



To the executive and supervisory directors of Dutch listed companies

The Hague, 12 October 2022

Ref: B22.17

Subject: Eumedion Focus Letter 2023

Dear executive and supervisory directors,

This is the 18th '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 2023 general meetings, and occasionally also at the general meeting itself.

In recent years, climate-related disclosures and performance have marked an urgent constant in our annual Focus Letter and in our dialogues with Dutch listed companies. Much work still needs to be done in that area: our evaluation report of the 2022 AGM season¹ shows that many companies still need to establish Paris-aligned net zero transition plans with science-based short-, medium- and long-term greenhouse gas emission reduction objectives that are externally verified. However, within the broader context of environmental risks and opportunities, climate change has the potential to severely impact related natural capital topics, such as biodiversity and ecosystems. This interconnection makes it necessary for us to not just reiterate our urgent expectations related to climate change, but to also draw your attention to the wider context of environmental issues affected by climate change.

¹ <http://bit.ly/3RsrwoT>.

Our two focus points for 2023 concern 1) Natural capital: policies and targets for the protection and restoration of biodiversity and ecosystems, and 2) transparency on human rights: effectiveness of management and mitigation strategies.

Focus point 1: Natural capital: policies and targets for the protection and restoration of biodiversity and ecosystems

In addition to our previous requests regarding climate-related disclosures and net-zero transition plans, we broaden the scope of this environmental focus point to include closely related natural capital topics. In the latest Global Risks Report² of the World Economic Forum (WEF) ‘Biodiversity loss and ecosystem collapse’ is ranked as one of the three most severe risks over the next ten years. The WEF describes this risk as “irreversible consequences for the environment, humankind, and economic activity, and a permanent destruction of natural capital, as a result of species extinction and/or reduction”. Consequently, biodiversity loss and ecosystem collapse can have a severe impact on the companies’ ability to generate long-term value and as such on the performance of institutional investors’ investment portfolios.

Therefore Eumedion participants request you to:

- i) identify, measure and assess the dependencies and impacts of your company on biodiversity and ecosystems, including any risks and opportunities. This assessment should be done for the company’s own operations and for the entire value chain and should be clearly reported on to external stakeholders; and
- ii) if the dependency and/or the impact is material: to disclose the company’s policy to mitigate negative impact or to create positive impact, including the company’s key performance indicators and (short, medium and long-term) targets in this respect. We refer to the ongoing work done by the Taskforce on Nature-related Financial Disclosures for more details and inspiration.³

Focus point 2: Transparency on human rights: effectiveness of management and mitigation strategies

In the 2022 Eumedion Focus Letter⁴, we asked 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. In our evaluation report of the 2022 AGM season we concluded that, in general, the annual reports of Dutch listed companies do contain details about various due diligence measures and procedures, but very few companies discuss the *effectiveness* of the due diligence procedures. Companies are also relatively silent on the measures taken to verify whether suppliers comply with the company’s code of conduct and on the steps taken to mitigate adverse human rights impacts. And – in general – companies

² [WEF The Global Risks Report 2022.pdf \(weforum.org\)](https://www.weforum.org/reports/global-risks-report-2022)

³ <https://tnfd.global/>

⁴ [Focus-Letter-2022.pdf \(eumedion.nl\)](https://www.eumedion.nl/focus-letter-2022)

have no detailed disclosures regarding their decision processes for continuing or discontinuing operations in countries or areas in conflict and/or where endemic human rights issues have been identified.

For 2023, we therefore reiterate our request to provide meaningful disclosures on the effectiveness of your practices regarding human right management and mitigation strategies.

We are available should you require further clarification.

Yours faithfully,

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Rients Abma
Executive Director

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