

Sector Code Good Governance

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Vereniging Hogescholen

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Preamble

1. Over the past 25 years, Higher Professional Education has undergone a real transformation. Where in the 80s of the last century universities of applied sciences were characterised as education institutes providing higher professional education under the direct supervision of the trade department, since the late 80s a massive change process was initiated, focussed on placing more responsibility for their own education development directly with the universities of applied sciences. This self-governance was considered an essential condition for the HBO to be able to really fulfil its role in society. The university of applied sciences had to transform from a school into a full-fledged knowledge institute, always embedded in the regional knowledge infrastructure but sometimes with a significant national or even international profile as well. In many cases, this socialisation of the HBO was linked to mergers and upscaling.

This imposed new demands on the management and internal supervision. The universities of applied sciences were often given a lot of space for their own way of handling things but oversight on the associated risks failed to keep pace with that freedom. In line with initiatives that were being taken in other semi-public sectors at that time, the HBO Board, the association of universities of applied sciences, decided to implement a committee to advise it on the development of management and supervision in the sector. In 2000, this Committee Glasz published its advice under the title 'The supervisory board in HBO, transparent, impartial, and expert supervision'. The core of the advice was the recommendation to introduce the Supervisory Board Model for every university of applied sciences. Where a ministry or inspectorate could not possibly monitor and assess all relevant developments for all institutes, a strong internal supervision must offer supervision to ensure the management of the university of applied sciences adheres to the established legal frameworks in promoting the interests of the institute. The structure regime for large companies served as inspiration.

The recommendations of the Committee Glasz have been unconditionally embraced by the universities of applied sciences. In 2004, in an evaluation by the committee of how the recommendations had been received, the Supervisory Board Model proved to have been implemented by virtually all universities of applied sciences. Based on this evaluation, the universities of applied sciences determined that it was necessary and possible to develop a subsequent step in the development of the governance of the sector. This consisted of the development of its own sector code for good governance, which would offer guidelines for good governance of universities of applied sciences in a more obligatory manner. The Sector Code Governance HBO was enacted in February 2006 by the general meeting of the association of universities of applied sciences. The code comprised principles that all universities of applied sciences must consistently apply and elaborations thereof, which the universities of applied sciences may deviate from for substantiated reasons. Such a deviation does then require reporting and explanation in the annual statement of the university of applied sciences. New in the code, compared to the recommendations of the Committee Glasz, was the explicit attention for the role of the stakeholders of the university of applied sciences in the policy process. To this end, the term 'horizontal dialogue' was introduced.

2. Each code is a reflection of the current views about management and supervision which, partly as a result of social developments and developments in (higher) education, are constantly subject to change. Moreover, universities of applied sciences are learning to work with the code, making some of its provisions obsolete because they have been normalised, while others may require further consideration and elaboration. New circumstances and events may also give rise to adjustments in the code. Against this background, in 2011 the management of the association of universities of applied sciences established an impartial evaluation committee which was given space to assess the functioning of the

code in the broadest sense. This Committee Van Montfort started its work in the spring of 2011. The final report of the committee was published in April of 2012.

One important finding of Van Montfort c.s. was that there were shortcomings in the compliance with the publication requirements of the code. Sometimes the shortcoming was of relatively minor importance, but in other cases it concerned important topics such as regulations on sexual harassment, profile sketches for the supervisory board, or the statement that the members of the supervisory board meet the requirements for impartial functioning. The lacking compliance with the publication requirements was not the only issue. More generally, the committee identified limited support for the code. Among managers and supervisors there was no shared understanding about the meaning of the code for the universities of applied sciences and for the sector.

The evaluation further showed that the focus of the internal supervision in many cases remained on business operations. There was room for improvement in the attention for Education and Research and for the role of the university of applied sciences in society. Although the evaluation did show that several universities of applied sciences had developed praiseworthy initiatives on this front, the sector as a whole did not appear to have changed much compared to the situation that had been mapped almost 10 years earlier in the evaluation and recommendations of the Committee Glasz. Against that background, Van Montfort concludes that universities of applied sciences have missed opportunities to avoid affairs, but also opportunities to better develop their profile. A code alone however is not enough to avoid and prevent incidents. The evaluation committee states that good governance is achieved first and foremost by the grace of good managers and supervisors, who apply a code in a manner appropriate for the achievement of the objectives of their organisation.

3. The Committee Van Montfort attached a list of 15 concrete recommendations to its evaluation. These have been taken on by the association of universities of applied sciences and form the starting point for redesigning the code for management and supervision. For this redesign, a diverse workgroup of managers and supervisors has been appointed. In the spring of 2013, the recommendation for a new code was taken over integrally by the management of the Association for Universities of Applied Sciences and presented at the general meeting. In its meeting on 17 May 2013, the general meeting of the Association of Universities of Applied Sciences discussed the code. At this meeting, it was determined that the minister of OCW (Education, Culture & Science), in its policy note on the managerial strength in education dated 19 April 2013, makes recommendations and formulates intentions that directly touch upon the contents of the code for good governance. Against this background, the universities of applied sciences agreed, as of 17 May, to use the new code as much as possible as guideline for their own conduct, but also to determine, as soon as possible after the summer recess of 2013, whether, in light of the policy note from the minister, a further amendment of the code is desirable. Based on consultations with the minister, two amendments to the redesign were subsequently made: a maximum term of office for the external accountant and a continuity paragraph as part of the annual statement. The thus amended redesign was finalised as code for good governance in the general meeting of the Association of Universities of Applied Sciences on 3 October 2013.

Implementation of the new elements in the code will take time. For example for the development of an assessment framework for the implementation of the internal supervision. The universities of applied sciences have agreed that the code for good governance will be integrally implemented by the latest at the end of 2014. For reporting year 2013, the "old" sector code governance will serve as the benchmark. For the two times four years limitation of the term of office of members of the supervisory board a deviating agreement is in force. In relevant cases, transition scheme may be implemented that can last for a maximum of four years after 2013. That means that by the latest in January 2018, no supervisor can

have been a member of the supervisory board for more than eight years at the same university of applied sciences.

4. One of the recommendations of the Committee Van Montfort concerns the relation between the Wet op het Hoger Onderwijs (WHW, Dutch Higher Education and Scientific Research Act) and the code. Since the enactment of the sector code governance in 2006, the WHW has seen significant amendments, in particular with regard to management and supervision. Many of the principles from the code have now been made law, such as the statutory provision on the separation of management and supervision. This has two consequences for the new code. Firstly, provisions that are now included in applicable legislations have been removed from the code as much as possible. A second consequence is that the code now only contains provisions characterised as 'apply or explain', and no obligatory principles to comply with. The principles are embedded in law. Consequence of this approach is that high demands are made of the quality of the explanation that must be given if a university of applied sciences decides to deviate from the provisions of the code. The annex with the code provides clarification on the requirements such explanations must meet.
5. In line with the alignment of the code to the WHW, the code also no longer contains any provisions that relate to the remuneration of managers and the fees of supervisors. As of 1 January 2013, the remuneration of managers and fees of supervisors are regulated based on the Wet Normering Topinkomens (WNT, Regulation of Top Incomes Act). At the request of the minister of OCW, the supervisors of the universities of applied sciences have developed a code for the remuneration of managers of universities of applied sciences and, derived from that code, also imposed limitations on fees paid to supervisors.
6. The code is about governance and supervision. Students and employees are important stakeholders for managers and supervisors. But the code is not about the methods used for shaping and implementing the collaboration with students and employees. On this point, the WHW offers extensive provisions that do not require further elaboration in the code.
7. The undiminished principle of the code for good governance is a division of responsibilities between government, in particular the minister of OCW, and the universities of applied sciences, with the government taking point at system level and the institutes being largely autonomous in the realisation of their statutory duties. This relationship is not set in stone and will, based on social developments, continuously be subject of debate and subject to change. It is up to the boards and internal supervisors of the universities of applied sciences to draw and implement adequate consequences for their own institutes to this. Where necessary, that may also take place at sector level, for example through amendments to the code or making additional agreements about the method in which the provisions of the code are interpreted and implemented.
8. Rules and procedures, and thereby also the code for good governance, must be anchored in a recognisable and supported culture, in conceptions of what is good, meaning decent, suitable, and ethical. In other words: no good governance without good managers. Having a good organisation is important, but it is also, and maybe even primarily, about behaviour. It is the four Ps of good governance that must be in synergy: People, Principles, Processes, and Performance. That synergy requires decisive managers with integrity who are able to properly connect and apply the four Ps in good balance. For the code, it means that managers and supervisors of the universities of applied sciences not only need to comply with the letter of the code, but also need to 'bring it to life' in the daily practice of management and supervision. In constantly changing situation, the challenge is to act in accordance with the spirit of the code. The starting point for that is to aim for improvement of the quality of the education, the research and the knowledge valorisation in line with the statutory duties of the HBO. In doing so,

universities of applied sciences show consideration for current social perspectives and are individually and collectively accountable for their performance.

9. An important element in the new code is the meaning given to the 'social mission' of the university of applied sciences. The introduction of this definition in the code conveys the need of stakeholders to have insight into the further elaboration of the legal duties that apply to every university of applied sciences (as set out in article 1.3 of the Wet op het Hoger Onderwijs en Wetenschappelijke Onderzoek (Dutch Higher Education and Scientific Research Act)) in a mission and concrete objectives of each individual university of applied sciences. The own vision for the social mission is guiding for the assessment of the performance of the university of applied sciences.

The HBO is characterised by its practice orientation; the relationship with the professional practice is intensive. A second distinguishing feature is the role that universities of applied science play in the vertical mobility, in the emancipation of demographics, and the enormous increase in the education level of the working population. Both elements together stand for the great importance of the universities of applied sciences for the dynamic and growth of our society and economy.

After in recent decades the focus was primarily on growing the number of highly educated people, now there is more attention for improving the quality of education and research. Quality, among other things, means that the universities of applied sciences supply what society, businesses, and the students ask of them. Good education qualifies students for the employment market and gives them the tools for their continuous development, an attitude that also must be developed from the first day that students become active in HBO. Simultaneously, it is a duty of the HBO to shape and implement the principle of life-long learning by providing a current and diverse offering of courses and programmes that supports graduates in their careers. Inversely, graduates in this way contribute to the feeding of knowledge from the current professional practice back into the education. Ideally, this results in the creation of a tight-knit learning network with the university of applied sciences at its centre.

Good education results in graduates who fill the needs of companies and institutes, now and in the long term. But providing education alone is not enough for the universities of applied sciences: good education is only possible if it connects with the latest in knowledge. To foster that connection, the universities of applied sciences perform practice-oriented research, research based on taking a solution-oriented approach to the questions and ambitions of businesses and other social organisations. Good research thereby constantly feeds the education with the latest knowledge and insights.

The means a university of applied sciences has at its disposal are limited. It should be expected of the universities of applied sciences that they utilise these available means soberly and effectively. Every university of applied sciences will therefore - given the specific environment in which it operates - have to formulate policy priorities. With its own vision of the social mission, the university of applied sciences can make choices and substantiate priorities. The vision is an expression of how the university of applied sciences wants to meet the diverse needs of its stakeholders, which interests are under threat, and how they are weighed. Often, an orientation on the regional activities will play a dominant role. But for specific programmes, the relevant environment rather more nationally or even globally oriented. In all cases, universities of applied sciences stand for high-level education and research, practice-oriented, and responding to the needs and ambitions of students and their future professional fields.

10. The WHW offers space for statutory anchoring of the code. Immediately after publication of the report by the committee Van Montfort, it was agreed with the ministers of OCW that the new code will indeed be appointed as the sector code for the HBO. Compliance with the code is primarily the

responsibility of the universities of applied sciences themselves, independently and jointly within the context of the Association of Universities of Applied Sciences.

By enacting the code, the universities of applied sciences assume an obligation to annually monitor their compliance and to discuss the results thereof within the context of the Association of Universities of Applied Sciences. Where necessary, the association of supervisors of universities of applied sciences may also be engaged in this. If it is determined that a university of applied sciences is acting in breach of the code (by act or omission), the board of the association shall report this to the Executive Board of the relevant university of applied sciences, with the request to correct the identified shortcoming within a reasonable timeframe. If this shortcoming is not corrected within the stated timeframe, the board shall report this to the general meeting of the association and a proposal will be made about the further consequences to be imposed in connection with the failure to correct the shortcoming. A report will be published on the website of the Association of Universities of Applied Sciences about the shortcoming and the further consequences connected to it by the general meeting. The possible consequences include expulsion from the association of universities of applied sciences.

11. The annual monitoring of the compliance with the code will contribute positively to the support for the code. It is an opportunity to systematically give attention to the practice of management and supervision in the HBO and promotes the dialogue about good governance both within and between universities of applied sciences. Moreover, the social attitudes about what good governance is and what that means for management and supervision of universities of applied sciences will be constantly subject to change. To deal with that appropriately, the annual monitoring will bi-annually be subjected to a quick scan to determine whether the code remains up to date. If it is concluded that significant maintenance is required, the code will be evaluated by an impartial external committee. Such evaluation will take place in any case five years after implementation of the code. The monitoring and the quick scan are performed by a permanent committee for good governance, which is appointed by the Association of Universities of Applied Sciences. The committee sees to it that the monitoring and quick scan take place in accordance with the agreed fixed cycle and to that end organises the required activities. The committee reports its findings annually to the general meeting.

I. Compliance with and enforcing of the code

1.3 The Executive Board and the Supervisory Board are – with observance of their own duties and powers - responsible for the implementation and application of the management structure of the university of applied sciences and for compliance with this code.

1.2 The main lines of the management structure of the university of applied sciences are public and are kept up to date.

1.3 With the description of the management structure, the Executive Board indicates to what extent the provisions of this code are being followed and, if applicable, which provision(s) is/are being deviated from. For each deviation, an explanation is provided in the annual statement that complies with the requirements stated in the annex with this code.

II. The Executive Board

1. Duties and working method

II.1.1 The Executive Board is tasked with the management of the university of applied sciences as a whole and with its administration. The Executive Board maintains a vision for the social mission of the university of applied sciences as the basis for its policy. The Executive Board translates that vision into a mission and objectives, offers insight into their realisation, communicates about this with relevant stakeholders, and reports about it in the annual report.

Applicable are: the articles 10.2, 10.3, 10.3a, and 10.3b of the WHW

II.1.2 The Executive Board is responsible for compliance with relevant laws and regulations for managing the risks associated with the performance of the primary duties of the university of applied sciences, being education, research, and knowledge valorisation, as well as the other institutional activities.

II.1.3 The Executive Board ensures the presence and functioning of a risk management system specific to the university of applied sciences. Tools of such system used by the university of applied sciences include at least:

- a) a description of the foremost risks associated with the performance of the primary duties and the other institutional activities and of the relevant specific administrative measures;
- b) an integrity code that must at least be published on the website of the university of applied sciences;
- c) manuals for the organisation of the financial reporting, the funding data, and the quality policy with regard to education and research, as well as for the setup of the procedures to follow;
- d) a continuity paragraph that, based on the financial key figures, offers insight into the development of the financial position of the university of applied sciences;
- e) a system for monitoring and reporting.

II.1.4 In the annual statement, the Executive Board offers insight into the working and the foremost results of the internal risk management system.

II.1.5 The Executive Board ensures that employees have the opportunity to report suspected irregularities of a general, operational, and financial nature within the university of applied sciences to the chairperson of the Executive Board or their appointed officer, without fear for damage to their legal position. Suspected irregularities that concern the functioning of members of the Executive Board shall be reported to the chairperson of the Supervisory Board. The Whistleblower Regulations shall at least be published on the website of the university of applied sciences;

II.1.6 The Executive Board ensures that students and employees have the opportunity to report undesirable behaviour to an officer appointed by the Executive Board, without fear for damage to their study career or legal position. The Regulations Reporting Undesirable Behaviour shall at least be published on the website of the university of applied sciences;

II.1.7 The acceptance by a member of the Executive Board of a membership to the Supervisory Board of other major legal entities¹ requires the approval of the Supervisory Board. Additional positions are reported to the Supervisory Board with an indication of the time commitment and remuneration.

II.1.8 The Executive Board presents major decisions, as within the meaning of article 164 of book 2 CC, to the Supervisory Board for approval.

2. Conflicts of interests

II.2.1 Any form of or perceived conflict of interests between the university of applied sciences and the members of the Executive Board must be avoided. Decisions for entering into transactions that involve conflicting interests of material significance for the university of applied sciences and/or for the relevant member of the Executive Board require the approval of the Supervisory Board.

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II.2.3 Decisions pertaining to transactions involving conflicting interests of material significance for the university of applied sciences and/or for members of the Executive Board shall be referenced in the annual report.

¹ A major legal entity is a legal entity that meets at least two of the three requirements concerning total assets, net revenue, and number of employees, as stated in article 2:397 section 1 CC.

III. The Supervisory Board

1. Duties and working method

III.1.1 The Supervisory Board supervises the performance of the activities and exercise of powers by the Executive Board and issues advice and recommendations to the Executive Board. To this end, the Supervisory Board applies an assessment framework which sets out in what way implementation is given to the supervision of the performance of activities by the Executive Board and what substantive principles are applied. The principles shall include that the Supervisory Board, in its activities, always focusses on the quality of education, research and knowledge valorisation. The assessment framework is published on the website of the university of applied sciences.

Article 10.3d of the WHW is applicable

III.1.2 In the fulfilment of its duties, the Supervisory Board serves the interests of the university of applied sciences and weighs the relevant interests of the authorities, organisations, and persons engaged with the university of applied sciences in accordance with the vision of the university of applied sciences for its social mission. The Supervisory Board is responsible for the quality of its own functioning.

III.1.3 The division of work of the Supervisory Board as well as the working methods are set out in regulations. In the regulations, the Supervisory Board includes a passage about its dealing with the Executive Board and the (central) representative council or the (central) works council and the (central) student council. The regulations are published on the website of the university of applied sciences.

III.1.4 For each member of the Supervisory Board, the website of the university of applied sciences shall list their:

- a) gender;
- b) age;
- c) primary function;
- d) date of first appointment;
- e) the current term of appointment;
- f) membership(s) of committee(s) of the Supervisory Board as within the meaning of provision
- g) The university of applied sciences further ensures that current information about the *curricula vitae* of the members of the Supervisory Board is available via the website of the university of applied sciences. This should contain at least the following information: h) nationality;
- i) career;
- j) additional functions insofar as they are relevant for the performance of the duties as member of the Supervisory Board, including at least board positions in education and other supervisory duties.

III.1.5 At least once a year, the Supervisory Board discusses the strategy of the university of applied sciences with regard to education, research, and knowledge valorisation and includes the associated risks, including in the light of an assessment by the Executive Board of the outcomes of the internal risk management system. In the annual statement, the Supervisory Board publishes the number of meetings, as well as the most important topics that were discussed.

III.1.6 The Supervisory Board as a whole, and the members of the Supervisory Board individually, have a responsibility to obtain from the Executive Board and the external accountant all information that the Supervisory Board requires to properly perform its duties as a supervisory body.

III.1.7 At least once per year, the Supervisory Board, in the absence of the Executive Board, discusses both its own functioning and that of individual members of the Supervisory Board and the conclusions to be drawn in connection with that. In doing so, there is attention for at least the desired profile, the required competencies, and the composition of the Supervisory Board. An evaluation of its own functioning is done at least once per three years, with guidance of an impartial external party.

III.1.8 If members of the Supervisory Board are frequently absent from meetings of the Supervisory Board, this is addressed with them by the chairperson of the Supervisory Board.

III.1.9 A member of the Supervisory Board may be appointed to the Supervisory Board for a maximum of two periods of four years.

III.1.10 The Supervisory Board sets a rota of resignations to avoid concurrent resignation from the Supervisory Board as much as possible. The rota of resignations is published on the website of the university of applied sciences.

III.1.11 A delegated member of the Supervisory Board is a member of the Supervisory Board with a special role. The delegation cannot exceed the duties of the Supervisory Board itself and does not encompass any management of the university of applied sciences. It is limited to more stringent supervision and advice, and more frequent consultation with the Executive Board. The delegation is always temporary in nature. The delegation cannot remove the duties and powers of the Supervisory Board. The delegated member of the Supervisory Board remains a member of the Supervisory Board.

III.1.12 The member of the Supervisory Board who temporarily performs managerial duties in the event members of the Executive Board are unable to act or absent, shall be recused from the Supervisory Board to perform those managerial duties.

2. Expertise and Composition

III.2.1 Each member of the Supervisory Board is equipped to assess all policies in main lines and has the specific expertise that is required for the performance of their duties within their role in the framework of the profile of the board. The Supervisory Board is composed so that it can adequately perform its duties. A reappointment of a member of the Supervisory Board only occurs after careful consideration.

III.2.2 The Supervisory Board prepares a profile for its size and composition, with consideration for the nature of the university of applied sciences and its activities. The profile ensures that the Supervisory Board:

- a) has an impartial, critical attitude towards the Executive Board;
- b) has affinity with the specific character of a university of applied sciences and has expertise in the areas of education, research, and knowledge valorisation;
- c) has experience with or knowledge of the management of large professional organisations and financial expertise;
- d) has access to a large network, relevant to the functioning of the board;
- e) has insight into social developments, both nationally and internationally.

The profile describes specific competencies of the chairperson of the Supervisory Board, which ensure that they can adequately perform their duties. The profile is published on the website of the university of applied sciences.

III.2.3 The Supervisory Board annually assesses for which duties the members of the Supervisory Board or the Supervisory Board as a whole require(s) additional training or education during their term of office. The university of applied sciences provides the facilities required for this training or education.

III.2.4 The chairperson of the Supervisory Board prepares the agenda for the meeting of the Supervisory Board and leads the meetings. The university of applied sciences ensures the chairperson of the Supervisory Board is adequately supported.

III.2.5 The chairperson of the Supervisory Board sees to it that:

- a) the members of the Supervisory Board timely receive all information that is required for the proper performance of their duties;
- b) there is sufficient time for the deliberation and decision-making processes of the Supervisory Board;
- c) the committees of the Supervisory Board function properly;
- d) the performance of the members of the Executive Board and the members of the Supervisory Board is evaluated at least annually;
- e) the contacts of the Supervisory Board with the Executive Board, the (central) representative council or (central) works council, and the (central) student council proceed properly.

3. Committees of the Supervisory Boards

III.3.1 The Supervisory Board may appoint its members to form committees, such as an audit committee, a remuneration committee, and an education and research committee. The duties of these committees consist of preparations for the decision-making by the Supervisory Board. This preparation does not detract from the responsibility of every member of the board to independently assess the main lines of the entire policy, as within the meaning of provision III.2.1 of this code.

III.3.2 The Supervisory Board prepares regulations for each committee, which shall be published on the website of the university of applied sciences. The regulations state what the role and responsibility of the relevant committee is, how it is composed and in what way it performs its duties.

III.3.3 The Supervisory Board receives a report of deliberations and findings from each committee after every meeting.

III.3.4 In the annual statement, the Supervisory Board publishes the composition of the individual committees, the number of meetings it has held, as well as the most important topics that were discussed.

4. Impartiality and Conflicting Interests

III.4.1 The Supervisory Board is composed so that the members are able to operate impartially and critically in relation to each other, the Executive Board, and any sub-interest whatsoever.

III.4.2 A member of the Supervisory Board is deemed to be impartial if the following impartiality criteria do not apply to them. The relevant member of the Supervisory Board, or their spouse, registered partner, or other life companion, foster child or (blood)relative up to the second degree is deemed partial if they:

- a) were an employee or member of the Executive Board of the university of applied sciences (including affiliated legal entities) in the five years prior to the appointment;
- b) are receiving a personal financial consideration from the university of applied sciences or from one of its affiliated companies, other than the remuneration that is being received for the work performed in their capacity as a member of the Supervisory Board and insofar as it is inconsistent with the normal business operations;
- c) are a member of the board of a company or major legal entity where a member of the Executive Board of the university of applied sciences is a member of respectively the Board of Commissioners or Supervisory Board;
- d) are employed by the ministry of OCW, the Education Inspectorate, the Dutch Flemish Accreditation Organisation, or the ministry of EZ;
- e) hold a share package comprising at least ten percent in a company affiliated to the university of applied sciences.

III.4.3 In the annual statement, the Supervisory Board reports that in the assessment of the Supervisory Board, they were in compliance of provision III.4.2.

III.4.4 Any form of or perceived conflict of interests between the university of applied sciences and the members of the Supervisory Board must be avoided. Decisions for entering into transactions that involve conflicting interests for a member of the Supervisory Board, which are of material significance for the university of applied sciences and/or for the relevant member of the Supervisory Board require the approval of the Supervisory Board. The Supervisory Board is responsible for the decision-making concerning dealing with conflicting interests among members of the Executive Board, members of the Supervisory Board, and the external accountant in relation to the university of applied sciences.

III.4.5 A member of the Supervisory Board shall not participate in the discussion and decision-making about any subject or transaction which involves a conflict of interest for that member of the Supervisory Board.

III.4.6 Decisions pertaining to transactions involving conflicting interests of material significance for the university of applied sciences and/or for members of the Supervisory Board shall be referenced in the annual report.

III.4.7 The joint meeting of the Executive Board and the Supervisory Board shall determine the remuneration of the members of the Supervisory Board. The remuneration of a member of the Supervisory Board shall not be dependent on the performance of the university of applied sciences.

III.4.8 The university of applied sciences shall not grant the members of the Supervisory Board any loans or guarantees.

IV. The Financial Management

1. Financial Reporting

IV.1.1 The Executive Board is responsible for the quality and completeness of the published financial reports. The Supervisory Board sees to it that the Executive Board adequately fulfils this responsibility.

IV.1.2 The Executive Board is responsible for imposing and enforcing internal procedures that ensure that all important financial information is known to the Executive Board, so that the timeliness, completeness, and accuracy of the internal and external financial reporting is safeguarded.

IV.1.3 The Supervisory Board supervises the implementation and enforcement of the internal procedures referred to in provision IV.1.2.

2. Internal Control Function

IV.2.1 The internal accountant or controller, who plays an important role in assessing and checking the setup and functioning of internal risk management and control systems, acts under responsibility of the Executive Board. If no internal accountant or controller is affiliated to the university of applied sciences, this provision applies mutatis mutandis to the employee of the university of applied sciences who has the financial responsibility.

IV.2.2 The external accountant and the audit committee are engaged in the preparation of the work plan for the internal accountant or controller. They shall be informed of the findings.

3. The Role of the External Accountant

IV.3.1 The external accountant is appointed by the Supervisory Board. The Executive Board advises the Supervisory Board in this matter. The commissioning to and remuneration for the performance of non-control activities by the external accountant are, after consultation with the Executive Board, approved by the Supervisory Board.

IV.3.2 In consultation with the Executive Board, the Supervisory Board assesses how the external accountant shall be engaged in the preparation and publication of financial reports other than the annual accounts, such as internal management reports.

IV.3.3 The external accountant shall at least attend the meeting of the Supervisory Board in which the report of the external accountant concerning the examination of the annual accounts is discussed and in which a decision is taken about the approval or finalising of the annual accounts.

IV.3.4 The external accountant timely receives the financial information that underpins the finalisation of the intermediary financial reports and any other intermediary financial reports, and is given opportunity to respond to all information.

IV.3.5 The report of the external accountant pursuant to article 2:393 section 4 CC contains all that which the external accountant wishes to bring to the attention of the Executive Board and the Supervisory Board concerning the audit of the annual accounts and any related audits.

IV.3.6 The term of office for the external accountant shall be no more than eight years. After that, the Supervisory Board shall appoint another person as external accountant for the university of applied sciences. The resigning accountant shall not perform any non-control activities for the university of applied sciences for a period of at least three years after their resignation.

V. Social Connection

1. Horizontal dialogue

V.1.1 On the basis of its vision for the social position of the university of applied sciences, the Executive Board is responsible for the relationship with the external stakeholders of the university of applied sciences, and develops a cohesive policy for this. Proposed decisions are, as a result of that policy, properly substantiated with a view to the justified desires of and the meaningful effects for external stakeholders. The Executive Board reports about the implementation of this policy in the annual statement.

V.1.2 The policy for the horizontal dialogue contains at least the following elements:

- a) criteria for the identification of relevant stakeholders;
- b) an overview of which stakeholders are engaged in what activity or what decision;
- c) the way in which that engagement is shaped and implemented;
- d) the method for reporting about the engagement of stakeholders and the outcomes.

V.1.3 The Supervisory Board sees to it that the Executive Board gives implementation to all the provisions of articles V.1.1. and V.1.2. The Supervisory Board reports its findings in the annual statement.

2. Strategic Collaboration

V.2.1 The Executive Board is responsible for the policy of the university of applied sciences concerning collaboration with other knowledge institutes, businesses, and other organisations focussed on improving the quality of education, research, and knowledge valorisation.

V.2.2 The Executive Board maintains a statute in which is the criteria the collaboration, as within the meaning of provision V2.1, must comply with are recorded, and how it is ensured that the collaboration maintains its compliance with those criteria. The Executive Board the statute public.

V.2.3 The Supervisory Board sees to it that the Executive Board promotes and monitors the contribution of strategic collaboration with other knowledge institutes, businesses, and other organisations to the realisation of the mission and the objectives of the university of applied sciences. The Supervisory Board reports its findings in the annual statement.

3. Market Activities

V.3.1 The university of applied sciences may undertake activities that are not publicly funded. The Executive Board ensures that these activities fit within the mission of the university of applied sciences and that they contribute to the realisation of the social mission. In the annual statement, the Executive Board reports how this is ensured.

V.3.2 The Executive Board ensures a transparent attribution of costs for market activities and makes the principles for attributing these costs and the outcomes public.

Annex: Apply or Explain

1. A provision is being met → explanation is not necessary

2. A provision is not applicable → an explanation is required which refers to facts and circumstances that indicate why the provision is not applicable.

3. A provision is not being met → an explanation is required which substantiates why there was deviation from the provision. Facts do not suffice, there will also always need to be references to the spirit of the code (the underlying norms and values or principles) to demonstrate that good governance is still being conducted. The explanation must meet the following requirements:
 - one or more arguments are provided;
 - the conclusion can be logically inferred from the arguments;
 - the arguments are relevant;
 - the argumentation is comprehensive;
 - the arguments are consistent with the facts.