



To the executive and supervisory directors of Dutch listed companies

The Hague, 11 October 2021

Ref: B21.27

Subject: Eumedion Focus Letter 2022

Dear executive and supervisory directors,

This is the 17th '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 2022 general meetings, and occasionally also at the general meeting itself. Our three focus points for 2022 concern 1) the establishment of Net Zero Emissions Transition Plans, 2) transparency on the implementation of the diversity and inclusion policy within the total workforce and 3) transparency on human rights due diligence.

Focus point 1: Net Zero Emissions Transition Plans

According to the recently published Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) human-induced climate change is already affecting many weather and climate extremes in every region across the globe. We have witnessed the devastating effects and costs of these weather and climate extremes this year by ourselves. The IPCC Report also shows - with high confidence - that there is a near-linear relationship between CO₂ emissions and the global warming they cause. The positive side of this fact is that reducing CO₂ emissions will limit continued human-induced climate change. But time is running out to take effective action. The upcoming ten years are decisive for joint efforts to reduce CO₂ emissions in order to tackle dangerous climate change. Each company as well as each institutional investor has an own responsibility to contribute to CO₂ emissions reduction.

Encouragingly, an increasing number of Dutch listed companies are publishing plans to transition to a net zero emissions business that include details on how they will achieve this ultimate objective and the intermediate targets. At the same time many institutional investors have committed themselves to align their investment portfolios with a net-zero emissions economy. E.g. Dutch pension funds and asset managers are committed to contribute to the realisation of the Dutch Climate Agreement. By 2022 at the latest, these institutional investors will publish CO2 reduction targets for 2030 for their relevant investments. Despite these positive developments, there is still a large group of Dutch listed companies that has not published a commitment to achieve carbon neutrality by 2050 at the latest and has not published a comprehensive plan to reduce CO2 emissions.¹

Also in light of the upcoming UN Climate Change Conference (COP26) in Glasgow later this month, **we request you:**

- 1. (if you have not already done so) to publish and discuss with shareholders a comprehensive strategy and action plan that are compatible with the transition to a net-zero emissions economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement. The strategy and action plan should contain short, medium and long-term science-based CO2 emission reduction targets, preferably validated by the Science Based Targets initiative (SBTi)², that cover the company's own operations as well as the company customers' emissions from the use of the company's products and/or services (i.e. scope 1, 2 and 3);**
- 2. where a comprehensive strategy and action plan has been provided, to consider holding an annual advisory shareholders' vote on the implementation of the strategy and action plan.**

By being willing to discuss the company's strategy and action plan and asking shareholders for an advisory vote on the implementation of this plan, companies would send a positive signal to shareholders and society. An advisory vote also provides an opportunity for the company's board to share with the outside world the complex dilemmas that are part of the energy transition. With a 'say on climate', the board therefore not only renders account to the shareholders, but 'through' the shareholders also to society. Therefore we encourage in particular companies that face the greatest risks and opportunities associated with the impacts and consequences of climate change to hold an annual advisory shareholders' vote on the implementation of the Net Zero Emissions Transition Plan.

In a separate letter we request the six public interest entities' audit firms to review the company's climate-related disclosures and to report in the auditor's opinion on the climate risk assessment and the auditor's response to the risks identified. Furthermore we request the external auditors of companies that are expected to be materially impacted by climate change to assign the impact of climate risk and the energy transition as a key audit matter. The letter to the audit firms is attached to this letter.

¹ See the Maastricht University research report 'Align, evaluate, lead, and communicate: Sustainability embedding practices in the Netherlands', which will be presented at the 2021 Eumedion Conference (2 November 2021).

² See for more information on SBTi: <https://sciencebasedtargets.org/>.

Focus point 2: Transparency on the implementation of the diversity and inclusion policy within the total workforce

Eumedion believes that diversity (which in Eumedion's view is broader than gender alone) and inclusion are important at all levels of the company. The policy of companies should be aimed at ensuring that employees (regardless of matters such as gender, nationality and socio-cultural background) are given the same opportunities internally and that promotion to the top is made attractive. It is therefore important for institutional investors that companies report on the implementation of the diversity and inclusion policy within the total workforce. This enables institutional investors to assess whether companies are making progress in this area. This information can be included by institutional investors in their dialogues with Dutch listed companies. **Therefore we request you to report on the diversity and inclusion policy within the total workforce and the implementation and progress of that policy.**

Focus point 3: Transparency on human rights due diligence

All companies, wherever they operate, have an own responsibility to respect and protect human rights, as formulated in the UN Guiding Principles on Business and Human Rights (UNGPR). This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.³ Tackling adverse human rights impacts means that measures must be taken to prevent, limit and, where necessary, address these impacts. We experience increasing scrutiny by stakeholders and the wider society on how companies address human rights issues that may arise from their business practices. Human-rights related risks are therefore on the rise for companies as well as for investors. **Therefore we request you to implement robust procedures to identify, manage, and prevent adverse human rights impacts that are material for your business, to provide meaningful disclosures on these practices and to account for the effectiveness of the human rights management and mitigation strategy.**

We are available should you require further clarification.

Yours faithfully,



Rients Abma
Executive Director

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Annex: Eumedion Audit Firm Letter 2022

³ Principle 11 of the UNGPR.