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Corporate Structures

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Main features of the revised Corporate Governance Code

The below is a summary of the main features of the revised Code. The full text and additional information on the Code can be found on the Corporate Governance Code Commission's website: www.commissiecorporategovernance.nl/information-in-english

Emphasizing long-term value creation

- The management board must prepare and implement a vision and strategy on long-term value creation, taking into account relevant stakeholder interests.
- The management board must include a substantive description of this vision and strategy, and the contributions in the previous financial year to accomplish it, in the management report to the annual accounts.
- The supervisory board must be engaged early on in defining this strategy and is responsible for monitoring its implementation. It must account for this involvement in the supervisory board report.

Incorporating culture explicitly into corporate governance

- The management board is responsible for giving content to the meaning of "culture", focusing on long-term value creation.
- The management board must implement a code of conduct, in accordance with the company's vision and strategy on long-term value creation, and propagate the company's values by leading by example.
- The management report must set out the company's values and compliance with the code of conduct.

Strengthening risk management

- The management board is responsible for identifying and managing the risks associated with the company's strategy and activities.
- The management board must also monitor and report on the operation of internal risk management and control systems.
- The monitoring should cover all material control measures relating to strategic, operational, compliance and reporting risks.
- The management board must confirm, among other things, that the management report includes material risks and uncertainties relevant to the company's continuity in the coming year.

Promoting diversity

- The supervisory board must draw up a diversity policy for its own composition and the composition of the management board and the executive committee.
- The policy should include concrete targets relating to diversity within the company, such as nationality, age, gender and education and work background.
- If the targets are not achieved, an explanation must be provided setting out contemplated measures and a set timeframe to achieve the targets.

Making more room to appoint shareholders as supervisory board members

- Holders of 10% or more of the company's shares or their representatives may be appointed as supervisory board members.
- More than one of these may be "dependent" supervisory board members, provided the majority of the supervisory board consists of independent members.

Shortening the appointment terms for supervisory board members

- A supervisory board member is appointed for a period of four years and may then be reappointed once for another four-year period.
- After this, reappointment is possible for a maximum of two additional two-year periods, but must be justified in the supervisory board report.

Introducing rules for executive committees

- If a company has an executive committee, the management board's expertise and responsibilities must be safeguarded.
- The supervisory board should be informed adequately and must supervise the dynamics and relationship between the management board and the executive committee.
- In the management report, the management board must account for:
    - the choice of working with an executive committee;
    - the role and composition of the executive committee; and
    - the manner in which the executive committee and the supervisory board interact and communicate.

Simplifying the remuneration provisions

- The remuneration policy must be clear and comprehensible, focus on long-term value creation and take into account the internal pay ratios.
- When determining a management board member's remuneration, the supervisory board must take the member's own view into consideration.
- Severance pay may not exceed one year's salary.
- The remuneration of supervisory board members should promote the adequate performance of their role and may not be dependent on the company's results.

Clarifying the rules for one-tier governance structures

- The independence requirements for supervisory board members apply in full to non-executive directors on a one-tier board.
- The majority of the board must be made up of non-executive directors.
- The management board’s chairperson may not be an executive director or former executive director.
- The non-executive directors must report on the supervision they have exercised in each financial year.

Tightening the “comply or explain” principle

- In the management report or on its website, the company must state the extent to which it complies with the principles and best practices in the Code.
- The company must also state why and to what extent it deviates from the provisions of the Code.
- If a departure from the Code continues for more than one financial year, the company must indicate when it intends compliance to be resumed.
- The company must describe any alternative measures taken to ensure good corporate governance.
- The management board and the supervisory board must account for compliance with the Code in the general meeting.