



To the executive and supervisory directors of Dutch listed companies

The Hague, 11 October 2023

Ref: B23.18

Subject: Eumedion Focus Letter 2024

Dear executive and supervisory directors,

This is the 19<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 members – who are responsible and engaged institutional investors with a long-term investment horizon. The topics raised in this letter tend to be discussed in the dialogues Eumedion facilitates between Dutch listed companies and Eumedion members in the run-up to the 2024 general meetings. Our two focus points for 2024 concern 1) a remuneration policy that supports sustainable long-term value creation, and 2) tax transparency and compliance with the Dutch Tax Governance Code.

We have selected these focus points, as they are outside the scope of the extensive sustainability reporting requirements that will likely require your attention in the remainder of 2023, as well as in 2024.<sup>1</sup> However, as you prepare for these requirements, we ask you to pay specific attention to two conclusions presented in our 2023 AGM Evaluation Report.<sup>2</sup> Firstly, the role of structured stakeholder dialogues, the urgency and importance of which have been indisputably shown by this year's AGM season. We believe that better structured stakeholder dialogues outside the shareholders' meeting will not only help to ensure the meeting order, but also to pick up signals from society earlier.<sup>3</sup> Secondly, to implement as soon as possible the final

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<sup>1</sup> The provision of sustainability information in accordance with the European Sustainability Reporting Standards (ESRS), as required by the Corporate Sustainability Reporting Directive (CSRD), from the 2024 financial year onwards, and the additional sustainability information in compliance with the revised Dutch corporate governance code.

<sup>2</sup> <http://bit.ly/43nBr3T>.

<sup>3</sup> Stakeholder dialogues are also required by the Dutch Corporate Governance Code (Best practice provision 1.1.5), and are a foundational element under the ESRS (ESRS 2, General Disclosures, for instance SBM-2, paragraph 45).

recommendations of the Task Force on Nature-Related Financial Disclosures (TNFD).<sup>4</sup> Biodiversity loss and ecosystem collapse can have a severe impact on a company's ability to generate sustainable long-term value and as such on the performance of institutional investors' investment portfolios. By implementing the TNFD recommendations in the 2023 Annual Report, we expect companies to also demonstrate increased readiness for the upcoming sustainability reporting requirements.<sup>5</sup>

### **Focus point 1: a remuneration policy that supports sustainable long-term value creation**

Following the implementation of the revised EU Shareholder Rights Directive, all Dutch listed companies are required to submit their remuneration policy to a binding vote by the shareholders' meeting at least every four years. Since most companies had their remuneration policy adopted at their 2020 AGM, the remuneration policy for the executive and supervisory directors needs to be renewed in 2024.

In reviewing and preparing the remuneration policies for the 2024 AGM we encourage you to consider the 2023 Eumedion principles for a sound remuneration policy for members of the management board of Dutch listed companies.<sup>6</sup> In particular, we underline our recommendation that a substantial portion of the variable remuneration elements shall be based on stretching environmental, social and/or governance goals that are material to the company. These goals should be sufficiently challenging, measurable and auditable.

We also encourage you to conduct meaningful engagement with all key stakeholders of the company, including shareholders and employees, prior to presenting the final remuneration policy proposal to the shareholders' meeting. For shareholders it is also important that the company discloses its outreach and engagement efforts (e.g. how many shareholders and other stakeholders were approached?), what the key findings and themes were, and what, if anything, the company did to address those. Such disclosures allow the company to demonstrate its responsiveness to stakeholders' feedback and concerns.

### **Focus point 2: tax transparency and compliance with the Dutch Tax Governance Code**

As outlined in our 2023 AGM Evaluation Report, the application of the Dutch Tax Governance Code<sup>7</sup> has led to increased disclosures of the tax policy, tax principles, tax governance and the business structure by Dutch listed multinationals. However, we also observed some issues. For example, almost 40% of the Dutch AEX and AMX companies have not signed up to the Code (yet) and not all companies that have endorsed the Code make a reference to it and its application. Moreover, 44% of the AEX and AMX companies, including companies that have signed the code, do not publish tax payments on a full 'country-by-country' basis. A number of companies published these 'country-by-country' tax details at a later date than the annual report or even after the AGM date.

For 2024, we request you to adopt a responsible and transparent approach to tax, as part of the company's strategy for good corporate citizenship. We request all Dutch listed multinationals to sign up to the Dutch

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<sup>4</sup> This follows from our 2023 Focus Letter, in which we already requested Dutch listed companies to conduct a comprehensive assessment of risks and dependencies related to the critically urgent topic of biodiversity.

<sup>5</sup> Most notably ESRS E4.

<sup>6</sup> These principles are incorporated in the 2023 Eumedion Corporate Governance Manual: <http://bit.ly/3FOAxU6>.

<sup>7</sup> Developed by the Dutch employers' federation VNO-NCW and endorsed by Eumedion: <https://bit.ly/3rEmXjb>.

Tax Governance Code and apply its principles, and thus demonstrate how their tax policy and behaviour contribute to the company's business strategy and to sustainable long-term value creation.

**For your information: a separate letter was sent to the largest audit firms**

In a separate letter we have requested the six public interest entities' audit firms to publicly commit to applying NBA Practice Note 1118 'The position of the external auditor in the general meeting'. In this context, we encourage you to upload the external auditor's presentation document, containing its audit observations and key audit findings, to your corporate website to make it accessible to all interested parties, preferably ahead of the AGM, but at least soon after the meeting. This aligns with the importance of the presentation document, which serves as a crucial resource for investor research and for the continuous dialogues that shareholders have with you. The letter to the audit firms is attached.

**Final note on Eumedion alerts**

Finally, we would like to draw your attention to the following. Since 2009, we execute a so-called alert service during the AGM season. Eumedion members and proxy advisory firms are 'alerted' if the agenda of the shareholders' meeting of a Dutch listed company contains one or more controversial resolutions that deserve a high(er) level of scrutiny by the members and their advisors. The alert highlights the issues or concerns to consider prior to advising and voting on the resolutions respectively; it is not a voting advice. The alert service's objective is to support our members in making informed voting decisions. In addition, it will give proxy advisory firms a clearer picture of Dutch market practices and may improve the proxy analysis and recommendations they issue to their clients. Before issuing an alert, we always request the company in question to comment on the issues and concerns at stake. The comments are incorporated in the final version of the alert, thereby further increasing the information value of the document. The final version of the alert is also forwarded to the company in question. To further increase transparency, we have decided to make the alerts public as from the 2024 AGM season onwards.

We are available should you require further clarification.

Yours faithfully,

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Annex: Eumedion Audit Firm Letter 2024