



NL financial investments

UNOFFICIAL TRANSLATION – DUTCH VERSION PREVAILS
Management Report 2018

unofficial translation

1. Introduction

NLFI is a foundation under the law of the Netherlands (stichting) operating as a trust with its registered office in the Municipality of The Hague. The full registered name is the Trust Office Foundation for the Management of Financial Institutions (stichting administratiekantoor beheer financiële instellingen). NLFI is a foundation with a statutory mandate, established to safeguard a transparent separation of interests, a credible exit strategy and commercial non-political governance of the holdings of the State of the Netherlands in a number of financial institutions.

Throughout 2018, NLFI managed State Holdings in the companies ABN AMRO Group NV, Volksholding BV (formally SNS Holding BV) and RFS Holdings BV.

NLFI

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2. NLFI activities in 2018

2.1. *General*

The purpose of NLFI is stated in Article 3 of NLFI's articles of association. This provision begins as follows:

3.1. *The objectives of the foundation are:*

(a)

(i) to issue convertible share certificates in exchange for acquiring and holding in trust in its own name shares in the companies which until then have been held by the State of the Netherlands;

(ii) to manage shares in the companies held in trust;

(iii) to exercise all rights attached to the shares, including voting rights;

(b)

(i) to advise the Minister on the strategy for the sale of shares by the State;

(ii) to execute on behalf of the State the strategy referred to in part 'b' under (i) and, to the extent authorised, to perform activities with a view to managing assets related to the shares and with a view to selling the shares";

(c)

(i) to assist the Minister in his contacts with the European Commission or national regulators concerning the management and sale of the shares;

(ii) to perform all transactions associated with the object described in this Article, deriving therefrom or conducive thereto.

3.2. In exercising the rights attached to the shares, the foundation will be guided primarily by the financial and economic interests of the holder of the certificates for shares issued by the foundation, taking into account the interests of the company, related undertakings and all the employees concerned. This entails, inter alia, that the corporation will ensure that the companies pursue a responsible corporate strategy in line with sound commercial business operations and the applicable rules of good corporate governance.

The foundation shall exercise the rights associated with the shares in such a manner that the companies can independently determine their commercial strategies and undertake daily operations without there being any question of coordination of commercial policy among the companies and no exchange of competition-sensitive information.

NLFI's engagement with the holdings can be described as similar to that of an involved shareholder comparable to an institutional investor that respects the roles of the Management and Supervisory Boards as defined in the articles of association. As a shareholder of a number of financial institutions, NLFI wishes to promote sustainable and accountable business practices. For this reason, NLFI has devoted the required attention to ensure corporate governance functions properly. To supplement the NLFI articles of association, NLFI has concluded further agreements with the various invested companies concerning the manner in which the stipulations contained in the articles shall be implemented.

In 2018 NLFI undertook specific measures regarding the various holdings as part of its task to advise the Minister on the sales strategy. The most important activities for NLFI in 2018 are briefly discussed below.

¹ Decree of the Minister of Finance dated 9 December 2015 (Staatscourant (Government Gazette) 2015, 46524).

2.2. ABN AMRO Bank NV

2.2.1 Shares

NLFI has trusteeship of ordinary shares in the capital of ABN AMRO. In exchange, NLFI has provided the State with certificates for the same nominal value. In 2018, NLFI held an interest of approximately 56.3% in ABN AMRO, of which approximately 49.9% was held directly in ordinary shares, and approximately 6.4% was held indirectly by means of certificates.

2.2.2 Performance of duties and policy pursued

NLFI discussed various topics with ABN AMRO Management and Supervisory Boards:

- financial results of the bank;
- composition of Management and Supervisory Boards;
- strategy and financial objectives.

Furthermore, the NLFI Board held the annual evaluation meeting for 2018 with the Chairman of the Supervisory Board, as well as a meeting with the Chairman of the Executive Board. The function of Management and Supervisory Boards over the previous year was also individually and collectively evaluated.

NLFI also consulted with the Board of Stichting Administratiekantoor continuïteit ABN AMRO.

A final dividend for 2017 amounting to EUR 423 million was received in June 2018. An interim dividend for 2018 amounting to EUR 343.1 million was received in September 2018.

The dividends continued to be paid to NLFI (after withholding of dividend tax), which in turn pays them to the State, the certificate holder.

2.2.3 Activities

Meetings with the Supervisory and Executive Boards of ABN AMRO and their Chairpersons took place on a regular basis in 2018. Such meetings constitute the means of implementing a meaningful dialogue between shareholder and the company. Talks were also held on an ad hoc basis with members of the Supervisory Board, Executive Board and management of ABN AMRO. A regular component was the discussion of quarterly figures within a few weeks following their publication by ABN AMRO (so-called road shows). Furthermore, NLFI conducted an evaluation of the Supervisory Board. Many topics were discussed during this consultation, including strategy, risk management, FPOs, governance and sustainability. Contact was also maintained with ABN AMRO in view of the principle that neither ABN AMRO nor NLFI shall surprise the other, and they shall promptly and accurately inform each other about relevant issues.

2.2.4 Shareholder meetings and shareholder resolutions

NLFI attended the EGM of ABN AMRO Group NV on 28 February 2018.

NLFI attended the AGM of ABN AMRO Group NV on 29 May 2018. NLFI voted in favour of the following proposals:

- a) adopt the financial statements for 2017;
- b) approve dividend for 2017;
- c) grant discharge to the members of the Executive and Supervisory Boards;
- d) reappoint Steven ten Have as a member of the Supervisory Board;
- e) authorise share issues and rights to acquire shares;
- f) authorise restriction or exclusion of preferential rights.
- g) authorise the purchase of shares or certificates for shares in ABN AMRO Group's own share capital;
- h) cancel (share certificates);
- i) amend the articles of association.

NLFI attended the extraordinary meeting of shareholders of ABN AMRO Group NV held on 12 July 2018. NLFI voted in favour of the following proposals:

- a) appoint Tom de Swaan as a member of the Supervisory Board.

An explanation of the voting decisions can be found on the NLFI website.

2.3. Volksholding BV (formerly SNS Holding BV)

2.3.1 Shares

NLFI has trusteeship of all the shares in the capital of Volksholding BV (formerly SNS Holding BV). This involves one share with a nominal value of one euro. NLFI acquired this share from the Dutch State in exchange for a share certificate. Furthermore, Volksholding BV holds all the shares in Volksbank NV. There is a personal union between Volksholding and Volksbank, whereby the members of the Supervisory Board and Board of Directors are the same for both legal entities.

2.3.2 Performance of duties and policy pursued

NLFI discussed various topics with the Volksholding Management and Supervisory Boards:

- financial results of the bank;
- composition of Management and Supervisory Boards;
- strategy, risk profile and financial objectives;

Furthermore, the NLF Board held the annual evaluation meeting for 2018 with the Chairman of the Supervisory Board. The function of Management and Supervisory Boards over the previous year was also individually and collectively evaluated.

NLFI received a dividend for 2017 amounting to EUR 190 million in June 2018. This dividend (after deduction of dividend tax) was paid to NLFI and transferred to the State as the certificate holder.

2.3.3 Activities

Meetings with the Volksholding Supervisory and Management Boards and their Chairpersons also took place on a regular basis in 2018. Such meetings constitute the means of implementing a meaningful dialogue between shareholder and the company. Talks were also held on an ad hoc basis with members of the Volksholding Supervisory Board, Management Board and management. A regular component was the discussion of quarterly figures within a few weeks following their publication by Volksholding (so-called road shows). Furthermore, NLFI conducted an evaluation of the Supervisory Board. Many topics were discussed during this consultation, including strategy, risk management, governance and sustainability. Contact was furthermore maintained with Volksholding in view of the principle that neither Volksholding nor NLFI shall surprise the other, and they will promptly and accurately inform each other about relevant issues.

Following the Volksbank Progress Report of September 2017, NLFI provided the Minister of Finance with a second progress report in October 2018, which has been published on the website (www.nlfi.nl).

2.3.4 Shareholder meetings and shareholder resolutions

NLFI attended the combined annual general meeting of shareholders of Volksholding BV and Volksbank NV on 19 April 2018. NLFI agreed to the following proposals:

- a) grant NLFI approval for the proposed resolution by the Board of Directors of Volksholding BV to adopt the financial statements of Volksbank NV for 2017;
- b) adopt the financial statements of Volksholding BV for 2017;
- c) grant NLFI approval for the proposed resolution by the Board of Directors of Volksholding BV to have Volksbank NV pay a dividend to Volksholding BV.
- d) approve dividend to be paid by Volksholding BV.
- e) approve the proposed resolution by Volksholding BV to grant discharge to the members of the Board of Directors and Supervisory Board of Volksbank NV for 2017, including those who resigned during the year;
- f) grant discharge to the members of the Board of Directors and Supervisory Board of Volksholding BV in 2017, including those who resigned during the year;
- g) reappoint Mr Van Rutte as chairman and member of the Supervisory Board of Volksholding BV;
- h) approve the proposed decision by Volksholding BV to reappoint Mr Van Rutte as chairman and member of the Supervisory Board of Volksbank NV;
- i) appoint the auditor for the financial statements of Volksholding BV in 2019.

NLFI voted in favour of the following shareholder resolutions passed outside meeting on 1 May 2018:

- a) grant NLFİ approval for the proposed resolution by the Board of Directors of Volksholding BV to appoint J. van Lange as chairman and member of the Supervisory Board of Volksbank NV;
- b) appoint J. van Lange as chairman and member of the Supervisory Board of Volksholding BV;

NLFİ voted in favour of the following shareholder resolutions passed outside a meeting on 24 August 2018:

- a) grant NLFİ approval for the proposed resolution by the Board of Directors of Volksholding BV to appoint Aloys Kregtingas as a member of the Supervisory Board of Volksbank NV;
- b) appoint Aloys Kregtingas as member of the Supervisory Board of Volksholding BV.

NLFİ voted in favour of the following shareholder resolutions passed outside meeting on 4 October 2018:

- a) grant NLFİ approval for the proposed resolution by the Board of Directors of Volksholding BV to appoint Marinka van der Meer as member of the Board of Directors of Volksbank NV;
- b) appoint Marinka van der Meer as member of the Board of Directors of Volksholding BV.

NLFİ jointly based this decision on the recommendation of the Supervisory Board, CV of Mrs van der Meer, the interview with Mrs van der Meer and the opinion of the European Central Bank.

NLFİ voted in favour of the following shareholder resolutions passed outside meeting on 21 November 2018:

- a) appoint Monika Milz as member of the Supervisory Board of Volksholding BV.

An explanation of the voting decisions can be found on the NLFİ website.

2.4 *RFS Holdings BV*

2.4.1 *Shares*

NLFI has trusteeship of all F shares (being 100 shares, each with a nominal value of one Euro cent) and 33.81% of the O shares (being 338,103 shares, each with a nominal value of one Euro cent, also called N shares) in RFS Holdings BV (hereinafter: RFS). In exchange, NLFI has provided the State with certificates for the same nominal amount.

The F shares represent interest in the assets that are materially attributed to ABN AMRO. The O shares represent interest in the assets that are materially attributed to the State. The shares held by NLFI jointly represent approximately 1.25% of the total share capital of RFS.

2.4.2 *Performance of duties and policy pursued*

The Royal Bank of Scotland Group PLC (herein after: RBS) has been authorised by RFS shareholders to manage and sell the assets in RFS in an orderly manner. The sale of interests in Alawwal (formally Saudi Hollandi Bank) could not be completed. In 2018, Alawwal and Saudi British Bank announced that they were discussing a merger of the two banks.

No dividend has been established for 2018. Nor was there any repayment of capital.

2.4.3 *Activities*

The daily management of shared assets is performed by RBS NV.

NLFI has held talks with RBS, Santander and ABN AMRO concerning the steps that might be taken to bring about the sale of jointly-owned assets. It is also looking at the possibilities of selling Alawwal and the announced merger.

2.4.4 *Shareholder meetings and shareholder resolutions*

NLFI voted in favour of the following shareholder resolutions passed outside meeting on 1 June 2018:

- a) grant approval to postpone publication of the annual figures of RFS Holdings BV by one month.

An explanation of this voting decision can be found on the NLFI website.

3 Governance of NLF

3.1 Management and directors

The NLF Board was, in 2018, entirely composed of: L.Y. Gonçalves-Ho Kang You (vice-chairwoman) and jonkheer D. Laman Trip (Chairman) The Board operates based on the principles of collegial decision-making and collective responsibility.

The Board members appointed by the Minister of Finance receive remuneration based on a contract for services that is concluded with them (Board member agreement).

Diederik Laman Trip

Jonkheer Diederik Laman Trip has held several positions, including the chairmanship of the Board for the ING Group in the Netherlands until 2005, and has substantial experience in retail banking and insurance. His current activities include a seat on the Netherlands Committee for Enterprise (Nederlands Comité voor Ondernemerschap).

Lilian Gonçalves-Ho Kang You

Attorney at Law Gonçalves-Ho Kang You (attorney at law) comes from the legal profession and has held several positions, including vice chairwoman of the Netherlands Independent Post and Telecommunications Authority [Onafhankelijke Post en Telecommunicatie Autoriteit (OPTA)]. As an attorney and adviser, she has been inter alia involved in mergers and takeovers. Lilian Gonçalves-Ho Kang You was State Councillor on the Council of State until 1 December 2016.

Rens Bröcheler was the Executive Managing Director of NLFJ throughout 2018. In terms of decision-making and authorities, it is therefore possible to speak of sole leadership.

Rens Bröcheler

Rens Bröcheler worked at Generale Bank and ABN AMRO before moving to the Ministry of Finance in 1999. As a result, he has extensive management experience as the head of Cash Management, head of Investments and project director for Financial Institutions. He has been Managing Director since the establishment of NLFJ in 2011.

3.2. Board meetings and consultations

Twelve Board meetings were held in 2018. In addition, there were frequent consultations among board members and with the team, and their resulting conclusions and decisions were recorded in the reports of the board meetings. Important topics that were then discussed include:

- AGMs;
- shareholder resolutions outside meeting;
- ABN AMRO's strategy;
- Volksbank strategy (progress report of October 2018)
- resolutions on the selection and appointment of NLFJ advisers;
- strategic developments;
- consultations with other companies and their bodies;
- consultations with the Ministry of Finance;
- internal affairs, including compliance and adoption of budget and financial statements.

The Board obtained external advice with regard to a number of legal and financial questions.

3.3. Internal governance

NLFJ has taken measures to ensure controlled and sound business operations. Consequently, there is an accepted description of the accounting organisation and internal control. The financial statements are audited by an external auditor. EY has been engaged to perform the task of auditing the financial statements for 2018. NLFJ has insurance for directors' liability, for which the premiums are paid by NLFJ.

Observer

NLFJ and the Ministry of Finance, with the approval of the Netherlands Authority for Consumers and Markets (ACM), have taken a number of actions requiring management activities to prevent exchange of competition-sensitive information between the institutions within NLFJ.

Some of the measures adopted by the ACM include an observer appointed to NLFJ by the State for the benefit of ACM to ensure that the State and NLFJ comply with the measures. The observer reports retrospectively every half year on the compliance with the implemented measures. The observer submitted two reports to ACM in 2018.

Integrity risks

NLFI has established a code of conduct of which the purpose is to safeguard and to maintain confidence in NLFI by stakeholders as well as the prevention of risks to integrity. For this purpose, the code of conduct includes rules and guidelines for insiders:

- a. to prevent conflicts of interest of NLFI and the private interests of insiders;
- b. to avoid use or disclosure of inside knowledge or other confidential market information and/or the misuse and unauthorised use of confidential information available to NLFI;
- c. to prevent stock price manipulation as well as other misleading practices;
- d. to protect the reputation of NLFI and the individuals involved with it.

NLFI has an external compliance officer, who supervises compliance with the code of conduct. There was also a separate confidential adviser on integrity available. In 2018, compliance was made a permanent agenda item at Board meetings in order to promote awareness. As usual, the compliance officer issued retrospective quarterly reports throughout 2018. The compliance officer also held an annual meeting with Lilian Gonçalves-Ho Kang You.

Legality and in-control statement

Within NLFI, several measures were taken to promote the legality of its action. NLFI was subject to the supervision of the Netherlands Court of Audit (Algemene Rekenkamer). The Court used the findings from its investigation to update the Court's website on the credit crisis. The findings were also used in the audit of the financial statements of the Ministry of Finance. As in previous years, an in-control statement was drawn up internally. The Executive Managing Director reported on this statement to the Board, which adopted it. See the section on risk (Section 3.5).

Efficiency

The NLFI Board attaches great importance to the efficient functioning of NLFI. Efficiency is not the same as spending as little as possible. It is a relative term for which a certain relationship is normally indicated between objectives, applied resources and achieved effects. The objectives of NLFI are laid down in legislation and the articles of association. The applied resources are indicated in the financial statements. The achieved effects are not always so easy to measure, given that they must be measured against a situation in which NLFI does not exist and the management is undertaken by the State itself.

Permanent education

NLFI is a knowledge intensive organisation. The board and the team are therefore working on education and training. A budget is available for individual training. Workload allowed only limited use to be made of individual opportunities for education and training in 2018.

Board members and employees

In 2018, the NLFI Board consisted of two members. They receive remuneration based on a contract for services that is concluded with them (Board member agreement).

In early 2018, NLFI had four employees with employment contracts under private law, including the Executive Managing Director. An external lawyer has been added to the team since the beginning of 2018. In addition, one employee was seconded from the Ministry of Justice and Security for one day a week. A secretarial assistant was assigned to NLFI from a temporary employment agency in 2018.

Remuneration of senior executives (Wnt)

The Senior Public and Semi-Public Official Income (standardisation) Act [Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (Wnt) came into force on 1 January 2013. A separate accounting of this matter has been included in the financial statements. In 2018, the maximum general remuneration was EUR 186,000. NLFI did not have any employees in 2018 whose total remuneration paid by NLFI exceeded (a time-related portion of) the stipulated maximum remuneration.

In 2018, no payments were made to senior officials due to the severance of any employment position.

There were no other officials in employment who received a salary above the individual Wnt maximum in 2018. No severance payments were made to other officers in 2018 that needs to be reported under the Wnt or that, in previous years, had to be reported under the Executives' Pay Financed from Public Funds (Disclosure) Act (Wet openbaarmaking uit publieke middelen gefinancierde topinkomens) or the Wnt.

3.4. External suppliers and premises

NLFI completed transactions with various external service providers and suppliers in 2018. This mostly involved legal, financial, administrative, accounting and IT services. NLFI had ongoing contracts with various service providers at the end of 2018 for services to be provided in 2019.

3.5 Risk provision

NLFI uses a system involving an in-control statement (ICS). Its purpose is to increase the transparency and consensus about risk assessment, management and monitoring. In addition to achieving objectives, management can be conducted in order to prevent or control the risks of an organisation. The NLFI team became substantially smaller in 2018. The administrative organization was adjusted accordingly while maintaining the separation of functions between possession, payment and execution. Where necessary, work was performed under double supervision (four eyes principle). In 2018, attention was paid to the risk areas included in the in-control statement. They concern leadership, liability, staffing, process control, outsourcing, relationship with stakeholders and supervision of participations. NLFI adopts a risk-averse approach. Sufficient resilience is maintained to absorb any setbacks that may occur.

4. Corporate governance

NLFI endorses the importance of the Netherlands Corporate Governance Code (the "**Code**"). The Code applies to large companies with registered offices in the Netherlands whose shares or share certificates are admitted to the stock exchange (hereinafter: "**Listed Companies**"). The Code was revised by the Van Manen Commission in 2016. The revised Code entered into force on 1 January 2017 and is furthermore anchored in law as from 1 January 2018.

For this purpose, the following table indicates how NLFI, as a Trust Office and shareholder, complies with the relevant principles and best practices in following the principle of "implement or explain".

For the sake of completeness, it should be noted that the table below relates to shares of the various holdings for which NLFI issued certificates to the Dutch State, not the listed share certificates issued by the Stichting Administratiekantoor Continuïteit ABN AMRO Group NV.

The following recital is included in the preamble to the Code: "*Shareholders can give priority to their own interests, as long as they act in keeping with the principles of reasonableness and fairness in relation to the company, its organs and their fellow shareholders. This includes the willingness to engage in dialogue with the company and their fellow shareholders. The greater the interest which the shareholder has in a company, the greater is his responsibility to the company, fellow shareholders and other stakeholders.*"

Netherlands Corporate Governance Code	Compliance by NLFI (implementation or explanation)
<p>Principle: 4.1 The general meeting The general meeting should be able to exert such influence on the policies of the Management and Supervisory Boards of the company that it plays a fully-fledged role in the company's system of checks and balances. Good corporate governance requires the fully-fledged participation of shareholders in the decision-making of the general meeting.</p>	<p>NLFI complies with this principle.</p>
<p>4.1.5 (Shareholder's explanation when exercising agenda rights) A shareholder who has arranged for an item to be included on the agenda shall explain this item at the meeting and, if necessary, answer questions about it.</p>	<p>NLFI has complied with this best practice provision.</p>
<p>4.1.6 (Shareholder submission of agenda items) A shareholder shall be entitled to include an item on the agenda only after consulting the Management Board about said inclusion. Should one or more shareholders intend to request the inclusion of an item on the agenda that may result in a change of company strategy (e.g. for the dismissal of one or more Management or Supervisory Board members), the Board shall be granted the opportunity to stipulate a reasonable period in which to respond (response time). The opportunity to invoke a response time shall also apply to any above-mentioned intention involving the legal right to call a general meeting pursuant to Section 2:110 of the of the Netherlands Civil Code (Burgerlijk Wetboek, hereafter BW). The relevant shareholder shall respect the response time stipulated by the Board within the meaning of best practice provision 4.1.7.</p>	<p>In the event that NLFI wishes to make use of the right to include items on the agenda, NLFI will first consult with the company's Management Board. The response time that NLFI will take into account is consistent with the statutory period of 60 days (Section 2:114a BW) and not 180 days as required by the Code. NLFI feels that, within the existing relations, the 60-day period is sufficient. NLFI wants to avoid any use of the 180-day period to obstruct the scheduling process unnecessarily. Should NLFI have an item included on the agenda of the general meeting, NLFI will also explain this issue during the meeting and answer any questions that might be asked.</p>

<p>Principle 4.3 Casting votes Participation of as many shareholders as possible in the general meeting's decision-making is in the interest of the company's checks and balances. The company should, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.</p>	<p>To the extent relevant to NLFI, it complies with this principle.</p>
<p>4.3.1 (Voting as deemed fit) Shareholders should vote as they deem fit. Shareholders who make use of the voting advice of third parties are expected to form their own judgements on the voting policy of these advisors and the voting advice provided by them.</p>	<p>NLFI votes as it deems fit. NLFI does not make any use of voting advice. Each voting decision is taken after study of the relevant documents and internal consultation. Consultation with the Ministry of Finance is sought whenever fundamental and weighty decisions are involved. The Financial Institutions (Management Trust) Act [Wet stichting administratiekantoor beheer financiële instellingen], otherwise known as "NLFI Act", states that the Minister of Finance can issue a binding voting instruction with regard to fundamental or significant decisions. The Minister can also instruct NLFI if it is necessary for the State's compliance with international obligations or a consequence of recommendations from the Netherlands Court of Audit (Algemene Rekenkamer).</p>
<p>Principle: 4.4 Certification of shares Certification of shares can be a means of preventing a (chance) majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting.</p>	<p>At NLFI, share certification is a means of preventing a (chance) majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting. Certification is based on the NLFI Act and ensures a transparent separation of interests, a credible exit strategy and non-political governance.</p>
<p>Certification of shares may not be used as an anti-takeover measure.</p>	<p>The principle does not apply to NLFI.</p>
<p>The NLFI Board will issue proxies in all circumstances and without limitation to the certificate holders who so request. The certificate holders thus authorised can exercise voting rights at their discretion.</p>	<p>In view of the reasons that NLFI exists (including the need to provide a transparent separation of interests and a commercial, non-political governance), the terms and conditions of NLFI's administration do not enable certificate holders to demand voting rights. The NLFI Act states that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions.</p>
<p>The Trust Office Board shall enjoy the confidence of certificate holders.</p>	<p>NLFI complies with this principle.</p>
<p>Certificate holders may recommend candidates for appointment to the Trust Office Board.</p>	<p>The Minister of Finance appoints, suspends and dismisses NLFI Board members.</p>
<p>The company may not disclose to the Trust Office any information that has not been made public.</p>	<p>Given the background of the financial interventions by the State that led to the establishment of NLFI as well as the position of NLFI, this provision has not been complied with.</p>
<p>4.4.1 (Trust Office Board) The Trust Office Board enjoys the confidence of certificate holders and operates independently of the company that issued the certificates. The trust conditions specify the case in which and the conditions under which certificate holders may request the Trust Office to call a meeting of certificate holders.</p>	<p>The establishment of NLFI was intended to create a larger distance between the State and the companies (see Parliamentary Papers [Kamerstukken] II 2008/9 31 965 no. 7). Given the desired distance, it is not possible to grant voting rights to certificate holders. The NLFI Act states that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions. The Minister can also instruct NLFI if it is necessary for the State's compliance with international obligations or a consequence of recommendations from the Netherlands Court of Audit (Algemene Rekenkamer).</p>

<p>4.4.2 (Appointment of Board members) Trust Office Board members shall be appointed by the Trust Office Board after the job opening has been announced on the Trust Office website. The meeting of certificate holders may recommend persons to the Trust Office Board for appointment as officers. No current or former directors, current or former Management or Supervisory Board members, employees or permanent advisers of any company whose shares are held in trust may be part of the Trust Office Board.</p>	<p>In derogation of best practice provision 4.4.2, the Minister of Finance appoints, suspends and dismisses the members of the NLF Board. Before proceeding to appoint a Board member, the Minister of Finance will give the Board the opportunity to recommend a person for appointment to the Board. The NLF articles of association state that NLF Board members may not be:</p> <ul style="list-style-type: none"> - members of the Management or Supervisory Boards at another financial institution or one of their subsidiaries; - the company's employees and regular advisers (as defined in the NLF Act) or their subsidiaries. <p>There is no indication of whether the same applies to former Management and Supervisory Board members. This relates to the circumstance that NLF holds shares in various financial companies. Not to limit the group of potential NLF Board members too drastically, former directors and/or Management and Supervisory Board members of the holdings shall not be excluded from membership on the NLF Board.</p>
<p>4.4.3 (Board appointment period) A person may be appointed to the Trust Office Board for a maximum of two four-year terms, followed by a maximum of two two-year terms. In the event of a reappointment after an eight-year period, reasons should be given in the report by the Trust Office Board.</p>	<p>NLF has complied with this best practice provision.</p>
<p>4.4.4 (Attendance at the general meeting) The Trust Office Board shall attend the general meeting and, if desired, make a statement about its voting intentions.</p>	<p>NLF has complied with this best practice provision.</p>
<p>4.4.5 (Exercise of voting rights) In exercising its voting rights, the Trust Office shall be guided primarily by the interests of certificate holders, taking the interests of the company and its affiliated undertakings into account.</p>	<p>The NLF articles of association state that, in exercising rights associated with the shares, NLF shall primarily focus on the financial and economic interests of the certificate holder, while taking into consideration the interests of the company, its related companies and the employees that are thus involved. This consequently entails the provision in its articles of association requiring NLF to ensure that the companies pursue a responsible corporate strategy in line with sound commercial business practices and the applicable rules of good corporate governance. The articles of association further state that NLF shall exercise the rights associated with the shares in such a manner that the holdings can independently determine their commercial strategies and undertake daily operations without there being any question of coordination of commercial policy among the holdings and no exchange of competition-sensitive information occurs.</p>
<p>4.4.6 (Periodic reports) The Trust Office shall report periodically on its activities, but at least once a year. The report shall be posted on the company's website.</p>	<p>In derogation of best practice provision 4.4.6, the NLF Management Report shall not be published on company websites because the Management Report does not pertain to any single company. The Management Report will, in fact, be published on the NLF website (www.nlf.nl).</p>
<p>4.4.7 (Report contents) The report referred to in best practice provision 4.4.6 shall, in any event, indicate the following:</p>	<p>NLF has complied with this best practice provision.</p>

<p>(i) number of shares for which certificates have been issued as well as an explanation of any change in this number;</p> <p>(ii) activities carried out during the financial year;</p> <p>(iii) voting behaviour in the general meetings held in the year under review;</p> <p>(iv) percentage of votes represented by the Trust Office during the meetings referred to in (iii);</p> <p>(v) remuneration of Trust Office Board members;</p> <p>(vi) number of Board meetings and the main items dealt with in them;</p> <p>(vii) costs of Trust Office activities;</p> <p>(viii) any external advice obtained by the Trust Office;</p> <p>(ix) (other) positions held by Board members; and</p> <p>(x) contact details for the Trust Office.</p>	
<p>4.4.8 (Voting proxies) The Trust Office shall, without limitation and in all circumstances, issue proxies to certificate holders who so request. Certificate holders may also issue binding voting instructions to the Trust Office in respect of the shares which the Trust Office holds on their behalf.</p>	<p>As stated in provision 4.4.1, there is no provision for the granting of proxies. The NLFI Act states that the Minister of Finance can issue a binding voting instruction with regard to substantial or fundamental decisions.</p>

NLFI is an investor with a legally prescribed task but not an institutional investor in the strictest sense. Nevertheless, NLFI complies with the best practice provisions regarding institutional investors included in the Code. See the matrix below with an explanation of the relevant best practice provisions. The Code's preamble includes the following recital with regard to institutional investors: *"Institutional investors are responsible to the ultimate beneficiary owners for the careful and transparent assessment of in which they exercise their rights as shareholders of companies."*

Provisions pertaining to institutional investors	Compliance by NLFI (implement or explain)
<p>4.3.5 (Publication of institutional investors' voting policy) Institutional investors (pension funds, insurers, investment institutions and asset managers) shall annually publish, at least on their websites, their policy on the exercise of voting rights for the shares that they hold in listed companies.</p>	<p>NLFI has been publishing the voting policy on the NLFI website (www.nlfi.nl) since 30 May 2016.</p>
<p>4.3.6 (Report on the implementation of institutional-investor voting policy) Institutional investors shall report annually on their website and/or in their management report about the manner in which they have implemented their policy on the exercise of voting rights in the relevant financial year.</p>	<p>NLFI complies with this provision.</p>
<p>They [institutional investors] shall also report on their website at least once a quarter about any votes at a general meeting and the manner in which they voted. This report shall be posted on the company's website.</p>	<p>NLFI complies with this provision. The reports on voting behaviour have been published on the NLFI website (www.nlfi.nl).</p>

Eumedion sees itself as the forum and the source for corporate governance and sustainability for affiliated institutional investors. Eumedion has formulated a number of best practices for committed shareholdership. NLFI finds compliance with these best practices to be appropriate. The manner of compliance is revealed in the following table.

Best practices for relevant shareholders	Compliance by NLFI (implement or explain)
1. Eumedion participants shall monitor their Dutch listed companies.	NLFI complies with this provision.
2. Eumedion participants have clear policies with regard to the exercise of their shareholders' rights, which may include entering into dialogue with Dutch listed companies and other <i>engagement</i> activities. They shall report at least once a year on the implementation of their policies.	NLFI has made further agreements with various holdings about the implementation of shareholder powers. This has yielded a structured framework for the implementation of shareholder powers. The relationship agreement concluded with ABN AMRO is published on the NLFI website. This Management Report indicates voting behaviour at shareholders' meetings.
3. Eumedion participants shall have clear policies for dealing with situations in which they fail to convince the Board of a listed company in which they invest to adopt their views, and differences of opinion between the Board of the listed company and the shareholders remain unresolved.	Should any such case arise, NLFI may undertake one or more of the following actions: <ul style="list-style-type: none"> - send a letter explaining the concerns; - convene additional meetings with the Management and/or Supervisory Board specifically to discuss concerns; - discuss the issue with other stakeholders, in particular the certificate holder; - raise concerns at a shareholder meeting; - request a certain item be included on the agenda of a regular general meeting of shareholders or convene an extraordinary general meeting of shareholders; - adopt fundamental or weighty decisions at a shareholders' meeting, following approval by the Minister of Finance.
4. Eumedion participants shall be willing to deal collectively with other Eumedion participants and other investors where appropriate.	This provision is complied with to the extent relevant to NLFI.
5. Institutional investors may have other business relations with Dutch listed companies apart from the shareholder relationship alone. Eumedion participants shall take steps to mitigate conflicts of interest arising from these different roles. Eumedion participants shall have clear and robust procedures in place for the action to be taken in the event that divergent or conflicting interests arise. The procedures shall be publicly disclosed. Material conflicts of interest will be disclosed to the institutional clients affected.	Decisions involving conflicts of interest of material significance for NLFI, the company or an NLFI Board member shall be submitted for the prior approval of the Minister of Finance.
6. Eumedion participants shall have a clear policy on voting and publicly disclose this policy. Eumedion participants shall report at least once a year on the implementation of their voting policy.	NLFI has been publishing the voting policy on the website since 30 May 2016. NLFI provides quarterly reporting on the implementation of the voting policy.
7. Eumedion participants shall cast informed votes on all the shares they hold in Dutch companies at the general meetings of these listed companies. In the event that the Eumedion participant abstain or vote against a management proposal, the Eumedion participant will explain the reasons for this voting behaviour to the company management, either voluntarily or on the request of the company in question.	NLFI complies with this provision.

8. Eumedion participants shall publicly disclose at least once a quarter how they voted based on their holdings in listed companies.	NLFI complies with this provision.
9. Eumedion participants shall take account of factors impacting on the environmental, social policy and governance in their policy relating to the exercise of their shareholder rights. This policy may involve entry into dialogue with Dutch listed companies and other engagement activities.	NLFI complies with this provision.
10. Eumedion participants shall not borrow shares solely for the purpose of exercising voting rights on these shares. They shall consider recalling their lent shares before the voting registration date for the relevant general meeting of the relevant Dutch listed company, if the agenda for this general meeting contains one or more controversial subjects.	NLFI complies with this provision. NLFI does not lend any shares, except for possible to convince the board stabilisation transactions in the context of an IPO.

5. Financial details of NLFI

5.1. *Financial details for 2018*

NLFI is a non-profit corporation. The NLFI Act states that the Minister of Finance shall cover the costs that NLFI incurs for its legal tasks and objectives, as defined in the articles of association and the trust conditions. This guarantees the financial continuity of NLFI.

Future differences between the realised profits and realised losses from the activities of NLFI may be credited to or debited from the equalisation reserve. In accordance with the articles of association, the NLFI equalisation reserve shall not, in principle, exceed five million euros.

NLFI holds the investments for the State and provides the State with certificates. NLFI does not therefore have any financial or economic interest in the holdings. In view of the regulations in the articles of association of the holdings and the legal authorities of the Minister of Finance regarding substantial and fundamental decisions, NLFI does not possess any preponderant control over the held companies that might be construed as consolidation. The above-mentioned financial data relates therefore to the financial data of NLFI as an independent legal entity.

5.2. Budget 2019

The budget for 2019 approved by the Ministry of Finance is as follows:

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unofficial translation