

Governance

Report of the Supervisory Board

The Supervisory Board of Gasunie supervises and advises the Executive Board in formulating and achieving Gasunie's objectives, strategy and policy. The Board also acts as the employer of the Executive Board.

Supervision

The year 2013 was a year with special dynamics as it brought a number of challenges. One matter that needed our specific attention, for instance, was the composition of the Executive Board and the Supervisory Board. In considering these matters, the Supervisory Board explicitly took the social role and public tasks of Gasunie as a significant point of departure. In this report, the Board explains how it conducted its supervisory tasks and outlines the main substantial issues that occupied the Board during the year under review.

Achieving the objectives

Given Gasunie's important social function, the Supervisory Board believes it is important that the organisation's objectives should focus on safe, reliable, sustainable and cost-efficient performance. The same social function also means that those objectives should be ambitious. After all, the organisation wants, and needs, to continuously improve. We encourage the achievement of those objectives in part by applying variable remuneration, based not only on financial performance, but also, and in particular, on safety, security of supply and CSR objectives. Each quarter, the Executive Board reports to the Supervisory Board on the interim results achieved with respect to the objectives.

Strategy

Each year, the Executive Board of Gasunie draws up a strategic plan that is then submitted to the Supervisory Board. In this plan, the strategy is analysed and, where necessary, adjusted to take account of new developments. The Supervisory Board approves the current strategy and is actively involved in its implementation. One of the company's strategic pillars – strengthening the leading position of Gasunie as a cross-border gas infrastructure company in Europe – requires not only that the strategic advantages and disadvantages are carefully weighed, but also that the company has at its disposal a good set of instruments for identifying and managing risks, and recognising and exploiting opportunities. The M&A Guidelines, which give guidelines for dealing with mergers and acquisitions, were further tightened in 2013 and now form a good standardised framework for the coming years.

Risks and risk management

In 2013, the internal control framework was discussed with the Supervisory Board's Audit Committee. Each year, Gasunie draws up a strategic risk analysis (SRA) at both group and unit level, and operational risk analyses (ORAs) at department level. The risks at these three levels interact with each other and are discussed, at group level, with the Audit Committee and the Board. This in-depth discussion covered themes such as safety, regulation, sustainability, and earthquakes, together with the associated management measures. The Supervisory Board's comments have been incorporated into the SRA. The Operational Audit department frequently tests the working of the risk management system and reports its

findings to the Audit Committee. It is the opinion of the Supervisory Board that the company is pursuing a balanced policy with respect to risks and opportunities, and that the Executive Board has kept the Supervisory Board properly informed about it.

Safety

Given the nature of Gasunie's operations, safety is a top priority. This applies not only to the safety of its own employees and the employees of its contractors, but also, most particularly, to the safety of people living or working in the vicinity of our activities. The subject of safety and monitoring safety performance is a permanent item on the Supervisory Board's agenda. The Board deeply regrets the fatal accident in November 2013 that took place during the laying of the new Beverwijk-Wijngaarden route. At its last meeting, the Board reflected on this accident at length.

Financial reporting

Gasunie draws up monthly reports, and reports to the Board on a quarterly basis. The reports are discussed by the Audit Committee in the presence of external auditors. If necessary, recommendations may be added, and the reports are then approved by the Audit Committee, with a mandate from the Board. The annual report is discussed by the whole Supervisory Board and approved. It was decided to publish a single, integrated annual report as of the year under review, 2013.

During 2013, we took all the steps needed for the certification of the Dutch network operator (GTS) in accordance with the requirements of ACM. As a part of this process, the network assets were handed over to GTS, as a result of which GTS, as of 2014, will report as a 'comprehensive' network operator. In 2014, the Supervisory Board will attend a workshop on regulation with the purpose of obtaining a clearer understanding of the differences between IFRS reporting (used for external reporting) and regulatory reporting (used for reporting to ACM), and thus be able to improve supervision of the way in which Gasunie will deal with this.

Compliance with laws and regulations

Gasunie has an internal process of reporting and responsibilities with regard to compliance with the laws and regulations and with our Gasunie guidelines for internal management. This process has been laid down in a document of representation that is discussed by the Audit Committee. Where possible and necessary, Gasunie will obtain external certification, so that external testing will also take place. For instance, Gasunie is currently working on certification at NTA8120 level, the Dutch quality standard for asset management.

Relationship with the shareholder

Discussions are held regularly at various levels between the organisation and its shareholder. In addition to the Annual General Meeting of Shareholders, the Supervisory Board has incidental discussions with the shareholder, as and when required. Last year, there were many close consultations about, for example, filling the vacancies in the Supervisory Board and the Executive Board. During these discussions, the knowledge and insights of the shareholder with regard to filling in these vacancies proved to be beneficial. There were also close consultations between the Board and the shareholder about the Policy on Government Participations.

CSR

The Board played an active role in defining the new CSR policy. The Board took part in discussions about this policy and how it should be reported on. The Board as a whole has considerable experience and expertise on CSR matters, as a result of previous and other, current, posts held by a number of its members.

Composition of the Supervisory Board

At the end of 2012, three members of the Supervisory Board – Messrs Van Luijk, Noy and Lont– resigned from the Board to enable an open discussion about the research report drawn up, at the request of the shareholder, about the acquisition in 2007 of the BEB network in Germany. In mutual agreement with the Minister, the three Supervisory Board members stayed on until the General Meeting on 23 April 2013. We are very grateful for the commitment these three members have shown over the years. On 23 April, the Board announced that an interim chairman had been found, and on 1 May 2013, Mr Rinse de Jong became Interim Chairman of the Supervisory Board.

To facilitate the search for prospective new members, the Board drew up a detailed profile containing the required competencies. Besides competencies in the field of general, financial and socio-economic management, they were looking for specific competencies in the field of energy, legislation, public administration and technology. The profile was discussed at length with the shareholder, the Executive Board and the Works Council. The Board was assisted in the search process by an external consultant. The Board was pleased to be able to speak with a large enough number of good candidates to be able to make a well-considered choice.

Unfortunately, in the course of the year, it transpired that the chair-elect had accepted another position that, under the terms of the Management and Supervision Act (*Wet Bestuur en Toezicht*), could not be combined with the position of chairman of the Supervisory Board of Gasunie. The Board naturally regrets this development. On 1 October 2013, Ms Martika Jonk and Mr Willem Schoeber were appointed to the Supervisory Board. Ms Jonk is a partner in the law firm CMS Derks Star Busmann, where she specialises in international energy matters. She was in practice in Germany for a number of years, and is now located in the Netherlands. She is qualified to practise in both countries. Mr Schoeber is a former member of the Executive Board of EWEAG, a regional energy company operating in northern Germany and in Turkey. Both bring experience in the field of energy and legislation, and Mr Schoeber in the field of technology as well. With the appointment of these new Supervisory Board members, the composition of the Board is now clearly diverse in the gender, background and experience of its members.

Following the appointment of Ms Jonk and Mr Schoeber, the main competencies are covered as follows:

Competency	Ms Poots	Ms Jonk	Mr Vermeire	Mr Schoeber	Mr de Jong
General management	✓	✓	✓	✓	✓
Financial management	✓		✓	✓	✓
Socioeconomic management	✓	✓		✓	
Energy		✓	✓	✓	✓
Legislation	✓	✓	✓	✓	✓
Technology			✓	✓	
Public administration	✓		✓	✓	✓

It should be noted that the above-mentioned competencies in fact have various facets, and the actual picture is more nuanced than may seem at first sight. For instance, the public administrative contacts of Mr Vermeire relate mainly to Belgium and the international gas industry, whereas those of Mr Schoeber relate to Germany and those of Mr De Jong to the Netherlands. The competencies are also reflected in the composition of the Board's various committees.

All members of the Board are independent in the sense of the Dutch Corporate Governance Code.

Composition of the Executive Board

In addition to its tasks of supervising and advising, the Supervisory Board is also charged with the task of acting as employer of the Executive Board. In June 2013, the then Chief Executive Officer, Mr Paul van Gelder, announced that he would leave Gasunie on 1 September 2013, because he had accepted a position elsewhere. The Board is very grateful to Mr Van Gelder for the way he has led the company during the period of more than three years that he was with Gasunie and for the changes he introduced to bring the organisation more in line with the market.

Assisted by an external consultant, the Board then started the process of finding a successor. To this end, they drew up a profile, which was subsequently discussed with the Executive Board, the shareholder and the Works Council. On 18 November 2013, it was announced that Mr Han Fennema would be appointed as a member of the Executive Board of Gasunie as of 1 January 2014. On 1 March 2014, Mr Fennema was appointed Chairman of the Executive Board and CEO.

To fill in the vacancy left by Mr Van Gelder, the Board asked Mr Geert Graaf, until then member of the Executive Board and Chief Operating Officer, to take on the position of Interim Chairman of the Executive Board as of 1 September 2013. Mr Graaf filled this post in a highly professional way. Meanwhile, he announced that he would leave Gasunie on 1 March 2014, after almost 30 years at the company. The Board regrets this decision and has very great respect for the way in which Mr Graaf carried out his job as interim CEO. The Board is grateful for this and wishes him every success in the future. The Board also thanks Mr Henk Chin Sue, who was Chief Financial Officer until 1 July 2012 and active as advisor to the Board until 1 July 2013, for his many years of dedication.

As of 1 March 2014, the Executive Board consists of Mr Han Fennema (Chairman and CEO) and Mr René Oudejans (member and CFO). In consultation with the Supervisory Board, they will examine which management model would best suit the tasks and responsibilities of the various regulated and free market activities that Gasunie has in its portfolio as a parent company.

In filling the vacancies in both the Supervisory Board and the Executive Board, we made every effort to observe the principle of equal representation of men and women (which was included in the profile). The Supervisory Board meets the criterion of at least 30% men and at least 30% women. However, for the Executive Board, we failed to find any suitable, available female candidates.

Meetings and the subjects discussed

The Supervisory Board met nine times in 2013, with all board members present. In addition to fixed agenda items such as safety, security of supply, current company affairs and Gasunie's operational and financial results, the Board discussed among other things the desired composition of both the Board itself and that of the Executive Board, the strategy, the network renovation programme GNIP, the new CSR policy, the transfer of network assets from Gasunie to GTS, the Policy on Government Participations and the participation policy. The Board also visited one of the locations of the new-build project Beverwijk-Wijngaarden. In the last meeting of 2013, the Board briefly evaluated its own functioning and, in view of the newly appointed members, adjusted the composition of the committees. Those meetings to which the Executive Board was invited were attended by all members of the Executive Board.

Audit Committee

The Audit Committee is chaired by Ms Poots, with Mr Vermeire and Mr De Jong as members during 2013. With the appointment of Mr Schoeber, it was decided to appoint him as a member of the Audit Committee. Mr Vermeire has joined the Remuneration, Selection & Appointments Committee and will be leaving the Audit Committee. The Audit Committee met six times in 2013. At those meetings, the operational auditor, the external auditor (EY) and the CFO were present on all occasions, and the CEO, and later Interim Chairman, four times. Mr De Jong was unable to attend on one occasion. In addition to the regular quarterly reports, the Committee discussed at length the Financial Statements 2012, the Annual Report 2012, the Semi-Annual Report 2013, the accompanying management letters and the external communication about these. The operational auditor's periodical reports were also discussed and the operational auditor's working schedule was agreed. The Committee also met to discuss, among other things, the M&A guidelines, the SRA, Integrated Reporting and the Document of Representation 2012. It was agreed to reappoint the external auditor for a further term, up to and including 2014.

In 2013, the chair of the Audit Committee also held regular consultations with both the operational auditor and the external auditor without Members of the Executive Board being present. In the meetings of the Supervisory Board, the chair of the Audit Committee rendered account for the activities the Committee carried out with respect to the financial supervision of the company.

Remuneration, Selection & Appointments Committee

In 2013, the Remuneration, Selection & Appointments Committee met four times, in the presence of all committee members. Given the vacancies that arose in 2013, after the General Meeting, the Committee consisted of Ms Poots (chair) and Mr De Jong. Ms Jonk joined the Committee on 1 October 2013. In December, it was decided that Mr Vermeire would also be appointed to the Committee and that Mr De Jong would take over the chair from Ms Poots. The Committee discussed, among other things, the target-setting for 2013, the degree to which the 2012 targets were reached, the remuneration section in the Annual Report 2012, and the collective targets for 2014. The Committee carried out extensive preparatory work in the process of appointing new members of the Supervisory Board and the succession of the Chairman of the Executive Board and, within this framework, had regular contact with both the Works Council and the shareholder.

Strategic Investments Committee

The Strategic Investments Committee did not meet in 2013 and has been discontinued. As a consequence of the importance of matters relating to strategic investments, it was decided to discuss these subjects with the complete Board.

Remuneration policy of the Executive Board

The remuneration policy for members of the Executive Board is described in a separate section of this annual report.

Meetings with the Works Council

Representatives of the Supervisory Board attended consultations between the Executive Board and the Works Council on two occasions in 2013: Mr De Jong once and Ms Poots once.

Acknowledgements

The Supervisory Board wishes to thank the Executive Board, management and all employees of Gasunie for their dedication and hard work in 2013. Thanks to this dedication, the company has achieved good results and contributed to a safe, reliable, affordable and sustainable energy supply in Europe.

On behalf of the Supervisory Board of N.V. Nederlandse Gasunie,

R. de Jong, Interim Chairman
Groningen, 18 March 2014