considers as priorities while being in dialogue with a company.

The Policy Statement reflects the pan-European dimension of the Governance Platform, taking into account the legal and corporate governance environment of each company.

In accordance with the decision of the Investor Circle, the Policy Statement is not publicly disclosed because it includes the know-how and expertise of the members representatives in the Investor Circle.

2. Decision to remove Carrefour from the engagement list

Carrefour was selected by the Governance Platform in 2010 and was added on its engagement list. Between September 2010 and April 2011, the Platform initiated many attempts to contact the Chairman of the company.

The Governance Platform was interested in having a discussion and exchange of views with Carrefour on several issues such as the company's strategy and its corporate governance structure (e.g. influence of the major shareholders).

Considering the lack of attention and the fact that several months later the Platform still had no reaction to its request, its members informed Carrefour that they have decided to end their engagement with the company.

The Governance Platform considers Carrefour's attitude as a very bad signal towards its shareholders. This raises concerns and additional questions regarding the way Carrefour interacts with its shareholders.

Carrefour is therefore not any longer part of the list of engagement companies of the Governance Platform. In accordance with the proposal made by the Investor Circle in April 2011, a new company, Lagardère, was added to the list. Engagement with that company should begin shortly.

3. AEGON completes repayment of the capital injection to the Dutch State in June

The Governance Platform has been in discussion with AEGON about the implications of the transaction with the Dutch State (capital injection of EUR 3 billion through Vereniging Aegon) since 2009. In several meetings, conference calls and letters between AEGON and The Governance Platform, the repayment and choice of the structure and implications for the existing shareholders were questions the Platform wanted to explain by AEGON.

During the financial crisis in 2008, AEGON was one of several companies in the Dutch financial sector to which the Dutch State provided capital support. The Dutch state secured EUR 3 billion

in core capital. In exchange for its capital support, the Dutch government received ‘*convertible core capital securities*’ (‘securities’).

One of the issues The Governance Platform discussed at AEGON was the delegation of power to issue shares and to exclude pre-emptive rights. The Governance Platform stated it was not the purpose to question the merits of the decision to launch EUR 1 billion equity issue. Such decision falls within the responsibility of the Executive Board (under the supervision of the Supervisory Board) duly authorized by the shareholders’ meeting. Nevertheless The Governance Platform believes that when an equity issue leads to the dilution of existing shareholders, it is necessary to provide shareholders with sufficient information both at the time of the delegation and when the delegated authority is being used. We understand that the Board wants to have enough flexibility while using such delegated authority to increase the share capital and that it is rather difficult to provide an exhaustive list of all possible uses of such authority. Still it might be useful to provide more detailed information as possible, including on the method(s) used to determine the issue price, when shareholders are asked to approve a proposal to delegate the power to issue shares.

The Governance Platform had a constructive and open dialogue during the meetings with AEGON and was content AEGON completed the final repayment on June 15 this year. In this month AEGON repurchased the remaining EUR 750 million of securities held by the Dutch State. AEGON paid a totally amount of EUR 4,1 billion at the Dutch state, includes the total interest and premium paid by AEGON amounted of EUR 1.1 billion.

AEGON’s repayment was accomplished progressively¹:

- November 30, 2009: EUR 1 billion in core capital, plus premium of 108 EUR million,
- August 30, 2010: EUR 500 million in core capital, plus premium of 52 EUR million,

- March 15, 2011: EUR 750 million in core capital, plus premium of 375 EUR million,
- June 15, 2011: EUR 750 million in core capital, plus premium of 375 EUR million.

Recently The Governance Platform raised a question about the impact of the repayment of the core capital. The Governance Platform wonders what the impact of the repayment would be on governance level, specifically the contract of Mr Wynaends and his waiver with respect to its exceptional position in the Code. The Governance Platform refers to AEGON’s Corporate Governance Statement, which states:

“AEGON is committed to applying this best practice provision to all new Executive Board appointments. In accordance with the capital transaction concluded with the Dutch State on December 1, 2008, the more favorable severance payment arrangements in CEO Alex Wynaends’ employment agreement have been waived and exit arrangements limited to a maximum of one year’s fixed salary. As a result, AEGON is currently in full compliance with this provision. Details of Executive Board members’ employment contracts may be found on AEGON’s corporate website.”

The company complies to II.2.8. of the Corporate Governance Code, nevertheless the question is whether AEGON’s Corporate Governance Statement will undergo an amendment after the repayment. AEGON’s representatives couldn’t say whether a change would occur. The Governance Platform would like to know whether the shareholders would be involved. According to AEGON it is hard to respond in this phase, because the repayment of the core capital was not yet completed. Now AEGON completes repayment to the Dutch State The Governance Platform will monitor AEGON on this subject.

¹www.aegon.com/home/media/features/2011

4. Engagement with other companies

As far as **the composition of the Board** is concerned, the Governance Platform still suggested to companies (Alstom and Total) to set a profile for the entire Board of Directors. The purpose is to provide the shareholders with a clear view on the competences, experiences, etc. that are required within the Board. This is also useful when a company proposes new candidates in order to verify that the candidates have the right profile.

The Platform also insisted to have more information on the candidate in case of re-election. The Board should explain why this person had been selected based on a profile for the board members and for the Board as a whole. Investors usually do not have the time to search at the information when they have to vote a reappointment.

Regarding the functions of Chairman and/or CEO, the Governance Platform still encouraged companies to anticipate the **succession planning of the Chairman and/or CEO**.

In April 2011, the Platform addressed a letter to Bayer, which could have to appoint a new Chairman in 2012, in order to express its concerns about “Bayer’s tradition” to appoint a former CEO as Chairman of the Board. According to the new German law (*VorstAG*), a former executive cannot become immediately a member of the Supervisory Board. The law introduced a cooling-off period of two years except if shareholders representing 25% of the share capital approve the appointment. The Governance Platform however believes that legal requirements do not necessarily correspond to best practices but should rather be considered as a minimum that companies should not hesitate to do more that they are legally required to do.

The Governance Platform was also attentive to the **combination of the roles of Chairman and CEO**. During its discussions with Total

and Alstom, the Platform was mainly interested to monitor if internal reflexions occurred since the last meetings during which it made some suggestions in order to counterbalance the influence of the Chairman/CEO (a.o. appointment of a Lead Independent Director). According to the Governance Platform, in case of combination of both roles, shareholders need to have a contact person within the Board who will play the role of a facilitator outside the Board room especially on contentious issues.

An efficient remuneration policy remains a top priority for the Governance Platform which continues to monitor how the best practices are taken into account by the companies (Alstom, Bayer, Total).

As a matter of principle, the Platform recommends to companies to adopt an appropriate balance between fixed and variable (performance related) remuneration. It also focuses on the criteria used to measure performance/to determine the variable part of the remuneration. The Governance Platform encourages the use of criteria such as Total Shareholder Return (evolution of the share price and dividend yield) because this is perhaps the best way to identify the value creation and to compare the performance of the company with the performance of its peers.

The Platform was therefore very delighted to note that Alstom decided to introduce the TSR criteria for the attribution of stock options as recommended during our last meeting and in our exchanges of letters in 2010.

The evolution of our dialogue with Alstom on this issue emphasized the contribution of our constructive engagement with the company. The Governance Platform also encourages KPN to present a finished (modified) remuneration policy **before** presenting it at the AGM.

The Governance Platform has continued to be attentive to the remuneration policy of the executive board member.

As far as the shareholders rights and the shareholders communication are concerned the Governance Platform has been invited for future round table meetings to advice and discuss about subjects as remuneration policy or corporate social responsibility policy of the company (KPN and Unilever).

As mentioned above, the Governance Platform now systematically paid attention to the how and when the companies report on issues concerning Corporate social responsibility.

In April 2011, a letter was sent to Bayer in order to understand how the “*precautionary principle*” was concretely applied in some specific cases and in order to ask for more transparency on the outcomes of the assessments conducted by the company. The answers provided by Bayer to our letter were very detailed and comprehensive (Bayer gave a lot of illustrations). Our dialogue with Bayer on this issue should continue in the future.

In September 2010, Alstom decided to create a new Board committee in charge of Ethics, Compliance and Sustainability (ECS Committee). As provided in the Policy Statement 2011, the Governance Platform believes that companies should have an appropriate CSR management structure. During its meeting with Alstom (held in June 2011) the Governance Platform therefore asked for more information about the composition and the functioning of the ECS Committee. The precise role of this new committee will be monitored by the Platform in the future.

The Governance Platform **decided to end the engagement** of the companies TNT and AkzoNobel. The Governance Platform is of the opinion engagement of both of the companies is not sufficient enough to obtain enough results, comparing to the engagement of other (potential) companies. The Governance Platform ended the engagement in March this year. Both companies have been engaged since 2005.

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 voor de Grafische Bedrijven
- Mn Services Vermogensbeheer
- Pensioenfonds Vervoer
- Pensioenfonds Metaal & Techniek
- Robeco
- SNS Asset Management
- TKP (on behalf of the KPN and TNT pension funds)

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