
06

Corporate governance



Stairway, Shanghai

LARGE COMPANY REGIME

Pursuant to the Enabling Act as currently in force, we are subject to the full “large company regime”. See for more information chapter 14.

BOARD OF MANAGEMENT

We are managed by a Board of Management, which is responsible for our overall results, our company’s mission, the vision and the strategy (which is required to be initiated by the chief executive officer). The responsibility for the management of our company is vested in the Board of Management as a whole. Our Board of Management consists of five members: a chief executive officer, a chief financial officer and three group managing directors. Our three divisions are responsible for the day-to-day business decisions and for the development and execution of business strategy within the framework set by our corporate strategy.

The three group managing directors are responsible for the management of their divisions. Our Board of Management is firmly committed to managing our company in a structured and transparent fashion. Our aim is to provide stakeholders with a clear view on corporate decisions and decision-making processes. We have a divisional structure across countries and regions, except for China where we operate as one unit. Value-based management provides us with an additional framework for forward-looking management of the company based on objective criteria.

Our reporting structure is in line with the management supervision of distinct business activities and our corporate legal structure has largely been brought in line with our reporting structure. Responsibility for implementing and ensuring the continued effectiveness of business controls lies with management. The success of these business controls is measured by management review, management self-assessment and internal audits conducted by our corporate audit services department. Management of designated business activities and corporate audit services report on the strength of financial processes, and internal controls are presented to the Board of Management and discussed with the audit committee of the Supervisory Board.

Our Board of Management performs its activities under the supervision of the Supervisory Board. In performing its duties, our Board of Management acts in accordance with the interests of our company and the business connected with it and, to that end, is required to consider all appropriate interests associated with our company. Our Board of Management must in due time provide the Supervisory Board with all information necessary for the proper performance of its duties. In addition, the Board of Management is required to provide the necessary means, allowing the Supervisory Board and its individual members to obtain all information which is necessary in order for them to be able to function as a supervisory body of our company.

Our Board of Management is responsible for complying with all relevant legislation and regulations, for managing the risks associated with our company’s activities and for our financing. Our Board of Management is required to report related developments to, and discusses the internal risk management and control systems with our Supervisory Board and its audit committee.

Representative authority, including with respect to the signing of documents, is vested in at least two members of the Board of Management acting jointly, as well as any other officers of our company as our Board of Management may appoint, subject to any restrictions imposed. The chief executive officer has discretion to exercise representative authority and sign documents in his individual capacity.

In the event of a conflict between our company and a member of our Board of Management, we will be represented by another member of our Board of Management or a member of our Supervisory Board appointed by our Supervisory Board for this purpose. Members of the Board of Management are appointed and can be suspended or dismissed by the Supervisory Board. Share ownership is not required to qualify as a member of the Board of Management.

The Board of Management is also responsible for our corporate sustainability policy, see chapter 9 – “Code of Business Principles & Corporate Social Responsibility”.

Committees reporting to the Board of Management

Our Board of Management has formed two internal committees to aid compliance with applicable corporate governance requirements.

DISCLOSURE COMMITTEE

This committee assists our Board of Management by working to ensure that our disclosures in all filed reports are accurate, complete, timely, understandable and that they fairly present the condition of the group in all material respects. The terms of reference of the disclosure committee are available for public inspection on our website.

ETHICS COMMITTEE

The aim of the ethics committee, formerly called the integrity committee, is to ensure full compliance with our code of business principles, our whistleblower policy- and procedure and other internal procedures. The committee reports to our Board of Management.

The TPG Code of Business Principles

Our code of ethics, called the TPG Code of Business Principles, including our whistleblower policy, is included in chapter 9 – “Code of Business Principles & Corporate Social Responsibility”. The whistleblower policy as included in our code of business principles and our whistleblower procedure are available for public inspection on our website.

Our whistleblower policy and procedure provide the possibility for employees to report alleged irregularities, which they reasonably believe occur, or have occurred, whether such irregularities are of a general, operational and financial nature in the company to management, the group compliance officer, the ethics committee, the audit committee and the Supervisory Board. The whistleblower policy and procedure set out the rights and obligations of any employee who makes a report under the policy and procedure and also sets out the duties of management. Employees who in accordance with the whistleblower policy and procedure report, or assist in reporting; irregularities can do so without jeopardising their legal position.

All our employees are encouraged to report to their management promptly any breach or suspected breach of any law, regulation, our code of business principles or other company policies and guidelines. Such reports can be submitted confidentially and anonymously by employees regarding questionable accounting, internal accounting controls or auditory matters or any other matter. Any reports relating to Board of Management members are directed to the chairman of the Supervisory Board.

Internal risk management and control systems

Our Board of Management is responsible for our system of internal risk management and control systems and for reviewing their effectiveness. These systems are designed to manage the risks that could prevent us from achieving our objectives, but cannot provide absolute assurance against material misstatements, fraud and violations of laws and regulations from happening.

Our internal risk management and control systems were designed based on the COSO internal control framework. These processes encompass measures relating to the general control environment as well as tools for monitoring the controls environment (e.g. letters of representation signed by all managing and finance directors of our group entities, divisional and group level employees that report directly to the Board of Management and our internal audit function). In addition, there is a system of controls over financial reporting, including amongst others our internal auditors' review and the review and report of our disclosure committee.

The Board of Management has reviewed and analysed the risks to which our group is exposed and has reviewed the control environment for the financial year ended on 31 December 2004. The outcome of this review and analysis has been shared with the audit committee and supervisory board and discussed with our external auditor. Our current key risks are summarised in chapter 10 of this document.

As discussed in greater detail below under "Controls and procedures / audit committee investigation", in 2004 we became aware that there are some functions where our internal control and risk management processes could be improved. We believe that we are taking adequate steps to strengthen our internal risk management process, see below.

We are reviewing our internal risk management and control systems in view of our upcoming obligations under section 404 of the US Sarbanes-Oxley Act and related regulations. We do not imply an assessment of the adequacy and effectiveness of our internal control and risk management processes over financial reporting in this sense, as this will be required from us in future under section 404.

Controls and procedures / audit committee investigation

As of the end of the period covered by this annual report, under the supervision and with the participation of our chief executive officer and chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this and in light of the audit committee investigations described below, our chief executive officer and

chief financial officer concluded that our disclosure controls and procedures should be strengthened with respect to our tax, finance and legal functions.

Except as described below, there have been no changes in our internal controls over financial reporting during the period covered by this annual report that have materially affected, or are reasonably likely to affect materially, our internal controls over financial reporting. We are committed to the ongoing enhancement of our controls and are making changes that we believe will increase their efficiency and reliability.

In February and March 2004, our audit committee, on behalf of our Supervisory Board, conducted an independent investigation regarding representations made to the UK Inland Revenue and to our auditors PricewaterhouseCoopers with respect to certain UK tax matters originally arising in the late 1990s relating to one of our UK subsidiaries. In addition to this investigation, our audit committee, with the assistance of independent tax advisors, conducted a review of other UK tax matters that arose from the same period. The investigations conducted by our audit committee, with the assistance of independent legal counsel, concluded that not all relevant details in connection with these tax matters were adequately disclosed to the UK Inland Revenue and PricewaterhouseCoopers. Based on the foregoing, the Board of Management made organisational and personnel changes with respect to certain UK subsidiaries in accordance with directions from our audit committee.

In response to these matters and our review of other tax issues in the group, we have formalised and strengthened, and continue to adapt, our internal lines of communication and the functioning and monitoring of the tax and financial reporting functions around the group. The audit committee is monitoring our progress.

In particular, the following changes are worth noting:

- Some of our managers have had dual responsibilities that arose over the years. We have reviewed these responsibilities and have made changes in most cases.
- We established a separate function at group level with responsibility for developing, implementing and maintaining of policies, procedures and reporting related to our risk management and internal controls. We have rolled out our risk management and internal control framework in all relevant areas to enhance and strengthen our control environment. As part of this roll out, we have provided support to our local businesses in the area of testing and reporting on the effectiveness of the internal control framework at local level. We have commenced an extensive training programme to involve our managers in the monitoring process of our risk management and internal control process. We have harmonised our internal controls through the introduction of a group-wide control standard.
- In our tax function we are implementing a formal tax risk control framework. We have clarified and divided roles and responsibilities: the group level tax function is responsible for the overall maintenance of our tax risk control framework, international transfer pricing and internal tax advice while local businesses have responsibility for identifying and handling local tax issues. In each country where we have substantial business, we are appointing an officer with specific

responsibility for tax matters related to all business we conduct in that country.

- In our finance area, we are implementing functional reporting lines from divisional finance management to our chief financial officer. Further, we are introducing a group business control function next to the group financial reporting function. By creating a separate focus on business control at group level, we aim to enhance the analysis and control over our business performance.
- We are increasing the staffing and enhancing the depth of knowledge of our group financial reporting department, particularly with regard to accounting in connection with pensions.
- We are in the process of strengthening the group legal function and the reporting lines from local business and divisions to the group level.
- We are introducing a new position of Group Director for Integrity and Security in 2005.
- We are reviewing the role of our external advisors and are taking steps to ensure that the group is responsible for the internal assessment and validation of our advisors' advice.

Remuneration

For detailed information concerning the remuneration of our Board of Management, see the remuneration report in chapter 8. The remuneration report, which includes the remuneration policy for our Board of Management can also be viewed on our website. The information on this website does not form part of this annual report. Our remuneration policy was adopted by the annual meeting of shareholders on 7 April 2004. At the 2005 annual meeting of shareholders, which is expected to take place on 7 April 2005, we will submit certain proposals to change aspects of the remuneration policy.

Members of our Board of Management may not sell shares granted to them pursuant to our equity plans without financial consideration until the earlier of five years following the grant of the shares and the end of the member's employment with us, unless the member can demonstrate to our corporate secretary that the sale is prompted by required tax payments with respect to the shares.

Our Supervisory Board has adopted a policy concerning the ownership of and transactions in securities other than our securities by members of the Board of Management and the Supervisory Board. This policy is incorporated in the by-laws of the Board of Management and Supervisory Board and requires that each member of the Board of Management and Supervisory Board gives periodic notice, at least quarterly, to our corporate secretary of any changes in his or her holding of securities in Dutch listed companies. A member of the Board of Management or the Supervisory Board who invests exclusively in listed investment funds or who has transferred the discretionary management of his or her securities portfolio to an independent third party by means of a written mandate is exempted from compliance with these notification requirements.

Conflicts of interest / Related party transactions

The Supervisory Board is responsible for deciding on how to resolve conflicts of interest between Board of Management members, Supervisory Board members and the external auditor on the one hand and the company on the other.

A member of the Board of Management or of the Supervisory Board is required to report immediately and provide all relevant information to the chairman of Supervisory Board and to the other members of the Board of Management (if it concerns a member of that board) about any conflict of interest or potential conflict of interest that may be of material significance to the company and/or to him, including any conflict concerning his/her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he is required to report this immediately to the vice-chairman of the Supervisory Board and provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree.

A decision to enter into a transaction involving a conflict of interest with a Board of Management member or a member of the Supervisory Board that is of material significance to us or to the Board of Management/ Supervisory Board member requires the approval of the Supervisory Board.

The State is our only shareholder holding an interest exceeding 10% of our shares. In view of the transactions that we, with our mail, express and logistics business, may have with the State and any of its instrumentalities, the by-laws of the Board of Management provide that a transaction between us and these parties shall not be deemed of material significance below a threshold of €22,5 million. Transactions with these parties above the just mentioned threshold require the approval of the Supervisory Board. All transactions between us and the State and any of its instrumentalities are required to be agreed on terms that are customary in the sector concerned.

BOARD OF MANAGEMENT**M.P. BAKKER (1961)****CEO**

Peter Bakker has been Chief Executive Officer since 1 November 2001, on which date he succeeded Ad Scheepbouwer. He joined Royal TPG Post (then called PTT Post) in 1991 and was appointed financial director of its parcels business unit in 1993. He was appointed financial control director of TPG Post in 1996 and became a member of the board of management of TPG Post in 1997. Since the demerger of TPG N.V. from Koninklijke PTT Nederland NV until his appointment as CEO, he was Chief Financial Officer and a member of the TPG Board of Management. Before joining TPG Post, Mr. Bakker worked for TS Seeds Holdings.

Shares owned as of the date of this report: **12,832**

J.G. HAARS (1951)**CFO**

Jan Haars has been Chief Financial Officer and a member of the TPG Board of Management since 1 August 2002. Mr. Haars succeeded Mr. Bakker, who was appointed Chief Executive Officer of TPG from 1 November 2001. Before joining the company, Mr. Haars worked for ABN AMRO Bank N.V., Thyssen Bornemisza Group, Royal Boskalis Westminster N.V., Rabobank Nederland and most recently he worked for Unilever N.V., as worldwide Group Treasurer.

Shares owned as of the date of this report: **12,903**

H.M. KOORSTRA (1951)**Group Managing Director Mail**

Harry Koorstra has been Group Managing Director Mail and a member of the TPG Board of Management since July 2000. He joined TPG Post in 1991 as managing director of its then Media Service business unit and became a member of its board of management in 1997. Before joining the company, Mr. Koorstra worked for 15 years at the Netherlands' largest publisher, VNU N.V., most recently as general director of its Admedia/VNU Magazine Group.

Shares owned as of the date of this report: **12,031**

M.C. LOMBARD (1958)**Group Managing Director Express**

Marie-Christine Lombard has been Group Managing Director Express since 1 January 2004. She joined Jet Services in France in 1993. From the acquisition of Jet Services in 1999, Mrs. Lombard joined TPG as the managing director of the domestic express business and from March 2001 until 1 January 2004 was managing director of our international express business in France.

Shares owned as of the date of this report: **0**

D.G. KULIK (1948)**Group Managing Director Logistics**

David Kulik has been Group Managing Director Logistics and member of the Board of Management since 1 September 2003. As Group Managing Director Logistics he is responsible for all our global logistics activities. Mr. Kulik joined us in 2000 as managing director of TNT Logistics North America. Before joining the company, Mr. Kulik was president and chief executive officer of CTI Logistix Inc. since 1994. He had been employed by the parent company CSX Corporation since 1988.

Shares owned as of the date of this report: **5,871**

Mr. Bakker is an advisory board member of ABN AMRO Bank. Mr. Koorstra is a member of the supervisory board of Hermans Holding B.V. He is also member of the executive committee and general board of The Verbond van Nederlandse Ondernemingen. Mr. Kulik is a member of the business advisory board of the University of North Florida (State owned and operated university system). The members of our Board of Management have no other board positions other than those reflected above.

The business address of all members of the Board of Management is TPG N.V., Neptunusstraat 41-63, Hoofddorp, 2132 JA, the Netherlands.

SUPERVISORY BOARD

The Supervisory Board is charged with supervising of the policies of the Board of Management and the general course of affairs of the company and the business connected with it, as well as assisting the Board of Management by providing advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established under the management of the Board of Management. The responsibility for proper performance of duties is vested in the Supervisory Board as a whole. The Supervisory Board members may adopt an independent stance vis-à-vis the Board of Management.

In performing its duties the Supervisory Board is charged with acting in accordance with the interests of our company and the business connected with it and, to that end, considering all appropriate interests associated with the company. Supervisory Board members perform their duties without mandate and

independent of any interest in the business of the company. They should not support one interest without regard to the other interests involved.

Our Supervisory Board is responsible for the quality of its own performance.

Expertise and composition

The Supervisory Board consists of a minimum of seven and a maximum of 12 members. At present, our Supervisory Board has eight members with one vacancy. Share ownership is not required to qualify as a member of the Supervisory Board.

The Supervisory Board has prepared a profile of its size and composition, taking account of the nature of our business and activities and the desired expertise and background of the Supervisory Board members. The Supervisory Board evaluates

the profile annually and discusses the profile with the annual general meeting of shareholders and our Central Works Council upon adoption and in case any changes are made.

According to our by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four-years. Our articles of association and by-laws of the Supervisory Board also provide that Supervisory Board members shall retire periodically in accordance with a rotation plan to be drawn up by the Supervisory Board in order to avoid, as far as possible, a situation in which many reappointments occur simultaneously. The rotation plan can be viewed on our website.

The State of the Netherlands has relinquished its right to appoint three members of our Supervisory Board, and we amended our articles of association to that effect on 20 June 2002. This did not affect the term of office of the member of the Supervisory Board, Mr. J.H.M. Hommen who was previously appointed by the Minister of Transport. Mr. J.H.M. Hommen's term expires in 2005.

In accordance with the Dutch Corporate Governance Code, it is the intention of the Supervisory Board that its members will not hold more than five memberships in supervisory boards of Dutch listed companies (including our company). In this connection, a chairmanship counts twice. Each member of our Supervisory Board holding more than five such board memberships has committed himself to reduce his number of board memberships to a maximum of five by the middle of 2005. No new member of our Supervisory Board who holds more than five such board memberships will be appointed.

There is an agreed procedure for Supervisory Board members to take independent professional advice at the company's expense, if so required.

For a description of our Supervisory Board's activities in 2004, see the Report of the Supervisory Board in chapter 7.

The by-laws of the Supervisory Board are available for public inspection on our website, together with other information with respect to each member of our Supervisory Board.

Chairman and corporate secretary

The chairman of our Supervisory Board, Mr. M. Tabaksblat determines the agenda and presides over meetings of the Supervisory Board. The chairman is responsible for the proper functioning of the Supervisory Board and its committees. Furthermore, the chairman arranges for the induction and training programme for its members and initiates the evaluation of the functioning of our Supervisory Board and the Board of Management.

The chairman of our Supervisory Board may not be a former member of our Board of Management.

The Supervisory Board is assisted by our corporate secretary. All members of the Board of Management and the Supervisory Board have access to the advice and services of the corporate secretary, who is responsible to the Supervisory Board for ensuring that Supervisory Board procedures are followed

and that the Supervisory Board acts in accordance with its statutory obligations under the Articles of Association. The corporate secretary is appointed and dismissed by the Board of Management, after the approval of the Supervisory Board has been obtained.

Committees of the Supervisory Board

The Supervisory Board has formed an audit committee, a remuneration committee, a nominations committee and a public affairs committee. The terms of reference of these committees can be viewed on our website.

AUDIT COMMITTEE

The audit committee operates pursuant to terms of reference approved and adopted by the Supervisory Board according to the rules and regulations of the Dutch Corporate Governance Code. The audit committee annually reviews and reassesses the adequacy of the terms of reference. The audit committee is charged with assisting the Supervisory Board in advising on and monitoring of, inter alia, the integrity of our financial statements, our financing and finance related strategies and tax planning.

The audit committee's terms of reference require it to consist of at least three members. All members of the audit committee must be Supervisory Board members who are independent within the meaning of the by-laws of the Supervisory Board. Each member of the audit committee must be financially literate and at least one member of the audit committee must have accounting or related financial management expertise. At least one member of the audit committee must be a financial expert as defined by the US Securities and Exchange Commission. A member of the audit committee may not simultaneously serve on the audit committees of more than two other companies unless the Supervisory Board determines that this simultaneous service would not impair the ability of such member to serve effectively on the audit committee.

The audit committee and the remuneration committee may not consist of the same members.

The Supervisory Board has determined that Mr. J. Hommen and Mr. R.J.N. Abrahamsen qualify as "audit committee financial experts" as defined in Item 16A of Form 20-F.

REMUNERATION COMMITTEE

The remuneration committee is appointed by the Supervisory Board to draft the proposal of the remuneration policy for members of the Board of Management and for the Supervisory Board and to draft a proposal for the remuneration of the individual members of the Board of Management, for adoption by the Supervisory Board, and to determine the remuneration of the individual members of the Board of Management in accordance with the proposal so adopted. Furthermore, the remuneration committee prepares the allocation of management options and rights to shares in the company's capital to other senior management of the company by the Supervisory Board.

NOMINATIONS COMMITTEE

The nominations committee prepares the appointments by the Supervisory Board of members of the Supervisory Board and the Board of Management. The nominations committee is appointed by the Supervisory Board to draw up selection criteria and

appointment procedures for Supervisory Board members and Board of Management members, to set up procedures to secure adequate succession of members of the Board of Management and the assessment of such candidates and to make proposals for appointments and reappointments.

PUBLIC AFFAIRS COMMITTEE

The public affairs committee is appointed by the Supervisory Board to act as a sounding board and advisory committee for the Board of Management and its public affairs council in formulating and developing our public affairs policy, in particular for our mail division and for the implementation and tactical elaboration of its policy. The public affairs committee monitors the effectiveness of our public affairs policy and the implementation thereof by our public affairs council.

Additional Supervisory Board Information

	Nationality	Appointed	Term expires	Committee membership
R.J.N. Abrahamsen	Dutch	May 2004	2008	Audit, Nomination
J.M.T. Cochrane	British	June 1998	2006	Remuneration
R. Dahan	Dutch	April 2003	2007	Audit
V. Halberstadt	Dutch	June 1998	2007	Remuneration, Public Affairs
J.H.M. Hommen	Dutch	June 1998	2005	Audit
W. Kok	Dutch	April 2003	2007	Nomination, Public Affairs
R.W.H. Stomberg	German	June 1998	2006	Remuneration, Nomination
M. Tabaksblat	Dutch	June 1998	2005	Nomination, Public Affairs
Vacancy				

AUDITOR

Our external auditor is appointed by our shareholders' meeting. Our audit committee has the sole authority, subject to confirmation by our Supervisory Board, to recommend to our shareholders' meeting the appointment or replacement of the external auditor. The audit committee on behalf of the Supervisory Board is required to be directly responsible for the compensation and oversight of the work of the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The audit committee is required to pre-approve all auditing and audit related services, and permitted non-audit services (including the fees and terms thereof) to be performed for us by the external auditor.

Conflicts of interest and potential conflicts of interest between the external auditor and the company are resolved in accordance with the terms of reference of the audit committee and in particular the following annexes thereto: the TPG policy on auditor independence and the TPG audit committee audit, audit-related, and non-audit services pre-approval policy, which can be viewed on our website.

We will only use the external auditor to provide services in cases where these services do not conflict with the external auditor's independence. To maintain the external auditor's independence

and comply with applicable law and regulation, the TPG policy on auditor independence governs how and when we may engage the external auditor. The TPG policy on auditor independence can be viewed on our website.

The audit committee and the Board of Management are required once every three years to conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The main conclusions of this assessment are required to be communicated to the general meeting of shareholders.

Internal auditors are required to operate under the responsibility of our Board of Management subject to monitoring of our internal audit function by the Supervisory Board, assisted by the audit committee. The Board of Management is required to ensure that the external auditor and the audit committee will be involved in drawing up the tasks of the internal auditors.

The independent external auditor is required to attend the meetings of the Supervisory Board at which the report of the external auditor with respect to the audit of the annual accounts is discussed and at which the approval of the annual accounts is determined.

See note 19 to the financial statements for the fees paid to PricewaterhouseCoopers Accountants N.V.

DUTCH CORPORATE GOVERNANCE CODE

We fully comply with the Dutch Corporate Governance Code by applying its principles and best practice provisions that are addressed to the Board of Management and the Supervisory Board or by explaining why it deviates therefrom. Subject to the amendments of the articles of association proposed to the 2005 annual general meeting of shareholders, we fully apply such principles and best practice provisions, with the exception of the following provision that is not fully applied:

- Provision II.2.7: Maximum remuneration in the event of dismissal of members of the Board of Management. See Severance, chapter 8, page 68 and chapter 12, page 132.

Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Dutch Corporate Governance Code is required to be submitted to the annual general meeting of shareholders for discussion under a separate agenda item.

The full text of the Dutch Corporate Governance Code can be viewed on our website, www.tpg.com. The information on our website, however, does not form part of this annual report. In addition to the Dutch Corporate Governance Code we are subject to the New York Stock Exchange corporate governance rules and to the US Sarbanes-Oxley Act. We are not subject to any other corporate governance code.

NEW YORK STOCK EXCHANGE CORPORATE GOVERNANCE RULES

We comply with the corporate governance rules applicable to foreign private issuers listed on the New York Stock Exchange (NYSE). As a foreign issuer with American Depositary Shares listed on the NYSE, we are allowed to follow our home-country practices with respect to most corporate governance matters instead of those that apply to US domestic issuers provided that we disclose any significant ways in which our corporate governance practices differ from listed domestic US companies under the NYSE listing standards.

Like many public Dutch companies, we have a two-tier governance standard. As set out in more detail above, our Board of Management is comprised of executive directors under the supervision of our Supervisory Board, which comprised of non-executive directors. Members of the Board of Management and other officers and employees cannot simultaneously act as members of the Supervisory Board. The Supervisory Board must approve specified decisions of the Board of Management.

Both the Dutch Corporate Governance Code requirements and the NYSE rules require that a majority (or more) of the members of a board of directors be independent, but the relevant definitions of independence differ in their details. In some cases, the Dutch requirement is stricter, such as by requiring a longer “look back” period for former executive directors; in others the NYSE requirement is the stricter of the two. The NYSE listing standards also require that the external auditor be appointed by a company’s audit committee. As discussed above, in accordance with Dutch law, our external auditor is appointed by the shareholders’ meeting and not by our audit committee, although our audit committee has the sole authority to recommend such appointment, subject to confirmation by our Supervisory Board.

Our audit committee complies with the provisions of the NYSE listing standards applicable to foreign private issuers. In general, we believe that our current corporate governance practices are consistent in principle with the standards required of US companies listed on the NYSE.