



FAO: Management and Supervisory Boards

The Hague, 3 december 2018

Ref: PK/2017041

Re: VEB key points in 2019

Dear Management and Supervisory Board Members,

The VEB aims to ensure that the dialogue between the management and supervisory boards and company shareholders is both clear and meaningful.

Spearheads

In the run-up to the 2019 General Meeting, the Dutch Investors' Association [*Vereniging van Effectenbezitters*] ("VEB") would like to draw your attention to a number of themes which will be the focus of the VEB's special attention during the upcoming year.

For 2019, the VEB has formulated spearheads, which have been addressed earlier, in the annual "spearheads letter". Over the past years, the provision of information about the points mentioned in that letter has undeniably improved, but - in the VEB's opinion - the extent to which transparency has increased is still too marginal and not supported widely enough.

Therefore, we would ask your attention for the points listed below.

- I. Long-term value creation: value drivers
- II. Segment reporting
- III. Disruptive trends

I. Long-term value creation

For investors, high returns on invested capital are and will be the basis for long-term value creation. The crucial question in relation to such long-term value creation is what return Management believes it will be able to achieve on the funds invested (return on invested capital, "ROIC") and to what extent that return will suffice to make up for the cost of capital throughout the economic cycle. Profitable years must yield sufficient returns to (amply) compensate for lesser years.



The VEB is aware of trends in the political and economic playing fields that tend to broaden value creation in respect of all stakeholders. We firmly believe that value creation, resulting from the ROIC being higher than the WACC, is a precondition for being able to - continue to - safeguard the interests of all stakeholders in the long term. The weighing-up undertaken by policymakers within companies in relation to various stakeholders is, hence, the most effectively expressed in the said ROIC.

Therefore, as part of reporting, a company's financial and economic value-creating capacity should be extensively, specifically and effectively explained. This is to include detailed information regarding value-driving factors, a proper clarification of alternative capital allocations (e.g. dividend), as well as transparency regarding the relationship between long-term value creation and the remuneration policy.

II. Segment reporting

To be able to evaluate a company's performance, generic information alone will not suffice. To better enable shareholders to assess a company's opportunities and risks, the provision of information at division level is to improve considerably at numerous companies. This could include information on the market position, segment strategy, capital allocation, capital requirement, cost of capital and returns achieved by the various different segments of a company. The VEB encourages listed companies to follow the example set by a number of prominent AEX companies in this area, and to considerably improve the provision of information at division level.

III. Disruptive trends

Technological, economic and social trends have a major impact on current business and revenue models, resulting in new models. For shareholders, it is of eminent importance to be able to take note of how executive and non-executive directors anticipate the new reality.

This may, for instance, concern the likelihood and potential impact of such changes on the company's strategy, revenue model and financial position. Finally, an explanation of how the risks are mitigated is important.

The VEB trusts that the Annual Report will be transparent and is looking forward to a fruitful discussion during the General Meeting.

Yours faithfully,
Dutch Investors' Association

P.M. Koster, managing director