



To:

The executive and supervisory directors of Dutch listed companies

The Hague, 12 October 2020

Ref: B20.20

Subject: Eumedion Focus Letter 2021

Dear executive and supervisory directors,

This is the 16<sup>th</sup> 'Focus Letter' that Eumedion, the corporate governance and sustainability platform for institutional investors, sends to Dutch listed companies. The focus areas highlighted below are topics we believe deserve your attention; not only because we deem them important for the company you manage or supervise, but also because they are of particular importance to Eumedion participants – who are responsible and engaged institutional investors with a long-term horizon. The topics raised in this letter tend to be discussed in the dialogues Eumedion facilitates between Dutch listed companies and Eumedion participants in the run-up to the 2021 general meetings, and occasionally also at the general meeting itself. Our two focus points for 2021 concern 1) reporting on climate-related information and setting ambitious climate-related targets and 2) executive remuneration in the wake of the corona pandemic.

**Focus point 1: Reporting on climate-related information and setting ambitious climate-related targets**

While the current corona pandemic has rightly pulled workforce and community health issues to the fore, climate change remains the most pressing economic and environmental long-term challenge globally.

Over the past several years, Eumedion requested you to analyse the potential risks and opportunities related to climate change for your company's business model and strategy, and to disclose what concrete efforts are made to contribute to transitioning to a carbon-neutral economy. Last year, we requested you to report in line with the 2019 European Commission's Guidelines on reporting climate-

related information. These Guidelines build upon the 2017 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also expected you to set to set greenhouse gas emission reduction targets aligned with the goals of the Paris Climate Agreement.

Considering a) that institutional investors are in particular in 2021 in need of more relevant, comparable and consistent climate-related information<sup>1</sup>, b) that the manifestation of physical climate risks continues to accelerate, c) the commitment made by Dutch pension funds and asset managers to contribute to the realisation of the Dutch Climate Agreement and d) that in 2020 only 23% of all Dutch listed companies reported in line with the TCFD recommendations<sup>2</sup>, we believe our earlier requests are still valid and maybe even more important.

Therefore, we expect you:

- i) to align your 2020 reporting on climate-related information with the afore-mentioned European Commission Guidelines/TCFD recommendations and to set clear, ambitious greenhouse gas emission reduction targets (covering scope 1, 2 and 3) consistent with the Paris Agreement's goal of limiting the global average temperature increase to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts of limiting it to 1.5 degrees Celsius;
- ii) to report on the progress in reaching these targets.

Additionally, you are also strongly encouraged to publicly set a deadline for becoming a carbon-neutral company (covering scope 1, 2 and 3).

### **Focus point 2: Executive remuneration in the wake of the corona pandemic**

Shortly after the outbreak of the corona pandemic, a substantial number of Dutch listed companies decided to cancel, reduce or postpone their final 2019 dividend, to suspend their share buy-back programme, to withdraw or revise their 2020 financial guidance and to implement a programme to significantly reduce costs and capital expenditures, with the aim to prepare for the (financial) impact that the corona pandemic might cause. These actions were widely supported by the company's shareholders. Some of the companies also took measures to reduce the workforce or to cut employees' pay and some companies even applied for government support. Consequently a number of companies took measures to already align executive pay with company performance and shareholder and employee experience.

If also the 2020 dividend payments are cancelled or strongly reduced and/or the workforce('s pay) is cut and/or the company received government support in 2020, Eumedion expects that the company demonstrates that executives are not insulated from the 'pain' but also temporarily reduces the executives' base salary and/or cancels their 2020 short-term bonuses and/or suspends the granting of the 2021 performance shares or options. This should be clearly reflected in the 2020 remuneration reports.

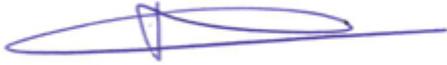
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<sup>1</sup> In March 2021, the European Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) will enter into force.

<sup>2</sup> In our 'Evaluation of the 2020 AGM season' (<http://bit.ly/3evs1TR>) we mentioned NN Group, Aegon and NSI as best practices.

We are available should you require further clarification.

Yours faithfully,

A handwritten signature in blue ink, consisting of a long horizontal line with a loop and a vertical stroke crossing it.

Rients Abma  
Executive Director

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