

Unofficial translation – Dutch version prevails

NLFI POSITION PAPER

09 November 2020

for the meeting with the Parliamentary Standing Committee for Finance

on 16 November 2020

1. Introduction

This document outlines the main characteristics of NLFI in response to the House of Representatives' request for information. The description is not exhaustive, but is designed to assist your understanding of the operation, purpose and context of NLFI.

2. NLFI

2.1. Objective of NLFI

The State acquired the shares in ABN AMRO in 2008. De Volksbank was nationalised in 2013. Neither action was intended to acquire participations in the financial sector, but to temporarily support the continuity and solidity of the banks in question and thus safeguard the stability of the financial sector. The acquired participations were placed within NLFI. The objective of NLFI is based on a number of crucial and fundamental considerations regarding institutional relationships.

- The credit crisis put the Minister of Finance in a situation involving potentially conflicting responsibilities towards the financial markets. On the one hand the policy responsibility for the financial markets as a whole and on the other hand the responsibility as a shareholder in several financial institutions. By placing the management of the nationalised participations with NLFI, the Minister of Finance's influence over these participations as a shareholder was restricted. This creates an extra guarantee to ensure a transparent separation of interests, a credible exit strategy and a commercial, non-political management approach. The NLFI shareholding also constitutes a guarantee that no competitive advantage or disadvantage will arise as a result of the state being a shareholder in several financial institutions.
- The incorporation of NLFI as a Foundation Trust Office for the management of financial institutions (in Dutch: 'stichting administratiekantoor beheer financiële instellingen') which acquired the ownership of shares through the issuance of depositary receipts for shares to the State serves to underline that the State does not wish to remain a shareholder of the financial institutions in question. The creation of NLFI thus assisted the implementation of the aforementioned credible exit strategy for these participations.
- NLFI constitutes an extra buffer against undesirable political influence in the financial institutions in question. Placing the management of the shares with NLFI prevents a situation where changing political views interfere with the operation of the financial institutions. The shareholding of NLFI helps to secure a solid long-term commercial perspective for the participations.

The above can be found in the legislative history of the law enabling the creation of NLFI.¹ These principles and objectives were translated into the Articles of Association of NLFI.

¹ The Foundation Trust Office (Management Financial Institutions) Act: <https://wetten.overheid.nl/BWBR0030033/2018-01-01/0/informatie> and the Explanatory Memorandum: <https://zoek.officielebekendmakingen.nl/kst-32613-3.html>, as well as the Weekers Motion: Parliamentary Papers (Kamerstukken) II 2008/09, 31 965, no. 7.

In summary, the Articles of Association of NLFI state that NLFI shall, with due respect to these principles and objectives, manage the shares of the institutions in question, exercise the voting rights, advise the Minister on the sales strategy, execute the sale by mandate and assist the Minister in contacts with the European Commission or national supervisors in relation to the management and sale of the shares.

NLFI primarily exercises the shareholder rights in the financial and economic interests of the State. NLFI does this, taking account of the company's interests as well as the interests of its affiliates, employees and customers. This entails, inter alia, that NLFI monitors that the companies pursue a responsible corporate strategy that is in line with sound commercial business operations and the applicable rules of good corporate governance.

2.2. Activities of NLFI

NLFI has two principal tasks: firstly, to manage the shares and secondly, to advise on the possible strategies for returning the shares to the market and implement the selected strategy by ministerial mandate. In performing these tasks, NLFI is the 'single point of contact' for the participations and for the Ministry. This means that any interaction between the Ministry and the participations goes through NLFI.

Management of the shares

Ownership of shares gives rise to specific shareholder rights as set out in the Dutch Civil Code. NLFI exercises these shareholder rights. With ABN AMRO, for instance, NLFI votes at the AGM about the appointment of the members of the Supervisory Board of ABN AMRO. The Supervisory Board appoints the Management Board (two-tier governance structure). NLFI has a right of consultation in this respect. With de Volksbank, NLFI appoints (upon the nomination of the Supervisory Board) the Management and Supervisory Boards (mitigated two-tier governance structure).

NLFI is restricted in the exercise of its shareholder rights due to the fact that its participations are subject to the Dutch Competition Act. NLFI, for instance, has no rights of approval for the participation's budget or business plan and is not permitted to receive competitively sensitive information. This is in line with the ACM concentration decision on NLFI and the measures taken in this connection (the 'ACM measures').²

Box 1

The transfer of the shares in SNS REAAL N.V. to NLFI resulted in NLFI becoming the owner of multiple banks and insurers. This transfer could have resulted in concentration supervision becoming applicable pursuant to the Dutch Competition Act. As NLFI (and the Ministry) adhere to the ACM measures, the ACM has decided that concentration supervision is not required. The risk of unfair competition is prevented by the current application of the ACM measures, which keeps de Volksbank and ABN AMRO separate as independent companies with their own management and responsibility. This is achieved partly by the fact that NLFI is not permitted to receive competitively sensitive

² <https://www.acm.nl/nl/publicaties/publicatie/12605/Besluit-Stichting-Administratiekantoor-Beheer-Financiele-Instellingen-en-SNS-REAAL-concentratiebesluit> This decision states that the ACM decided on 18 December 2013 that the concentration supervision pursuant to the Dutch Competition Act is not applicable to the takeover of SNS REAAL N.V. by NLFI on the grounds that competition risks are prevented by the measures taken to separate the banks and insurers of NLFI.

information. As a result, the Ministry of Finance cannot receive any competitively sensitive information from NLFI. See also under 5. *Supervision*.

NLFI exercises the available shareholder rights in a manner that protects the interests of NLFI (and the State) and stimulates long-term value creation at the participations. NLFI is a major investor but not an institutional investor.³ Nevertheless, NLFI's engagement concerning the participations can be described as similar to that of an institutional shareholder⁴ that respects the roles of the Management and Supervisory Boards as defined in the Articles of Association. As a shareholder, NLFI wishes to promote sustainable and responsible business practices. For this reason, NLFI devotes considerable attention to ensuring good corporate governance at its participations.

In order to exercise the shareholder rights in ABN AMRO and de Volksbank and protect the interests of NLFI (and the State), regular consultation takes place with the Supervisory and Management Boards and/or the Chairpersons of these boards. Talks are furthermore held on an ad hoc basis with members of the Management and Supervisory Boards and the management of the participations. These discussions cover a wide range of topics, including the financial results of the participation, the composition of the Management and Supervisory Boards, the strategy pursued, the applied risk management procedures, governance, sustainability and fitness for privatisation. Another reason for this consultation is to ensure that neither the participation nor NLFI surprise the other and exchange timely and accurate information about relevant issues.

Annually recurring consultations concern the discussions about the quarterly figures within a few weeks after publication and the annual meetings about risk, budget, capital and funding. NLFI also holds an annual evaluation meeting with the Chairperson of the Supervisory Board.

Privatisation of shares

NLFI advises the Minister of Finance on the strategy for selling the shares held by the State. If the Minister decides, after Parliamentary consultation, on the strategy to be pursued, the Minister can mandate NLFI to implement this decision. During the sales process, some fundamental and weighty decisions are put to the minister for approval.

NLFI can also advise the Minister on the exit strategy (and adjustments to that strategy) based on its knowledge of the participation and the international financial markets.

To date, NLFI has privatised the following participations with a mandate from the Minister of Finance.

- Reaal (2015)
- Propertize (2016)
- ASR (last part sold in 2017)

As for the participation in ABN AMRO, 44% (in round figures) has been sold so far. The shares in SABB were sold in 2019.

³ <https://www.nlfi.nl/wp-content/uploads/2020/02/Beleid-uitoefening-aandeelhoudersrechten-NLFI.pdf>

⁴ Such as a pension fund.

2.3. Organisational structure

NLFI has a collegiate board comprising three persons. The Board currently consists of two members: D. (Diederik) Laman Trip (Chairman) and W.M. (Wim) van den Goorbergh. In line with the arrangements with the ACM, each board member carries primary responsibility for a participation. L.Y. (Lilian) Gonçalves-Ho Kang You recently resigned from the NLFI Board upon completing her third and final term of office after being a board member since 2011. The Board is therefore temporarily operating with a vacancy.

In addition, NLFI has a team of employees. This team currently comprises about 6.5 FTEs (consisting of a managing director, two economists, two lawyers, a financial officer (1 day a week) and a secretariat). NLFI also purchases knowledge from advisers with a good reputation in their field of expertise.

Furthermore, NLFI hires an external compliance officer from the Netherlands Compliance Institute which monitors compliance with the NLFI Code of Conduct and also uses the services of external ICT advisers and an external auditor who helps with the management of the financial accounts and the preparation of the annual accounts, as well as another external auditor who carries out the audit work.

During the creation of NLFI, the Ministry of Finance and NLFI under incorporation looked at existing sister organisations that could serve as models, as is also set out in the Explanatory Memorandum with the report to the NLFI Act.⁵ NLFI currently has no knowledge of the manner in which sister organisations are institutionally embedded in their national jurisdictions.

3. Relationship between NLFI and the Minister of Finance

The minister carries the political responsibility for NLFI. Regarding this responsibility, the Supervisory Arrangement of NLFI states the following.

Box 2

“As NLFI operates at a distance from the minister, the ministerial responsibility, though applicable, does not entail that the minister is responsible for the actions of NLFI in every detail. NLFI must meet the transparency, legality and efficiency requirements that apply to public bodies. For this reason, the Articles of Association of NLFI follow the rules of the Non-Departmental Public Bodies Framework Act, which aims to make clear arrangements for the accountability, supervision and ministerial responsibility for non-departmental public bodies (ZBOs). This entails that NLFI as a legal entity with a statutory task is accountable to, among others, the minister. Based on this accountability the minister – after conducting a review if necessary – is able to carry his ministerial responsibility.”

The Supervisory Arrangement explains that NLFI has a statutory task. NLFI is a ‘legal entity with a statutory task’ and not a ZBO. Whilst NLFI carries out the management of the financial institutions independently and at a distance within the framework of private law, the minister, in accordance with Dutch constitutional law, remains the

⁵ See <https://zoek.officielebekendmakingen.nl/kst-32613-6.html> which refers to models in Sweden, Germany and the United Kingdom.

point of contact for the States General. In view of this, Article 5 of the NLFI Act stipulates that the NLFI Board shall, upon request, provide the Minister of Finance with all information required for the performance of his task. The Minister can also demand access to all business data and documents insofar as reasonably required for the performance of his task.

The Supervisory Arrangement as published on the NLFI website describes how the Ministry of Finance carries out its supervision of NLFI.⁶ It also sets out the manner in which communications and exchanges of information shall occur between NLFI and the Ministry of Finance. Working arrangements have been made for this purpose. The Minister's rights/powers are summarised in Box 3. The Ministry and NLFI have also agreed not to surprise each other and to promptly and accurately inform each other about relevant issues.

Box 3

- 1) **Designation of NLFI participations.** The Minister decides which participations are entrusted to the management of NLFI.
- 2) **Appointments at NLFI.** The Minister appoints, suspends and dismisses the Board members.
- 3) **Amendment of the Articles of Association of NLFI.** This is an exclusive power of the Minister.
- 4) **Requests for information from NLFI.** On request the Minister receives all information necessary for the performance of his task from NLFI.
- 5) **Depository Receipt Holder.** The Minister is entitled to dividends.
- 6) **Mandate to sell shares.** NLFI can only 'dispose of or encumber' shares with a mandate from the Minister.

- 7) **Fundamental and weighty decisions of NLFI.** Such decisions require prior approval from the Minister. These are defined in the NLFI Act and the Articles of Association of NLFI. Briefly put, this concerns decisions involving:
 - the remuneration policy of the NLFI participations. This effectively means that the Minister's approval is required for changes to the remuneration policy of the NLFI participations. In other words, remuneration-related shareholder decisions of NLFI require prior ministerial approval.
 - essential consequences for the control/risk/capital commitment of the State. One practical example is the decision to privatise ABN AMRO via an IPO.
 - deviations from a strategy for the sale of shares that the Minister has announced to NLFI or decisions that impede the implementation of such a strategy. This scenario has not occurred so far.

The summary of the NLFI Act makes it clear that this description is not exhaustive. Within the legal system, it is in the first instance up to the NLFI Board to decide whether a proposed decision is fundamental or weighty. If NLFI judges that a decision is fundamental and/or weighty, or has doubts about this, it will discuss its considerations in a scheduled consultation with the Ministry of Finance. If the Ministry of Finance anticipates a decision that it considers to be fundamental and/or weighty, it will inform NLFI in the same forum.

Concrete examples of fundamental or weighty decisions are the remuneration policy of the NLFI participations; the (rights of NLFI in relation to the) appointment of the

⁶ <https://www.nlfi.nl/wp-content/uploads/2020/09/Toezichtarrangement-2014.pdf>

- Chairpersons of the Management and Supervisory Boards of the participations; and various key decisions during the privatisation of shares.
- 8) **Binding voting instruction to NLFI.** The Minister can issue a binding voting instruction in relation to the aforementioned fundamental and weighty decisions.
 - 9) **Direction to NLFI.** The Minister can issue directions to NLFI to ensure the State's compliance with international obligations or in response to recommendations from the Netherlands Court of Audit.
 - 10) **Right of approval in respect of NLFI decisions.** The Minister has a right of approval with regard to several NLFI decisions, such as the adoption of the budget and the adoption of the annual accounts. The Minister can request to see the auditor's audit of the annual accounts. The Articles of Association also sum up certain exceptional situations in which the minister has a right of approval regarding certain decisions, such as the incorporation of a legal entity or the entry into monetary loans.
 - 11) **'No surprises'.** NLFI will not confront the Minister with surprises and shall provide him with timely information about any relevant developments.

The most important arrangements in relation to the operationalisation of the supervision by the Ministry of Finance are set out in the Supervisory Arrangement. One important point concerns the arrangement about fundamental and weighty decisions.

Box 4

Box 3 described what is meant by fundamental and weighty decisions. The basic arrangement is that NLFI must not surprise the Ministry of Finance about the need for fundamental and weighty decisions and the Ministry of Finance must not surprise NLFI with its approvals/refusals or voting instructions. The question as to whether NLFI anticipates fundamental or weighty decisions is raised if there is a reason to do so at each scheduled consultation. NLFI will involve the Financing Director (or his employees) in fundamental or weighty decisions so that the Ministry of Finance can make timely and responsible decisions on these issues. NLFI is also the point of contact for the companies in relation to such decisions.

When NLFI consults with the companies about fundamental or weighty decisions, including the remuneration policy, it can invite the Financing Director or (one of) his employees to attend this consultation. In each individual case, NLFI will consider whether this is desirable given, on the one hand, the need to protect its independence and, on the other hand, the need for the Ministry of Finance's future approval. Deviating arrangements can be made in the scheduled consultations. For instance, it has been agreed that a representative of the Financing Directorate may attend the NLFI meetings with the financial institutions about remunerations.

When NLFI requests the Minister of Finance for prior approval for a fundamental or weighty decision, it will also issue advice on the decision to be taken.

In addition, the Supervisory Arrangement provides for regular consultation between the NLFI Board and the Financing Director.

Box 5

Alongside the twice-yearly consultation with the Minister, the scheduled consultation between the Chair of the NLFI Board and the Financing Director of the Ministry of Finance play a central role. This consultation takes place periodically, about 1x per month. Both the Financing Director and the Chair of the NLFI Board can initiate additional meetings.

In the scheduled consultation important developments as identified by NLFI are discussed. NLFI shall at least inform the Ministry of Finance in the scheduled consultation about:

- the annual report and the annual accounts of the participations;
- the half-yearly figures and – if available – quarterly figures of the participations;
- developments at the participations that could lead to a request for funding from the State;
- developments at the participations that could influence a sale;
- items on the agenda of the shareholder meetings that may necessitate fundamental or weighty decisions (before these are made and NLFI has issued its vote; or, if this is not possible, NLFI shall inform the Ministry of Financial in another appropriate manner about this).

This provision of information is mainly aimed at helping the Ministry of Finance to stay in touch with developments that might be relevant to future ministerial decision-making, such as exit decisions and fundamental or weighty decisions. This provision of information may also serve to help the Ministry of Finance to interpret the significance and consequences of (possible) publicity. Finally, the provision of information can provide general insight into the manner in which NLFI conducts the management of the participations. The scheduled consultation is furthermore intended to discuss important developments as identified by the Ministry.

In addition, the Supervisory Arrangement designates NLFI as the ‘single point of contact’ or ‘counter’ for the participations. The Ministry will therefore not submit any direct requests for information to the financial participations about matters that lie within NLFI's competence. NLFI, for its part, will inform the Financing employees in advance of any meetings and other contacts with other parts of the Ministry of Finance. The Supervisory Arrangement also contains arrangements about providing assistance to the Minister in contacts with the EU and national supervisors.

As is evident from Box 3, the Minister of Finance has a number of important supervisory instruments vis-à- vis NLFI in the form of rights of approval concerning the budget and annual accounts. See the appendix with this Position Paper for the arrangements about the budget, the annual accounts and the annual report as well as legality and efficiency.

4. Relationship with the House of Representatives

The Minister of Finance and NLFI have access to the publicly available information of ABN AMRO and de Volksbank which must be published under supervisory regulations, such as the financial

figures and annual reports, as well as other legally required publications. NLFI also receives confidential and price-sensitive company information. NLFI keeps the Minister informed in accordance with the Supervisory Arrangement. In addition, the Minister can request all information from NLFI that is necessary to carry out his task. The Minister of Finance determines what information should be shared – and when – with the House of Representatives, either on request or otherwise. NLFI is accountable to the House of Representatives via the Minister.

In line with the arrangements with the ACM, NLFI receives no competitively sensitive information from its participations. Nor does the Ministry receive this kind of information.

The Minister is responsible for the privatisation of NLFI participations. NLFI can exclusively sell shares with a mandate from the Minister. The Minister only gives NLFI a mandate after discussing NLFI's privatisation advice with the House of Representatives. In 2015, for instance, the Minister mandated NLFI to sell the first tranche of shares in ABN AMRO via the stock exchange. (See Box 6 for an explanation of the working arrangements.)

Box 6

Exit advice

NLFI advises the Minister of Finance on possible privatisation strategies if the company is deemed to be fit for this step. Key criteria include: are the financial markets stable?; is the company fit for sale?; is there sufficient demand for the shares? The expected proceeds are also taken into consideration in view of the ambition to recover as much as possible of the invested capital. When NLFI prepares advice on the strategy to be followed by the State for the sale of shares in a financial institution under its management (also known as 'exit advice'), arrangements are first made with the Minister of Finance about the steps to be taken, including the sharing of draft versions of the privatisation advice. The (draft) advice will, in all events, set out various options for the sale. The advantages and disadvantages of each option are sketched. If, after consulting with the Minister of Finance, NLFI is satisfied that the advice is definite, the advice is presented to the Minister. After receiving ministerial approval, NLFI can implement the proposed strategy for the sale of shares within the frameworks set by the Minister. The Minister seeks parliamentary approval before the process is set in motion.

Implementation

Once the Minister and Parliament have approved a sales strategy, the pre-transaction phase commences. After consulting with NLFI, the Ministry of Finance determines which frameworks apply, which fundamental and weighty decisions can be identified in the pre-transaction phase that require approval from the Ministry of Finance, and what information is required. A consultation structure is agreed (sales consultations). The arrangements for this consultation are laid down in an information protocol.

During a privatisation process, close contact is maintained with the Ministry of Finance in order not to surprise the Ministry and to facilitate smooth decision-making on fundamental and weighty issues. Examples are decisions relating to the buyer(s) of the company/shares, the quantity of shares to be sold and the price (proceeds). Irreversible steps in a sales process are put to the Ministry of Finance for prior approval.

NLFI is as transparent as possible about its advice and during the privatisation process. The exit advice on ABN AMRO and a.s.r., for instance, was published on the NLFI website.⁷ The advice on the sale of Propertize was also published.⁸ The Minister of Finance informs the House of Representatives, both before mandating NLFI to implement a sales strategy and during the process.

As long as a participation is not ready for privatisation, NLFI does not issue advice about the participation in relation to privatisation. This approach was used for Reaal, Propertize, ASR, ABN AMRO and SABB.

De Volksbank has an exceptional position in this; in line with the arrangements made between the Minister and the House of Representatives, NLFI provides the Minister of Finance with an annual progress report, which he can forward to the House of Representatives, together with his views in relation thereto. This is an extensive report to the Minister of Finance about the current state of affairs at de Volksbank as well as the bank's financial parameters and (financial) strategy. The House of Representatives discusses this with the Minister of Finance each year.

5. Supervision and oversight by other organisations

In addition to the supervision by the Minister of Finance, who is accountable for this to the House of Representatives, other organisations also exercise supervision over NLFI.

Netherlands Court of Audit (ARK)

Upon its creation, NLFI already implicitly came under the regulatory powers of the Netherlands Court of Audit on the grounds that it performed a statutory task and was funded for this purpose from the proceeds of a statutory levy.⁹ Pursuant to Articles 7.24, preamble and e, 7.34 and 7.35 of the Government Accounts Act 2016 and Article 8 of the NLFI Foundation Trust Office Act, the Netherlands Court of Audit is empowered to audit financial companies whose shares are under the management of NLFI. The amendment of the NLFI Foundation Trust Office Act, as recently sent to the House of Representatives, provides for the confidential handling of any price-sensitive information that the Netherlands Court of Audit may encounter during its audit work. In addition, the amendment leads to several technical adjustments and updates to the Act.

Netherlands Authority for Consumers and Markets (ACM)

As set out above, NLFI adheres to the ACM measures pursuant to the Dutch Competition Act. This, incidentally, also applies to the Ministry. NLFI and the Ministry have appointed a rapporteur in consultation with the ACM. This rapporteur inspects documents of NLFI every three months, discusses relevant matters with NLFI and the Ministry, and reports on NLFI's compliance with the ACM measures to the ACM.

⁷ Three examples of NLFI exit advice: <https://www.nlfi.nl/wp-content/uploads/2020/02/Exitadvies.pdf>; https://www.nlfi.nl/wp-content/uploads/2020/02/Exit_Advies_ABN_AMRO_NL.pdf; and <https://www.nlfi.nl/wp-content/uploads/2020/02/Exit-advies-ASR-NL.pdf>

⁸ <https://www.nlfi.nl/wp-content/uploads/2020/02/Advies-verkoop-Propertize.pdf>

⁹ The Explanatory Memorandum provides the following clarification: "As discussed during a General Consultation with the Parliamentary Standing Committee for Finance on 4 November 2010, preference is given to a statutory arrangement in order to enshrine the powers of the Netherlands Court of Audit in law"; see <https://zoek.officielebekendmakingen.nl/kst-32613-3.html>

DNB (Dutch Central Bank)/ECB

The managing directors of NLFI are subject to the supervision of DNB and undergo an assessment before their appointment. Furthermore, any privatisation of shares owned by NLFI in its participations must be approved in advance by DNB/ECB (declarations of no objection).

Netherlands Authority for the Financial Markets (AFM)

From time to time NLFI obtains inside information about its participations which must be treated with strict confidentiality and kept within a limited circle. This currently applies both to information relating to ABN AMRO as a listed company, and to de Volksbank, as an issuer of listed securities.

Auditor

An external auditor safeguards the legality and efficiency of NLFI's operations and audits and certifies the annual accounts of NLFI. The auditor's report is shared with the Ministry. For the other safeguards relating to the budget and annual accounts, see the appendix to this position paper.

Appendix

Budget

Before 1 December of each year, the NLFI Board prepares the draft budget for the next financial year and sends this without delay to the Minister. The budget contains an estimate of profits and losses, an estimate of the proposed capital expenditure and an estimate of revenue and expenditure. A separate explanation is provided for each budget item. The classification of the budget items is in principle identical to the classification used for the budget and annual accounts for 2011 (income, management, employees, premises, office costs, other costs, consultancy costs). In October, NLFI discusses a draft of the budget and the plans for the coming year with the Ministry of Finance in the scheduled consultations. Thereafter, the NLFI Board adopts the budget and sends this, before 1 December of the year preceding the budget year, to the Minister of Finance. The resolution to adopt the budget requires the approval of the Minister. A contribution payable by the State on the basis of this approved budget is included in the IXB budget (Finance). The costs of NLFI are largely passed on – via the Ministry of Finance – to the financial institutions under management: ABN AMRO and de Volksbank.

The Supervisory Arrangement states that NLFI must publish its budget on the NLFI website. This, however, is not possible as the NLFI budget also contains information about the hiring of advisers to assist with privatisations. Such estimates cannot be made public as the market may use this information to anticipate such decisions of NLFI. For this reason, it has been agreed with the Ministry not to publish the budget on the website.

Annual Report & Annual Accounts

Before 1 March of each year following the financial year, NLFI draws up an annual report and annual accounts which are sent to the Minister of Finance.

The annual report describes the performance of the duties and the policy pursued in the previous financial year. The annual report shall at least devote attention to (see Article 8.2 of the Articles of Association): (a) the number of certified shares, as well as an explanation of any changes to these shares; (b) the work performed in the financial year; (c) the voting behaviour in the general meetings held during the financial year; (d) the percentage of issued votes represented by NLFI at the meetings referred to in (c); (e) the remuneration of the Board members of NLFI; (f) the number of Board meetings held as well as the most important topics discussed; (g) the costs of the activities of NLFI; (h) any external advice obtained by NLFI; (i) the roles of the Board members; and (j) the contact details of NLFI.

NLFI draws up the annual accounts in accordance with the Dutch Guidelines for Annual Reporting. Due to the specific nature of NLFI as a small not for profit organisation, Dutch Annual Reporting RJ 640/RJ-Uiting 2009-3 is applied. The resolution to adopt the annual accounts as well as the budget requires the approval of the Minister of Finance. The annual accounts are accompanied by a statement of assurance as to their reliability and fair presentation, issued by a Board-appointed external auditor, as referred to in the Dutch Civil Code. The Articles of Association of NLFI contain the provision that the annual accounts must be accompanied by the following documents drawn up by the auditor:

- a Statement of Assurance as to the reliability and fair presentation of the annual accounts, also covering the lawful receipt and expenditure of funds by NLFI;

- a report of the auditor's findings on the question whether the management and organisation of NLFI meet the efficiency requirements.

NLFI publishes the annual report on its website after receiving the Minister's approval of the resolution to adopt the annual accounts. The annual report is discussed with the Minister in the scheduled consultations.

Costs

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. Pursuant to the Decision of 29 August 2011, comprising rules on the passing on of costs of NLFI, the Minister of Finance charges part of the costs that NLFI incurs for its legal tasks and objectives to the companies whose shares are managed by NLFI. Before 1 May of each year, the amount of costs to be passed on is adopted by ministerial order. The calculation is based on the budget adopted by the NLFI Board and approved by the Minister. The NLFI budget contains the information that the Minister of Finance needs to calculate the amount of costs to be passed on. These amounts can be increased by the costs incurred by the State in relation to the foundation.

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.

Legality and efficiency

Within NLFI, several measures have been taken to promote the legality and efficiency of the foundation's actions. An internal in control statement is drawn up each year. Its purpose is to increase the transparency and consensus about risk assessment, management and monitoring. In addition to achieving objectives, this statement can also serve to prevent or control the risks that the organisation runs. In 2019 the risk areas mentioned in the in control statement were given due consideration (themes such as: leadership, liability, staffing, process control, outsourcing, relationship with stakeholders and supervision of participations). The managing director in charge reports on this to the Board, which subsequently adopts the statement. NLFI has a risk-averse approach. Financial buffers are maintained to absorb any setbacks that may occur.

The NLFI Board annually assesses its performance by means of an internal evaluation. External stakeholders are regularly requested to provide input for this purpose.

NLFI regularly has an EDP audit carried out by an independent external party.

NLFI publishes quarterly online reports on its voting practices as a shareholder at annual and extraordinary general meetings of shareholders and on shareholder resolutions outside meetings.