

The "Code"
Corporate Governance of Amtel-Vredestein N.V.

On the basis of the Dutch Corporate Governance Code



AMTELVREDESTEIN

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Introduction

Amtel-Vredestein N.V. is the twelfth largest global tyre manufacturer in terms of worldwide tyre sales. The Company sells passenger car tyres under the VREDESTEIN (including VREDESTEIN in collaboration with Giugiaro Design), AMTEL and MALOYA brands manufactured at its facilities in Enschede, Netherlands; Kirov, Moscow and Voronezh, Russia. The Company is listed on London Stock Exchange since 18 November 2005.

Until the listing, the Dutch Corporate Governance Code published on 9 December 2003 (the "Code") was not directly applicable to the Company. In this report the Company indicates to what extent it is in compliance with the Code and, in the event of non-compliance, why and to what extent it is not in compliance.

In preparing this report, the Company used the Code as a basis for providing a detailed overview of its corporate governance in accordance with its interpretation of the Code.

As the Code has only applied to the Company since its listing in November 2005, it is not as yet in full compliance with the Code. However, over the course of the next one to two years, the Company intends to undertake steps to more fully implement its provisions.

Executive Board and Supervisory Board Amtel-Vredestein N.V.

May 2007

I. Compliance with and enforcement of the code

Principle

The Executive Board (the "EB") and the Supervisory Board (the "SB") are responsible for the corporate governance structure of the Company and compliance with this Code. They are accountable for this to the general meeting of shareholders (the "AGM"). Shareholders should take careful note and make a thorough assessment of the reasons for any non-application of best practice provisions of the Code by the Company. They should avoid adopting a 'box-ticking approach' when assessing the corporate governance structure of the company.

Best practice provisions

I.1 The broad outline of the corporate governance structure of the Company shall be explained in a separate chapter of the annual report, partly by reference to the principles mentioned in the Code. In this chapter the Company shall indicate expressly to what extent it applies the best practice provisions in the Code and, if it does not do so, why and to what extent it does not apply them.

The Company applies this best practise provision. The 2006 Annual Report contains a separate chapter setting out the broad provisions of The Company's corporate governance structure. In addition, this supplement has been made available on our corporate website in order to provide The Company's shareholders and other stakeholders with a detailed overview of the company's corporate governance structure, including a description of The Company's application of the best practice provisions of the Code.

I.2 Each substantial change in the corporate governance structure of the Company and in the compliance of the Company with the Code shall be submitted to the AGM for discussion under a separate agenda item. The Company applies this best practice provision. In 2006 the Company reported substantial changes in its corporate governance structure and in its appliance of the Code for discussion at the AGM and extraordinary General meeting of shareholders under a separate agenda item.

New edition of the Company's Articles of Association, appointment of the new member of the Executive Board as well as of the Supervisory Board of the Company, policy on allocation of profits and on dividend, remuneration policy regarding the Executive Board and introduction of term of office limits of four years for the Members of the Executive Board and the Supervisory Board were submitted for discussion and approved by the general meeting of shareholders.

II. Executive board

II.1 Role and procedure

Principle

The role of the EB is to manage the company, which means, among other things, that it is responsible for achieving the company's aims, strategy and policy, and results. The EB is accountable for this to the SB and to the AGM. In discharging its role, the EB shall be guided by the interests of the company and its affiliated enterprise, taking into consideration the interests of the company's stakeholders. The EB shall provide the SB in good time with all information necessary for the exercise of the duties of the SB.

The EB is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the company activities and for financing the company. The EB shall report related developments to and shall discuss the internal risk management and control systems with the SB and its audit committee.

Best practice provisions

II.1.1 A EB member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.

The Company applies this best practice provision. The term of office of the current members of the Executive Board is limited to four years.

II.1.2 The EB shall submit to the SB for approval:

- a) the operational and financial objectives of the Company;
- b) the strategy designed to achieve the objectives;
- c) the parameters to be applied in relation to the strategy, for example in respect of the financial ratios.

The main elements shall be mentioned in the annual report.

The Company applies this best practice provision.

II.1.3 The Company shall have an internal risk management and control system that is suitable for the Company. It shall, in any event, employ as instruments of the internal risk management and control system:

- a) risk analyses of the operational and financial objectives of the Company;
- b) a code of conduct which should, in any event, be published on the Company's website;
- c) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and
- d) a system of monitoring and reporting.

The Company is aware of the necessity of the creation of such a system for the Group as a whole. The Company is going to implement it in 2007.

II.1.4 The EB shall declare in the annual report that the internal risk management and control systems are adequate and effective and shall provide clear substantiation of this. In the annual report, the EB shall report on the operation of the internal risk management and control system during the year under review. In doing so, it shall describe any significant changes that have been made and any major improvements that are planned, and shall confirm that they have been discussed with the audit committee and the SB.

The Company does not have adequate internal risk management and control system in place. The Company is aware of the necessity of the creation of such a system for the Group as a whole. The Company will take its best efforts to apply this best practice provision in 2007.

II.1.5 The EB shall, in the annual report, set out the sensitivity of the results of the company to external factors and variables.

The Company applies this best practice provision. There will be a separate section in the Annual Report on certain risk factors that could materially adversely affect our future business, operating results and financial condition.

II.1.6 The EB shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company to the chairman of the EB or to an official designated by him,

without jeopardising their legal position. Alleged irregularities concerning the functioning of EB members shall be reported to the chairman of the SB. The arrangements for whistleblowers shall in any event be posted on the company's website.

The Company will establish a whistle blowing policy for the Group in 2007.

II.1.7 A EB member may not be a member of the SB of more than two listed companies. Nor may an EB member be the chairman of the SB of a listed company. Membership of the SB of other companies within the group to which the company belongs does not count for this purpose. The acceptance by an EB member of membership of the SB of a listed company requires the approval of the SB. Other important positions held by an EB member shall be notified to the SB.

The Company applies this best practice provision. None of the members of the Executive Board of the Company has more than two supervisory board memberships in listed companies, nor is any of them chairman of the supervisory board of a listed company. The Supervisory Board is the approving body if members of the Executive Board wish to accept a supervisory board membership in a listed company and shall be notified when members of the Executive Board wish to assume other important positions.

II.2 Remuneration

Amount and composition of the remuneration

Principle

The amount and structure of the remuneration which the EB members receive from the company for their work shall be such that qualified and expert managers can be recruited and retained. If the remuneration consists of a fixed and a variable part, the variable part shall be linked to previously determined, measurable and influenceable targets, which must be achieved partly in the short term and partly in the long term. The variable part of the remuneration is designed to strengthen the board members' commitment to the company and its objectives.

The remuneration structure, including severance pay, is such that it promotes the interests of the company in the medium and long term, does not encourage EB members to act in their own interests and neglect the interests of the company and does not 'reward' failing board members upon termination of their employment. The level and structure of remuneration shall be determined in the light of, among other things, the results, the share price performance and other developments relevant to the company.

The shares held by an EB member in the company on whose board he sits are long-term investments. The amount of compensation which an EB member may receive on termination of his employment may not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances.

Best practice provisions

II.2.1 Options to acquire shares are a conditional remuneration component, and become unconditional only when the EB members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.

The Company does not apply this best practice provision because arrangements were established and approved by the Company prior to listing. The Company is going to produce a separate internal policy under this matter, which is subject to decision of the Supervisory Board.

II.2.2 If the company, notwithstanding best practice provision II.2.1, grants unconditional options to EB members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted.

The Company applies this best practice provision.

II.2.3 Shares granted to EB members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The number of shares to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand.

The Company does not apply this best practice provision because arrangements were established and approved by the Company prior to listing.

II.2.4 The option exercise price shall not be fixed at a level lower than a verifiable price or a verifiable price average in accordance with the official listing on one or more predetermined days during a period of not more than five trading days prior to and including the day on which the option is granted.

The Company applies this best practice provision.

II.2.5 Neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except in so far as prompted by structural changes relating to the shares or the company in accordance with established market practice.

The Company applies this best practice provision.

II.2.6 The SB shall draw up regulations concerning ownership of and transactions in securities by EB members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. An EB member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the SB. An EB member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

The Company is not in compliance with this best practice provision. The Company is in the process of preparing regulations concerning ownership of and transactions in securities by EB members, other than securities issued by the Company. The regulations shall be posted on the company's website after its creation.

II.2.7 The maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for an EB member who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary.

The Company applies this best practice provision. The Employment Agreements for the current members of the Executive Board specify that "If the Company elects to terminate the Executive's employment without cause; the Company shall pay the Executive the salary for one year after the Company's notice of termination".

II.2.8 The company shall not grant its EB members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the SB. No remission of loans shall be granted.

The Company is in compliance with this best practice provision

Determination and disclosure of remuneration

Principle

The report of the SB shall include the principal points of the remuneration report of the SB concerning the remuneration policy of the company, as drawn up by the remuneration committee. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of the individual members of the EB. The remuneration policy proposed for the next financial year and subsequent years as specified in the remuneration report shall be submitted to the AGM for adoption. Every material change in the remuneration policy shall also be submitted to the AGM for adoption. Schemes whereby EB members are remunerated in the form of shares or rights to subscribe for shares, and major changes to such schemes shall be submitted to the AGM for approval.

The SB shall determine the remuneration of the individual members of the EB, on a proposal by the remuneration committee, within the scope of the remuneration policy adopted by the AGM.

Best practice provisions

II.2.9 The remuneration report of the SB shall contain an account of the manner in which the remuneration policy has been implemented in the past financial year, as well as an overview of the remuneration policy planned by the SB for the next financial year and subsequent years.

The Company shall apply this best practice provision. This information shall be included in the report of the Remuneration and Appointment Committee in the 2006 Annual Report.

II.2.10 The overview referred to in II.2.9 shall, in any event, contain the following information:

- a) a statement of the relative importance of the variable and non-variable remuneration components and an explanation of this ratio;
- b) an explanation of any absolute change in the non-variable remuneration component;
- c) if applicable, the composition of the group of companies (peer group) whose remuneration policy determines in parts the level and composition of the remuneration of the EB members;
- d) a summary and explanation of the company's policy with regard to the term of the contracts with EB members, the applicable periods of notice and redundancy schemes and an explanation of the extent to which best practice provision II.2.7 is endorsed;
- e) a description of the performance criteria on which any right of the EB members to options, shares or other variable remuneration components is dependent;
- f) an explanation of the chosen performance criteria;
- g) a summary of the methods that will be applied in order to determine whether the performance criteria have been fulfilled and an explanation of the choice of these methods;
- h) if performance criteria are based on a comparison with external factors, a summary should be given of the factors that will be used to make the comparison; if one of the factors relates to the performance of one or more companies (peer group) or of an index, it should be stated which companies or which index has been chosen as the yardstick for comparison;
- i) a description and explanation of each proposed change to the conditions on which a Executive Board member can acquire rights to options, shares or other variable remuneration components;
- j) if any right of a EB member to options, shares or other variable remuneration components is not performance-related, an explanation of why this is the case;
- k) current pension schemes and the related financing costs;
- l) agreed arrangements for the early retirement of EB members.

The Company shall apply this best practice provision. This information shall be included in the report of the Remuneration and Appointment Committee in the 2006 Annual Report.

II.2.11 The main elements of the contract of an EB member with the Company shall be made public immediately after it is concluded. These elements shall in any event include the amount of the fixed salary, the structure and amount of the variable remuneration component, any redundancy scheme, pension arrangements and performance criteria.

At present some elements of the contract of Executive Board members with the Company were disclosed in IPO Prospectus of the Company. This information has also been disclosed in this Report.

II.2.12 If an EB member or former EB member is paid special remuneration during a given financial year; an explanation of this remuneration shall be included in the remuneration report. The remuneration report shall in any event account for and explain remuneration paid or promised in the year under review to an EB member by way of severance pay.

The Company shall apply this best practice provision. All explanation about special remuneration will be given in the 2006 Annual Report.

II.2.13 The remuneration report of the SB shall, in any event, be posted on the company's website.

The Company shall apply this best practice provision. The report of the Remuneration and Appointment Committee will be published in the 2006 Annual Report and on the Company's website.

II.2.14 The Company shall state in the notes to the annual accounts, in addition to the information to be included pursuant to article 2:383d of the Dutch Civil Code, the value of any options granted to the EB and the personnel and shall indicate how this value is determined.

The Company intends to apply this best practice provision and disclose information about options in the notes to its 2006 annual accounts.

II.3 Conflicts of interest

Principle

Any conflict of interest or apparent conflict of interest between the Company and EB members shall be avoided. Decisions to enter into transactions under which EB members would have conflicts of interest that are of material significance to the Company and/or to the relevant EB member require the approval of the SB.

Best practice provisions

II.3.1 A EB member shall:

- a) not enter into competition with the Company;
- b) not demand or accept (substantial) gifts from the Company for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
- c) not provide unjustified advantages to third parties to the detriment of the Company;
- d) not take advantage of business opportunities to which the Company is entitled for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.

The Company applies this best practice provision. The members of the Executive Board adhere to the above-mentioned rules of conduct.

II.3.2 A EB member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him, to the Chairman of the SB and to the other members of the EB and shall 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. The SB shall decide, without the EB member concerned being present, whether there is a conflict of interest. A conflict of interests exists, in any event, if the company intends to enter into a transaction with a legal entity

- (i) in which a EB member personally has a material financial interest;
- (ii) which has a EB member who has a relationship under family law with a EB member of the company, or
- (iii) in which a EB member of the company has a management or supervisory position.

The procedure as described in this best practice provision in the event of a (potential) conflict of interest is applied by the Company. The procedure will be formalized in the By-Laws of the Executive Board.

II.3.3 A EB member shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the company.

The Company applies this best practice provision and will formalize this procedure in the By-Laws of the Executive Board.

II.3.4 All transactions in which there are conflicts of interest with EB members shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with EB members that are of material significance to the Company and/or to the relevant board members require the approval of the SB. Such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that best practice provisions II.3.2 to II.3.4 inclusive have been complied with.

The Company applies this best practice provision and will formalize this procedure in the By-Laws of the Executive Board. In 2006, there were not any transactions in which there were conflicts of interest with members of the Executive Board that were of material significance to the Company and/or any of the members of the Executive Board.

III. SUPERVISORY BOARD

III.1 Role and procedure

Principle

The role of the SB is to supervise the policies of the EB and the general affairs of the Company and its affiliated enterprise, as well as to assist the EB by providing advice. In discharging its role, the SB shall be guided by the interests of the Company and its affiliated enterprise, and shall take into account the relevant interests of the Company's stakeholders. The SB is responsible for the quality of its own performance.

Best practice provisions

III.1.1 The division of duties within the SB and the procedure of the SB shall be laid down in a set of regulations. The SB shall include in the regulations a paragraph dealing with its relations with the EB, the AGM and the works council, where relevant. The regulations shall, in any event, be posted on the Company's website.

The Company applies this best practice provision. The By-Laws of the Supervisory Board were adopted by the Company on 07 October 2005 and shall be posted on the Company's new Internet site after its creation. The SB By-laws contain the composition of the Supervisory Board, division of duties within the Supervisory Board and the procedure of the Supervisory Board, as well as a description of its relations with the Managing Board and the General Meeting of Shareholders. The Company has no works council. Its wholly owned subsidiary Vredestein Banden B.V. has a works council. The SB does not have a direct relation with such works council. However, one managing director and two supervisory directors of the Company are seated in the SB of Vredestein Banden B.V.

III.1.2 The annual financial report of the Company shall include a report of the SB in which the SB describes its activities in the financial year and which includes the specific statements and information required by the provisions of the Code.

The Company applies this best practice provision.

III.1.3 The following information about each SB-member shall be included in the report of the SB:

- a) gender;
- b) age;
- c) profession;
- d) principal position;
- e) nationality;
- f) other positions, in so far as they are relevant to the performance of the duties of the SB-member;
- g) date of initial appointment;
- h) the current term of office.

The information as indicated in this best practice provision with respect to the members of the Supervisory Board of The Company will be included in the report of the Supervisory Board.

III.1.4 A SB member shall retire early in the event of inadequate performance, structural incompatibility of interests, and in other instances in which this is deemed necessary by the SB.

The Company applies this best practice provision, which is set forth in the By-Laws of the Supervisory Board.

III.1.5 SB members who are frequently absent shall be called to account for this. The report of the SB shall state which SB members have been frequently absent from meeting of the SB.

The Company applies this best practice provision, which is stated in the By-Laws of the Supervisory Board. Information (if any) with regard to SB members whom have been frequently absent from meetings of the SB will be included in the report of the Supervisory Board.

III.1.6 The supervision of the EB by the SB shall include:

- a) achievement of the Company's objectives;
- b) corporate strategy and the risks inherent in the business activities;
- c) the structure and operation of the internal risk management and control system;
- d) the financial reporting process;
- e) compliance with the legislation and regulations.

The Company applies this best practice provision, which is stated in the By-Laws of the Supervisory Board.

III.1.7 The SB shall discuss at least once a year on its own, i.e. without the EB being present, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the SB shall also be discussed. Moreover, the SB shall discuss at least once a year without the EB being present both the functioning of the EB as an organ of the Company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. Reference to these discussions shall be made in the report of the SB.

The Company applies this best practice provision, which has been formalized in the By-Laws of the Supervisory Board. Reference to these discussions shall be made in the report of the Supervisory Board.

III.1.8 The SB shall discuss at least once a year the corporate strategy and the risks of the business, and the result of the assessment by the EB of the structure and operation of the internal risk management and control systems, as well as any significant changes thereto.

Reference to these discussions shall be made in the report of the SB. The Company applies this best practice provision. This is also included in the By-Laws of the Supervisory Board. Reference to these discussions shall be made in the report of the Supervisory Board.

III.1.9 The SB and its individual members each have their own responsibility for obtaining all information from the EB and the external auditor that the SB needs in order to be able to carry out its duties properly as a supervisory organ. If the SB considers it necessary, it may obtain information from officers and external advisers of the company. The company shall provide the necessary means for this purpose. The SB may require that certain officers and external advisers attend its meetings.

The Company applies this best practice provision, which has been formalized in the By-Laws of the Supervisory Board.

III.2 Independence

Principle

The composition of the SB shall be such that the members are able to act critically and independently of one another and of the EB and any particular interests.

Best practice provisions

III.2.1 All SB members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.

The Company is not in compliance with this best practice provision because of its current shareholding structure and arrangements between shareholders. For the end of 2006 the Supervisory Board of the Company consists of 3 independent and 3 dependent members.

III.2.2 A SB member shall be deemed to be independent if the following criteria of dependence do not apply to him. The said criteria are that the SB member concerned or his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree:

- a) has been an employee or member of the EB of the company (including associated companies as referred to in section 1 of the Disclosure of Major Holdings in Listed Companies Act (WMZ) 1996) in the five years prior to the appointment;
- b) receives personal financial compensation from the company, or a company associated with it, other than the compensation received for the work performed as a SB member and in so far as this is not in keeping with the normal course of business;
- c) has had an important business relationship with the Company, or a Company associated with it, in the year prior to the appointment. This includes the case where the SB member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the Company (consultant, external auditor, civil notary and lawyer) and the case where the SB member is a Executive Board member or an employee of any bank with which the Company has a lasting and significant relationship;
- d) is a member of the EB of a Company in which a member of the Executive Board of the Company which he supervises is a SB member; e) holds at least ten percent of the shares in the Company (including the shares held by natural persons or legal entities which cooperate with him under an express or tacit, oral or written agreement);
- f) is a member of the EB or SB - or is a representative in some other way - of a legal entity which holds at least ten percent of the shares in the Company, unless such entity is a member of the same group as the Company;

- g) has temporarily managed the Company during the previous twelve months where Executive Board members have been absent or unable to discharge their duties.

The Company is not in compliance with this provision. One member of the Supervisory Board is an immediate relative of another member of the Supervisory Board, two members are affiliated with certain current shareholders of the Company.

III. 2.3 The report of the SB shall state that, in the view of the SB members, best practice provision III. 2.1 has been fulfilled, and shall also state which SB member is not considered to be independent, if any.

The Company shall apply this best practice provision. All necessary statements will be included into report of the Supervisory Board.

III.3 Expertise and composition

Principle

Each SB member shall be capable of assessing the broad outline of the overall policy. Each SB member shall have the specific expertise required for the fulfilment of the duties assigned to the role designated to him within the framework of the SB profile. The composition of the SB shall be such that it is able to carry out its duties properly. A SB member shall be reappointed only after careful consideration. The profile criteria referred to above shall also be fulfilled in the case of a reappointment.

Best practice provisions

III.3.1 The SB shall prepare a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the SB members. The profile shall be made generally available and shall, in any event, be posted on the Company's website.

The Company applies this best practice provision. The By-Laws of the Supervisory Board contains a profile for members of the Supervisory Board in which the above subjects are addressed. The profile shall be posted on the Company's Internet site as a part of the By-Laws of the Supervisory Board after its creation.

III.3.2 At least one member of the SB shall be a financial expert, in the sense that he has relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

The Company applies this best practice provision.

III.3.3 After their appointment, all SB members shall follow an induction programme, which, in any event, covers general financial and legal affairs, financial reporting by the Company, any specific aspects that are unique to the Company and its business activities, and the responsibilities of a SB member. The SB shall conduct an annual review to identify any aspects with regard to which the SB members require further training or education during their period of appointment. The Company shall play a facilitating role in this respect.

The Company applies this best practice provision, which has been formalized in the By-Laws of the Supervisory Board.

III.3.4 The number of SBs of Dutch listed companies of which an individual may be a member shall be limited to such an extent that the proper performance of his duties is assured; the maximum number is five, for which purpose the chairmanship of a SB counts double.

The Company applies this best practice provision, which has been formalized in the By-Laws of the Supervisory Board.

III.3.5 A person may be appointed to the SB for a maximum of three 4-year terms.

The Company applies this best practice provision. The term of office of the current Supervisory Board's members is limited to 4 years. The By-Laws of the Supervisory Board and the articles of association of the Company have been amended accordingly.

III.3.6 The SB shall draw up a retirement schedule in order to avoid, as far as possible, a situation in which many SB members retire at the same time. The retirement schedule shall be made generally available and shall, in any event, be put on the Company's website.

The Company intends to apply this best practice provision, as it is laid down in the By-Laws of the Supervisory Board commencing with the election of a new SB at the 2006 AGM. A rotation plan shall be posted on the Company's new website after its creation.

III.4 Role of the chairman of the SB and the Company secretary

Principle

The chairman of the SB determines the agenda, chairs the SB meetings, monitors the proper functioning of the SB and its committees, arranges for the adequate provision of information to the members, ensures that there is sufficient time for making decisions, arranges for the induction and training programme for the members, acts on behalf of the SB as the main contact for the EB, initiates the evaluation of the functioning of the SB and the EB and ensures, as chairman, the orderly and efficient conduct of the AGM. The chairman of the SB is assisted in his role by the Company secretary.

Best practice provisions

III.4.1 The chairman of the SB shall see to it that:

- a) the SB members follow their induction and education or training programme;
- b) the SB members receive in good time all information which is necessary for the proper performance of their duties;
- c) there is sufficient time for consultation and decision-making by the SB;
- d) the committees of the SB function properly;
- e) the performance of the EB members and SB members is assessed at least once a year;
- f) the SB elects a vice-chairman;
- g) the SB has proper contact with the EB and the works council (or central works council).

The Company applies this best practice provision. The tasks and duties mentioned are performed by the Chairman of the Supervisory Board.

III.4.2 The chairman of the SB shall not be a former member of the EB of the company.

The Company is currently not in compliance with this best practice provision. The Chairman of the Supervisory Board acted as Director of the Company since date of incorporation until the end of October 2004. The Chairman has been appointed at the directive of the Company's largest shareholder.

III.4.3 The SB shall be assisted by the Company secretary. The Company secretary shall see to it that correct procedures are followed and that the SB acts in accordance with its statutory obligations and its obligations under the articles of association. He shall assist the chairman of the SB in the actual organisation of the affairs of the SB (information, agenda, evaluation, training programme, etc.). The Company secretary shall, either on the recommendation of the SB or otherwise, be appointed and dismissed by the EB, after the approval of the SB has been obtained.

The Company is in compliance with this best practice provision. The Company secretary was appointed in May 2006.

III.5 Composition and role of three key committees of the SB

Principle

If the SB consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. The function of the committees is to prepare the decision-making of the SB. If the SB decides not to appoint an audit committee, remuneration committee or selection and appointment committee, best practice provisions III.5.4, III.5.5, III.5.8, III.5.9, III.5.10, III.5.13, V.1.2, V.2.3 and V.3.1 shall apply to the entire SB. In its report, the SB shall report on how the duties of the committees have been carried out in the financial year.

Best practice provisions

III.5.1 The SB shall draw up a set of regulations for each committee. The regulations shall indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The regulations shall in any event contain a provision that a maximum of one member of each committee need not be independent within the meaning of best practice provision III.2.2. The regulations and the composition of the committees shall, in any event, be posted on the company's website.

The Company applies this best practice provision. The Supervisory Board has two key committees: the Audit Committee and a Remuneration & Nomination Committee (the latter being a combined remuneration committee and selection and appointment committee). The Company has adopted Regulations of the Remuneration and Appointment Committee and Charter of the Audit Committee, which shall be posted on the company's website after its creation.

III.5.2 The report of the SB shall state the composition of the individual committees, the number of committee meetings and the main items discussed.

The Company is in compliance with this best practice provision. Both Committees regularly met during previous year. The definite discussed items are disclosed in the report.

III.5.3 The SB shall receive from each of the committees a report of its deliberations and findings.

The Company is in compliance with this best practice provision. All questions are preliminary discussed on the meeting of the relevant Committee and its conclusions are reported to the Supervisory Board.

III.5.4 The audit committee shall in any event focus on supervising the activities of the EB with respect to:

- a) the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct;
- b) the provision of financial information by the Company (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the annual accounts, forecasts, work of internal and external auditors, etc.);
- c) compliance with recommendations and observations of internal and external auditors;
- d) the role and functioning of the internal audit department;
- e) the policy of the Company on tax planning;
- f) relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the Company;
- g) the financing of the Company;
- h) the applications of information and communication technology (ICT).

The Company declared same duties and functions of Audit Committee in its Audit Committee Charter. During 2006 the Audit Committee focused on the activities of the EB as stated above.

III.5.5 The audit committee shall act as the principal contact for the external auditor if he discovers irregularities in the content of the financial reports. Audit Committee applies this best practice provision.

III.5.6 The audit committee shall not be chaired by the chairman of the SB or by a former member of the EB of the Company.

The Company applies this best practice provision.

III.5.7 At least one member of the audit committee shall be a financial expert within the meaning of best practice provision III.3.2.

The Company applies this best practice provision.

III.5.8 The audit committee shall decide whether and, if so, when the chairman of the EB (chief executive officer), the chief financial officer, the external auditor and the internal auditor, should attend its meetings.

The Company applies this best practice provision, which is laid down in item 7 of the "Composition and meetings" section of the Charter of the Audit Committee.

III.5.9 The audit committee shall meet with the external auditor as often as it considers necessary, but at least once a year, without EB members being present.

The Company applies this best practice provision.

Remuneration committee

III.5.10 The remuneration committee shall in any event have the following duties:

- a) drafting a proposal to the SB for the remuneration policy to be pursued;
- b) drafting a proposal for the remuneration of the individual members of the EB, for adoption by the SB; such proposal shall, in any event, deal with: (i) the remuneration structure and (ii) the amount of the fixed remuneration, the shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application;
- c) preparing the remuneration report as referred to in best practice provision II.2.9.

The Company applies this best practice provision. These duties are laid down in the Regulations of the Remuneration and Appointment Committee.

III.5.11 The remuneration committee shall not be chaired by the chairman of the SB or by a former member of the EB of the Company, or by a SB member who is a member of the EB of another listed company.

The Company applies this best practice provision.

III.5.12 No more than one member of the remuneration committee shall be a member of the EB of another Dutch listed company.

The Company applies this best practice provision.

Selection and appointment committee

III.5.13 The selection and appointment committee shall in any event focus on:

- a) drawing up selection criteria and appointment procedures for SB members and EB members;
- b) periodically assessing the size and composition of the SB and the Executive Board, and making a proposal for a composition profile of the SB;
- c) periodically assessing the functioning of individual SB members and EB members, and reporting on this to the SB;
- d) making proposals for appointments and reappointments;
- e) supervising the policy of the EB on the selection criteria and appointment procedures for senior management.

The Company applies this best practice provision. The Company has no separate Selection and Appointment Committee, but it has a combined Remuneration and Appointment Committee. These abovementioned duties are reflected in the by-laws of the Supervisory Board.

III.6 Conflicts of interest

Principle

Any conflict of interest or apparent conflict of interest between the Company and SB members shall be avoided. Decisions to enter into transactions under which SB members would have conflicts of interest that are of material significance to the Company and/or to the relevant SB members require the approval of the SB. The SB is responsible for deciding on how to resolve conflicts of interest between EB members, SB members, major shareholders and the external auditor on the one hand and the Company on the other.

Best practice provisions

III.6.1 A SB member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him, to the chairman of the SB and shall 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. If the chairman of the SB has a conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him, he shall report this immediately to the vice-chairman of the SB and shall 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.

The SB member concerned shall not take part in the assessment by the SB of whether a conflict of interest exists. A conflict of interest exists in any event if the Company intends to enter into a transaction with a legal entity

- (i) in which a SB member personally has a material financial interest;
- (ii) which has a EB member who has a relationship under family law with a member of the SB of the Company, or
- (iii) in which a member of the SB of the Company has a management or supervisory position.

The procedure as described in this best practice provision in the event of a (potential) conflict of interest is applied by the Company. The procedure has been formalized in the By-Laws of the Supervisory Board.

III.6.2 A SB member shall not take part in a discussion and/or decision-making on a subject or transaction in relation to which he has a conflict of interest with the Company.

The Company applies this best practice provision, which is laid down in the By-Laws of the Supervisory Board.

III.6.3 All transactions in which there are conflicts of interest with SB members shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with SB members that are of material significance to the Company and/or to the relevant SB members require the ap-

proval of the SB. Such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that best practice provisions III.6.1 to III.6.3 inclusive have been complied with.

The Company applies this best practice provision, which is laid down in the By-Laws of the Supervisory Board.

III.6.4 All transactions between the Company and legal or natural persons who hold at least ten percent of the shares in the Company shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with such persons that are of material significance to the Company and/or to such persons require the approval of the SB. Such transactions shall be published in the annual report, together with a declaration that best practice provision III.6.4 has been observed.

The Company shall apply this best practice provision. However, we've considered disclosing the fact of existence of some financing agreements with OJSC Alfa-Bank, which is affiliated with our shareholder. All these agreements are made on arm's length terms in the ordinary course of business.

III.6.5 The regulations of the SB shall contain rules on dealing with conflicts of interest and potential conflicts of interest between EB members, SB members and the external auditor on the one hand and the Company on the other. The regulations shall also stipulate which transactions require the approval of the SB.

The Company will insert all the necessary alterations into the By-Laws of the Supervisory Board in accordance with the requirements of the Code. The Company shall apply this best practice provision.

III.6.6 A delegated SB member is a SB member who has a special duty. The delegation may not extend beyond the duties of the SB itself and may not include the management of the Company. It may entail more intensive supervision and advice and more regular consultation with the EB. The delegation shall be of a temporary nature only. The delegation may not detract from the role and power of the SB. The delegated SB member remains a member of the SB.

The Company applies this best practice provision, which is laid down in the By-Laws of the Supervisory Board. The Supervisory Board, as a rule, has never had a delegated Supervisory Board member. Under special circumstances, however, the SB may resolve to appoint a delegated SB member, in which case this best practice provision shall apply in full.

III.6.7 A SB member, who temporarily takes on the management of the Company, where the EB members are absent or unable to fulfil their duties, shall resign from the SB.

The Company applies this best practice provision, which has been formalized in the By-Laws of the Supervisory Board.

III.7 Remuneration

Principle

The AGM shall determine the remuneration of SB members. The remuneration of a SB member is not dependent on the results of the company. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of individual SB members.

Best practice provisions

III.7.1 A SB member shall not be granted any shares and/or rights to shares by way of remuneration.

The Company applies this best practice provision, which has been formalized in the By-Laws of the Supervisory Board.

III.7.2 Any shares held by a SB member in the company on whose board he sits are long-term investments.

The Company applies this best practice provision, which has been formalized in the By-Laws of the Supervisory Board.

III.7.3 The SB shall adopt a set of regulations containing rules governing ownership of and transactions in securities by SB members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A SB member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the Company has not appointed a compliance officer, to the chairman of the SB. A SB member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

The Company receives the notifications about changes in holding of securities in Dutch listed companies in accordance with requirements of this best practice provision. The Company is in the process of preparing regulations concerning owner-

ship of and transactions in securities by SB members, other than securities issued by The Company. The regulations shall be posted on the company's new website after its creation.

III.7.4 The Company shall not grant its SB members any personal loans, guarantees or the like unless in the normal course of business and after approval of the SB. No remission of loans shall be granted.

The Company applies this best practice provision, which has been formalized in the By-Laws of the Supervisory Board.

III.8 One-tier management structure

As the Company applies a two-tier management structure, the best practice provisions under III.8 do not apply.

IV. THE SHAREHOLDERS AND THE GENERAL MEETING OF SHAREHOLDERS

IV.1 Powers

Principle

Good corporate governance requires the fully-fledged participation of shareholders in the decision-making in the AGM. It is in the interest of the company that as many shareholders as possible take part in the decision-making in the AGM. The Company shall, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.

The AGM should be able to exert such influence on the policy of the EB and the SB of the Company that it plays a fully-fledged role in the system of checks and balances in the Company.

Any decisions of the EB on a major change in the identity or character of the Company or the enterprise shall be subject to the approval of the AGM.

Best practice provisions

IV.1.1 The AGM of a Company not having statutory two-tier status (structuurregime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the EB or of the SB and/or a resolution to dismiss a member of the EB or of the SB by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

The Company is in compliance with this best practice provision. The corresponding alterations were made in the Company's Articles of Association.

IV.1.2 The voting right on financing preference shares shall be based on the fair value of the capital contribution. This shall in any event apply to the issue of financing preference shares.

The Company has not issued preferred shares. So in practice, this provision is not applicable. At the 2006 AGM it was resolved to delete the possibility to issue and any reference to preference shares in the articles of association of the Company.

IV.1.3 If a serious private bid is made for a business unit or a participating interest and the value of the bid exceeds the threshold referred to in draft article 2:107a paragraph 1(c), Dutch Civil Code, and such bid is made public, the EB of the Company shall, at its earliest convenience, make public its position on the bid and the reasons for this position. No such private bid has been made in respect of the Company. At the 2006 AGM it was resolved to incorporate this best practice provision in the Articles of Association of the Company.

IV.1.4 The policy of the Company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) shall be dealt with and explained as a separate agenda item at the AGM.

The Company is in compliance with this best practise provision. This question will be included in a separate agenda item at the 2007 AGM.

IV.1.5 A resolution to pay a dividend shall be dealt with as a separate agenda item at the AGM.

This question will be included in a separate agenda item at the 2007 AGM.

IV.1.6 Resolutions to approve the policy of the EB (discharge of EB members from liability) and to approve the supervision exercised by the SB (discharge of SB members from liability) shall be voted on separately in the AGM.

This question will be included in a separate agenda item at the 2007 AGM.

IV.1.7 The Company shall determine a registration date for the exercise of the voting rights and the rights relating to meetings.

IV.2 Depositary receipts for shares

Principle

Depositary receipts for shares are a means of preventing a (chance) minority of shareholders from controlling the decision-making process as a result of absenteeism at an AGM. Depositary receipts for shares shall not be used as an anti-takeover measure. The management of the trust office shall issue proxies in all circumstances and without limitation to the holders of depositary receipts who so request. The holders of depositary receipts thus authorised can exercise the voting right at their discretion. The management of the trust office shall have the confidence of the holders of depositary receipts. Depositary receipt holders shall have the possibility of recommending candidates for the management of the trust office. The company shall not disclose to the trust office information which has not been made public.

Best practice provisions

IV.2.1 The management of the trust office shall enjoy the confidence of the depositary receipt holders and operate independently of the company which has issued the depositary receipts. These matters shall be discussed explicitly during a meeting of holders of depositary receipts after this code enters into effect. The trust conditions shall specify in what cases and subject to what conditions holders of depositary receipts may request the trust office to call a meeting of holders of depositary receipts.

IV.2.2 The managers of the trust office shall be appointed by the management of the trust office. The meeting of holders of depositary receipts may make recommendations to the management of the trust office for the appointment of persons to the position of manager. No EB members or former EB members, SB members or former SB members, employees or permanent advisers of the company should be part of the management of the trust office.

IV.2.3 A person may be appointed to the management of the trust office for a maximum of three 4-year terms.

IV.2.4 The management of the trust office shall be present at the AGM and shall, if desired, make a statement about how it proposes to vote at the meeting.

IV.2.5 In exercising its voting rights, the trust office shall be guided primarily by the interests of the depositary receipt holders, taking the interests of the company and its affiliated enterprise into account.

IV.2.6 The trust office shall report periodically, but at least once a year, on its activities. The report shall, in any event, be posted on the company's website.

IV.2.7 The report referred to in best practice provision IV.2.6 shall, in any event, set out:

- a) the number of shares for which depositary receipts have been issued and an explanation of changes in this number;
- b) the work carried out in the year under review;
- c) the voting behaviour in the AGM held in the year under review;
- d) the percentage of votes represented by the trust office during the meetings referred to at (c);
- e) the remuneration of the members of the management of the trust office;
- f) the number of meetings held by the management and the main items dealt with in them;
- g) the costs of the activities of the trust office;
- h) any external advice obtained by the trust office;
- i) the positions of the managers of the trust office;
- j) the contact details of the trust office.

IV.2.8 The trust office shall, without limitation and in all circumstances, issue proxies to depositary receipt holders who so request. Each depositary receipt holder may also issue binding voting instructions to the trust office in respect of the shares which the trust office holds on his behalf.

Ordinary Shares in Amtel-Vredestein N.V. in the form of GDRs (the "GDRs" or "Deposited Shares") have been listed on the London Stock Exchange. The Deposited Shares are issued in respect of Amtel-Vredestein N.V. pursuant to and subject to the Deposit Agreement made between Amtel-Vredestein N.V. and The Bank of New York in its capacity as depositary (the "Depositary"). Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed ING Securities Services as custodian (the "Custodian") to receive and hold on its behalf any relevant documentation respecting the Deposited Shares and all rights, interests and other securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the "Deposited Property"). The Depositary shall hold Deposited Property for the benefit of the holders as bare trustee in proportion to their holdings of GDRs.

The Bank of New York is not a trust office within the meaning of this best practice provision but a professional depositary.

Holders of GDRs are entitled to direct the Depositary in relation to the exercise of voting rights with respect to the Deposited Shares in accordance with the terms and conditions of the GDRs. Amtel-Vredestein N.V. has agreed to notify the Depositary of any resolution to be proposed at a AGM of Amtel-Vredestein N.V. and the Depositary will vote or cause to be voted the Deposited Shares in accordance with the instructions of holders of GDRs in conformity with the terms and conditions of the GDRs.

IV.3 Provision of information to and logistics of the AGM

Principle

The EB or, where appropriate, the SB shall provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the EB on the one hand and press and analysts on the other shall be carefully handled and structured, and the Company shall not engage in any acts that compromise the independence of analysts in relation to the Company and vice versa.

The EB and the SB shall provide the AGM with all information that it requires for the exercise of its powers.

If price-sensitive information is provided during an AGM, or the answering of shareholders' questions has resulted in the disclosure of price-sensitive information, this information shall be made public without delay.

Best practice provisions

IV.3.1 Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of web casting or telephone lines. After the meetings, the presentations shall be posted on the Company's website.

The Company applies this best practice provision.

IV.3.2 Analysts' reports and valuations shall not be assessed, commented upon or corrected, other than factually, by the Company in advance.

The Company applies this best practice provision.

IV.3.3 The Company shall not pay any fee(s) to parties for the carrying out of research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies.

The Company is in compliance with this best practice provision.

IV.3.4 Analysts meetings, presentations to institutional or other investors and direct discussions with the investors shall not take place shortly before the publication of the regular financial information (quarterly, half-yearly or annual reports).

The Company shall apply this best practice provision.

IV.3.5 The EB and the SB shall provide the AGM with all requested information, unless this would be contrary to an overriding interest of the company. If the EB and the SB invoke an overriding interest, they must give reasons.

The Company applies this best practice provision, which is already included in the By-Laws of the Supervisory Board.

IV.3.6 The Company shall place and update all information which it is required to publish or deposit pursuant to the provisions of Company law and securities law applicable to it, on a separate part of the Company's website (i.e. separate from the commercial information of the Company) that is recognisable as such. It is sufficient for the Company to establish a hyperlink to the website of the institutions that publish the relevant information electronically pursuant to statutory provisions or the stock exchange regulations.

The Company will apply this best practice provision.

IV.3.7 If a right of approval is granted to the AGM by law or under the articles of association of the Company (e.g. in the case of option schemes, far-reaching decisions as referred to in draft article 2:107a Dutch Civil Code), or the EB or the SB requests a delegation of powers (e.g. issue of shares or authorisation for the repurchase

of shares), the EB and the SB shall inform the AGM by means of a 'shareholders circular' of all facts and circumstances relevant to the approval, delegation or authorisation to be granted. The shareholders circular shall, in any event, be posted on the Company's website.

The Company applies this best practice provision.

IV.3.8 The report of the AGM shall be made available, on request, to shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report in the following three months. The report shall then be adopted in the manner provided for in the articles of association.

The Company applies this best practice provision.

IV.3.9 The EB shall provide a survey of all existing or potential anti-takeover measures in the annual report and shall also indicate in what circumstances it is expected that these measures may be used.

The Company will apply this best practice provision in its Annual Report.

IV.4 Responsibility of institutional investors

Principle

Institutional investors shall act primarily in the interests of the ultimate beneficiaries or investors and have a responsibility to the ultimate beneficiaries or investors and the companies in which they invest, to decide, in a careful and transparent way, whether they wish to exercise their rights as shareholder of listed companies.

Institutional investors shall be prepared to enter into a dialogue with the company if they do not accept the company's explanation of non-application of a best practice provision of this code. The guiding principle in this connection is the recognition that corporate governance requires a tailor-made approach and that it is perfectly possible for a company to justify instances of non-application of individual provisions.

Best practice provisions

IV.4.1 Institutional investors (pension funds, insurers, investment institutions and asset managers) shall publish annually, in any event on their website, their policy on the exercise of the voting rights for shares they hold in listed companies.

IV.4.2 Institutional investors shall report annually, on their website and/or in their annual report, on how they have implemented their policy on the exercise of the voting rights in the year under review.

IV.4.3 Institutional investors shall report at least once a quarter, on their website, on whether and, if so, how they have voted as shareholders in the AGM.

To the best knowledge of the Company, this provision is not applicable to the Company.

V. THE AUDIT OF THE FINANCIAL REPORTING AND THE POSITION OF THE INTERNAL AUDITOR FUNCTION AND OF THE EXTERNAL AUDITOR

V.1 Financial reporting

Principle

The EB is responsible for the quality and completeness of publicly disclosed financial reports. The SB shall see to it that the EB fulfils this responsibility.

Best practice provisions

V.1.1 The preparation and publication of the annual report, the annual accounts, the quarterly and/or half-yearly figures and ad hoc financial information require careful internal procedures. The SB shall supervise compliance with these procedures.

The Company applies this best practice provision, which is laid down in the By-Laws of the Supervisory Board.

V.1.2 The audit committee shall determine how the external auditor should be involved in the content and publication of financial reports other than the annual accounts.

The Company is not in compliance with this best practice provision, which is laid down in the By-Laws of the Supervisory Board of the Company.

V.1.3 The EB is responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the EB, so that the timeliness, completeness and correctness of the external financial reporting are assured. For this purpose, the EB ensures that the financial information from business divisions and/or subsidiaries is reported directly to it and that the integrity of the information is not compromised. The SB shall see to it that the internal procedures are established and maintained.

The Company applies this best practice provision.

V.2 Role, appointment, remuneration and assessment of the functioning of the external auditor

Principle

The external auditor is appointed by the AGM. The SB shall nominate a candidate for this appointment, for which purpose both the audit committee and the EB advise the SB. The remuneration of the external auditor, and instructions to the external auditor to provide non-audit services, shall be approved by the SB on the recommendation of the audit committee and after consultation with the EB.

Best practice provisions

V.2.1 The external auditor may be questioned by the AGM in relation to his statement on the fairness of the annual accounts. The external auditor shall therefore attend and be entitled to address this meeting.

The Company applies this best practice provision, which is laid down in the By-Laws of the Supervisory Board.

V.2.2 The EB and the audit committee shall report their dealings with the external auditor to the SB on an annual basis, including his independence in particular (for example, the desirability of rotating the responsible partners of an external audit firm that provides audit services, and the desirability of the same audit firm providing non-audit services to the company). The SB shall take this into account when deciding its nomination for the appointment of an external auditor, which nomination shall be submitted to the AGM.

The Company applies this best practice provision. This provision is already partly laid down in the Audit Committee Chapter.

V.2.3 At least once every four years, the SB and the audit committee shall 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 shall be communicated to the AGM for the purposes of assessing the nomination for the appointment of the external auditor.

The Company shall apply this best practice provision in 2007. This provision is already laid down in the By-Laws of the Supervisory Board of the Company

V.3 Internal auditor function

Principle

The internal auditor, who can play an important role in assessing and testing the internal risk management and control systems, shall operate under the responsibility of the EB.

Best practice provision

V.3.1 The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognisance of the findings of the internal auditor.

The Company is in compliance with this best practice provision.

V.4 Relationship and communication of the external auditor with the organs of the Company

Principle

The external auditor shall, in any event, attend the meeting of the SB, at which the annual accounts are to be adopted or approved. The external auditor shall report his findings in relation to the audit of the annual accounts to the EB and the SB simultaneously.

Best practice provisions

V.4.1 The external auditor shall in any event attend the meeting of the SB, at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which annual accounts are to be approved or adopted. The external auditor shall receive the financial information underlying the adoption of the quarterly and/or half-yearly figures and other interim financial reports and shall be given the opportunity to respond to all information.

The Company applies this best practice provision, which is already stated in the By-Laws of the Supervisory Board of the Company

V.4.2 When the need arises, the external auditor may request the chairman of the audit committee for leave to attend the meeting of the audit committee.

The Company is in compliance with this best practice provision.

V.4.3 The report of the external auditor pursuant to article 2:393, paragraph 4, Dutch Civil Code shall contain the matters which the external auditor wishes to bring to the attention of the EB and the SB in relation to his audit of the annual accounts and the related audits. The following examples can be given:

A. with regard to the audit:

- information about matters of importance to the assessment of the independence of the external auditor;
- information about the course of events during the audit and cooperation with internal auditors and/or any other external auditors matters for discussion with the EB, a list of corrections that have not been made, etc.

B. with regard to the financial figures:

- analyses of changes in shareholders' equity and results, which do not appear in the information to be published, and which, in the view of the external auditor, contribute to an understanding of the financial position and results of the company;

- comments regarding the processing of one-off items, the effects of estimates and the manner in which they have been arrived at, the choice of accounting policies, when other choices were possible, and special effects of such policies;
 - comments on the quality of forecasts and budgets.
- C.** with regard to the operation of the internal risk management and control systems (including the reliability and continuity of automated data processing) and the quality of the internal provision of information:
- points for improvement, gaps and quality assessments;
 - comments about threats and risks to the company and the manner in which they should be reported in the particulars to be published;
 - compliance with articles of association, instructions, regulations, loan covenants, requirements of external supervisors, etc.

In 2007 the Company shall apply this best practice provision during the preparation of its 2006 annual accounts.

