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CNV Dienstenbond proposes more employee influence in companies

The CNV Services Federation plans to increase employee influence within companies, in order to secure continuity for companies and a better balance of mutual interests. It proposes raising the number of employee supervisory directors on management boards, introducing a loyalty dividend and improving strategic communication between the executive and shop floor levels. The first company eligible for the power shift is ABN Amro/Fortis, which was partly nationalised in 2008.

Content of proposal

A proposal put forward by the CNV Services Federation (CNV Dienstenbond), affiliated to the Christian Trade Union Federation (Christelijk Nationaal Vakverbond, CNV), aims to increase the degree of influence enjoyed by employees in companies, including with regard to finances. As part of its plan, the federation addresses five areas and proposes to:

- appoint at least a third of the members of the supervisory board as employee supervisory directors;
- appoint an employee board (*College van Werknemers*) with representation in the Annual General Meeting (AGM) of Shareholders (*Algemene Vergadering van Aandeelhouders*) based on participating shares;
- make direct contact between the company chair and employees compulsory at least once a year with respect to the policy to be pursued;
- encourage pension fund representatives to participate fully in AGMs;
- introduce a loyalty dividend.

Each of these demands is directed at safeguarding the company's continuity and finding a better balance of interests between the prospective interested parties.

Employee supervisory directors

CNV Dienstenbond believes that better supervision over the management of companies listed on the stock exchange is vital in order to restore the balance between the respective interested parties. These parties include the shareholders, managers, government, pension funds and, especially, the employees. According to CNV, the balance currently leans in favour of short-term interests. In order to change this, CNV argues that the role played by employees within listed companies must be revised. Employees should be given a greater say over the daily management of those companies.

Thus, CNV suggests that employee supervisory directors must be appointed to make up at least a third of the members of the supervisory board. These individuals should be independent supervisory directors appointed to safeguard employee interests. The first company to implement this change will be the ABN Amro/Fortis bank, where one third of the supervisory directors will be appointed to represent employee interests. In order to properly represent the interests of employees in the long term, the employee supervisory directors concerned should not have any financial interests in the company. Appointment will take place on the basis of a secret ballot among all employees in the company.

Participating shares for employees

CNV Dienstenbond is also calling for participating shares for employees. The shares consist of dividend-free (protective preferred and priority) shares, awarding binding appointment authorisation in relation to appointing executive and supervisory directors. While offering no financial gains, the shares provide employee access to the AGM and afford veto rights in relation to important decisions. This awards employees greater influence over company policy through voting rights on participation shares without becoming financially involved in any way. This ensures healthy representation in relation to the company's long-term vision on formulating policy and strategy.

A specially established employee board will manage the participation shares. This board can be jointly set up by the employee participation body and the employee supervisory directors. The

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trade unions also play a role in this respect, informing the employee board and together informing the employees. The employee board provides feedback on decisions taken at the AGM to the employees and the employee supervisory directors. This system serves to improve communication between all parties.

Direct contact with senior management

Another item requiring action for CNV Dienstenbond is that direct contact between the chair of the company board and the employees should be compulsory at least once a year with regard to the policy to be pursued. This arrangement was devised to prevent employees from finding out from media sources that important decisions that they knew nothing about had been taken within their company – that is, decisions taken in secret. CNV is calling for more openness about policy and a cultural turnaround within companies. The board should inform employees at consultation meetings of the policy to be pursued. In turn, employees will also have an opportunity at these meetings to express their thoughts on intended strategic decisions.

Direct contact of this nature should take place before the agenda is drafted for the AGM so that the board is fully briefed on the different points of view prevalent among the workforce. At this stage, the employee supervisory directors and employee board can put forward their own views and invite feedback from the employees. By highlighting this point, CNV hopes to underline that a cultural shift in favour of a long-term vision, directed at formulating sustainable business policy, only stands a chance of succeeding if all of the parties concerned agree to participate.

Investment power of pension funds

CNV pays separate attention to pension funds, representatives of which it considers should participate fully in AGMs. Pension funds invest the savings of the Dutch population; they are long-term investors. Cooperation with representatives of the pension funds is encouraged because employees and pension funds have a mutual interest in sustainable investment in business. To date, pension funds have not exercised their investment power to full advantage; this is surprising, yet undesirable, according to CNV. CNV is thus calling for the activation of pension funds as a sustainable investor.

Loyalty dividend

Finally, CNV would like to promote a loyalty dividend. Under this provision, shareholders who remain loyal to the company for a long time – that is, for more than five years – will receive an extra dividend. In its proposal, CNV puts forward an example of a loyalty dividend that was introduced at the multinational manufacturing company DSM in 2006. In this case, after three years, loyal investors will receive a 30% extra dividend, followed by an additional 10% in each consecutive year. The arrangement was considered controversial and was initially banned by the courts. In the end, however, the Dutch Supreme Court (*Hoge Raad der Nederlanden*) approved the dividend arrangement in 2007. The loyalty dividend offers advantages because it promotes stable business operations and encourages long-term investment. CNV is of the opinion that the government could also offer tax incentives.

Next steps

In presenting this plan, which aims to increase employee influence within companies, CNV Dienstenbond is offering the first future-oriented answer to the economic crisis. As noted, the first company eligible for the power shift is ABN Amro/Fortis, which was partly taken over by the state in the wake of the financial crisis in 2008. CNV's plan will be submitted before the Social and Economic Council (Sociaal-Economische Raad, SER), the Labour Foundation (Stichting van de Arbeid), politicians and pension funds for analysis and recommendation.

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