

Corporate Governance

Standards for governance and supervision

In 1932, the Netherlands Organisation for Applied Scientific Research (TNO) was established by law. For over 90 years, TNO has been connecting people and knowledge to create innovations that sustainably strengthen the competitiveness of companies and the wellbeing of society.

'Corporate governance' refers to the set of rules, standards, and institutions for the governance structure of an organisation. They help ensure that actions are taken under appropriate supervision, with integrity, accountability, and transparency.

The corporate governance setup is based on the TNO Act. TNO is also bound by the Rules of Conduct for TO2 organisations, as contained in the Dutch government's 'Vision of Applied Research' (Dutch: *Visie op het Toegepaste onderzoek*), and to the 'Common Framework of Standards for the Financial Management and Supervision of Semi-public Institutions' (Dutch: *Gemeenschappelijk Normenkader voor Financieel Beheer en het Toezicht Semipublieke Instellingen*).

TNO is a legal entity under public law. TNO considers it important to follow the governance code that applies to companies and the governance code that applies to public authorities ('Good Governance Code for Public Service Providers 2015' (Dutch: *Code Goed Bestuur Publieke Dienstverleners 2015*)), even if these codes do not have mandatory application to TNO.

The regulations of TNO, the Executive Board, the Supervisory Board, the Council for Defence Research, the Strategic Advisory Councils, and the Works Council, together with the Mandate Regulation, make up TNO's organisational regulations. Organisational regulations describe the mutual responsibilities, powers, and obligations. The Mandate Regulation accurately reflects the powers granted within the organisation. Adequate checks and balances are ensured as part of careful decision preparation through a system of internal approvals and advice.

Executive Board

De voorzitter en leden van de Raad van Bestuur, waarvan één (The chairperson and members of the Executive Board, of which one member is nominated by the Minister of Defence and the chairperson and the other members are nominated by the Minister of Economic Affairs and Climate Policy, are appointed by the Crown. Their remuneration is in line with the Standards for Remuneration Act (*Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector* (WNT)).

The Executive Board is charged with the management of TNO, and is responsible for, among other things, the defining and achieving of objectives, policy, strategy, execution, including the results arising from them. In accordance with the TNO Act, the Executive Board has a collegial board.

Supervisory Board

The chairperson and members of the Supervisory Board are appointed by the Crown for a period of five years. Reappointment is possible once. The remuneration is in line with the WNT.

The task of the Supervisory Board is to supervise and advise on the Executive Board's policies and their implementation. The TNO Act and organisational regulations stipulate which Executive Board decisions require the approval or consent of the Supervisory Board.

Council for Defence Research

The Council for Defence Research establishes the policy to be pursued regarding the Defence component, while also being subject to stipulations related to the Executive Board. The Council for Defence Research oversees the implementation of the strategy and the building and maintenance of the long-term Defence knowledge base and its associated risks. The Council for Defence Research's chairperson is also the Defence member on the Executive Board.

Employee Participation

Employee participation within TNO is formed by the Works Council and Unit Committees. Members of the Works Council are elected by TNO employees. The Works Council deals with all matters of broad importance to employees and TNO as an organisation. To this end, it issues solicited and unsolicited advice to the Executive Board.

Each Unit also has a Unit Committee. The Managing Director of the Unit regularly consults with the relevant Unit Committee on matters affecting the Unit concerned. There is also a Unit Committee for the Services Organisation.

Strategic Advisory Councils

A Strategic Advisory Council (SAR) consists of leading figures from business, public authorities, and knowledge organisations. The appointment period of members of the SARs runs concurrently with the Strategic Plan period. Members are selected upon nomination by the Unit's management and ratified by the Executive Board, as per SAR regulations.

The SARs have advisory powers regarding the prioritisation and choice of substantive focus points and programmes in the respective Unit's area of work. The SAR identifies external developments in the Unit's environment and shares these with the Unit's management.

A SAR meets at least twice a year in the presence of a member of the Executive Board. The chairs of the SARs are invited to strategic deliberations by the Executive Board at least once a year.

Direct subsidiaries of TNO

TNO has transferred its participating interests to three holding companies: TNO Tech Transfer Holding B.V. and TNO Affiliates Holding B.V.

TNO Tech Transfer Holding B.V. is a venture capital company that administers shares – often minority stakes – in spin-off companies. Creating a spin-off is a business transaction in

which TNO pursues equality and transparency. TNO is not involved in the day-to-day operations of the interests it has transferred to TNO Tech Transfer Holding B.V. Aside from that, TNO enters into agreements with these spin-offs on market terms, such as the leasing of TNO facilities or the provision of a licence to intellectual-property rights owned by TNO, such as patents and know-how. An exit policy also applies to these participating interests, focused on the divestiture by TNO of its remaining shareholdings in the medium term.

TNO Affiliates Holding B.V. holds shares in other entities that are not TNO spin-offs. For reasons related to transparency, taxation, or cooperation with third parties, these entities are kept at arm's length from TNO. TNO is generally more actively involved in these entities than it is in participating interests that are held by TNO Tech Transfer Holding B.V. Moreover, no exit policy applies to these entities. In 2021, TNO International Holding B.V. ceased to exist following a merger. All its assets were transferred by operation of law to TNO Affiliates Holding B.V.