



ANNUAL REPORT 2021

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I. REPORT OF THE BOARD

Introduction

After the outbreak of the corona pandemic in 2020 in which countries worldwide moved into lockdowns, 2021 has been a year where we gradually gained more control over the coronavirus. In an unprecedented global cooperation, various vaccines have been developed and have started to be rolled out, after which strict measures that were put in place across many countries could slowly be relaxed or lifted. Although the coronavirus is still here, we have reached calmer waters. As a result, the economy started to recover and has been growing strongly and stock markets boomed in 2021. We saw a record number of companies entering into the public market. The optimism when we entered 2022, however, came to an abrupt end with the Russian invasion in Ukraine, this February. It represents a direct assault on the principles of democracy and freedom at a scale we have not experienced in Europe since the end of the Second World War. We are also saddened by the loss of so many innocent lives. We can only hope that this senseless act of violence against a European country and its population will quickly come to an end. At the same time, we must be realistic and realise that international relations could be seriously disrupted for a longer period. The relative geopolitical stability we have enjoyed in the West since the Second World War is seriously at risk.

The corona pandemic and the current unstable state of the world order have also accelerated attention for other disruptive global challenges. There is clearly no easy fix to urgent issues like the climate crisis, growing inequality and biodiversity loss. Progress can only be achieved through international cooperation and joint actions of governments, companies and providers of capital. Ultimately, it's companies in the real economy that will bring about change, by transitioning their business models and influencing their own supply chains. Governments can – and should – direct and guide this change through bold commitments, international consensus and legislation. The factor capital is the perfect lever for change. And it is exactly here where Eumedion – as a collaboration of large institutional investors that collectively hold approximately € 10 trillion invested capital worldwide – can play its role and can generate impact.

One of the milestones realised in 2021 was the establishment the International Sustainability Standards Board (ISSB) on November 3rd at the 26th United Nations Climate Change conference (COP26) in Glasgow. We have been engaging with the IFRS Foundation on this topic since 2019 when we published the Green Paper 'Towards a global standard setter for non-financial reporting' and organised our annual conference on this topic. We were most pleased about the exceptional momentum the IFRS Foundation managed to create and how investors have remained central to a proposition that for the first time leads to the prospect of globally comparable, auditable and

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enforceable sustainability reporting standards. Eumedion will continue to support the ISSB in 2022 in reaching this important objective.

Another strong achievement in 2021 was the release of the research report on the sustainability embedding practices in Dutch listed companies. This research report was commissioned by Eumedion in 2020 and carried out by Maastricht University (MU). MU examined the 2020 annual reports of 35 Dutch listed companies and interviewed 97 executives, supervisory directors and senior managers of these companies. The research report was officially presented and discussed at the 2021 Eumedion annual conference and contains a number of practical recommendations for companies to even better embed sustainability within the business and in the governance. Some of these recommendations have been included in the 2022 Eumedion Focus Letter that was sent to all Dutch listed companies in October 2021 and are taken on board in the dialogues that were held with the Dutch listed companies prior to their 2022 shareholders' meetings. And that brings us to another strength of Eumedion's core activities: the collective engagements with Dutch listed companies. In 2021, Eumedion organised a total of 81 dialogues for its members with 42 Dutch listed companies. And this number is still increasing. The engagements are focused on increasing the level of sustainability and corporate governance at these companies. As already evidenced by earlier research of Groningen University, these engagements have a significant impact on corporate governance and sustainability behaviour of Dutch listed companies. The fact that Eumedion puts and keeps topics on the agenda of discussions about corporate governance and sustainability between management and shareholders stimulates companies to address these topics. And we know for sure that if specific issues remain unsolved and Eumedion decides to issue a so-called alert, this has a profound impact on the voting outcome at the shareholders' meeting of the company in question.

These achievements would have not been realised without our members. At the end it is not only the quality of arguments that counts, but also the number of members and the total amount of the capital they represent. We therefore thank our members for their trust and loyalty, especially during the current challenging times. This continues to motivate us to do our best every day. We also thank the Eumedion staff. We are truly impressed with how everyone remained confident, upbeat and flexible, rallying together to take on this period of uncertainty as a true team. Thanks to their unwavering commitment, we can wrap up 2021 with strong achievements and look to 2022 with confidence.

Finally, we would like to say thank you to Mariëtte Doornekamp for her valuable contribution to Eumedion. During her 4½-year tenure, of which 2 years as Chair of the Board, Mariëtte helped to shape Eumedion's leadership position on, among other things, its push to create an ISSB and to get

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more women on the boards of Dutch listed companies. The Board and the staff have benefited from her extensive professional knowledge and her wide-ranging managerial and national and international experience. The Eumedion Board and staff express their sincere thanks for this. We wish her every success for the future.

The Hague, 16 June 2022

Lars Dijkstra, Chair

Rients Abma, Executive Director

1. MISSION AND STRATEGY

Eumedion, which has its registered offices in Amsterdam, reviewed its mission and strategy in 2017. The review showed no immediate reason for fundamental changes to Eumedion's strategic direction. The following is an overview of Eumedion's mission and strategy for the period 2018 – 2022.

1.1 Mission

In short, Eumedion's mission is:

1. To improve good corporate governance and sustainability policies at Dutch listed companies. This leads to long-term value creation for these companies, and therefore also to an improved long-term risk-adjusted returns to the Eumedion members.
2. To promote engaged and responsible share-ownership by Eumedion members. These members tend to have a long-term investment horizon.

Only institutional investors (regardless of administrative location) which have stakes in Dutch listed companies can be ordinary Eumedion members. In addition, Eumedion also has a number of associate members.

1.2 Aims for 2022

1. Maintaining an attractive investment climate in the Netherlands. Provide shareholders in Dutch listed companies with sufficient rights to call boards to account, and allow them to use these rights in an engaged and responsible manner. The annual reports of listed companies will give an integrated overview of the long-term value creation model, the sustainability of the company's business model and its material long-term risks ('integrated reporting'). Eumedion members will use this information in their role as engaged and responsible shareholders.
2. Eumedion members will well and truly be able to act as engaged and responsible shareholders. Compliance with the in 2018 introduced Dutch Stewardship Code is at a high level. At European level, steps are taken towards more convergence of corporate governance systems and institutional investor responsibilities. The casting of votes at shareholders meetings is progressing more efficiently, cheaper and more reliable through the use of digital tools.
3. Eumedion members are knowledgeable speaking partners of Dutch listed companies, are able to challenge company policy and strategy, and bring about changes. Eumedion assists its members with this.

4. Eumedion is *the* research and knowledge centre in the field of corporate governance and sustainability for its members. Eumedion is an influential and visible organisation which members are able to identify with, and which can offer its members an attractive service package.

1.3 Strategy in order to fulfil mission and aims

Eumedion will endeavour to fulfil its mission and aims through:

- The improvement of discussion between institutional investors, and with listed companies (collective involved share-ownership);
- Holding discussions with national policy makers, EU bodies and supervisory authorities (the Dutch Authority for the Financial Markets (AFM), the Dutch Central (DNB), the European Securities and Markets Authority (ESMA)), with the national and international reporting standards setters (e.g. the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB), the International Integrated Reporting Council, The Royal Netherlands Institute of Chartered Accountants (NBA) and the Dutch Accounting Standards Board (DASB)), as well as other relevant authorities and industry bodies, including the Dutch Association of Listed Companies (VEUO), Accountancy Europe, the Dutch Association of Retail Investors (VEB) and the Dutch Fund and Asset Management Association (DUFAS);
- Influencing national and European legislation and regulations;
- Providing services in the field of corporate governance and sustainability for its members;
- Informing/mobilising public/stakeholders (communication).

1.4 Operational goals

Basic principles with respect to influencing legislation and regulations

- *Influence:* shareholders should be able to exercise genuine influence within the listed company.
- *Transparency:* listed companies should publish meaningful financial and non-financial information, so that capital providers are able to form an accurate picture of the company's financial position.
- *Responsibility:* the Executive Board, the Supervisory Board and the external auditor can be held to account by the shareholders' meeting. It should be easy for shareholders to use their rights, in particular their right to vote.

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→ Main speaking partners are European policy makers (European Commission, European Council and European Parliament), national policy makers (ministries, members of the Senate and the Dutch House of Representatives), national and international reporting standard setters, and supervisory authorities. This occurs through participation in the following institutions with a view to influencing output:

- IFRS Advisory Council;
- User Panel of European Financial Reporting Advisory Group (EFRAG);
- The AFM Capital Market Committee;
- The AFM's Financial Reporting and Accounting Committee;
- The AFM Stakeholder panel;
- The DASB Foundation Board and DASB working groups;
- The NBA Stakeholders Forum;
- Participation in ad hoc expertise meetings organised by the European Commission and ministries.

→ Eumedion monitors and responds to all relevant policy proposals relating to the aforementioned three basic principles. This entails proposals which (potentially) affect the position of the institutional investor in the capacity of a shareholder. Eumedion can also be proactive in these fields by publishing and circulating position papers. Eumedion does not respond to proposals which solely affect the institutional investor as an entity. These matters are typically addressed by specific trade industries, such as the Federation of the Dutch Pension Funds (Pensioenfederatie), DUFAS, and the Dutch Association of Insurers (Verbond van Verzekeraars).

→ Eumedion is member of the Global Network of Investor Associations (GNIA), that is supported by the International Corporate Governance Network (ICGN). Within the GNIA, Eumedion cooperates with other representative organisations of institutional investors to further strengthen the collective voice of institutional investors with respect to corporate governance and sustainability issues in other countries. In European countries where no representative organisation of institutional investors in the field of corporate governance and sustainability has been established, Eumedion encourages local parties to develop such a platform and can play a facilitating role, if desired.

Basic principles with respect to collective dialogues with listed companies

- Dialogue partners are individual companies that are incorporated in the Netherlands whose shares are actively being traded, or are to be traded in the near future, at a Dutch regulated market. Dialogues with companies that are incorporated in the Netherlands whose shares are

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traded on a foreign regulated market will only be conducted in the situation of material ESG issues.

- Topics for discussion are the annual Eumedion Focus Letter, sustainability topics, risk management, dividend policy, as well as the long-term strategy and the value creation model, strategy execution and (proposed) management decisions which could alter the nature and identity of the company, and any reporting aspects related to these topics. In addition, a list of long-term engagement objectives is prepared for specific companies that have material ESG issues.
- Eumedion facilitates dialogues between its members and the AEX companies, and with as many AMX companies as possible. It is important that a high-quality investor delegation takes part in the dialogues, in which both portfolio managers and ESG specialists are involved. Eumedion prepares the dialogues by means of a written analysis and organises preliminary conference calls with the members who are involved. The lead investor is in charge during the dialogue itself, ensuring that the other members who are involved, as well as the Eumedion staff, can actively take part in the dialogue. After the dialogue a report is prepared for the members who took part.
- Under certain conditions the Eumedion staff and/or board can undertake the dialogue without Eumedion members, i.e. if 1) the Investment Committee deems this to be necessary and 2) the General Board agrees to this. In these circumstances the Investment Committee and the General Board will be notified of Eumedion's key messages prior to the conversation taking place. This may for example occur if in a certain company issues arise which may have far-reaching implications and/or if there is no lead investor.
- In the dialogues with listed companies, members are also able to act on behalf of bondholders, insofar their interests are aligned with those of long-term, engaged shareholders.

Basic principles with respect to service provision

- Eumedion enables members to act as engaged shareholders. This includes:
 - The establishment of the Dutch Stewardship Code and the assessment of application of the Code's principles by institutional investors through receiving the annual monitoring reports, prepared by an independent Dutch Stewardship Code Monitoring Committee. To share views, experiences and good practice on topics relating to institutional shareholder responsibilities, Eumedion is member of the Global Stewardship Codes Network, a collaboration of organisations responsible for writing and/or monitoring the implementation of national Stewardship Codes.

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- Influencing legislation and regulations relating to exercising voting rights and conducting engagement activities (this includes matters such as cross-border voting and transparency provisions with respect to voting and engagement policy).
- Improving relevant and meaningful transparency by influencing financial and non-financial reporting standards and the content of the auditor's report.
- Monitoring, and potentially influencing, legislation and regulations in the field of the exclusion of certain types of companies (e.g. cluster munitions manufacturers), and making these exclusion lists available to members.
- Issuing alerts if a controversial topic arises at a shareholders' meeting agenda of a Dutch listed company (wherever it is listed).
- Sending overviews of who will attend which shareholders' meeting, so that Eumedion members can authorise a particular person to vote and/or speak on their behalf.
- Offering support to members in the drafting process of shareholders' meetings speeches, and in establishing the priorities for the dialogues with listed companies.
- Informing members of current developments in the field of corporate governance and sustainability via the distribution of the monthly newsletter, legal alerts, the website and social media.
- Eumedion answers questions from members about corporate governance and sustainability topics; this also covers organising round-table meetings (in which best practices can be shared), knowledge sessions, seminars and conferences. In addition, a research agenda will be prepared, based on questions articulated by members, which can be carried out by various research institutes. Members can also be made aware of providers of ESG courses and trainings.
- To draw the general public's attention to the Eumedion positions, Eumedion pro-actively approaches the media.

2. EUMEDION: POLICY ENGAGEMENT

In 2021, Eumedion continued to be a partner in discussions with national and European policymakers and regulators in the field of corporate governance, shareholder rights, sustainability and reporting standards. In line with Eumedion's strategy, the engagements were ultimately aimed at maintaining an attractive investment climate in the Netherlands. Important pillars of this are the ability of shareholders to exert serious influence, a high degree of transparency by listed companies and accountability by management boards, supervisory boards and external auditors. The most important developments with regard to these pillars are discussed below.

2.1 Shareholders' influence

Eumedion believes that shareholders should be able to exercise material influence within a listed company in order to achieve a good system of checks and balances. As in the period 2017-2020, there were conflicting developments on this topic in 2021.

It is Eumedion's view that good corporate governance requires the fully-fledged participation of shareholders in the decision-making process at shareholders' meetings. The shareholders' meeting is the formal body where shareholders can hold the management and supervisory board members to account. The corona pandemic and the resulting necessity to hold purely **virtual shareholders' meetings** has impeded the accountability function of the shareholders' meeting. Prior to the start of the 2021 AGM season Eumedion, together with the Association of Investors for Sustainable Development VBDO and the Association of Retail Investors VEB, issued therefore a joint statement.¹ The Dutch shareholders organisations remarked that holding in-person shareholders' meetings in the middle of the corona pandemic would be undesirable. Therefore the Dutch listed companies were called to hold the shareholders' meeting for the second year in a row entirely virtual, in accordance with the Temporary Act COVID-19 Justice and Safety, that was established in 2020. At the same time the shareholders organisations underlined the importance of having a meaningful discussion between executives, supervisory directors and shareholders. For that reason they called on listed companies to offer shareholders who had registered for the meeting the possibility to ask live, verbal questions during the shareholders meeting and to make live, verbal statements. In comparison with the virtual AGMs held in 2020, more companies made live voting possible and 41% of the companies allowed shareholders to ask questions verbally, in line with the joint statement. But still the majority of companies did not facilitate live shareholder participation during virtual shareholders' meetings. Partly because of these experiences, the enthusiasm amongst institutional investors for holding virtual AGMs in a post corona era has waned.

¹ <http://bit.ly/3cBXBIJ>.

Eumedion further highlighted the **position of shareholders of a listed *private* limited company** ('BV'). Main message of a position statement regarding this topic is that shareholders of a listed private limited company ('BV') should have a similar level of protection and rights as shareholders of a listed *public* limited company ('NV').² Therefore, company and securities legislation should be similar for all kinds of listed entities, whether BV, NV or other legal forms. In the statement, Eumedion points out that the number of Dutch listed BVs has increased, in particular in 2021. Shareholders of listed BVs are in a more disadvantaged position than shareholders of listed NVs on several points. For example, shareholders of listed BVs do not have up-to-date information about changes in the shareholder structure. They are not protected against a change-of-control by means of a mandatory bid. They have no right of approval with regard to major acquisitions or other changes in the character or identity of the company and the management board of BVs can issue new shares and repurchase existing shares at its own discretion, i.e. without interference from shareholders. Eumedion is of the opinion that the shareholders' meeting of a listed BV cannot properly exercise its monitoring function as a result. The checks and balances within listed BVs are potentially weak. If shareholders have doubts about the degree of protection of their interests in a certain country, this has consequences for all listed companies established in that country. Eumedion will bring its position forward in the ongoing discussions with the Expert Group on modernising Dutch company law.

Eumedion also expressed concerns about the **level of protection of shareholders of so-called special purpose acquisition companies (SPACs)** and published a position statement on this type of companies.³ In 2021, the Netherlands led the European SPAC market with a total number of sixteen SPAC listings, raising approximately € 3.7 billion. Although SPACs provide certain investment opportunities, Eumedion believes it is important for shareholders to pay extra attention to the special characteristics and the risks of investing in SPACs. Most of these SPACs went public via the legal form of a BV (see earlier section). In contrast to NVs, the letter of Dutch company law does not require BVs to ask shareholder approval for business combinations while finding a suitable target is the core objective of a SPAC. Moreover, BV shareholders lack up-to-date overviews of the shareholder structure of the company. Eumedion also advocated improvements in disclosures when the SPAC has found a suitable target for a business combination.

Eumedion was also critical of the **bill introducing the act on the (security) screening of investments, mergers and acquisitions** that was introduced to the House of Representatives in

² <http://bit.ly/3Egkcpn>.

³ <http://bit.ly/3pXQYpm>.

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June 2021. The bill provides for the review of investments and certain types of acquisition activities that could pose a risk to national security.⁴ Although Eumedion agrees with this principle, it does have various reservations about the expected impact of the bill. In its response, Eumedion points out that, due to the use of vague definitions, it is not yet crystal-clear when potential bidders and shareholders must report the proposed investment to the Ministry for Economic Affairs and Climate. According to Eumedion, this puts the proportionality of the bill and legal certainty for investors at risk. Eumedion is therefore in favour of further clarification of when an acquisition activity leads to a 'controlling stake' or 'significant influence'. In addition, Eumedion considers the possible infringement of the rights of innocent third parties to be disproportionate. It is possible, for example, that if a custodian bank, for whatever reason, does not cooperate in a sanction against a party that should have reduced its controlling stake or significant influence, all clients of that bank will be affected. They may not be able to vote at a shareholders' meeting. Eumedion also questions the enforceability of the provisions with extraterritorial effect included in the bill. Eumedion will reiterate its comments during the parliamentary discussions of the bill in 2022.

At EU level, Eumedion pushed for incorporating the so-called stakeholder model into European law.⁵ In its response to the European Commission's consultation document on the contents of a possible proposal for a **European directive on sustainable corporate governance and due diligence**, Eumedion suggested to require the boards of all European listed companies to balance the interests of all relevant stakeholders when taking their decisions. They should also be obliged to report on how the various interests have been considered in the discussions and decision-making. This stakeholder principle can be elaborated in more detail at national level, given the specificities of the corporate governance models in individual EU Member States. Eumedion showed also its support for mandatory due diligence rules for listed companies, provided that these are fully in line with international standards, such as those of the OECD and the United Nations. Furthermore, Eumedion suggested some technical amendments to the European Company Law Directive regarding share buybacks and supported the European Commission's idea to require companies to consider environmental, social and/or human rights expertise in the director's nomination and selection process. After a lengthy internal scrutiny process, the European Commission published its proposal for the directive on corporate sustainability due diligence in February 2022. Eumedion will prepare a position statement and will bring this to the attention of the European Council Working Group delegations and the members of European Parliament.

⁴ <http://bit.ly/3B3crRB>.

⁵ <http://bit.ly/2YK7sEm>.

It its response to ESMA's consultation on the **review of the European short selling regulation**, Eumedion suggested ESMA to seriously consider eliminating the existing possibility for national supervisory authorities to temporarily ban short selling in a certain share.⁶ ESMA's consultation document shows that in practice the temporary short selling bans appear to have little or no effect, while those bans can seriously harm market liquidity and investors' trust in the EU capital markets. Should ESMA nevertheless wish to preserve the possibility of short term bans, Eumedion opined that the scope should not be changed from a ban on short selling into a ban on entering into or increasing net short positions. This would seriously impede institutional investors' ability to hedge their risks.

1.2 Transparency by listed companies

Eumedion believes that listed companies should disclose material financial and non-financial information, so that providers of capital can get a good understanding of the ability of the company to create long term value. In 2021 some important developments happened, in particular in the field of non-financial or sustainability information.

In its 2020 position paper 'Towards a global, investor focused standard setter for corporate non-financial reporting', Eumedion advocated the **establishment of an International Sustainability Standards Board (ISSB)** under the auspices of the IFRS Foundation with the aim to develop high-quality international sustainability reporting standards (ISRS). Institutional investors have an inherent interest in corporate sustainability information in a consistent, comparable and reliable manner across markets. This information is key in understanding the long-term value creation capacity of the investee companies and is as such material to investors' decisions to buy, hold, sell, vote on or engage with listed companies. Eumedion therefore welcomed the IFRS Foundation's decision on 3 November 2021 at the climate conference COP26 to officially establish the ISSB.⁷ The proposed governance and working programme mirror the thinking presented in Eumedion's 2020 position paper on all key aspects. It is the firm intention of the ISSB to develop high-quality and reliable global baseline sustainability disclosure standards. Eumedion will continue to support the ISSB in 2022 in reaching this important objective.

Eumedion also welcomed EU's leadership role in taking the initiative for preparing European sustainability reporting standards via the **European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD)** as published in April 2021.⁸ At the same time, Eumedion urged the EU institutions to publicly commit themselves to working to international

⁶ <http://bit.ly/3FtvQ0f>.

⁷ <http://bit.ly/3mB3iv7>.

⁸ <http://bit.ly/2QJZFFA>.

standardisation and global consistency via the ISSB. From the moment onwards that the ISSB has issued a first mature set of IFRS Sustainability Disclosure Standards (IFRS-SDS), Eumedion believes that the EU should follow the principle of 'global reporting standards where possible, additional European reporting standards where needed'. This implies that after the first 3-year evaluation moment mentioned in the CSRD proposal, the European sustainability reporting standards should be revised to become complementary to the global baseline that IFRS-SDS are expected to provide. Such additions, or 'top ups', should reflect only EU-specific policy objectives in the area of sustainability stemming from specific EU legislation and policies. Eumedion will further push this message in the final stages of negotiations of the EU institutions on the final text of the CSRD in 2022.

Furthermore, Eumedion also encouraged the US securities regulator **SEC to strive for international convergence of sustainability reporting** through the ISSB.⁹ This suggestion was part of Eumedion's input for the 2021 SEC consultation on climate and sustainability reporting. The SEC had asked stakeholders whether it should draw up reporting standards in the field of climate and any other sustainability areas. Eumedion encouraged the SEC to indeed take up this topic, partly because sustainability information for institutional investors is increasingly important information for taking investment decisions. Moreover, this information is a precondition for the shareholders' ability to hold a company's board to account for its sustainability performance. Eumedion urged the SEC to work towards international harmonisation of sustainability reporting as soon as possible.

In the various consultations to establish a European sustainability reporting standard setter, Eumedion further underlined the importance of a non-politicised, independent standard-setting process¹⁰ and strong due process procedures to the development of high-quality European sustainability reporting standards.¹¹ In the consultation on the proposed governance structure of the the ISSB, Eumedion underlined the need for a substantial investor representation in the Board since the purpose of the ISSB is essentially to help investors. Eumedion considered any outcome of less than 25% board members with an investor-focus in the ISSB is considered to be deficient.¹² In its response to the IASB's Exposure Draft on the Management Commentary Practice Statement project, Eumedion opined that this project should be finalised in standard setting by the ISSB.¹³ Eumedion expects standards from the ISSB to be more authoritative, auditable and more enforceable than a practice statement of the IASB.

⁹ <http://bit.ly/3zs4khB>.

¹⁰ <http://bit.ly/2L11ags>.

¹¹ <http://bit.ly/2X9ESPk>.

¹² <http://bit.ly/3knc7YW>.

¹³ <http://bit.ly/30P3oHu>.

Eumedion not only advocated the establishment of an international standard setter for sustainability information, it also pushed for better availability and accessibility of sustainability and financial information. In that respect, Eumedion supported the **establishment of a European Single Access Point (ESAP)** for all relevant sustainability and financial information of listed companies.¹⁴ A publicly accessible database will support institutional investors in gathering and processing relevant information on investee companies. To ensure a speedy start to the ESAP, Eumedion suggested the European Commission to limit the scope of the ESAP to both financial and sustainability information that listed entities are required to make public due to the fact they have, or aim to list, securities on a European regulated market. Eumedion was delighted that the European Commission came forward with a proposal for a regulation in November 2021, that lays the foundation for the establishment of such an ESAP aligned with the building blocks Eumedion suggested.

Regarding contents to report on, Eumedion welcomed in 2021 the EU institutions' final agreement on the text of **European directive on country-by-country tax reporting**.¹⁵ Eumedion has always supported the European Commission's proposal to introduce an obligation for multinationals to publicly report where taxes are paid ('country-by-country tax reporting'). Promoting greater disclosure of taxes paid per jurisdiction increases overall transparency and allows for a more detailed analysis by investors and better engagement on tax-related topics. Although Eumedion would have favoured disclosure of taxes paid in each jurisdiction, it believes the country-by-country information provided for each EU Member State and each tax haven, as prescribed for in the final text of the Directive, is a good starting point.

Furthermore, Eumedion supported the proposed European directive that requires companies with at least 250 workers to publish information on the **gender pay gap**.¹⁶ In the proposed directive provisions are introduced with the aim of combating inequality in pay between women and men for equal work. Eumedion stated that inexplicable pay differences between women and men are unacceptable and that it sees fair and equal pay as an essential part of good employer practices. Eumedion also noted that the primary responsibility for complying with the legal provisions on equal pay rests with the company board(s) but that shareholders also have a role to play. Eumedion pointed out that a necessary condition for fulfilling this role is that shareholders have sufficient information.

¹⁴ <http://bit.ly/3gcATtZ>.

¹⁵ <http://bit.ly/2QuCuyV>.

¹⁶ <http://bit.ly/3dJDh8r>.

Furthermore, Eumedion supported Dutch **legislation to improve gender diversity on corporate boards**.¹⁷ It will become mandatory for – amongst others – Dutch listed companies to set appropriate and ambitious target ratios to improve the gender diversity on their Management Boards and among their senior management personnel. The companies will be required to report annually on their progress. This obligation comes on top of the appointment quota for the Supervisory Boards of Dutch listed companies, to help ensure that men and women each hold at least one third of the seats on the Supervisory Board. This quota will apply to all new appointments of Supervisory Board members and already entered into force on 1 January 2022. Eumedion suggested to require listed companies to set gender diversity target ratios for the Management Boards and senior management of at least one-third, but this suggestion was not taken on board.

Finally, Eumedion favoured the possible extension of the green taxonomy to social and governance factors as this would further strengthen the definition and measurement of all sustainability matters.¹⁸ This would fulfil an important pre-condition for sustainable investment. Eumedion therefore welcomed the **draft report of the Platform on Sustainable Finance on the possible extension of the green taxonomy, for example to social factors**. In its response to this report, Eumedion underlined the need to adequately focus on the aspect of ‘interconnection’ between sustainability factors. It has been well established that environmental topics have (both in the short and long term) a social dimension, while social topics can prove to have an environmental dimension as well. Furthermore, Eumedion stressed the need to develop specific standards in the area of corporate governance. These should be added as ‘minimum safeguard’ to the application of the taxonomy, to prevent economic activities being labelled as sustainable if a company has flagrant deviations from generally accepted corporate governance standards (e.g. minimum shareholder rights, disclosure, risk management and independence of non-executives). The Platform on Sustainable Finance will publish its final advice on a possible social taxonomy in 2022.

2.3 Promoting accountability by management board, supervisory board and external auditor

Eumedion wants to promote the accountability of the management board, the supervisory board and the external auditor towards the shareholders’ meeting. In 2020, Eumedion focused on the accountability of the external auditor.

In that respect, Eumedion was generally positive about the **draft legislative proposals of the Dutch Minister of Finance to increase the quality of auditing**.¹⁹ For example, Eumedion supported the

¹⁷ <http://bit.ly/3EN0G3v>.

¹⁸ <http://bit.ly/3BgpC1x>.

¹⁹ <http://bit.ly/3tzS4ZQ>.

proposals to strengthen the enforcement instruments of the AFM to improve the governance of the largest audit firms and to oblige audit firms to publish so-called audit quality indicators. However, in its response to the draft legislation, Eumedion also showed a number of reservations about the proposed power for the Netherlands Institute of Chartered Accountants NBA to assign an external auditor to a company as an *ultimum remedium* if the company in questions has not found an audit firm willing to conduct the annual audit despite reasonable and timely efforts. Eumedion wondered how this 'power of designation' relates to the authority of the shareholders' meeting to appoint an audit firm and to the outcome of the legally required customer due diligence by an audit firm. Eumedion also sees potential governance problems within the NBA in deciding about an audit firm appointment.

Eumedion was also rather positive about the document '**Mandatory reporting on fraud and continuity in the auditor's report**', prepared by the NBA.²⁰ In this document, the NBA proposes an amendment to the auditing standards to require external auditors to report on fraud and continuity risks in the auditor's report. Eumedion supported this proposal, but also stated that the reporting requirement should be extended to also corruption, compliance and climate change risks. According to Eumedion, corruption, compliance and climate risks can also have a material effect on the annual accounts, so that these topics, too, require the permanent attention of external auditors. Unfortunately, the NBA finalised the document at the end of 2021 without any material change in comparison with the proposal put forward in the consultation.

Eumedion showed scepticism regarding the ten **Audit Quality Indicators (AQIs)**, proposed by the so-called Quartermasters that were appointed to ensure the audit reform delivery in the Netherlands.²¹ These AQIs should provide more insight into the quality of the audit sector. The AQIs should provide users of the annual accounts with further insight into factors that influence the quality of the annual statutory audit. Eumedion opined that the Quartermasters should have come up with a much more ambitious AQIs proposal. The AQIs should not only cover average key indicators per audit firm, but also per individual audit engagement.. The Quartermasters draft proposal suggested that each audit firm should provide general information about the firm (in line with the key figures) and specific, aggregated information about the audits for each quality indicator. Eumedion expects that this information is of greatest use by shareholders rather infrequently, when a company proposes the appointment of a new audit firm. This usually happens once every eight to ten years. According to Eumedion, AQIs at engagement level are much more important to shareholders. Engagement level AQIs allow for a more frequent, annual feedback loop between the users of the auditor's report, the

²⁰ <http://bit.ly/3vFfG09>.

²¹ <http://bit.ly/3EoUzD1>.

external auditor and the company in question. Such AQIs can enhance both the quality of the audit and the quality of the internal organisation of the audited entity. Moreover, such AQIs are consistent with the objective of strengthening the chain of accountability between the company, the external auditor and stakeholders. The Quartermasters have published their final proposal in the February 2022.

2.4 Engaged and responsible share-ownership

Eumedion promotes engaged share-ownership and the integration of sustainability factors into the investment, voting and engagement policies of institutional investors.

The **Dutch Stewardship Code**, developed by Eumedion in 2018, plays an important role in that context. This Code explains how institutional investors can meet their responsibilities with regard to engaged and responsible share-ownership. In this way, institutional investors can contribute to long-term value creation by Dutch listed companies in which they invest, which has a positive effect on the return on their investments. In addition, the Stewardship Code offers pension funds, insurers and asset managers the opportunity to render account to their members and clients on the way in which they have exercised their rights as an engaged and responsible shareholder. Institutional investors who comply with the Stewardship Code therefore also comply with the shareholder engagement obligations from the revised Shareholders' Rights Directive. In addition, the service document 'Responsible and Engaged Shareholdership' has been developed in cooperation with the Pension Federation. The service document aims to provide smaller institutional investors in particular with practical guidance on how to implement their stewardship activities and can be seen as further guidance on the Stewardship Code.

In June 2021, Eumedion published its **second progress report** on the implementation of the Dutch Stewardship Code by its members.²² The report shows Eumedion members have been working to further improve the integration of the principles of the Dutch Stewardship Code into their policies and reports. Compared to the first report (2019), the second report includes further qualitative assessments of the various ways Eumedion members seek to comply with the Code in a meaningful way. As in 2019, the report addresses the key focus areas of transparency around voting behaviour and engagement programs. Additionally, the 2021 report also discusses if and how members communicate with other relevant stakeholders of investee companies, in order to enhance their engagement with these companies.

²² <http://bit.ly/3cLEfAk>.

As in 2019, the report shows a high level of compliance with the requirements on voting behaviour transparency. In addition, the report presents the various methods used by members to explain 'significant votes'. The report discusses and reiterates the importance of providing adequate and easily accessible information to show how members use their voting rights to contribute to meaningful stewardship outcomes, better checks and balances within Dutch listed companies and long-term value creation of these companies. With regard to engagement programs, the report paints a similar picture. Here, too, the results show that members can further improve their disclosure on engagement efforts by enhancing the consistency between their reporting on the selection and prioritisation of engagement themes, the objectives and targets that accompany those themes, and the subsequent results.

Lastly, the results confirm that collaboration with other shareholders is common practice among Eumedion members. However, it often remains unclear how communication with other stakeholders of an investee company takes shape. Striving to understand the aspirations and motivations of other relevant stakeholders of the company (e.g. banks, creditors, customers, suppliers, the works council and NGOs) may advance the goals of stewardship. Members are therefore encouraged to show more clearly what their approach is to this aspect of the Code, and if and how such communication, in practice, informs their engagement activities.

Furthermore, Eumedion was involved in the European consultation on the proposed regulatory technical standards (RTS) on the **disclosure of the investment and voting policy by large investment firms**.²³ In Spring 2021, the European Banking Authority launched a consultation on these proposed RTS. The objective of investment and voting policy disclosure is to provide transparency to investors and the wider market participants on the influence of investment firms over the companies in which they hold shares. In its response, Eumedion indicated that it supported this underlying objective. In its response Eumedion pointed out that the RTS should be practicable, proportional and not impose unnecessary additional costs on investment firms. According to Eumedion, those criteria were not met. In that context, it referred, among other things, to the proposal to publish voting behaviour per theme and to the proposal to publish information on the ratio of approved shareholder proposals. The final RTS were presented at the end of 2021 with only minor amendments.

²³ <http://bit.ly/3x0TnBQ>.

2.5 Most important focus points for 2022

In 2022, Eumedion will comment on the following policy proposals that are important for institutional investors²⁴:

1. The proposed directive on corporate sustainability due diligence.
2. The proposed amendment to the Dutch corporate governance code.
3. The proposed Corporate Sustainability Reporting Directive.
4. The proposed first set of international and European sustainability reporting standards.
5. Discussion on structural embedding of the virtual shareholders' meeting in Dutch company law.

²⁴ See for more information about these and other proposals the 2022 Eumedion Policy Plan (in Dutch only): <http://bit.ly/3dSrow9>.

3. EUMEDION: COMPANY ENGAGEMENT

Eumedion offers its members a platform for joint engagements with Dutch listed companies and for joint engagements on topics on the agendas of these companies' shareholders' meetings.

The Eumedion staff supports this process by:

- a. Organising a dialogue with the most important listed companies;
- b. Facilitating members in attending shareholders' meetings and exercising their voting rights there;
- c. Monitoring the agendas of shareholders' meetings and the annual reports of the Dutch listed companies and issuing an alert to all members in the event that a controversial item is on the agenda of the shareholders' meeting;
- d. Preparing an evaluation of the shareholders' meetings and annual reporting season and sending the focus letter to the Dutch listed companies.

3.1 Organising dialogues with the most important Dutch listed companies

In recent years, the importance of a dialogue between the company and its institutional shareholders, both in advance to and during the shareholders' meeting, has been increasingly emphasised. This was also stimulated by the Implementation Act on Revised Shareholders' Rights Directive and the Dutch Stewardship Code. It was further reinforced by the fact that in 2020 and 2021 most shareholders' meetings were virtually held. Because it was hardly possible to conduct a dialogue during a virtual shareholders' meeting, engagement prior to the shareholders' meeting gained further importance.

Because of these factors, the number of collective dialogues maintained its upward trend. Eumedion organised a total of 81 (2020: 76) dialogues for its members with 42 (2020: 42) Dutch listed companies in 2021. Most dialogues were held with the board and representatives of Shell (12 times), in which topics such as Shell Energy Transition Strategy, the impact of the Dutch Climate Court Case and the relocation of Shell's headquarters were discussed.

In preparation for each dialogue, the Eumedion staff compiled an inventory of topics that might be discussed, including in any event the focus points from the 2021 Focus Letter. Other topics were company-specific. The topics were prioritised in a preparatory conference call with the members and the final version of the agenda was drawn up, which was then shared with the listed company concerned.

Besides these collective dialogues, Eumedion also participated in a number of so-called Investor Days, Capital Markets Days and ESG/Sustainability Days. During these days institutional investors are updated about the company's strategy and policies, including sustainability. Furthermore, Eumedion participated in a number of stakeholder dialogues, organised by individual listed companies.

3.2 Facilitating Eumedion members in participating at the shareholders' meetings and in exercising their voting rights

Normally, the Eumedion staff facilitates the attendance of members at shareholders' meetings and the exercise of voting rights by, among other things, circulating the details of the delegates of the members attending the shareholders' meetings. As Eumedion members were unable or unwilling to physically attend the shareholders' meetings 2021, this facility could again not be offered in 2021. Due to the continuing corona pandemic members were in most cases required to submit their voting instructions to the civil-law notary ahead of the shareholders' meeting.

3.3 The monitoring of the shareholders' meetings agendas and of the annual reports of the Dutch listed companies and the issuance of an alert to the Eumedion members in the situation of a controversial agenda item

As in other years, the Eumedion staff analysed all agendas of the shareholders' meetings of Dutch listed companies as well as the corporate governance and sustainability sections of all annual reports and the available sustainability reports. A total of 1210 voting items were assessed and the so-called alert procedure was triggered for the shareholders' meetings of 5 (2020: 11) listed companies.

The alert procedure is triggered as soon as the Eumedion staff spots a potentially controversial item on a shareholders' meeting agenda. At that moment, the Eumedion member who will attend the shareholders' meeting of the listed company in question is informed, as well as the chair of the Investment Committee. These persons then decide to get in touch with the listed company to ask for further explanations and to convene a call with the Eumedion investment committee. As soon as the Investment Committee decides that the proposal in question is (materially) in conflict with Dutch legislation and regulations, the Dutch corporate governance code and/or the Eumedion Corporate Governance Manual, the Eumedion staff, after notifying the Eumedion chair, issues an alert to all Eumedion members. Of the eight times that the alert procedure for an AGM was triggered in 2021, an alert was actually sent out in six cases. The reason for this is that in one case the company withdrew the contested proposal and in the other case the company convinced the Eumedion members that the proposal to amend the executive remuneration policy was in the best interest of the company at

that moment in time. The alerts issued related to proposals to amend the executive remuneration policy (one time), the remuneration report (three times), a proposal to amend the articles of association (one time) and a shareholders' resolution (one time). The alert in relation to the proposed executive remuneration policy contributed to shareholders' meeting decision to reject the proposal. The alerts in relation to the remuneration report contributed to a high number of votes cast against the report. The alerts in relation to the shareholder proposal and the proposed amendment of the company's articles of association had a purely informative character.

3.4 Preparing the evaluation report of the season of annual reports and shareholders' meetings and the issuance of the Focus Letter to the Dutch listed companies

Shortly after the proxy season, Eumedion prepared an evaluation report of the most important findings and conclusions from the perspective of institutional investors.²⁵ It also reported on the findings concerning the 2021 Eumedion Focus Letter.²⁶ A summary of the evaluation report was published in the legal journal 'Ondernemingsrecht'.

The highlights of the evaluation report were:

- Due to the ongoing corona pandemic, more than 80% of all AGMs were held entirely virtual. In comparison with the virtual AGMs held in 2020, more companies made live voting possible and 41% of the companies allowed shareholders to ask questions verbally, in line with the joint statement of Eumedion, the Association of Investors for Sustainable Development VBDO and the Association of Retail Investors VEB issued prior to the 2021 proxy season. Unfortunately, in some cases the possibility for live participation was only offered to shareholders who had an account at ABN AMRO or another Dutch bank. If shareholders – such as many international institutional investors – are client of an international custodian, they regularly had problems to live participate in the virtual AGM and in many cases they did not succeed. Partly because of these experiences, the enthusiasm amongst institutional investors for holding virtual shareholders' meetings in a post corona era has waned.
- Despite the problems with live participating in the virtual shareholders' meetings, the average voter turnout further increased in 2021. At the shareholders' meetings of the AEX and AMX companies new records were established. For the first time in history, the average number of votes cast at the shareholders' meetings of AEX companies reached the 75% level. The average voter turnout at the shareholders' meetings of AMX companies lags somewhat behind, but is rapidly catching up: from 63.3% in 2020 to 70.9% in 2021.

²⁵ <http://bit.ly/3wtKLm7>.

²⁶ <http://bit.ly/3OZDQnX>.

- In total four proposals were withdrawn prior to the AGM (the discharge of the managing and supervisory board of ABN AMRO and two proposals to appoint a supervisory director (at PostNL and Vastned Retail). One proposal was amended prior to the AGM vote (proposed amendment of articles of association at DSM). In total 11 board proposals were rejected by the shareholders' meetings: 5 times a remuneration policy, 3 times a remuneration report, one time the discharge of the Supervisory Board and two times the disapplication of pre-emption rights for shareholders. In addition, the shareholder proposal at the Shell shareholders' meeting was voted down.
- The rise of the number of female executives and supervisory directors at Dutch listed companies slows down. For the 2021 proxy season, 20 new executives were nominated; 5 of them were female (25%; in 2020: 37%). 77 new supervisory or non-executive directors were nominated; 35 of them were female (45%; 2020: 52%).
- Almost all Dutch listed companies have paid attention in their annual reports to the potential impact of climate change on their business and risk management and report at least on their direct greenhouse gas emissions level. An increasing number of companies (86% of the AEX companies; 60% of AMX companies) has committed itself to a climate-related ambition or target. 13 Companies incorporated in the AEX or AMX index have set the ambition to become climate-neutral. However, it remains difficult for shareholders to judge whether the net-zero ambition is primary window dressing or that the companies are in the process of changing their strategy, policy and business model. Dutch listed companies show reluctance in submitting their climate strategy for an advisory vote at their shareholders' meeting as some companies incorporated in other jurisdictions did in 2021.

4. EUMEDION: STAKEHOLDER ENGAGEMENT

We strongly believe that social dialogue and active participation in industry and regulatory bodies will help produce clear, fair, and workable practices, standards and disclosures for institutional investors as well as listed companies. By investing in strong industry associations, standard setters and regulatory bodies – on a national, regional, and global level – we believe we can contribute to the future development of corporate governance and sustainability practices, standards and disclosures which is to the benefit of our members. The most important memberships and partnerships and our involvement therein are mentioned below.

4.1 Dutch Corporate Governance Code Monitoring Committee

The Dutch Corporate Governance Code Monitoring Committee was formed by the organisations that established the Corporate Governance Committee in 2003 that prepared the first edition of the Dutch Corporate Governance Code (the so-called supporting organisations). These include Eumedion and its legal predecessor. The current Monitoring Committee is chaired by Pauline van der Meer Mohr, who is (amongst others) a supervisory director at ASM International and chair of the supervisory board at Ernst & Young Accountants. Roderick Munsters, chair of Eumedion and its legal predecessor SCGOP between 2004 and the end of 2009, is member of the Monitoring Committee at the recommendation of Eumedion and the VEB. At the end of 2021, the Monitoring Committee published its third second monitoring report on the application of the Code's principles and best practice provisions by the Dutch listed companies. In 2021, the Monitoring Committee organised a number of 'working tables' with the supporting organisations to discuss a number of draft amendments to the Code. Eumedion participated in these working tables. In February 2022, the Monitoring Committee has started a public consultation on its proposals to amend the Code. It is expected that the Monitoring Committee will publish the amended Code somewhere in Autumn 2022.

4.2 AFM Advisory Panel of Representative Organisations

At the invitation of the AFM, Eumedion became a member of the Advisory Panel of Representative Organisations of the AFM in 2010. The Advisory Panel meets at least twice a year to ask questions and give advice about the AFM's annual plan, budget and levies, and its Annual Report and Accounts. The meetings are intended to obtain feedback about the AFM's implementation of its supervisory tasks, as well as about priorities for supervisory tasks and the development of supervision. Riens Abma attended both meetings in 2021.

4.3 AFM Capital Market Committee

Since 1 October 2018, Rients Abma has been a member of the Capital Market Committee of the AFM. This committee advises the AFM on case-specific application of rules, legislative aspects and interpretations in the area of public offerings, questions relating to market abuse and questions relating to prospectuses. The Committee also gives advice on the main lines of policy in relation to supervision of financial reporting and supervision of audit firms. In addition, the members are available for advice and presentations and are regularly involved in various topical AFM matters. Rients Abma attended all three committee meetings in 2021.

4.4 AFM Committee for Financial Reporting & Accountancy

At the invitation of the AFM, Martijn Bos has been a member of the AFM Committee for Financial Reporting & Accountancy since 1 March 2020. The Committee was established to contribute to the broader opinion forming process of the AFM on the supervision of financial reporting and of audit firms, which often involves policy aspects. In 2021, Martijn Bos attended all three meetings of this committee.

4.5 Dutch Accounting Standards Board

Although Eumedion terminated its formal participation within the Dutch Accounting Standards Board (DASB) on 31 December 2020, Eumedion continued participation within the Board of the Foundation of the DASB and in a number of DASB working groups. Topical reporting matters and the work plans of the DASB are discussed in the meetings of the Board of the Foundation of the DASB, which take place at least twice a year, where the input and views of Eumedion are greatly appreciated. The Eumedion Board nominated Martijn Bos for Board membership of the Foundation of the DASB and was formally appointed to this Board in January 2021. Martijn Bos is also member of the DASB working group on international reporting. Rients Abma is member of the DASB working group on the contents of the management report and corporate governance. Ron Gruijters is member of the DASB sustainability reporting working group, established in January 2022.

4.6 Global Network of Investor Associations (GNIA)

Eumedion has been a member of the GNIA since it was founded by the International Corporate Governance Network (ICGN) in 2013. The GNIA is an international collaboration of investor-led organisations with a common interest in promoting shareholder rights and responsibilities. The network enhances the capacity of national associations to share governance related priorities beyond local jurisdictions to an international audience thereby contributing to global governance reform efforts. A video call is scheduled approximately once every two months to discuss the topical ESG

matters in the national jurisdictions and (if appropriate) to support each other. In addition to Eumedion, GNIA members are the Asian Corporate Governance Association (ACGA), the Australian Council of Superannuation Investors (ACSI), the Australian Institute of Superannuation Trustees (AIST), the Malaysian Institutional Investors Council, the Brazilian Association of Capital Markets Investors (AMEC), the Italian asset managers' organisation Assogestioni, the Canadian Coalition of Good Governance, the US Council of Institutional Investors (CII), the French Asset Management Association AFG, the UK Investment Association, the UK Investor Forum and the German Institute of Investment Professionals DVFA. ICGN provides the secretariat for GNIA. Rients Abma participated in five of the six video calls in 2021.

4.7 Global Stewardship Codes Network (GSCN)

Eumedion has participated in the GSCN since it was founded by the ICGN in 2016. The GSCN is an informal network that enables members to share information and views on the development and implementation of stewardship codes. Participation in the network is open to all organisations responsible for developing stewardship codes, principles or best practice and/or monitoring their implementation (where this is undertaken). Eumedion prepared the 'Best practices for engaged share-ownership' for its members in 2011, which were succeeded by the first version of the Dutch Stewardship Code in 2018. In addition to Eumedion, the preparers of the Stewardship Codes of Brazil, Canada, Denmark, Italy, Japan, Kenya, Malaysia, Singapore, Taiwan, Thailand, the United Kingdom, the United States, South Africa, South Korea and Switzerland have joined the informal network. Ron Gruijters participated in both video calls in 2021. He presented the second Implementation Progress Report of the Dutch Stewardship Code during the November meeting of the GSCN.

4.8 IFRS Advisory Council

Eumedion has been a member of the IFRS Advisory Council since 1 January 2020. The IFRS Advisory Council advises the IFRS Trustees and the IASB on strategic and operational issues and consists of 51 organisations and individuals. The members represent, among others, preparers, users and auditors of financial reporting. In addition, academics, regulators and standard setters are members of the Advisory Board. Besides Eumedion, the US CII, the UK Investment Association and the ICGN also represent investors on the Advisory Council. The European Commission and the US and Japanese stock exchange regulators are observers. Martijn Bos represents Eumedion at the meetings of the IFRS Advisory Council. This Council met three times in 2021. Martijn Bos participated in all meetings.

4.10 User Panel of the European Financial Reporting Advisory Group (EFRAG)

Martijn Bos has been a member of the User Panel of EFRAG since the end of 2011. EFRAG is the advisory body of the European Commission in the field of financial reporting. Martijn Bos participated in three User Panel meetings in 2021.

4.11 EFRAG Project Task Force on European Sustainability Reporting Standards

On 25 June 2020 the European Commission issued a request for technical advice mandating EFRAG to undertake preparatory work for possible EU non-financial reporting standards in a revised Non-Financial Reporting Directive. The work was carried out by the European Lab Project Task Force on preparatory work for the elaboration of possible EU non-financial reporting standards (PTF-NFRS) appointed by the European Lab Steering Group on 1 September 2020. Eumedion's sustainability policy officer Ron Gruijters was appointed as one of the members of the PTF-NFRS. The Project Task Force published its report 'Proposals for a relevant and dynamic EU sustainability reporting standard-setting' on 8 March 2021.

On 21 April 2021 the European Commission adopted a legislative proposal for a Corporate Sustainability Reporting Directive (CSRD) which would oblige companies under scope to report in compliance with European sustainability reporting standards adopted by the European Commission as delegated acts. Under the proposed CSRD, EFRAG would develop draft standards, using proper due process, public oversight and transparency, and with the expertise of relevant stakeholders. The timeline contained in the proposal assumes the elaboration of draft sustainability reporting standards in parallel to the legislative process of the proposed CSRD. To meet this timeline, EU Commissioner McGuinness requested EFRAG in May 2021 to put in place interim working methods to start the technical work immediately building on the membership, leadership, expertise and recommendations of the PTF-NFRS. As a consequence, as from July 2021 the PTF-NFRS is 'transformed' into the Project Task Force on European sustainability reporting standards (PTF-ESRS). Ron Gruijters was invited to stay on this Project Task Force and has, after consulting Eumedion's Executive Director and the Eumedion Executive Board, expressed his willingness to contribute to the development of the first set of ESRS. The PTF-ESRS will pass responsibility to the formal EFRAG sustainability reporting bodies as soon as they have been established following the planned governance reforms in the first half of 2022.

As a member of the PTF-ESRS, Ron Gruijters' primary contribution concerns the work of Cluster 1, focused on the development of conceptual guidelines for sustainability reporting and of cross-cutting standards. The former concerns concepts such as double materiality and quality of information. The

latter concerns standards that cover over-arching topics such as business model and strategy, and sustainability governance. Besides contributing to a specific workstream, all PTF-ESRS members additionally contribute to the consensus building process on the full set of standards under development.

4.12 NBA Stakeholders Forum

Eumedion's Executive Director Rients Abma was appointed as member of the NBA's Listed Public Interest Entities Committee ('BOC') in March 2015. The BOC advised the NBA Board on topics that specifically affect the audit firms that audit the annual accounts of listed companies. In March 2021 this BOC was 'transformed' into the NBA Stakeholders Forum. Rients Abma was elected as the first chair of this Stakeholders Forum. The NBA Stakeholders Forum acts as a 'challenger' to the NBA Public Interest Steering Group (that consists of representatives from the 'Big 6' audit firms that have a license to audit Dutch public interest entities, including Dutch listed companies). It will provide solicited and unsolicited advice on the process, progress and outcomes of the projects of this Steering Group. In particular, the Stakeholders Forum has an important role at the start (agenda setting), in the interim (process and adjustment) and at the end (decision-making and evaluation). In addition, broad themes that affect the audit profession are discussed. The NBA Stakeholders Forum consists of 15 members who represent CFOs and audit committees of Dutch listed companies, external and internal auditors, shareholders' organisations and advisors to listed companies. The Stakeholders Forum meets approximately four times a year. Rients Abma participated in all four meetings in 2021.

4.13 Radboud Business Law Institute

Eumedion has been a partner of the Radboud Business Law Institute since 2008. This Institute is a cooperation between the Faculty of Law of the Radboud University and fifteen renowned, mostly international, law firms, multinationals, asset managers and Eumedion. The institute is accredited by the Royal Netherlands Academy of Arts and Sciences. By participating in this Institute, Eumedion can exert influence on the Institute's research projects. It can do this in particular by making proposals for new projects and by supplying researchers and editors for certain research books. There is also the possibility of actively contributing to a research project, which increases the visibility and recognisability of Eumedion and contributes to the expansion of the Eumedion staff's knowledge. The annual curatorial meeting in 2021 was attended by Rients Abma.

5. EUMEDION: THOUGHT LEADERSHIP AND KNOWLEDGE SHARING

Eumedion aims to make a positive contribution to society by focusing on institutional investors' responsibilities as well as through thought leadership and industry involvement, including research and publications, memberships and events. We have in-depth knowledge of corporate governance and sustainability. Through our daily interaction with our institutional members, and our continuous dialogue with policy makers and standard setters, we contribute to shaping the future world of corporate governance and sustainability. To enhance our corporate governance and sustainability knowledge and expertise, we carry out regular research in collaboration with academic partners and other institutes. In addition, we organise events and we give presentations around the world, and our multiple publications, including the monthly newsletter and contributions to books and journals, are well-received by our members and our stakeholders.

5.1 Conference on research report on the sustainability embedding practices in Dutch listed companies

In 2020 Eumedion requested the Maastricht University (MU) to conduct research on the sustainability embedding practices in Dutch listed companies. The research report was published in October 2021.²⁷ MU examined the 2020 annual reports of 35 Dutch listed companies and interviewed 97 executives, supervisory directors and senior managers of these companies. The study shows, among other things, that the Dutch listed companies regard sustainability more as an opportunity than a risk. Many companies do not communicate (much) about sustainability risks, such as waste, climate change and human rights issues, in their risk management sections. The researchers therefore recommend that Dutch listed companies must take responsibility for the negative effects that their business activities and supply chain have on people and planet by aligning their business strategy more formally with planetary boundaries. This is not only about fighting dangerous climate change, but also, for example, about counteracting the loss of biodiversity and the need to think and act circularly.

The researchers also recommend that companies make their purpose statements more clear and meaningful and to connect them to their strategic objectives and targets. Furthermore, the study shows that the subject of sustainability is still barely embedded in the skill profiles of new supervisory directors. In addition, companies communicate little about any required sustainability competencies for executives. This is in spite of the fact that management literature indicates that executives in particular have a major influence on the creation of a corporate culture that supports both the

²⁷ <http://bit.ly/3nuw5Rh>.

strategic sustainability objectives and the financial performance of the company. Finally, the researchers recommend professionalising and better structuring the dialogue with the various stakeholders and reporting on it more extensively. According to the researchers, companies should inform stakeholders much better about due diligence procedures, the reliability of the reported non-financial information, sustainability measures in incentive schemes and key performance indicators with regard to waste, water and business travel.

The findings and conclusions were officially presented at the 2021 Eumedion annual conference by the MU professors Rob Bauer and Mieke Olaerts. The report was then discussed by Rients Abma (Eumedion's Executive Director), Loek Sibbing (ABP Board member) and Maud de Vries (OCI Executive Board member), led by Willem Schramade (Erasmus University Rotterdam; EUR). Pauline van der Meer Mohr (chair of the Dutch Corporate Governance Code Monitoring Committee) then held a presentation on the possibilities for embedding sustainability more firmly in the Dutch corporate governance code. According to her, new code principles and best practice provisions on sustainability enable listed companies to "learn and experiment on the basis of vision and leadership" before the (European) legislator introduces mandatory provisions. She stated that the MU report covers the same themes as the discussions within the Monitoring Committee and with the supporting parties. Martijn Scheltema (EUR professor and partner at Pels Rijcken) concluded the conference with a lecture on the consequences of the 'Shell climate ruling' by the The Hague District Court. He too underlined the importance of 'pro-active' action by listed companies by developing their own best practices. If companies fail to do so, the judges themselves will continue to flesh out the concept of "social due diligence". A more detailed report on the hybrid conference, including links to the various presentations and speeches and a replay of the conference, can be found on the Eumedion website.²⁸

5.2 Knowledge sharing session on the wider consequences of the The Hague District Court's Decision in the Climate Case Milieudefensie versus Shell

On 15 October 2021 Eumedion organised a virtual knowledge sharing session for Eumedion members about the wider impact of the The Hague District Court's Decision in the Climate Case Milieudefensie versus Shell. Mr. Jaap Spier, former Advocate-General in the Supreme Court of the Netherlands, explained the key elements of the court ruling, an overview of climate litigation and shareholder actions in other countries and the possible exposure to investors. After the presentation, Jaap Spier discussed with the Eumedion members the 'do's and don'ts' of engagement with oil and

²⁸ <http://bit.ly/2Ytem4a>.

gas companies, investors' commitments regarding CO2 reduction targets for their investment portfolio and effective engagement versus divestment.

5.3 Participation in conferences, in debates and the writing of articles

The Eumedion staff participated in the following conferences and debates in 2021:

- Presentation of Rients Abma 'Executive Remuneration: the Institutional Investor's Perspective' at the online Global Equity Organization Netherlands Event on 14 January 2021.
- Participation of Rients Abma in an online round table on 'EU & U.S. Pension Planets aligning for Breakthrough on 'Green Deal' Investing Benchmarks', organised by AXA Investment Managers on 4 March 2021.
- Participation of Rients Abma in the European Parliament's online hearing on 'Responsible Business Conduct – A look at upcoming initiatives', Session II: Ensuring Legislative Coherence – Directors' Duties, Due Diligence, NFRD, Sustainability Standard and Taxonomy on 15 March 2021.
- Participation of Rients Abma in a panel session on 'Stewardship trends in the Benelux - what is on the horizon for the 2021 shareholder meeting season?' at a digital event organised by US law firm Kessler Topaz Meltzer & Check on 18 March 2021.
- Participation of Ron Gruijters in the panel discussion of the online outreach webinar of EFRAG's European Lab Project on Risk and Opportunities and Linkage to the Business Model (RNFRO) on 25 May 2021.
- Participation of Rients Abma in a panel discussion during a webinar on 'Creating value and managing impact through sustainability disclosure', organised by the Association of Chartered Certified Accountants (ACCA), the IIRC and the SASB on 2 June 2021 as part of the EU Green Week.
- Participation of Rients Abma in an online panel discussion on 'The role of the revised Corporate Sustainability Reporting Directive (CSRD) in addressing ESG data gaps for companies and investors' at the 2021 Responsible Investor Europe Conference on 14 June 2021.
- Presentation of Martijn Bos 'The Future of Sustainability Reporting' during the 'National Reporting Day' on 17 June 2021 in Den Dolder.
- Presentation of Rients Abma 'The road to standardisation of sustainability reporting' during a meeting of the AFM Capital Markets Committee on 22 June 2021.
- Participation of Martijn Bos in a 'users'-focused expert group on 'Intangibles-related information' for a scientific research project instigated by amongst others the University of Ferrara and EFRAG on 31 May and 24 June 2021.

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- Participation of Rients Abma in a panel discussion on the 'Investor & Regulatory Perspective in setting ESG/Sustainability Standards' at the online CFA Institute 2021 Financial Regulatory Symposium on 29 June 2021.
- Presentation of Rients Abma 'Evaluation of the 2021 proxy season and an outlook to the 2022 proxy season' during a virtual knowledge sharing session on findings and conclusions of the 2021 proxy season organised by law firm Clifford Chance on 9 July 2021.
- Virtual presentation of Martijn Bos to the IFRS Foundation's staff and IASB Board Members on the importance of the creation of the ISSB for investors on 14 July 2021.
- Participation of Ron Gruijters in the virtual panel discussion 'Message in a bottle: disclosing water information to investors', organised by the Climate Disclosure Standards Board on 23 August 2021 during the World Water Week.
- Presentation of Rients Abma 'The impact of CSR and responsible investment on the dialogue' at the seminar 'The dialogue from a company and shareholder perspective', organised by law firm Stibbe on 21 September 2021 in Amsterdam.
- Participation of Rients Abma in a round table on the digital shareholders' meeting 2022 and beyond, organised by Georgeson on 29 September 2021 in Amsterdam.
- Participation of Rients Abma in a panel discussion on 'Investors in times of disruption' at the 7th Annual Conference of the International Corporate Governance Society on 10 October 2021 in Groningen.
- Presentation of Ron Gruijters on the Implementation Progress Report 2021 of the Dutch Stewardship Code during an online meeting of the Global Stewardship Codes Network on 16 November 2021.
- Reflection of Rients Abma on the MU research report regarding sustainability embedding practices in Dutch listed companies at the 2021 Eumedion Conference on 2 November 2021 in Amsterdam.
- Participation of Rients Abma in a round table on fraud and continuity in the auditors' report, organised by the NBA on 29 November 2021 in Amsterdam.
- Presentation of Rients Abma 'Sustainable Investing: opportunities and dilemmas for institutional investors' at an online knowledge sharing session on sustainable investing, organised by the Dutch central bank DNB on 7 December 2021.
- Presentation of Martijn Bos 'An Investor Perspective on Sustainability Reporting' at an online workshop of the Japanese 'The Frontier Network' on ESG Disclosure on 9 December 2021.

The Eumedion Staff wrote the following opinion articles for magazines, books and websites in 2021:

- Article of Rients Abma, 'Kroniek van het seizoen van jaarlijkse algemene vergaderingen 2021' [Chronicle of Proxy Season 2021], *Ondernemingsrecht* 2021/95, p. 577-588.
- Blog of Ron Gruijters, 'Kritiek op duurzaam beleggen is van cruciaal belang' [Criticism of Sustainable Investing is essential], published on the Eumedion website.²⁹
- Chapter 'De vermaatschappelijking van grote ondernemingen en beleggers' [The socialisation of large companies and investors], written by Rients Abma for the *Corporate Governance Yearbook 2021-2022*.

5.4 Participation in stakeholder dialogues

The Eumedion staff is increasingly being asked by Dutch listed companies and institutional investors (whether or not participating in Eumedion) to participate in so-called stakeholder dialogues.

Eumedion tries to be present at these meetings as much as possible and to put its views on corporate governance and sustainability in the spotlight. In addition, the staff is regularly asked to provide written input for materiality analyses that companies prepare and subsequently publish in their annual reports.

5.5 Media attention

In 2021, the media again paid a lot of attention to the Eumedion viewpoints: a total of 116 times, that is about ten times per month. The absolute 'peak' took place in March and October (both 21 times); the months in which the media paid a lot of attention to developments during the 2021 proxy season and the publication of the 2022 Eumedion Focus Letter and of the UM research report on sustainability embedding practices respectively.

5.6 Eumedion Newsletter

Also in 2021, Eumedion published its monthly newsletter. By means of the newsletter Eumedion provides its members and approximately one thousand other stakeholders with information on both the latest national and international developments in the field of corporate governance and sustainability and Eumedion's views on draft legislation and regulations.³⁰

5.7 Website Eumedion

The Eumedion website (www.eumedion.nl) continues to be the most important source of information for members and other interested parties on Eumedion's views, studies, newsletters, annual reports and policy plans. Visitors to the website are also kept informed of the activities of Eumedion and its

²⁹ <http://bit.ly/3IX1JHJ>.

³⁰ <http://www.eumedion.nl/nl/kennisbank/nieuwsbrieven>.

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members via the agenda. The publications section with a search function for annual reports, policy plans, (news) letters and other relevant documents is greatly appreciated by members and stakeholders.

5.8 Twitter

Eumedion can be followed on Twitter via @Eumedion. In this way, interested parties are kept informed of the latest Eumedion news.

6. EUMEDION MEMBERS

6.1 Ordinary members

Institutional investors who manage assets for Dutch clients and/or invest in Dutch listed companies can become members of Eumedion. ASR Vermogensbeheer became member as of 1 January 2021. In October 2021, Shell Pension Fund notified Eumedion that it would cancel its membership as of 1 January 2022. Shell Asset Management Company applied for membership in December 2021 and has become Eumedion member since 1 January 2022. Appendix 5 contains the complete members list.

6.2 Associated members

Umbrella organisations of institutional investors can become associate members of Eumedion. Associate members have access to members' meetings (but no voting rights), can attend Eumedion events, can participate in Eumedion committees and receive all information from Eumedion. In 2021, the Federation of the Dutch Pension Funds and Netherlands Financial Investments (NLFI) continued their status as associate members of Eumedion.

7. GOVERNANCE

Although Eumedion has the legal form of a foundation, it has many characteristics of an association. The General Board is responsible for preparing the policy and strategy of the organisation, on the proposal of the Executive Board. All comment letters, position statements and viewpoints, based on this policy and strategy, are adopted by the Executive Board. These comment letters, position statements and viewpoints are prepared by a number of Eumedion committees and working groups (see sections 7.3, 7.4 and 7.5). Each Eumedion member can be represented in these committees. The Executive Director is the spokesperson for all Eumedion comment letters, position statements and viewpoints vis-à-vis the media, policymakers and regulators. The Executive Board is accountable for its activities to the General Board, which meets at least four times a year. The Executive Board is made up of members of the General Board. The General Board is accountable for its activities to the Members Meeting, which meets at least twice a year. The annual accounts are submitted to the Members' Meeting for approval, and the budget and the policy plan are submitted for adoption. Furthermore, the Members' Meeting can discharge the General Board members from liability for the policy conducted. The Members' Meeting can dismiss the entire board in case of inadequate functioning of the General Board. Each member has one vote at the Members' Meeting. New board members are appointed by the General Board, whereby each Eumedion member has the right to recommend persons. The aim is to have a fifty/fifty ratio of women to men within the General Board, but at least one third. On 31 December 2021, 56% of the board members were women. Furthermore, at least one board member should be related to a foreign member. As at 31 December 2021, this was also the case (Amra Balić of BlackRock).

The General Board admits new members after hearing the existing members on the application for membership. Existing members have the right of advice regarding potential new members, but no right of veto.

The tasks, rights and obligations of the General Board, the Executive Board, the Executive Director and the Committees are laid down in the 'General and Executive Board', 'Executive Director' and 'Committees' Regulations based on the Eumedion Articles of Association. The rights and obligations of the Eumedion members are laid down in the 'Regulations admission and cancellation Ordinary and Associate Member'. These regulations can be found on the Eumedion website.³¹

³¹ <https://www.eumedion.nl/Over-Eumedion/organisatie.html>.

7.1 Board meetings

In 2021, the Eumedion General Board held four meetings and the Executive Board (separately) six meetings. Due to the corona pandemic, the Board members mostly participated in the meetings via video conferencing. Topics discussed included the many comment letters to proposed regulations, directives, legislation and consultation documents, the preparation for and evaluation of the 2021 proxy season, the 2022 Focus Letter, the preparations for the 2021 annual conference, the 2020 annual report and accounts, KPMG's management letter and auditor's report, the 2022 policy plan, the composition of the General and Executive Board, the financial situation and more general board and staff matters.

It was announced in the 2021 Eumedion policy plan that preparations for an amendment of the articles of association would be prepared in early 2021 to embed elements from the Management and Supervision of Legal Entities Act in the Eumedion Articles of Association. It has also been announced in the policy plan that this opportunity would be used to update the Articles of Association on a number of places. Specifically mentioned were: the possibility of holding virtual Board and Members' Meetings and the implementation of the decision taken in 2017 to change the maximum term of office of a Board member from a maximum of three times two years to a maximum of two times three years. The proposed amendments to the Eumedion Articles of Association were discussed during various meetings of the Executive Board. The amended Articles of Association, as prepared by a civil law notary of law firm Stibbe, were adopted by the General Board in its 5 October meeting and approved by the Members' Meeting during the (second) meeting which was held on 14 December 2021. During the extra Members' Meeting which was held on 17 November 2021 the required quorum of ordinary members was not present or represented and therefore the proposal to amend the articles of association of Eumedion could not be approved at that meeting. In view of the coherence between the Articles of Association and the Eumedion regulations, the Executive Board also decided to update the Eumedion regulations. The amended regulations were resolved during the General Board meeting that was held on 14 December 2021.

Furthermore, the General Board conducted a self-assessment in November 2021 via a survey which was completed by the members of the General Board. Questions asked regarded institutional and procedural matters, the performance of the Board chair and members, the relationship between the General and the Executive Board, the communication with the Committees, and the relationship between the Board and the Executive Director. The outcome was discussed by the General Board in December 2021. The overall feedback from the assessment was positive. The General Board and the Executive Board have discussed how to provide fruitful feedback on decisions taken in the

Executive Board, to enhance oversight of succession planning and the desirability to increase representation of foreign members in the General Board. Some practical suggestions on the organisation of the meetings were also made and will be implemented, such as preparing more meeting documents in English. Overall, it was concluded that both the General Board and the Executive Board function properly and effectively and that the relationship is constructive, also regarding the Executive Director and the other staff members.

7.2 General Board composition and attendance

An important development in 2021 was the succession of the Chair. As Mariëtte Doornekamp stepped down from the ABP Board in October 2021 she had no longer a contractual relationship with one of the Eumedion members. Consequently her membership of the Eumedion Board had to be terminated. During the December meeting the General Board appointed Lars Dijkstra (Van Lanschot Kempen) as its new chair as per 1 January 2022. Since Lars Dijkstra was already member of Eumedion's Executive Board in the capacity of treasurer, the General Board appointed incumbent General Board member Carola van Lamoen (Robeco) as treasurer and new member of the Executive Board.

In November 2021, Caroline Muste-Merks stepped down from the Board as she resigned from her employer and Eumedion member, MN. The General Board welcomed Anne Gram, ABP Board member, who was newly appointed during the December meeting for a period of two years.

In February 2021, the Executive Board was notified that Executive Board member Hans Op 't Veld (PGGM) would be absent for a longer period due to health problems. He suggested the General Board to appoint an interim Executive Board member for the rest of the year, so he can take his time to recover fully. The Executive Board nominated Wouter van Eechoud (IBM Netherlands Pension Fund) for this role and he indicated that he was more than willing to act as back-up for Op 't Veld if and when necessary. The General Board agreed with this nomination and appointed Van Eechoud during the June meeting as Executive Board member ad interim. At the end of 2021, Op 't Veld indicated the Executive Board should look for a structural solution. The Executive Board decided to nominate Van Eechoud as permanent member of the Executive Board, while Op 't Veld will maintain his membership of the General Board.

The General Board assessed that its members have adequate time available to give sufficient attention to the organisation. As explained before, only Hans Op 't Veld was absent from a significant number of Board meetings. Amra Balić missed one meeting, but was replaced by deputy Board

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member Sabahat Salahuddin. The table below shows the overview of the attendance in 2021 at scheduled meetings for the individual members out of the number eligible to attend.

General Board composition, diversity and attendance (as per 31 December 2021)

Name and nationality	Member representative	Year of birth	Attendance at board meetings in 2021	Date of first appointment	Next reappointment date
Amra Balić (UK)	BlackRock	1969	3/4	6 October 2016	N/A
Lars Dijkstra (NL)	Kempen CM	1965	9/10	4 April 2018	4 April 2022
Mariëtte Doornekamp (NL)	ABP	1957	10/10	15 June 2017	N/A
Wouter van Eechoud (NL)	Pensioenfonds IBM Nederland	1966	6/6	5 October 2017	N/A
Anne Gram (NL/DNK)	ABP	1965	-	14 December 2021	14 December 2023
Olaf van den Heuvel (NL)	Aegon AM	1975	4/4	19 December 2019	19 December 2023
Annette van der Krogt (NL)	Achmea IM	1971	10/10	20 June 2018	20 June 2022
Carola van Lamoen (NL)	Robeco	1978	4/4	1 October 2020	1 October 2022
Hans Op 't Veld (NL)	PGGM	1973	4/8	20 June 2018	20 June 2022

7.3 Committees³²

Five policy committees within Eumedion (Legal Committee, Reporting & Audit Committee, Investment Committee, Research Committee and PR Committee) prepare Eumedion's positions statements, viewpoints and comment letters and assist the Eumedion Executive Director in shaping and propagating these positions. In addition to the policy committees, Eumedion also has two working groups: the working group on executive remuneration and the working group on the Dutch Stewardship Code.

7.3.1 Legal Committee

The Legal Committee deals with topics such as shareholder rights, mergers, acquisitions, anti-takeover measures and financial supervision. The Committee met three times in 2021, all times virtually. In addition, a several comment letters were prepared and agreed via e-mail. Topics that were discussed in 2021 included the bill on invoking a cooling-off period of up to 250 days in

³² The composition of the committees is included in Appendix 4.

response to shareholders seeking changes in the Executive and/or Supervisory Board composition and/or upon the launch of a hostile public offer, the future formats of shareholders meetings, the recommendations of the Ministry of Justice and Security Expert Group on Modernising Dutch Company Law, the European consultation on modernising insolvency laws, the pre-consultation on possible amendments to the Dutch Corporate Governance Code, the position statement on protection of shareholders of listed private limited companies, the impact of the Shell Climate Court case on institutional investors, the revisions to the Eumedion Corporate Governance Manual and amendments to the Committee Regulations. Per year-end 2021, the Committee counted eight members. During the committee meeting of 18 November 2021, Wouter Kuijpers (Robeco) was elected as new chair, succeeding Marice Thewessen (NN Investment Partners) after she had reached the maximum committee chair term of six year.

7.3.2 Reporting & Audit Committee

The Reporting & Audit Committee deals with topics related to the quality and content of financial and investor-oriented sustainability reporting by listed companies, and the role of the auditor in this respect. It therefore includes topics like risk management, the role and responsibilities of the audit committee of the supervisory board and the role and independence of the internal and external auditor. In 2021 the committee convened four times. Due to corona restrictions, there were no physical meetings. The key areas of attention for the committee have been the continued support for the establishment of the ISSB and the related proposed amendments to the IFRS constitution. Other standard setting topics include formal feedback on the IFRS agenda consultation 2022-2026; on the IASB's exposure draft on its Management Commentary Practice Statement; and on the EU's due process procedures for standard setting for sustainability reporting. The Committee also prepared feedback on a proposal from the Ministry of Finance on the future of audit, on proposals for Audit Quality Indicators by the 'Quartermasters', and feedback on the NBA's ideas on the auditors' role in fraud risk mitigation. The committee also functions as a sounding board for the Eumedion representatives in the (advisory) bodies of EFRAG, the AFM, and of the Dutch Accounting Standards Board Foundation and working groups. Per year-end 2021, the Committee has five members, including Rients Abma as chair ad interim.

7.3.3 Research Committee

The Research Committee is concerned with the research agenda of Eumedion. The committee assesses whether there are topics that are suitable for fundamental research in the field of corporate governance and sustainability and drafts terms of reference for research projects. In addition, the Research Committee monitors current research projects, maintains contacts with relevant research

institutions and is involved in the preparation of the annual Eumedion Conference. In 2021, the Committee met four times, each time virtually. Most time was allotted to monitoring progress of the Maastricht University research project, its final report, and the presentation of the results on the Eumedion Conference (see earlier). At the end of 2021, the Committee had five members. During the committee meeting of 29 November 2021, Rosl Veltmeijer (Triodos Investment Management) stepped down as chair and member of the Committee, after having served as a member for more than six and half years, four of which as chair. During that same meeting, Committee member Johan Vanderlugt (Van Lanschot Kempen) was appointed chair.

7.3.4 Investment Committee

The Investment Committee informs the Executive Board of current and material corporate governance and sustainability issues at individual Dutch listed companies and of material deviations of accepted corporate governance and sustainability standards by these companies. The Investment Committee held four virtual meetings in 2021. In addition to the discussion of the most important topics at the individual Dutch listed companies, the following subjects were discussed in 2021: a position statement on special purpose acquisition companies, possible future shareholders' meetings formats (hybrid, virtual and holding the Q&A session ahead of the voting deadline), responsible tax principles, the evaluation of the 2021 proxy season, the 2022 Focus Letter, amendments to the Eumedion Corporate Governance Manual, the committee's governance and the desirability of rotation of lead investors. The Investment Committee is chaired by Mart Keuning (in 2021 employed by MN, as from 2022 employed by ABP). At the end of 2021, the Committee had 24 members.

7.3.5 Public Relations Committee

The task of the PR Committee is to advise the Executive Board and the Executive Director on Eumedion's internal and external communications. This committee did not hold meetings in 2021. It was agreed that, on occasion, draft press releases could be commented on by the committee members by e-mail, as well as the draft annual report and the draft policy plan. Also, the Executive Director can always call for assistance in case of interviews and writing articles. The PR Committee is chaired by Eumedion Director Rients Abma and had 5 members at the end of 2021.

7.4 Working Group Executive Remuneration

The working group on executive remuneration was established in 2006 to review and update the recommendations on executive remuneration prepared in March 2003 by Eumedion's predecessor SCGOP. The updated recommendations were adopted in October 2006. The working group was then instructed to monitor the application of the recommendations by listed companies and, if necessary,

prepare proposals for amending the recommendations. The working group held one meeting in 2021. The working group discussed the operation of the Eumedion executive remuneration recommendations in the 2021 proxy season and the question of whether this led to a revision of the recommendations. The working group decided to prepare some amendments to the recommendations in order to underline the need for incorporating sustainability performance measures in the incentive schemes. The proposed amendments were approved by the General Board in December 2021 and were included in the new edition of the Eumedion Corporate Governance Manual. The Eumedion Executive Remuneration Working Group is chaired by Eumedion's Executive Director Rients Abma and had 6 members at the end of 2021.

7.5 Working group Dutch Stewardship Code

The Working Group Dutch Stewardship Code deals with the Dutch Stewardship Code established by Eumedion in 2018. Yearly this Working Group checks whether the Stewardship Code is still suitable and up-to-date and assesses whether there have been any problems with the application of it. If necessary, the Working Group Dutch Stewardship Code suggests proposals to amend the Stewardship Code. In 2021, the Working Group has not met. At the end of 2021, the Working Group had 11 members and is chaired by Eumedion's Executive Director Rients Abma.

7.6 Members Meeting

In 2021, two scheduled Members Meetings were held and one additional meeting. Due to the corona pandemic, these meetings were held virtually.

The first Members Meeting took place on 15 June 2021. During this meeting, Eumedion's 2020 annual report was discussed and the 2020 annual accounts - in the virtual presence of the external auditor - were approved. In addition, the members of the General Board were granted discharge for their performance of duties in 2020. Rients Abma discussed the main findings and conclusions of the 2021 proxy season, while Ron Gruijters presented the second Implementation Progress Report of the Dutch Stewardship Code.

An extraordinary Members Meeting was held on 17 November 2021. Main agenda item was the proposal to amend Eumedion's Articles of Association.³³ As the required quorum of ordinary members was not present or represented, the amended articles of association could not be approved. The articles of association state that in that case a second meeting needs to be convened.

³³ Reference is made to section 7.1 of this annual report.

That meeting must be held no sooner than two weeks and no later than four weeks after the first meeting.

Eumedion's Board decided that this second meeting should coincide with the already scheduled Autumn Members Meeting. This meeting took place on 14 December 2021. During this meeting, the proposal to amend Eumedion's Articles of Association was formally adopted. This Members Meeting also adopted the policy plan and the budget for 2022. In addition, an overview of current and future ESG laws and regulations for institutional investors was discussed as well as the proposed amendments to the Eumedion regulations.

7.7 Eumedion Staff

In 2021, the Eumedion staff continued to work from home. The Board is extremely proud of the motivation, commitment, determination, dedication, engagement, sense of responsibility, flexibility and resilience that the Eumedion staff has demonstrated and that the staff members were able to generate success and impact, despite the difficult circumstances.

There were no changes in the composition of the Eumedion staff in 2021.

7.8 Administrative organisation, internal control and risks

The document 'Description of the administrative organisation and internal control' contains a description of Eumedion's activities and organisational structure, a description of the administrative organisation, a description of the procedure for revenues and expenditures and a description of the risks and risk management. The document mentions the following four risks as the most important risks for Eumedion: i) members withdrawal, ii) a small staff ('key person risk'), iii) dissatisfaction with the quality of service provision and iv) damage to reputation. The General Board tries to mitigate these risks mainly by ensuring a high-quality and professional organisation, good support from the various committees in which the members are represented and by offering Eumedion employees varied and challenging work. There is also a budget for Eumedion employees to follow courses and training. The document on the administrative organisation and internal control is not only used for internal purposes, but is also used by the external auditor for the audit of the Eumedion annual accounts.

Eumedion staff is also subject to the 'Eumedion Code of Conduct for Employees', which all staff members signed when they commenced employment. On the basis of this code, Eumedion staff

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members must make certain reports to the compliance officer. The secretary to the Executive Board (Annette van der Krogt) acts as compliance officer.

A separate code of conduct applies to the Eumedion General Board members. Furthermore, a list of related parties is drawn up every year. For this purpose, a list was prepared with parties with whom Eumedion currently has a contract: Spaces Rode Olifant (lessor of office space to Eumedion), TinkConnect (IT partner), Scope Advies (financial administration), Nimsys (Internet services), Apollo (hosting and web services), KPMG (audit services) and Vodafone, T-Mobile and KPN (telecom services). It was then investigated whether the members of the General Board or their close relatives are affiliated with these contractual parties. The analysis carried out in 2021 showed that this was not the case.

Also in the past year, the Executive Board paid attention to Eumedion's ongoing compliance with the provisions of the General Data Protection Regulation (GDPR). GDPR compliance remains a regular agenda item during the meetings of the Executive Board.

The Board also pays continuous attention to cyber security. In order to bring cyber security to an even higher level, Eumedion staff members switched to Microsoft 365 management for small and medium-sized organisations at the end of February 2021. TinkConnect is responsible for setting up and managing the Microsoft 365 environment for Eumedion. With Microsoft 365 management (formerly Office 365 management), TinkConnect ensures that the devices of all Eumedion staff members are always equipped with the right software and are properly secured. It makes no difference whether staff members work on their laptop, desktop or phone at home, at the office or on the road. With Microsoft 365 management, TinkConnect can manage the Eumedion cloud environment remotely and offers all Eumedion staff members support via a helpdesk. TinkConnect has been ISO 27001 certified since 2010. Its annual audit is performed by TUV. ISO 27001 certification means that TinkConnect meets the internationally recognised standards for information security management. This certificate applies to all processes in its operations. We therefore consider the risk of disruptions to the reliability and continuity of information security for Eumedion to be limited.

Fraud risks are another attention point of the Board. As part of the process of identifying fraud risks, consideration has been given to fraud risk factors relating to fraudulent financial reporting, misappropriation of assets, and bribery and corruption. It has been assessed whether these factors provide any indication of the presence of risks. The Board opines that unauthorised payments are the

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largest fraud risk factor. Eumedion has however controls in place to mitigate this risk. In accordance with the document on the administrative organisation and internal control a separation of functions between the preparation of salary payments and the authorisation of salary payments has been incorporated into the banking application. All invoices and payment orders up to an amount of € 25,000 must be signed by the Executive Director and then paid. Expense claims of the Executive Director, as well as invoices and payment orders above € 25,000 must first be signed by the Executive Director and then by the Board's treasurer. The actual payment is made by the Executive Director. Scope Advies receives from Eumedion all signed invoices and bank statements and checks and records the payments. With these mitigating measures in place, the Board assessed the fraud risk to be rather low.

In accordance with the principle of prudent risk management, Eumedion's cash and savings are spread over two banks: Rabobank and ING Bank.

8. FINANCIAL SITUATION

Eumedion closed the 2021 financial year with a surplus of € 60,326, while the 2021 budget anticipated a deficit of € 19,400. The positive outcome was mainly the result of lower than budgeted operating expenses because of the continued corona pandemic in 2021.

The working from home advice was in force for most of 2021. Consequently, all board and committee meetings were held digitally in 2021. This also applied to almost all external meetings and events. It resulted in significant savings, especially in travel, accommodation and meetings costs. Travel and accommodation costs were more than 50% lower than budgeted. Accommodation costs were more than 20% lower than budgeted as no meeting rooms needed to be rented for board and committee meetings. However, the costs of the 2021 annual conference and other events were slightly higher than budgeted – and much higher than the 2020 costs for a number of webinars – as the conference was held as a hybrid event (see chapter 5). A hybrid event means that costs must be incurred both for the in-person meeting (room rental and catering) and for a live webcast (cameras and technicians). The 2021 committee costs were significantly lower than 2020 as Eumedion terminated its formal participation in the Dutch Accounting Standards Board on 31 December 2020.

The surplus for 2021 means that Eumedion more than meets its own reserve target of one time the operating costs (personnel costs + accommodation costs), which was reaffirmed by the Members Meeting in December 2015. Eumedion's capital at the end of 2021 amounts to more than € 1.22 million, while the self-imposed reserve target is approximately € 675,000.

Partly due to the increase in the size of the assets under management of some members at the end of 2020 (the Eumedion fee depends on the size of the assets under management at the end of the last audited financial year), the fee income in 2022 will be somewhat higher than in 2021. As most board and committee meetings were held digitally in the first half of 2022 – due to continued lockdowns in the first months of 2022 and to the still high coronavirus infection rates – this may result in lower 2022 accommodation costs than anticipated in the 2022 budget adopted in December 2021. The 2022 budget assumed an expected loss of € 8,300. The realised deficit for 2022 may therefore be lower than this figure.

The board performed a risk assessment related to the war in Ukraine and determined that the war itself, the effect of the sanctions or the ramifications of the war will not have a material impact on Eumedion.

II. EUMEDION FINANCIAL STATEMENTS 2021

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Balance sheet as at 31 December 2021

(After proposal appropriation of result)

		31-12-2021		31-12-2020	
		€	€	€	€
Assets					
Fixed assets					
Property, plant and equipment	1				
Other fixed assets			2.502		-
Current assets					
Receivables					
Taxes and social security charges	2	2.564		2.745	
Other receivables, prepayments and accrued income	3	31.887		37.263	
			34.451		40.008
Cash and cash equivalents	4		1.402.532		1.334.475
			1.439.485		1.374.483

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		<u>31-12-2021</u>		<u>31-12-2020</u>	
		€	€	€	€
Equity and liabilities					
Net assets	5				
Foundation capital	6		1.221.140		1.160.814
Current liabilities, accruals and deferred income					
Trade payables	7	13.450		3.826	
Payables relating to taxes and social security contributions	8	27.447		26.046	
Other liabilities and accrued expenses	9	177.448		183.797	
			<u>218.345</u>	<u>183.797</u>	<u>213.669</u>
			<u>1.439.485</u>	<u>1.374.483</u>	

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Statement of activities for the year 2021

		2021		2020	
		€	€	€	€
Contributions and other income			863.928		832.387
Expenses					
Expenses of employee benefits	10	659.102		662.322	
Depreciation of fixed assets	11	561		-	
Other operating expenses	12	138.680		142.865	
Total of sum of expenses			798.343		805.187
Total of operating result			65.585		27.200
Interest and similar expenses	13		-5.259		-269
Total of net result			60.326		26.931

Notes to the financial statements

Entity information

Registered address and registration number trade register

The registered and actual address of Stichting Eumedion is Zuid-Hollandlaan 7, 2596AL in 's Gravenhage, Nederland. Stichting Eumedion is registered at the Chamber of Commerce under number 27170718.

General notes

General notes

The most important activities of the entity

The activities of Stichting Eumedion consist mainly of providing services to institutional investors in the field of corporate governance and sustainability.

Estimates

Disclosure of estimates

In applying the principles and policies for drawing up the financial statements, the directors of Stichting Eumedion make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

General accounting principles

General accounting principles

The accounting standards used to prepare the financial statements

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). More specific guideline 640 for non-profit organizations.

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost.

Pension arrangements

Pension arrangements

Stichting Eumedion has a number of pension schemes for employees; these are financed by payments to the pension administrator. The premium payable is recorded as an expense in the statement of activities.

Stichting Eumedion has a number of pension schemes to which the provisions of the Dutch Pension Act ("Pensioenwet") are applicable. Stichting Eumedion pays premiums based on (legal) requirements, a contractual or voluntary basis to pension funds and insurance companies. Premiums are recognised as employee cost when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

Accounting principles

Accounting principles applied to the valuation of assets and liabilities

Property, plant and equipment

Tangible fixed assets are valued at acquisition costs or production costs plus additional costs less straight-line depreciation based on the expected life, unless stated otherwise. Impairments expected on the balance sheet date are taken into account.

Subsidies on investments will be deducted from the historical cost price or production cost of the assets to which the subsidies relate.

Receivables

Receivables are initially valued at the fair value of the consideration to be received. Receivables are subsequently valued at the amortised cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. Provisions for bad debts are deducted from the carrying amount of the receivable.

Cash and cash equivalents

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is valued at nominal value.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

Accounting principles applied to the valuation of the statement of income and expenses

Accounting principles for determining the result

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Income from product/service delivery

The income are proceeds from contributions en other income.

Wages

The benefits payable to personnel are recorded in the statement of activities on the basis of the employment conditions.

Depreciation of property, plant and equipment

Tangible fixed assets are depreciated from the date of initial use over the expected future economic life of the asset, while taking into account any applicable restrictions with respect to buildings, investment property, other tangible fixed assets. Land is not depreciated.

Future depreciation is adjusted if there is a change in estimated future useful life.

Gains and losses from the occasional sale of property, plant or equipment are included in depreciation.

Other operating expenses

Costs are determined on a historical basis and are attributed to the reporting year to which they relate.

Financial income and expenses

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

Exchange differences that arise from the settlement or translation of monetary items are recorded in the profit and loss account in the period in which they occur, unless hedge-accounting is applied.

Eumedion

Notes to the balance sheet

Assets

Fixed assets

1 Property, plant and equipment

	<u>Other fixed assets</u> €
<i>Balance as at 1 January 2021</i>	
Cost or manufacturing price	11.875
Accumulated depreciation	-11.875
Book value as at 1 January 2021	-
<i>Movements</i>	
Additions	3.063
Depreciation	-561
Balance movements	2.502
<i>Balance as at 31 December 2021</i>	
Cost or manufacturing price	14.938
Accumulated depreciation	-12.436
Book value as at 31 December 2021	2.502
Property, plant and equipment: Economic life	
Depreciation rate	<u>Property, plant and e- quipment</u> 20,00

Eumedion

Current assets

Receivables

	<u>31-12-2021</u>	<u>31-12-2020</u>
	€	€
2 Taxes and social security charges		
Value added tax	2.564	2.745
	<u> </u>	<u> </u>
3 Other receivables, prepayments and accrued income		
Prepaid expenses	7.126	9.463
Guarantee deposit	9.357	9.357
Amounts to be received	6.402	12.961
Other accruals and prepaid expenses	9.002	5.482
	<u> </u>	<u> </u>
	<u>31.887</u>	<u>37.263</u>

The receivables have a duration of less than 1 year, unless stated otherwise.

4 Cash and cash equivalents

Rabobank	930.329	1.334.475
ING Bank N.V.	472.203	-
	<u> </u>	<u> </u>
	<u>1.402.532</u>	<u>1.334.475</u>

The cash and cash equivalents are at free disposal of the company.

Eumedion

Equity and liabilities

5

	2021	2020
	€	€
6 Foundation capital		
Balance as at 1 January	1.160.814	1.133.883
Deposit in financial year	60.326	26.931
Balance as at 31 December	<u>1.221.140</u>	<u>1.160.814</u>

The foundation capital consists since the foundation of the general reserve. The general reserve can be used freely for the purpose of the goals of the foundation. The change in the foundation capital consists of the result of the year.

Current liabilities, accruals and deferred income

7 Trade payables

Accounts payable	13.450	3.826
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8 Payables relating to taxes and social security contributions

Wage tax	27.447	26.046
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9 Other liabilities and accrued expenses

Unused vacation days	91.703	85.389
Bonusses to be paid	47.330	45.874
Holiday coupons	17.928	17.322
Audit and consultancy costs	17.000	15.000
Other amounts payable	3.487	20.212
	<u>177.448</u>	<u>183.797</u>

Contingent assets and liabilities

Rental obligation

For the rental of an office space at Zuid-Hollandlaan 7 in The Hague the foundation entered into a rental obligation with Spaces Rode Olifant B.V. This obligation started as per may 1st 2013 for a period of three years. From 2016 on the rental contract is extended for a period of 1 year every year.

The obligation of the remainder of the contract

0-1 year	26.000
1-5 years	8.750
Total	<u>34.750</u>

Eumedion

Notes to the statement of activities

Contributions and other income

Fees	831.475	816.200
Other income	32.453	16.187
	<u>863.928</u>	<u>832.387</u>

10 Expenses of employee benefits

Wages and salaries	523.898	529.033
Social security charges and pensions cost	123.006	118.369
Other expenses of employee benefits	12.198	14.920
	<u>659.102</u>	<u>662.322</u>

During 2021 the average amount of FTE was 4 (2020: 4)

In 2021 no remunerations have given to directors.

Social security charges and pensions cost

Pension costs	77.417	71.822
Social security charges	45.589	46.547
	<u>123.006</u>	<u>118.369</u>

11 Depreciation of fixed assets

Depreciation of property, plant and equipment	561	-
	<u>561</u>	<u>-</u>

Depreciation of property, plant and equipment

Other fixed assets	561	-
	<u>561</u>	<u>-</u>

<u>2021</u>	<u>2020</u>
€	€

12 Other operating expenses

Housing expenses	35.502	36.534
Committee expenses	4.100	24.635
Office expenses	6.215	7.903
General expenses	92.863	73.793
	<u>138.680</u>	<u>142.865</u>

Eumedion

Housing expenses

Rent expenses	35.502	36.534
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Committee expenses

Commissions	4.100	3.680
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Accounting commissions	-	20.955
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4.100	24.635
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Office expenses

Telephone expenses	4.574	6.223
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Website maintenance	1.641	1.680
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6.215	7.903
-------	-------

General expenses

Audit costs	28.293	24.820
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Research proposal Maastricht	20.000	20.000
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Webinars and symposia	18.402	5.580
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Subscriptions	11.283	15.725
---------------	--------	--------

Other general expenses	10.886	7.668
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Legal and advisory fees	3.999	-
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92.863	73.793
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13 Interest and similar expenses

Paid bank interest	5.259	269
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Eumedion

Budget 2021 versus actual figures 2021

	Actuals	2021	Budget	2021
	€	€	€	€
Fees and other income		863.928		843.600
Personnel costs (incl. social and pension charges)	671.035		670.000	
Housing expenses	35.502		45.000	
Committee expenses	4.100		7.500	
Research	20.000		40.000	
Webinars and symposia	18.402		17.500	
Website maintenance	1.641		2.000	
Other costs	47.102		80.000	
Paid bank interest	5.259		-	
Depreciation of fixed assets	561		1.000	
Total expenses	803.602		863.000	
Net result		60.326		-19.400

For an analysis of the actual figures compared to the 2021 budget, we refer to chapter 8 of the report of the Board.

Events after the balance sheet date

There were no events after the balance sheet date.

III. OTHER INFORMATION

Adoption of the annual accounts

In its meeting of 16 June 2022, the Board adopted the 2021 annual accounts.

The Board proposes to add the 2021 result of € 60,326 to the foundation capital.

The Hague, 16 June 2022

General Board

Amra Balić

Lars Dijkstra (chair)

Wouter van Eechoud

Gerco Goote

Anne Gram

Olaf van den Heuvel

Annette van der Krogt

Carola van Lamoen

Hans Op 't Veld

1. INDEPENDENT AUDITOR'S REPORT

To: the Board and the meeting of Participants of Stichting Eumedion.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Eumedion as at 31 December 2021 and of its result for the year 2021, in accordance with RJ 640 'Organisaties zonder winststreven'.

What we have audited

We have audited the financial statements 2021 of Stichting Eumedion based in the Hague.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2021;
- 2 the profit and loss account for 2021; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Eumedion in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit procedures were determined in the context of our audit of the financial statements as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters should be viewed in that context and not as separate opinions or conclusions.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality

- Materiality of EUR 10.000
- 1,5% of total expenses 2021

Key audit matters

- completeness of contribution income

Opinion

Unqualified opinion

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 10.000 (2020: EUR 10.000). The materiality is determined with reference to total expenses (approximately 1,5%). We consider total expenses as the most appropriate benchmark because it best reflects the foundation's activity level. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements identified during our audit in excess of EUR 500, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Audit response to going concern – no significant going concern risks identified

The Board has performed its going concern assessment and has not identified any significant going concern risks. To assess the Board's assessment, we have performed, inter alia, the following procedures:

- we considered whether the Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we analyzed the Foundation's financial position, including liquidity, as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks.

The outcome of our risk assessment procedures on the going concern assessment, including our consideration of findings from our audit procedures on other areas, did not give reason to perform additional audit procedures on the Board's going concern assessment.

Audit response to the risk of fraud and non-compliance with laws and regulations

In chapter 7.8 of the board report, the Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Foundation and its business environment, and assessed the design and implementation of the Foundation's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Foundation's code of conduct and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the Board. As part of our audit procedures , we:

- assessed other positions held by Board members and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- evaluated whether there were indications of possible fraud and non-compliance;

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Foundation and identified the following areas as those most likely to have a material effect on the financial statements:

- General Data Protection Regulation (GDPR) (reflecting the Foundation's attention to privacy laws and regulations).

We evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

We assessed the presumed fraud risk on revenue recognition as irrelevant, because:

- There is limited perceived pressure on the Board from sources outside or inside the entity to achieve an expected (and perhaps unrealistic) revenue or earnings target;
- the entity is not listed and is a foundation;
- the entities (and the Board's) performance is not measured in terms of year-over- year revenue growth;
- There is limited perceived opportunity to commit fraud.

Based on the above and on the auditing standards, we identified the following fraud risk that is relevant to our audit, and responded as follows:

— Management override of controls (a presumed risk)

Risk:

- The Board is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries;
- We performed a data analysis of high-risk journal entries related to manual journal entries in the bank ledgers. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information;
- We incorporated elements of unpredictability in our audit, for example inspection of non-material transactions in the bank ledgers.

Our procedures to address the identified risk factors of fraud and related to non-compliance with laws and regulations did not result in a specific risk and therefore not included as a key audit matter.

We communicated our risk assessment, audit responses and results to the Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. The key audit matters are not a comprehensive reflection of all matters discussed.

Completeness of contribution income

Description

The Foundation's total income consists almost entirely of contribution income. As a result, we have identified the completeness of the recognition of contribution income as a key audit matter

Our response

Our audit procedures consist of:

1. Testing the reliability of the internally prepared list of contribution income by analysing participant movements in the financial year;
2. Performed substantive tests for a sample of the recognized income from contributions with the participant administration, participant forms and public information about the total invested assets of participants.
3. We also have, on the basis of changes in the income in the new financial year determined that there is no income recognized in the audited financial year and subsequently credited after year end.

Our observation

We have not found any deviations in the contributions for 2021.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

- Board report;
- The other information;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the Board report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of directors for the financial statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board is responsible for such internal control as the Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board, under supervision of the Board of directors, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board is responsible for assessing the Foundation's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board should prepare the financial statements using the going concern basis of accounting unless the Board either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so. The Board should disclose events and circumstances that may cast significant doubt on the Foundation's ability to continue as a going concern in the financial statements.

The members of the Board are responsible for overseeing the financial reporting process of Stichting Eumedion.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included on page 6. This description forms part of our auditor's report.

Rotterdam, 16 June 2022

KPMG Accountants N.V.

S. van Oostenbrugge RA

Appendix:

Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management of Stichting Eumedion;
- concluding on the appropriateness of Management of Stichting Eumedion's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board of Stichting Eumedion's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a foundation to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Eumedion

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

2. COMPOSITION OF THE BOARD

As of 31 December 2021, the following persons shall serve as Eumedion Board members:

Mariëtte Doornekamp, (1957, F), Chair³⁴

Main job: Director BMB BV

Relevant additional functions: Chair Supervisory Board GGN Holding BV, Vice Chair of Foundation Remeha Shares (shareholder BDR Thermea) in Apeldoorn, Board member of the Royal HaskoningDHV Foundation, Chair Supervisory Council and member of the remuneration committee CARE Nederland Foundation, member of the CARE International Council, member of the Supervisory Council Amsterdam Sinfonietta and Board member Foundation Geldersch Landschap & Kasteelen.

Lars Dijkstra (1965, M), Member Executive Board, Treasurer³⁵

Main job: Chief Sustainability Officer Van Lanschot Kempen

Relevant additional functions: member of the 'The 300 Club' (international group of CIOs), external advisor to various investment committees of pension funds and family offices, including the Investment Committee of the Dutch central bank DNB.

Annette van der Krogt (1971, F), Member Executive Board, Secretary

Main job: Manager Responsible Investments Achmea Investment Management.

Relevant additional functions: Member of the General Board of Stichting Beheer Oikocredit Nederland Fonds.

Wouter van Eechoud (1966, M), Interim Member Executive Board

Main job: Director and Executive Board Member IBM Netherlands Pension Fund.

Relevant additional functions: Member Supervisory Council PNO Media Pension Fund.

Hans Op 't Veld (1973, M), Member Executive Board

Main job: Principal Director Responsible Investments PGGM.

Relevant additional functions: Research Fellow Amsterdam School of Real Estate and member of the Research Committee of the European Public Real Estate Association (EPRA).

³⁴ Resigned as per 1 January 2022.

³⁵ Chair as per 1 January 2022.

Amra Balić (1969, F)

Main job: Head Corporate Governance and Responsible Investments for the regions Europe, Middle East and Africa (EMEA) at BlackRock.

Relevant additional functions: member Stewardship Committee of the UK Investment Association, member of the UK Institute of Directors Center for Corporate Governance Advisory Board, member of the FRC Investor Advisory Board, member of the UK Investor Forum Board of Directors and member of the ECGRF Board of Trustees.

Anne Gram (1965, F)

Main job: Board member at ABP.

Relevant additional functions: Chair of the Supervisory Board of ASN Impact Investors, External expert ING Pension Fund Investments and Balance management committee, member of the Supervisory Board at PGGM, Internal Supervision Chair HAL Pension Fund, Chair Investment Committee IBM Netherlands Pension Fund, member of the Supervisory Board of PHEC Pension Fund

Olaf van den Heuvel (1974, M)

Main job: Chief Investment Officer Aegon Asset Management Nederland

Relevant additional functions: -

Carola van Lamoen (1978, F)

Main job: Head of Sustainable Investing at Robeco.

Relevant additional functions: Member of the ICGN Nomination Committee.

Deputy Board members

As of 31 December 2020, the following person served as deputy board members:

1. Ger Fehrenbach (PGGM)
2. Sabahat Salahuddin (BlackRock)

3. COMPOSITION OF THE EUMEDION STAFF

The current composition of the Eumedion Staff is:

Rients Abma (1971, M), Executive Director

Relevant additional functions: Chair NBA Stakeholders Forum, member of the AFM Capital Market Committee, member of the AFM Advisory Panel of Representative Organisations, member of the Advisory Group of the IFIAR Investor and Other Stakeholders Working Group, member of the Advisory Council of the Institute of Internal Auditors Netherlands, member of the Ministry of Justice and Security Expert Group on Modernising Dutch Company Law, member of the Advisory Council of Reward Value, member Advisory Council of the Erasmus University Rotterdam Post Master Education Course for External Auditors, Trustee of the Radboud Business Law Institute, editorial member Ondernemingsrecht, editorial member Kluwer Groene Serie Toezicht Financiële Markten and member of the Global Network of Investor Associations.

e-mail: rients.abma@eumedion.nl

tel. +31 (0)70-2040 303

Martijn Bos (1971, M), Policy Advisor Reporting & Audit

Relevant additional functions: founder of Fin-Es Equity Risk Premiums, member of the DASB Foundation Board, member of the IFRS Advisory Council, member of the EFRAG User Panel, member of the AFM Committee for Financial Reporting & Accountancy and advisor to the Board of Vogelbescherming Nederland.

e-mail: martijn.bos@eumedion.nl

tel. +31 (0)70-2040 304

Ron Gruijters (1981, M), Policy Advisor Sustainability

Relevant additional functions: member of the EFRAG Project Task Force on European Sustainability Reporting Standards, deputy DASB Foundation Board member and DASB sustainability reporting working group member.

e-mail: ron.gruijters@eumedion.nl

tel. +31 (0)70-2040 305

Diana van Kleef (1983, F), Legal Counsel and Policy Advisor Corporate Governance

Relevant additional functions: -

e-mail: diana.vankleef@eumedion.nl

tel. +31 (0)70-2040 302

Toi van Rijn (1973, F), Office Manager

Relevant additional functions: -

e-mail: toi.vanrijn@eumedion.nl

tel. +31 (0)70-2040 301

4. COMPOSITION COMMITTEES AND WORKING GROUPS

At the end of 2021, Eumedion's committees and working groups had the following members:

Investment Committee

1. *Mart Keuning (ABP), Chair*
2. Jan-Jaap Bongers (Teslin Capital Management)
3. Roland Bosch (Hermes Investment Management)
4. Mirte Bronsdijk (APG Asset Management)
5. Kathleen Dewandeleer (Aberdeen Standard Investments)
6. Michiel van Esch (Robeco)
7. Caroline Escott (Railpen)
8. Gillian Gailliaert (PGGM)
9. Ruud Hadders (Actiam)
10. Rob Hardy (Capital Group International)
11. Orsolya Gal (BNP Paribas Asset Management)
12. Andrea van den Heuvel (Achmea Investment Management)
13. Marian Hogeslag (DoubleDividend)
14. Helen Hopkins (USS)
15. Philipp Kloucek (USS)
16. Simona Kramer (Railway Pension Fund)
17. Kalina Lazarova (BMO Global Asset Management)
18. Faryda Lindeman (NN Investment Partners)
19. Pippa O'Riley (Schroders Asset Management)
20. Sjoerd Rozing (Triodos Investment Management)
21. Sabahat Salahuddin (BlackRock)
22. Daan Spaargaren (PME)
23. Eszter Vitorino (Kempen Capital Management)
24. Roger Wildeboer Schut (Aegon Asset Management)

Legal Committee

1. *Wouter Kuijpers (Robeco), Chair*
2. Peter Bos (Teslin Capital Management)
3. Ger Fehrenbach (PGGM)
4. Bram Groenewoud (SAMCo)

5. Welmoed Jansen (Aegon Asset Management)
6. Sandor Hermens (Achmea Investment Management)
7. Zöhre Tali (APG Asset Management)
8. Marice Thewessen (NN Investment Partners)

Research Committee

1. *Johan Vanderlugt (Van Lanschot Kempen), Chair*
2. Lucas van Beek (Robeco)
3. Stephanie Mooij (Aegon Asset Management)
4. Ton van Ooijen (APG Asset Management)
5. Slavek Roller (NN Investment Partners)

PR Committee

1. *Rients Abma (Eumedion), Chair*
2. Dick Kors (APG Asset Management)
3. Maurice Piek (NN Investment Partners)
4. Christine van Waveren (Triodos Investment Management)
5. Julian van de Wetering (BlackRock)
6. Maurice Wilbrink (PGGM)

Reporting and Audit Committee

1. *Rients Abma (Eumedion), Chair a.i.*
2. Ger Fehrenbach (PGGM)
3. Jurriaan Hofman (Robeco)
4. Herman Klein (NN Investment Partners)
5. Eszter Vitorino (Kempen Capital Management)

Working Group Executive Remuneration

1. *Rients Abma (Eumedion), Chair*
2. Peter Bos (Teslin Capital Management)
3. Mirte Bronsdijk (APG Asset Management)
4. Michiel van Esch (Robeco)
5. Ger Fehrenbach (PGGM)
6. Andrea van den Heuvel (Achmea Investment Management)
7. Faryda Lindeman (NN Investment Partners)

Working Group Dutch Stewardship Code

1. *Rients Abma, Chair a.i.*
2. Peter Bos (Teslin Capital Management)
3. Mirte Bronsdijk (APG Asset Management)
4. Heike Cosse (Aegon Asset Management)
5. Michiel van Esch (Robeco)
6. Ger Fehrenbach (PGGM)
7. Marian Hogeslag (DoubleDividend Management)
8. Frank Huitema (Mediahuis Pensioenfonds)
9. Daniëlle Melis (Algemeen Pensioenfonds Stap)
10. Daan Spaargaren (PME)
11. Eszter Vitorino (Kempen Capital Management)

The Executive Director and staff of Eumedion are q.q. members of all committees and working groups.

5. MEMBERS LIST

As per the end of 2021 Eumedion has the following members:

1. Aberdeen Standard Investments
2. Stichting Pensioenfonds van de ABN AMRO Bank N.V.
3. Stichting Pensioenfonds ABP
4. Achmea Investment Management
5. Actiam
6. Aegon Asset Management
7. Ahold Pensioenfonds
8. APG Asset Management
9. ASR Vermogensbeheer
10. AXA Investment Managers
11. BlackRock
12. BMO Asset Management
13. BNP Paribas Investment Partners
14. BPF Bouw
15. Capital Group International
16. Cohen & Steers
17. DoubleDividend Management B.V.
18. Stichting Pensioenfonds Gasunie
19. De Goudse
20. Stichting Pensioenfonds voor de Grafische Bedrijven (PGB)
21. Hermes Investment Management Ltd.
22. Stichting Pensioenfonds Hoogovens
23. Pensioenfonds Horeca & Catering
24. Stichting Pensioenfonds IBM Nederland
25. Stichting Pensioenfonds ING
26. Kempen Capital Management
27. Stichting Pensioenfonds KPN
28. Stichting Mediahuis Nederland Pensioenfonds
29. Pensioenfonds Metalektro (PME)
30. Pensioenfonds Metaal en Techniek (PMT)
31. Menzis

32. MN
33. NN Investment Partners
34. PGGM
35. Stichting Pensioenfonds Rail & OV
36. Robeco
37. BPF Schilders
38. Schroder Investment Management
39. Shell Pensioenfonds
40. Algemeen Pensioenfonds Stap
41. Teslin Capital Management
42. Stichting Pensioenfonds TNO
43. Triodos Investment Management BV
44. Stichting Pensioenfonds Unilever Nederland 'Progress'
45. Universities Superannuation Scheme (USS)
46. Pensioenfonds Vervoer
47. Pensioenfonds voor Werk en (re)Integratie (PWRI)
48. Stichting Pensioenfonds voor de Woningcorporaties (SPW)
49. Pensioenfonds Zorg en Welzijn (PFZW)
50. Stichting Bedrijfstakpensioenfonds Zorgverzekeraars (SBZ)

Associated members:

1. Federation of the Dutch Pension Funds
2. Netherlands Financial Investments (NLFI)

6. CONTACT

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