



To:

The managing and supervisory directors of Dutch listed companies

The Hague, 10 October 2016

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Subject: Eumedion Focus Letter 2017

Dear managing and supervisory directors,

This letter is the 12th annual 'Focus Letter' that Eumedion, the corporate governance and sustainability platform for institutional investors, sends to the Dutch listed companies. The priorities highlighted below are subjects we believe deserve your attention, not only because we regard them as important for the company you are managing or supervising, but also because they are of particular importance for the Eumedion participants – active and engaged institutional investors. The topics raised in this letter tend to be discussed in the dialogues that Eumedion facilitates between listed companies and participating investors in the run-up to the 2017 general meetings, and possibly also at the general meeting itself. Our two focus points for 2017 relate to 'climate change' and 'board diversity and effectiveness' and are a follow-up to the evaluation of the 2016 management report and AGM season¹.

Focus point 1: Impact climate change and Paris Agreement

Institutional investors, who manage retirement savings and investments for millions of people, believe that climate change is one of the biggest systemic risks the world currently faces. The challenges of climate change, both the physical impact and the need for a timely and controlled transition, pose risks and provide opportunities to companies. How these risks and opportunities are managed by boards of companies is likely to affect the long-term returns for institutional investors.

¹ The evaluation report can be downloaded via <http://bit.ly/29f8lgC>.

In December 2015, representatives of 197 countries at the twenty-first United Nations Conference of the Parties (COP21) in Paris reaffirmed the goal of limiting global temperature increase² and agreed to aim for a global net-zero carbon energy system well before the turn of this century. The ambition was also stated to make 'finance flow consistent with a pathway towards low greenhouse gas emissions and climate resilient development'. The Paris Agreement will enter into force on 4 November 2016.

Against this background, it is in the interest of institutional investors, its clients and ultimate beneficiaries to contribute to this transition to a carbon-neutral economy. Therefore, Eumedion participants ask all listed companies to analyse the potential risks and opportunities – both physical and transitional – related to climate change for their business model and strategy, and to disclose what concrete efforts will be made to contribute to a carbon-neutral economy in the second half of this century.

Specifically, Eumedion participants expect you:

- To provide explicit information regarding any material exposure to climate risks and regarding potential business opportunities. This should be accompanied by information on the possible implications for the corporate strategy under a scenario in which governments take all necessary regulatory actions consistent with the Paris Agreement.
- To identify material climate change-related risks and opportunities in the supply chain and to disclose the relevant findings and conclusions of this analysis.
- To provide an overview of the company's efforts to help deliver the goals of the Paris Agreement, accompanied by relevant data³ and targets.
- To provide information on the governance process that explains how the board considers and approaches climate-related risks and opportunities in their business management, such as investment planning, risk management, and reporting.

Eumedion participants expect you to provide material and comprehensive information, preferably disclosed in the management report.

Focus point 2: Board diversity and effectiveness

Meaningful shareholder involvement in the appointment of board members is one of the fundamental elements of an effective corporate governance system. The managing directors, under supervision of the supervisory directors, are responsible for strategy setting and execution, and are key in creating long term value for shareholders and other stakeholders. Directors will more likely make good decisions and create value in the long term if the appropriate competences are present in the boardroom. This includes the appropriate mix of gender, age, (personal) skills, professional experience, knowledge and socio-cultural background.

² The countries agreed to holding the increase in the global average temperature well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels (Art. 2 of the Paris Agreement).

³ E.g. greenhouse gas emissions and energy consumption/intensity.

Against that background, Eumedion participants expect companies to provide the following information in the management report:

- The board recruitment process, including information on the use of external advisers, search and selection criteria and diversity (a.o. age, gender, nationality), competences, skills and experiences, preferably in the format of a board diversity and competence matrix⁴.
- The main content and objectives of the company's diversity policy and a report on the progress in reaching the objectives of this policy⁵.
- The most significant findings and conclusions of the evaluation of the effectiveness of the (management and supervisory) boards and what follow-up action has been agreed. We would encourage especially the AEX and AMX companies to consider an evaluation under external guidance at least every three years.

We are available should you require further clarification.

Yours faithfully,



Rients Abma
Executive Director

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⁴ A board diversity and competence matrix was already incorporated in the 2015 annual reports of a.o. TNT Express and Vastned Retail.

⁵ Including a report on the company's progress on reaching the legal target of at least 30% female managing and supervisory directors.