

## **DRAFT CODE OF TABAKSBLAT COMMITTEE STRENGTHENS POSITION OF SHAREHOLDERS AND SUPERVISORY DIRECTORS**

**The Hague, 1 July 2003. – A new code for corporate governance must help to restore trust and confidence in the honesty, integrity and transparency of the conduct of business within listed companies. The draft code currently proposed by the Tabaksblat Committee aims to strengthen the structure of checks and balances in Dutch listed companies, whilst clearly defining both the powers and responsibilities of the various bodies within the company and related undertakings as well as those of the external auditor. These measures are also designed to ensure timely, complete and accurate external financial reporting.**

This was said by Mr Morris Tabaksblat on Tuesday at the presentation of the draft code drawn up by the Corporate Governance Committee under his chairmanship. Interested parties are invited to respond to the draft by no later than 5 September after which the committee will adopt its definite proposal for a code. The new code is to become effective on 1 January 2004.

The committee notes that the Dutch system for the separation of management and supervision is good in principle, but simultaneously observes that gaps have arisen in the balance between the various bodies of the company. For this reason, the committee has acted to strengthen the position of the shareholders and the supervisory board. To give the new code for corporate governance teeth, the committee proposes to lay down by law that companies which fail to adhere to certain aspects of the code must state their reasons for this non-compliance in their annual report (the “comply or explain” principle). “Self-regulation, as we see it, is not non-committal”, says Tabaksblat.

Some of the important recommendations show that the remuneration of Management Board members must be made more transparent. The general meeting of shareholders must approve the remuneration report that is included in the annual report. The number of Supervisory Board memberships that an individual may hold will be limited to five. The options awarded to Management Board members must be conditional and only become unconditional once the Management Board members have satisfied pre-determined performance criteria. Depositary receipts may no longer be used for anti-takeover purposes. The developments inside and outside companies are taking place so rapidly that the committee recommends the regular review and modification of the code.

The draft code contains detailed recommendations in relation to:

- the Management Board;
- the Supervisory Board;
- the General Meeting of Shareholders;
- the auditing of the financial reporting and the external auditor;
- disclosure, compliance and enforcement of the code itself.

Below a number of important recommendations are given for each subject.

### Management Board

- A Management Board member is appointed for a maximum period of four years, which can be renewed for successive periods of four years at maximum. To this end, the committee advises that Management Board members should no longer have employee status.
- A Management Board member holds no more than two Supervisory Board memberships in listed companies or other major legal persons. A Management Board member is not the chairman of the Supervisory Board of another listed company or other major legal persons.
- The Management Board is responsible for managing the risks linked to the company's objectives and for drawing up the strategy to achieve those objectives.
- The Management Board reports annually on the functioning of the internal risk management and control systems, including significant changes and planned improvements in these.
- Options are awarded conditionally to Management Board members. These only become unconditional once the Management Board members have fulfilled pre-determined performance criteria.
- Shares obtained from a share plan must be at least held until the termination of employment at the company.
- The term of options is limited to a maximum of seven years.
- Apart from shares held in his or her own company, a Management Board member exclusively invests in listed investment funds or transfers the discretionary management of his portfolio to an independent third party.
- The maximum compensation on dismissal is one year's salary, irrespective of the duration of employment.
- The level of pre-arranged compensation on dismissal is disclosed in the annual report.

### Supervisory Board

- Each Supervisory Board member must be capable of assessing the general outlines of the overall policy. In addition, each Supervisory Board member must have the specific expertise required for the fulfilment of his or her task that forms part of the role assigned to him or her within the framework of the Supervisory Board profile.
- All Supervisory Board members must actively seek to obtain sufficient information in order to form a sound and well-informed opinion.
- Upon their appointment all Supervisory Board members follow an introduction programme which in any event devotes attention to general financial and legal affairs, any specific aspects that are unique to the company in question and the responsibilities of a Supervisory Board member. The Supervisory Board conducts an annual review to identify any aspects in relation to which the Supervisory Board members require further training or education during their period of appointment.
- The number of Supervisory Board memberships that an individual may hold is limited to five, with a chairmanship post counting double.
- A Supervisory Board member may be appointed to the Supervisory Board for a maximum of three four-year terms.
- The Supervisory Board must prepare an annual remuneration report containing extensive information on the Management Board remuneration policy. This report is submitted for approval to the shareholders' meeting.
- The Supervisory Board will act as the permanent point of contact for the external auditor.

- The chairmanship of the audit committee is not fulfilled by the chairman of the Supervisory Board, nor by a former Management Board member of the company.
- The same applies to the remuneration committee, with the additional exclusion of any Supervisory Board member who is a Management Board member at another listed company.
- Both the chairman of the Supervisory Board and the full Supervisory Board are supported by the secretary of the company. The company secretary is appointed and dismissed by the Supervisory Board on the proposal of the Management Board.
- The code contains detailed provisions for the activities of the various Supervisory Board committees.

### Shareholders

- It will be easier for shareholders to dismiss underperforming Management Board and Supervisory Board members and to reject nominations for appointments as Management Board or Supervisory Board members.
- Depositary receipts may not be used as an anti-takeover measure. The trust office must issue voting proxies without restriction upon request. The Board of the trust office enjoys the trust and confidence of the depositary receipt holders.
- Decisions about important acquisitions or divestitures are subject to the approval of the shareholders' meeting.
- The profit retention/dividend policy is placed on the agenda of the annual meeting and changes in this policy are put to the meeting.
- Institutional investors annually publish their policy on the exercise of voting rights arising from shares held in listed companies and will disclose, on request, how they voted in concrete cases.
- All companies must enable their shareholders to vote as well as obtain proxies and instructions at a distance.
- Once the legal framework is in place, shareholders must be provided with electronic facilities for remote voting via websites.
- Shareholders must have access to the shareholders' meeting via webcast.

### Financial reporting

- The Management Board is responsible for the quality and completeness of publicly disclosed financial reports.
- The Supervisory Board supervises the monitoring of the internal procedures for the preparation and publication of all financial reports.
- The auditor can be asked questions at the shareholders' meeting about the accuracy and fairness of the financial statements.
- The auditor attends the meetings of the audit committee and the Supervisory Board in which decisions are made about the periodic external financial reporting.
- The code lays down instructions for the content of the external auditor's report to the Management Board and the Supervisory Board.

### Disclosure, compliance and enforcement

- The Management Board and the Supervisory Board are responsible for the corporate governance structure of the company and the compliance with the corporate governance code.

The draft code was unanimously adopted by the committee comprising experts from the worlds of business, science and accountancy as well as institutional investors, private shareholders and stock exchange representatives. The full draft code can be found on the committee's website.

Anyone who wishes to respond to the code can do so until 5 September 2003. These reactions can be sent to:

The secretary of the Corporate Governance Committee  
c/o P.O. Box 20201  
2500 EE The Hague  
e-mail: [r.abma@minfin.nl](mailto:r.abma@minfin.nl)

Unless objections are raised, the committee will place reactions received by electronic mail on the website. ([www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl)).

The Corporate Governance Committee has the following composition:

Morris Tabaksblat (Chairman)  
Rients Abma (Secretary)  
Marco Knubben (Deputy Secretary)  
Frederik van Beuningen  
Jaap Glasz  
Gilles Izeboud  
Jan Kalff  
Peter de Koning  
George Möller  
Rob Pieterse  
Peter Paul de Vries  
Arie Westerlaken  
Jaap Winter

- - - - -

Note for the editor:

Media contacts are conducted via  
T.P.M. Gordijn, Unilever Press Office Tel.: 010 – 2174844  
e-mail: [press-office.rotterdam@unilever.com](mailto:press-office.rotterdam@unilever.com)