



## June 30, 2021

To: Ministerie van Financiën

### **Consultation on the proposed amendment to the taxation basis of stock options**

Glass, Lewis & Co. ("Glass Lewis") appreciates the opportunity to comment on the proposed amendment to Dutch tax regulation proposed by the Ministry of Finance.

#### **About Glass Lewis**

Glass Lewis is the leading provider of independent proxy advice with a global client base of more than 1,300 clients, including the majority of the world's largest pension plans, mutual funds and asset managers, who collectively manage more than \$40 trillion in assets. Glass Lewis empowers institutional investors to make sound voting decisions at more than 30,000 meetings each year by analysing and assessing corporate governance and material environmental and social risks at public companies domiciled in approximately 100 global markets. We provide comprehensive research for all listed companies held in our clients' portfolios. In 2020, this universe included approximately 16,000 global public companies. More information available at [www.glasslewis.com](http://www.glasslewis.com).

Glass Lewis is submitting this comment as an interested industry advisor, not on behalf of any or all of its clients.

#### **Glass Lewis' Views on the Proposed Amendment**

In the preliminary draft of this legislation, the Ministry proposes to revise the tax basis of stock options from the date on which they are granted to the date on which they vest. As detailed in the explanatory notes to the legislation, the primary intention of this reform is to reduce the liquidity burden placed on the recipients of stock options. Further, it ought to improve the competitive position of the Netherlands in an international context.

Glass Lewis' Benelux research team conducts regular engagement meetings with representatives of the largest and most liquid publicly-listed companies in the Netherlands, and dissatisfaction on behalf of



Dutch corporate issuers with the current tax treatment of stock options has been a recurring theme in these meetings.

We have observed that companies incorporated in the Netherlands are currently reluctant to attach performance criteria to the vesting conditions of stock options given the initial investment required by the recipient on the grant date. In order to reduce the downside risk to the recipients of stock options, they are invariably granted without a meaningful exercise price premium on the grant date share price or any further performance conditions.

Glass Lewis believes that – in order to suitably align the interests of executive directors with a company's stakeholders -- equity-based incentives, such as stock options, granted to executives should be conditional on stretching, forward-looking financial and/or non-financial performance targets. Successful plans should, in our view, aim to reward executives who foster company growth while limiting excessive risk-taking, and incorporate a diversified set of metrics specific to executives' areas of control in order to incentivise performance. Standing alone, we believe that a share price increase has limited utility in incentivising executives to prioritise the sustainable growth of a company.

We believe that the proposed amendment to shift the tax burden for the recipients of stock options to the date on which they vest would provide companies incorporated in the Netherlands with additional scope to utilise stock options as a true form of 'at risk' remuneration by incorporating performance conditions that seek to better align the interests of executives and a company's stakeholders, and reward sustainable growth.

---

Glass Lewis welcomes the opportunity to comment on the proposed amendment to Dutch tax legislation and is available to answer any questions the Ministry of Finance may have regarding the comments provided above.

Respectfully submitted,

/s/

Chris Rushton - Director of European Research Policy

/s/

Max van Gool – Senior Research Analyst, Benelux



GLASS LEWIS