



INSTITUTIONAL SHAREHOLDER SERVICES

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## ISS Europe Contentious Issues Alert

Meeting Date 2007	Company Name	Type
<b>13 Mar 2007</b>	<b>Nordea (Sweden)</b> ISIN: SE0000427361, SE0000588147, SE0000189482, SE0001295072	<b>EGM/AGM</b>
Agenda Item	Contentious Issues	
<b>21:</b> Approve Allocation of SEK 100 Million for "The Institute for Integration and Growth in Landskrona"	Shareholder proposal.	
Meeting Date 2007	Company Name	Type
<b>28 Mar 2007</b>	<b>DSM (the Netherlands)</b> ISIN: NL0000009827	<b>AGM</b>
Agenda Item	Contentious Issues	
<b>4b:</b> Amend Articles Re: Introduction of a Loyalty Dividend	<p>DSM points out that this proposal is not an infringement of the "one-share, one-vote, one-dividend" principle or on the equal treatment of shareholders; shareholders whose circumstances are equal will all be treated the same manner. ISS, however, does not agree with this argument as the extra dividend is paid from the company's profits to which all shareholders have an equal right – regardless of their registration status. The unregistered shareholders, who should have an equal right to these profits, are therefore treated differently and unequally as they receive less of the dividend distribution, and therefore indirectly pay the price for the fact that they have not registered their shares. Stating that the current dividend policy remains unchanged is less relevant at this point. Registered shares received a supplement of 10 percent, but unregistered shares do not; this is de facto not the same dividend policy. This creates a deviation from "one-share, one-vote, one-dividend" principle, no matter how small the difference might be and regardless of the intent.</p> <p>The initiative of DSM can be placed within the framework of the conclusions of the Frijns Committee. This committee signaled that there was room for improvement in the</p>	

communication between shareholders and companies. One of the restrictions on this communication is related to the lack of identification of shareholders. The committee refers to the United Kingdom or France, where registration is either the rule or a frequently applied practice. However, identification in these systems happens through the intermediaries.

ISS does agree with the company that the registration should not be seen as a takeover defense. It is doubtful that shareholders would forego a takeover premium simply because they might miss out on the loyalty dividend when selling shares. On the other hand in the event of a proxy contest, management has first access to registered shareholders whereas shareholders with diverging opinions do not. The management of the company has not declared that shareholders will have access to the register.

ISS has been made aware of considerable administrative and regulatory issues linked with foreign (especially U.S.) investors attempting to register for the loyalty dividend program. Due to custodial agreements in place professional investors are faced with an increased administrative burden as DSM shares need to be registered with ANT to be eligible for the program. As mentioned above, DSM will bear any administrative costs incurred by ANT, but this does not take into account any additional costs or the time that has to be spent on any administration resulting from the registration process but not linked to ANT specifically.

DSM also argues that the share registration would create a level playing field with other countries. ISS notes that although registered shares are common in certain other markets, it does not guarantee more efficient shareholder communication as shares are mostly registered under nominee accounts. Furthermore, registration in other countries has no bearing on dividend rights.

The main rationale used by DSM concerns the wish to communicate more effectively and efficiently with its shareholders. We would encourage DSM to further explain why it has not chosen other ways of improving communication between shareholders and the company. This could have made it possible for the company to communicate with its shareholders without proposing an unequal dividend treatment. It would therefore have fulfilled its main purpose while still complying with the proportionality principle. Moreover ISS questions in that respect the surplus value of the extra communication without falling under the application of inside information and if the price to be paid for this is proportional.

ISS notes that preregistration was opened from January 2007 until February 2007, implying that any shareholder registering after February 2007, will only receive loyalty dividend as of 2010 (i.e. a year later). Shareholders would have appreciated a vote on the proposal before its implementation and not vice versa.

	<p>It should be noted that the proposal has its merits. The company strives for a better relationship with its shareholders by granting an extra dividend to the ones who have registered their shares. The potential difficulties in terms of administration have been minimized as much as possible by DSM. It should also be pointed out that this new system will not have any effect on the voting rights and that registration as well as deregistration can be done in a swift way, which should minimize potential negative impacts on the liquidity of the share.</p> <p>This proposal is, nevertheless, considered to be a breach of the "one-share, one-vote, one-dividend" principle because of the unequal treatment of shareholders based on their registration status. The proposal would create an advantage for the management in the case of a proxy contest. Furthermore, the potentially significant administrative burden is largely put on the investors and is not considered to be proportional to the goal the company wants to reach by introducing the program. We therefore recommend that shareholders vote against the proposal.</p>	
Meeting Date 2007	Company Name	Type
29Mar 2007	<b>Aker BioMarine (Norway)</b> <b>ISIN : NO0010335771</b>	<b>EGM</b>
Agenda Item	Contentious Issues	
<b>3:</b> Approve Merger Agreement with Natural ASA	<p>The boards of directors of Aker BioMarine and the biotechnology company Natural recommend a <a href="#">merger of the two companies</a>. The merged company will be called Aker BioMarine. According to the company's press release, it will become a leader in the production of valuable, bioactive marine additives and ingredients for the food, dietary supplements, pharmaceuticals, and aquaculture industries. Pursuant to the agreement, all of Aker BioMarine's assets, rights, and obligations will be transferred to Natural, and Aker BioMarine shareholders will receive merger compensation in the form of Natural ASA shares.</p>	
Meeting Date 2007	Company Name	Type
30 Mar 2007	<b>Zentiva (the Netherlands)</b> <b>ISIN:</b> NL0000405173, US98942R3030, US8315891064	<b>EGM</b>
Agenda Item	Contentious Issues	
<b>3:</b> Approve Acquisition of 75 percent of Eczacibasi Saglik Urunleri Sanayi ve Ticaret A.S. (Generic Pharmaceuticals)	<p>Discussion and approval of the <a href="#">acquisition by Zentiva</a> of 91,500,001 ordinary shares (comprising 75% of the share capital) in Eczacibaşı Sağlık Ürünleri Sanayi ve Ticaret A.Ş. and 6,783,000,001 ordinary shares (comprising 75% of the share capital) in the share capital of EÖS Eczacibaşı Özgün Kimyasal Ürünleri Sanayi ve Ticaret A.Ş. ("Eczacibaşı Generic Pharmaceuticals").</p>	

Meeting Date 2007	Company Name	Type
04 Apr 2007	<b>DaimlerChrysler (Germany)</b> ISIN: DE0005500045, DE000A0LR9K1 , DE0007100018	<b>AGM</b>
Agenda Item	<b>Contentious Issues</b>	
<b>9-23:</b> Shareholder Proposals Submitted by Ekkehard Wenger and Leonhard Knoll	<p>The company has announced that a large shareholder has submitted 15 shareholder proposals, which have been added to the agenda as separate voting items.</p> <p>Items 9 to 16 propose various article amendments, purportedly to re-focus the company on its German roots and improve governance. Under item 17, the management board would be instructed to prepare the conversion of the company's legal structure from a German stock corporation to a European Company (<i>Societas Europea</i>, or SE). Finally, items 18-23 are requests for various special audits in connection with the 1998 merger between Daimler-Benz AG and the Chrysler Corporation, and other related events.</p>	
Meeting Date 2007	Company Name	Type
16 Apr 2007	<b>Electrolux (Sweden)</b> ISIN: US0101982082, SE0001195819, SE0001195801, SE0000103806, SE0000103814, SE0000561623	<b>EGM/AGM</b>
Agenda Item	<b>Contentious Issues</b>	
<b>16a:</b> Approve Remuneration Policy And Other Terms of Employment For Executive Management	<p>Electrolux held a highly contentious meeting last year, during which its restricted share plan was finally approved but not the financing of this plan. This year, look out for this meeting again as the restricted share plan and its financing is once again up for vote. Any assessment of these resolutions will call for more research. In general, shareholders should look out for share incentive plans and their financing in the Swedish market this year. The financing of share incentive plans, if a separate item, requires a supermajority of 90 percent whereas the plan itself (if a separate item) only requires normal majority to be approved.</p>	
Meeting Date 2007	Company Name	Type
19 Apr 2007	<b>Nestlé SA (Switzerland)</b> ISIN: CH0002136973, US6410694060, CH0002137674 , CH0002137682, CH0012056047, DE0008518838 , BE0004500386	<b>AGM</b>
Agenda Item	<b>Contentious Issues</b>	

<p><b>5.1:</b> Re-elect Peter Brabeck-Letmathe as Director</p>	<p>The company's combined chairman and CEO, Peter Brabeck, is up for re-election. Brabeck has held the joint role since 1997. However, Nestle has announced that Brabeck will relinquish his executive duties at the 2008 AGM. As a result, shareholders are not expected to oppose his re-election.</p> <p>In the past two years, Swiss companies that combine the two functions have faced criticism from shareholders. For the 2005 AGM, Ethos, a Swiss foundation representing pension funds, had submitted three shareholder proposals at Nestle, one of which was to separate the chairman and CEO positions. Nestle subsequently initiated a complete review of its articles of association and governance structure, which is ongoing.</p>	
<p>Meeting Date 2007</p>	<p>Company Name</p>	<p>Type</p>
<p>19 Apr 2007</p>	<p><b>Volkswagen AG (Germany)</b>  <b>ISIN:</b> DE0005403901, DE000A0MFX97 ,  DE000A0MFYM7, DE000A0LR902</p>	<p><b>EGM</b></p>
<p>Agenda Item</p>	<p>Contentious Issues</p>	
<p><b>4:</b> Approve Discharge of Former Management Board Member Peter Harz</p>	<p>The company is asking shareholders not to grant discharge to former management board member Peter Harz. Harz was deemed responsible for a scandal involving the bribery of employee representatives on the German carmaker's supervisory board during 2005.</p>	
<p><b>6:</b> Reelect Michael Frenzel, Roland Oetker, and Ferdinand Piech to the Supervisory Board</p>	<p>The company is proposing to reelect three supervisory board members: Michael Frenzel, Roland Oetker, and Ferdinand Piech.</p> <p>The reelection of supervisory board chairman Ferdinand Piech is expected to be contentious. Piech is a member of the family that controls Porsche AG, which holds almost 30% of Volkswagen shares. Both Porsche and Piech have significantly increased their influence at Volkswagen over the past years, which has raised concern among outside shareholders.</p> <p>It also appears that VW will bundle its supervisory board elections, like it did last year. Bundled supervisory board elections go against market practice and the German Corporate Governance Kodex, which requires that supervisory board elections be held on an individual basis.</p>	
<p>Meeting Date 2007</p>	<p>Company Name</p>	<p>Type</p>
<p>26 Apr 2007</p>	<p><b>CeWe Color Holding AG (Germany)</b>  <b>ISIN:</b> DE0005403901, DE000A0MFX97 ,  DE000A0MFYM7, DE000A0LR902</p>	<p><b>AGM</b></p>
<p>Agenda Item</p>	<p>Contentious Issues</p>	

Shareholder resolutions	<p>This mid-size German company is being targeted by US hedge fund MarCap Investors LP (formerly known as M2 Capital Management LP).</p> <p>MarCap has stated that it will propose a special dividend, removal of supervisory board members, and election of new supervisory board members. MarCap has not yet satisfied the formal requirements for adding three shareholder proposals to the meeting agenda. However, a CeWe representative stated that the company plans to add these points to the agenda, but that they will only be voted on if M2 submits required documentation by the date of the AGM.</p> <p>The situation is complicated by CeWe's legal structure: the holding company is publicly listed, but the company's operating subsidiary is controlled by a family foundation. In addition, two of the six members of the holding company's supervisory board are appointed by the family foundation.</p> <p>CeWe Color Holding is expected to publish its final meeting agenda on 15 March, following its announcement of financial results on 14 March 2007.</p>
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