2012 Annual Report: Executive summary

In economic terms, 2012 was a miserable year and the effects of the euro crisis continued to be felt everywhere. In the Netherlands, rising unemployment, falling house prices and government austerity measures had a serious impact. But it was not a bad year for investors, and shares in particular performed well.

All the important share indices closed up in 2012. Amsterdam's blue chip AEX index started the year on 312.47 points and ended almost 10 percent higher on 342.71. The Midcap index closed up 14.1 percent and the Smallcap index rose 7 percent.

Air France-KLM, Aegon and ASML were among the best-performing stocks. KPN, SBM Offshore and ArcelorMittalled the losers. Two new companies joined the Amsterdam exchange in 2012: D.E Master Blenders 1753 and Ziggo. Nine firms de listed, continuing a trend that has been under way for years. Without an increase in newcomers, the number of Dutch companies listed in Amsterdam will soon dip under 100.

1. Corporate Governance

There was considerable activity in the corporate governance field in 2012, with a number of creative remuneration strategies and interesting corporate break-ups.

1.1 Chief executive pay stable, despite lower bonuses

Many senior executives had to make do with a lower bonus for their work in 2011 but total remuneration packages were, on balance, barely affected. The reduction in bonuses was counteracted by higher basic salaries, generous option and share packages, extra pension payments, golden handshakes and other benefits.

Some three-quarters of AEX executives were given a lower short-term bonus over 2011. But in many cases, this was counteracted by a bigger long-term bonus. Aegon's CEO Alexander Wynaendts was given a share package worth over €400,000, on condition he reached a number of performance targets over three years. The cuts in TomTom and KPN cash bonuses were also largely compensated by more generous share and option packages. Shell's chief executive Peter Voser was given a so called 'delayed bonus plan', which allows senior staff to put half of last year's short-term bonus into Shell shares. After three years, the executive gets one free share for every two he bought- on condition Shell has performed better than four competitors (BP, Chevron, ExxonMobil and Total).

1.1.1 AkzoNobel: A warm welcome

At the end of April last year, Hans Wijers left AkzoNobel. He was replaced by Ton Büchner, former chief executive at Swiss industrial conglomerate Sulzer. It was a lucrative switch for Büchner, thanks to a royal welcome package. First of all he was given €1 million as compensation for the loss of rights

by this previous employer'. He was also given the opportunity to invest €500,000 in AkzoNobel shares and if the company performed well in the eyes of the supervisory board, he would get a matching share as a gift for every one he had bought.

Supervisory boards often think 'golden hello's' are necessary to compensate for lost remuneration packages. But in Büchner's case, there are a number of questions. Sulzer's financial report shows he lost the equivalent of €550,000 in performance-related shares by making the move. But the same section shows he was given an 'additional, discretionary bonus' equivalent to €1.4 million for his 'exceptional contribution as Sulzer chairman'.