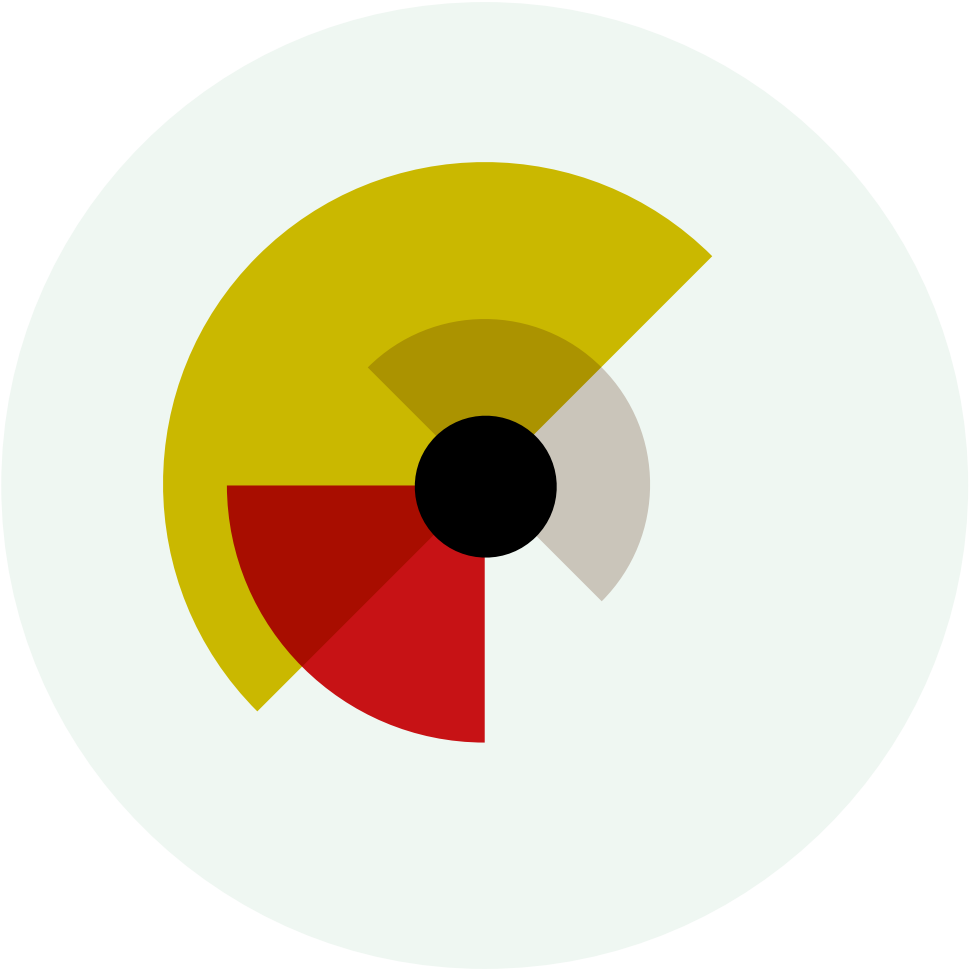
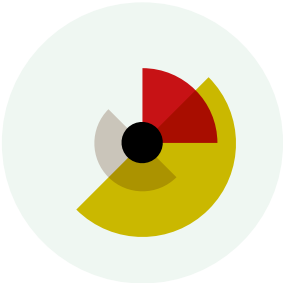
Monitoring Committee

CORPORATE GOVERNANCE CODE

Monitoring Report for the 2021 financial year





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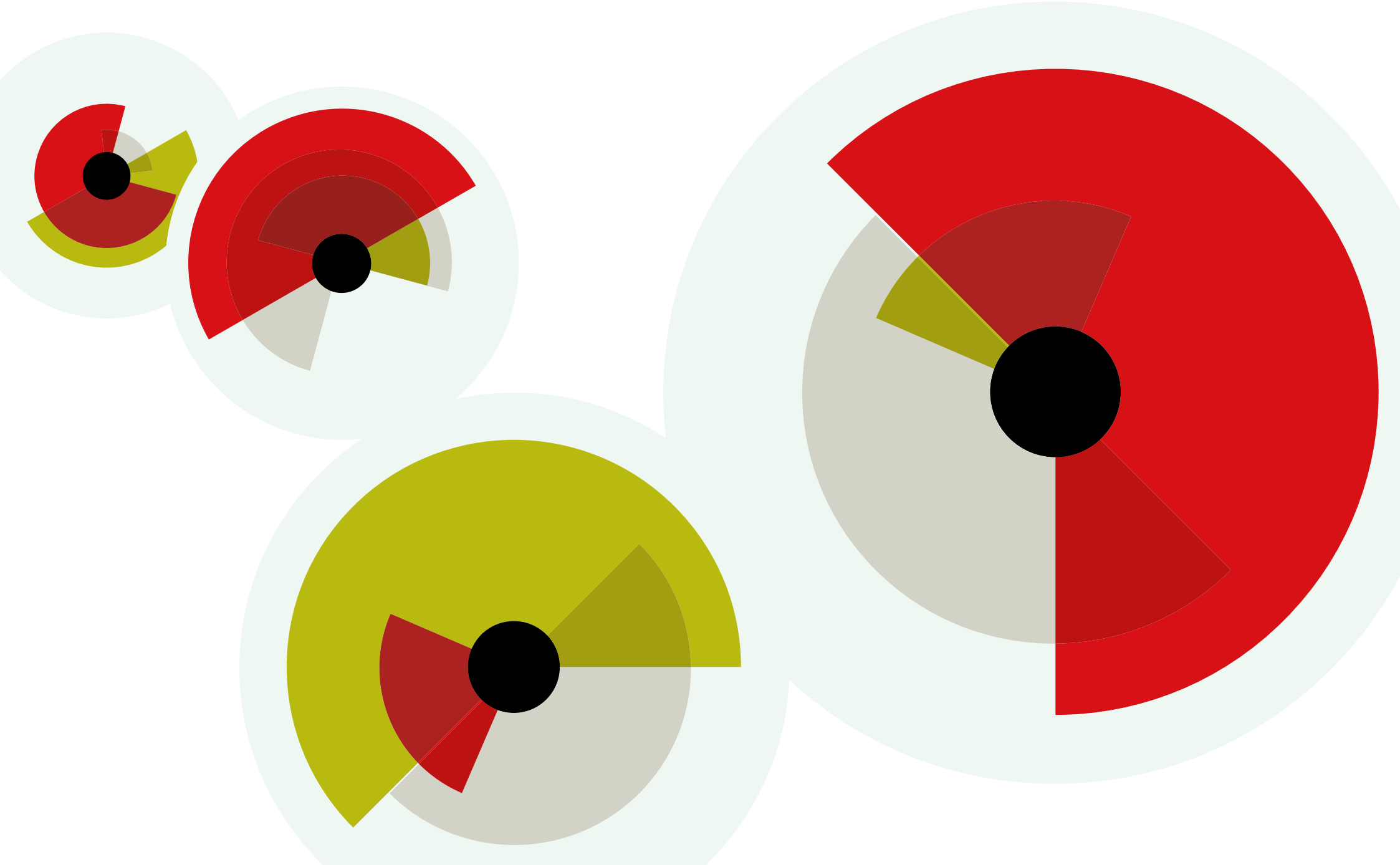

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1.
Foreword

This Monitoring Report builds on the previous report which emphasised meaningful reporting on compliance with the Dutch Corporate Governance Code. In line with the compliance study for the 2020 financial year, overall compliance with the Code has not been surveyed, but an in-depth study has been conducted of the quality of reporting by companies on three themes, namely long-term value creation, culture and diversity.

The study reveals in the first place high compliance rates for the monitored best practice provisions. The examination of the quality of explanatory notes, however, indicates that companies could report in a more meaningful way. Meaningful reporting not only describes intentions and policy for the implementation of the best practices, but also provides insight into the actions taken, issues arising, the ensuing considerations, the resulting outcomes and the impact on the company.

The updated study has given the Committee more insight into the quality of the explanatory notes. It is notable that too few companies (46%) are properly addressing ESG aspects in their reporting on the view of long-term value creation and the strategy for its realisation. The Committee points out in this regard that the best practices in the updated Code have been tightened and that European laws and regulations in this area are under development and will be in force within a few years. The Committee therefore encourages companies to provide better information on ESG and hence greater insight into the sustainability aspects of their long-term value creation and the associated strategy.

The Committee sent letters this year to 16 companies with focal points for improving their reporting on the 2022 financial year.

Chapter 3 of this Monitoring Report explains the compliance study in further detail in the introduction. In Chapter 4, the Committee explains what it expects from companies in the field of reporting. Chapter 5 sets out the key results of the compliance study by SEO and the Committee's perspective on them. The abridged account of the Committee's findings can be found in the summary after this foreword.

The Committee is indebted to the researchers at SEO, Thari van den Berg and Maarten Buma of the law firm NautaDutilh for the legal support provided, and to Margje de Mik and Robin van der Velde, who jointly make up the Committee Secretariat. A special word of appreciation goes to the companies for their participation in the focus groups, and to the supporting parties, which kept the Code alive in many discussions with the Committee and helped to advance the process of reflection on good governance and supervision.

Pauline van der Meer Mohr
Chairman of the Dutch Corporate Governance Code Monitoring Committee

2. Summary

Study methodology

In line with the compliance study for the previous financial year, the Committee commissioned SEO to examine the quality of reporting with regard to a selection of reporting provisions in the Code: best practice provision 1.1.3 and best practice provision 1.1.4 (long-term value creation), best practice provision 2.1.1 and best practice provision 2.1.6 (diversity) and best practice provision 2.5.4 (culture). SEO began by surveying compliance with the selected reporting provisions in the Code using the same method as in the previous compliance studies. SEO then conducted an in-depth assessment of the quality of the explanatory notes on compliance with the selected reporting provisions based on various quality indicators, and awarded scores for these.

Key findings

> Companies could report in a more meaningful way. Meaningful reporting not only describes intentions and policy for the implementation of the best practices, but also provides insight into the actions taken, issues arising, the ensuing considerations, the resulting outcomes and the impact on the company. The purpose of reporting is not to provide a large amount of detail. Good reports are clear, concise and focused on the company.

> Too few companies (46%) properly address ESG aspects in their reporting on the view of long-term value creation and the strategy for its realisation.

> Little has improved with regard to compliance with best practice provision 1.1.3 compared to the previous financial year. Only one-third of the companies provide substantive insight and colour to show how the supervisory board is involved in creating and supervising the strategy and to highlight the particular subjects to which the supervisory board devotes attention. Although the text of the Code prompts process-driven reporting, the Committee encourages companies to report more meaningfully on this best practice provision, for example by providing more insight into identified problem areas or focal points with regard to the strategy or by reflecting on the strategic choices made.

> Many profiles are quite old: 40% are more than five years old. The Committee notes that individual profiles and matrices are regularly updated and adapted to social developments for internal purposes. It calls on companies to keep their external profiles up to date.

> As in previous years, best practice provision 2.1.6 remains one of the least complied with reporting provisions. The percentage of explained deviations from this provision is also structurally higher than in the case of many other provisions. Companies often fail to explain why the diversity goals are specifically appropriate to the company and often fail to establish a link between the goals, the implementation and the results achieved. The Committee understands that companies sometimes do more with regard to diversity than they currently disclose in their annual reports. Nevertheless, the Committee encourages companies to go further in their reporting on diversity. They could do so, for example, by explaining in the annual report which actions the company has taken with regard to diversity and by providing more insight into issues that arise.

> Compliance with the best practice provision on culture has decreased compared to last year, which is disappointing given the great importance of culture within organisations. Companies often state the values that are relevant to them, but in most cases they do not state what they understand by these values and precisely why they are important. It is also notable that very few companies clearly explain the role of the code of conduct. The Committee has the impression that companies do have the ambition and will to report properly on the theme of culture, but that they lack the right tools to do so. The Committee has therefore included a good example in this Monitoring Report to provide inspiration.

3. Introduction

The compliance study has not surveyed overall compliance with the Code, but includes an in-depth study of the quality of reporting by companies on three themes, namely long-term value creation, culture and diversity. The previous compliance study also assessed these three themes in terms of the quality of reporting. It surveyed in particular the degree to which companies reported on a process-driven basis or more substantively in line with the Code's underlying conduct provisions. On the basis of the compliance study, the Committee noted that in many cases the reporting by companies did not sufficiently reflect the underlying conduct-related provisions, so the meaningfulness of reporting was diminished to some extent. The Committee subsequently called on the companies to focus on substantively relevant and meaningful reporting in their annual reports for the 2021 financial year, providing greater insight into the governance challenges and other issues as well as their judgements on these. To that end the Committee has included several examples to help companies with such assessments.

As part of the compliance study for the 2021 financial year, the Committee asked SEO to conduct an in-depth examination of the quality of reporting on a selection of reporting provisions in the Code: best practice provision 1.1.3 and best practice provision 1.1.4 (long-term value creation), best practice provision 2.1.1 and best practice provision 2.1.6 (diversity) and best practice provision 2.5.4 (culture). The quality was assessed on the basis of various quality indicators determined in consultation with the Committee (for a full list see Annex B.1 of the SEO report). With regard to the quality of the explanatory notes on best practice provision 1.1.3 (supervisory board report), for example, it was assessed whether the report reflected the supervisory board's own view.

This report is based on the results of the compliance study by SEO. The study results were gathered by means of desk research on the annual reports and profiles of the supervisory board of 112 listed companies, including 30 listed outside the Netherlands.

In the desk research SEO started by surveying compliance with the selected reporting provisions in the Code using the same method as that used in previous compliance studies. Due to the "comply or explain" principle in the Code, this means that unless companies state that they are deviating from a provision in the Code, compliance is be assumed. Where a company deviated from a provision, the study assessed whether an adequate explanation had been given. A deviation with an explanation also qualifies as compliance with the Code. A deviation without an explanation is deemed to be non-compliance. SEO then assessed the quality of the explanatory notes provided by companies on compliance with the selected reporting provisions. The quality was assessed on the basis of various quality indicators, for which a score was awarded. The results were then validated in consultation between SEO and the individual companies. The desk research was enriched with insights from discussions with 14 companies in three focus groups.

The Monitoring Report contains the key results of the compliance study conducted by SEO, the Committee's perspective on the research results and an overview of the Committee's main reporting recommendations. A more detailed explanation of the methodology used for all the results of the study can be found in the SEO report.[1]

1 https://www.seo.nl/publicaties/monitor-nederlandse-corporate-governance-code-boekjaar-2021/.

4.
Reporting recommendations

In order to encourage companies to place greater emphasis on meaningful reporting, the Committee explains what can be expected of companies:

> Companies can be expected to embrace the intentions of the Code and try to avoid the use of long boilerplate texts and repetitions in annual reports.
> Companies can report in a more meaningful way by specifying their intentions and explaining which actions have been taken.
> Reporting becomes more meaningful if balanced attention is given to ESG aspects when reporting on long-term value creation and a clear link is established with the strategy.
> Companies could report more meaningfully by explaining why the financial and ESG aspects are appropriate to the company, what steps the company is taking to fulfil them in practice and how these aspects contribute to long-term value creation.
> Presentation of the supervisory board's own view on long-term value creation and the strategy for its realisation in the supervisory board report ensures more meaningful reporting. In this regard it is helpful to explain how and to what extent the supervisory board is involved in implementing the long-term value creation strategy and to identify the points on which the supervisory board focuses attention.
> Reporting on diversity can be made more meaningful by explaining the actions the company has taken with regard to diversity and by providing more insight into the issues that arise.
> A profile for the members of the supervisory board is more relevant if it is up to date. The reporting is more meaningful if an up-to-date profile for members of the supervisory board is provided.
> Companies could report more meaningfully by providing a detailed explanation of the culture within the company and stating whether it is desirable to make any changes to it. It is important to make clear how the culture, the underlying values and conduct promoted within the company contribute to sustainable long-term value creation and, if changes are required, which initiatives are being taken to further increase this contribution.

Main message:
Meaningful reporting not only describes intentions and policy for the implementation of the best practices, but also provides insight into the actions taken, issues arising, the ensuing considerations, the resulting outcomes and the impact on the company. The purpose of reporting is not to provide a large amount of detail. Good reports are clear, concise and focused on the company.

5.
Key results

Provision 1.1.3 (Role of the supervisory board)

Provision 1.1.3 reads as follows:
"The supervisory board should supervise the manner in which the management board implements the long-term value creation strategy. The supervisory board should regularly discuss the strategy, the implementation of the strategy and the principal risks associated with it. In the report drawn up by the supervisory board, an account is given of its involvement in the establishment of the strategy, and the way in which it monitors its implementation."

Findings of desk research

Compliance
Compliance is high, namely 99% for companies listed in the Netherlands and 93% for companies listed outside the Netherlands. These figures are comparable to those for the previous financial year (98% and 87% respectively).

Qualitative assessment
The qualitative assessment considered the following quality factors. It first assessed whether the reporting is predominantly

Example of meaningful reporting on provision 1.1.3
In coordination with the Executive Board, the Supervisory Board previously determined certain focus areas for the year 2021. The Supervisory Board placed special emphasis on the following predetermined subjects in 2021: […]

Optimization European manufacturing footprint Automotive Group
Building upon the initiatives that commenced in 2020, management continued its review of the set-up of our Automotive Group that has manufacturing facilities across three continents: US, Europe and Asia. With a view to enhancing effectiveness and to further increasing our ability to respond to disruptive trends and market developments, the review focused predominantly on combining and enforcing the strengths of our European manufacturing facilities without prejudicing the benefits of a global Automotive Group.
One of the outcomes of this review has been the planned shutdown of the manufacturing facility in Eibiswald, Austria. The decision to close the Eibiswald facility impacts our stakeholders, especially our Eibiswald employees. Other obvious stakeholders that are affected by the shutdown include our customers and suppliers. The Supervisory Board therefore considered that the closure of the Eibiswald facility required close monitoring and accordingly identified the shutdown as a 2021 focus item.
The constant pressure on the supply chain and – in many ways – the resulting unpredictability, necessitated flexibility as to the timing of the execution of the closure activities. With the appropriate notification, consultation and involvement of the relevant stakeholder groups, the closure of the Eibiswald facility has been initiated and is underway. […]

Focus items in 2022
The Supervisory Board has defined the following attention points for 2022:
- Advancing the development of a sustainability target framework for the period beyond 2023, including the development of concrete ambitions to reduce environmental impact.
- Accelerating the transition to a future proof organization increasing organizational agility and resilience and integrating digital technologies in all relevant business processes.

Progress on the achievement of the medium to long-term financial objectives for 2025 (i.e., average organic growth of 5% between 2019-2025, ROI of at least 25% and EBITDA margin of at least 15% by 2025).

Source: Kendrion annual report, pp. 85-87.

process-driven or more substantive. In process-driven reporting, a distinction is made in terms of whether only generic themes are considered (for example, whether "strategy", "sustainability" or "diversity" is discussed), or whether the reporting also considers company-specific aspects of the strategy or the oversight conducted by the supervisory board. It also assessed whether the report reflected the supervisory board's own view.

Still a lot of process-driven reporting
As in the previous year, two-thirds of the annual reports contain process-driven reporting. Almost all annual reports state that the supervisory board is involved in creating and supervising the strategy, declaring for example that meetings covered matters such as the view on long-term value creation, the strategy and implementation of the strategy. In annual reports containing more substantive reporting, the supervisory board provides greater insight, for example by identifying particular problem areas or focal points.

Generic versus specific reporting
The detailed analysis of the more process-driven explanatory notes shows that 55% of companies report only generically and 45% provide generic explanatory notes. Generic explanatory notes are a less clear indication of the matters on which the supervisory board actually focused attention and their relevance to the company.

The supervisory board's own view
In a quarter of all companies (and in 77% of companies providing substantive reporting at least in part), the supervisory board report sets out the supervisory board's "own view" on

Example of meaningful reporting on provision 1.1.3

Achievement of corporate targets
The Supervisory Board can look back on a strong year, in which Van Lanschot Kempen showed growth in assets under management and earnings. In line with its strategy, this growth was achieved both organically and inorganically. […] The integration of clients, employees and funds from Hof Hoorneman Bankiers was also completed, according to plan. Even after these acquisitions, Van Lanschot Kempen's capital position remains very strong. The organization will continue to optimize its capital position and ensure that there is still scope for potential acquisitions within the wealth management sector. If possible, the Management Board may also consider capital returns to shareholders, subject to regulatory approval.
Sustainability is important for both Van Lanschot Kempen and its stakeholders. In 2021, progress was made on setting more ambitious targets for reducing carbon emissions. The governance around sustainability has also been further enhanced through the introduction of a Sustainability Centre and a Sustainability Board. […]
Diversity and inclusion is an increasingly important focus area. Based on the results of the employee engagement survey that happens once every two years, we can conclude that employees perceive Van Lanschot Kempen to be an inclusive organization, but gender diversity among senior staff needs improvement. […]

Relevant aspects of sustainability
[…] In October 2021, the Supervisory and Management Boards took part in an education session on sustainability. The Supervisory Board discussed climate change as well as the broader impacts of the process of adjusting to a lower-carbon economy. The scope and developments of the EU sustainability regulatory framework were also covered. This comprehensive set of sustainability regulations has an impact on various parts of the company's business, particularly through more stringent disclosure requirements. During the education session, the link between these regulations and Van Lanschot Kempen's sustainability ambitions was discussed, moving beyond compliance and recognizing the strategic imperative and opportunities that these developments may bring for the financial sector in general and for Van Lanschot Kempen in particular. In that context, the conclusions of Maastricht University's research project (commissioned by Eumedion) on why and how sustainability is being embedded in Dutch listed companies were also shared.

The Supervisory Board is pleased to see that Van Lanschot Kempen has accelerated its efforts to integrate sustainability further into the organization over the years, and put sustainability at the center of its business operations and client solutions in 2021. Given the continuous developments in this field, as well as evolution towards a more purpose-driven and value-based leadership within companies, sustainability remains a topic that requires ongoing attention from Van Lanschot Kempen going forward. The next step is to further integrate all relevant aspects of sustainability into its daily business and risk management process.

Source: Van Lanschot Kempen annual report, pp. 75-76.

long-term value creation as well as the strategy and its implementation. The board's own view can be described, for example, by identifying focal points or problem areas or by reflecting on the strategic choices made. Companies that report substantively without providing their own view discuss generic external circumstances, for example, without clarifying how, in the supervisory board's opinion, these influence long-term value creation as well as the strategy and its implementation.

Findings of focus groups

In the focus groups a large proportion of participants state that process-driven reporting fits in best with best practice provision 1.1.3. That is due not only to the fact that this best practice provision requires companies to report on how the supervisory board was involved, but also to reasons of confidentiality, the desire of the management board and the supervisory board to speak with one voice, not to upset the balance between the roles of the management board and the supervisory board and to avoid disquiet among shareholders and stakeholders. Participants also argue that if an annual report does not fully reflect the outcome of discussions with shareholders, stakeholders or the management board, this does not mean the supervisory board has not formulated its supervisory duties in an effective manner. Some participants have wondered whether the annual report is actually the right place for more detailed clarification of the role of the supervisory board with regard to the strategy. Some also believe they could not report in a more substantively relevant and company-specific way than they do at present, while others acknowledge that there may still be scope to raise the quality of the supervisory board's reporting.

Perspective of the Committee

Little has improved in terms of compliance with best practice provision 1.1.3 compared to the previous financial year. Companies usually report only *that* the supervisory board was involved in creating the strategy and supervises it. Only one-third of the companies provide more substantive insight and colour to show *how* the supervisory board is involved in creating and supervising the strategy and to highlight the particular subjects to which the supervisory board devotes attention.

The Committee acknowledges that the wording of the Code encourages process-driven reporting, but this does not necessarily impede more meaningful reporting. This is demonstrated by the fact that a quarter of the annual reports do include the supervisory board's own view. Good examples are the reports by Van Lanschot Kempen and Kendrion. In these examples the reporting is also specific rather than generic, which is preferable (see Monitoring Rapport, pp. 7 and 8).

Companies are not expected to provide full information on critical discussions between the management board and the supervisory board or to disclose the precise impact of the supervisory board on the long-term value creation strategy. The Committee nevertheless still sees scope for more substantive reporting on best practice provision 1.1.3.

Provision 1.1.4 (Reporting by the management board)

Provision 1.1.4 reads as follows:
"In the management report, the management board should give a more detailed explanation of its view on long-term value creation and the strategy for its realisation, as well as describing which contributions were made to long-term value creation in the past financial year. The management board should report on both the short-term and long-term developments."

Findings of desk research

Compliance
As in previous years, compliance with this provision is high. 98% of companies listed in the Netherlands comply (previous year: 98%). In the case of companies listed abroad, compliance is 100% (previous year: 97%).

Qualitative assessment
The qualitative assessment considered the following quality factors. It looked initially at whether companies' reports on strategy focused solely on the financial/commercial aspects or also on ESG (environmental, social and governance) aspects. It also assessed whether aspects of the strategy were specifically appropriate to the company. Passages that describe the vision and strategy and make clear why they are appropriate to the company are more specific. It also examined whether companies explain which actions they are willing or able to take to achieve their strategic goals and what preconditions apply. Finally, it looked at the extent to which a link is established between the (financial/commercial) results achieved and ESG aspects of the strategy.

An example of company-specific reporting:
a.s.r.'s strategy has four elements that are relevant for customers, employees, investors and society.

1. a.s.r. aims to be the best financial service provider for customers - a.s.r. aims to be the best financial service provider, a high Net Promoter Score (NPS-r) could be considered a relevant indicator. This means that a.s.r. clearly understands customers' requirements and responds to these in the right way. For example, a growing number of customers prefer digital service commission. a.s.r. therefore increasingly offers its services online, so that customers can arrange matters and can have personal contact if they wish. In the field of distribution, a.s.r. maintains its strong partnership with the advisors.
2. a.s.r. shows excellence in pricing, underwriting and claims management. - a.s.r. takes it seriously to develop employees' expertise and professional skills. This attributes to attractive premiums for sustainable products and services, the ability to assess risks accurately and to fast, clear and simple communications with customers, in order to help them if they call on a.s.r. for assistance with claims.
3. a.s.r. is cost-effective - Everyone at a.s.r. continually monitors whether work can be done in smarter, more efficient ways at lower costs. This is embedded in the business operations. Cost savings are not a target in themselves, but dealing responsibly with the available resources is a target. Costs are incurred only if they contribute to realising the targets set.
4. a.s.r. has a solid financial framework - a.s.r. is an all-round insurer with a robust solvency and profitable activities that generate capital. The solid capital base enables a.s.r. to meet long-term commitments, offer shareholders prospects of attractive returns and to grow, both organically and via targeted acquisitions

Source: a.s.r. annual report, p. 12.

Financial and commercial aspects versus sustainability aspects of the strategy
All companies that apply provision 1.1.4 devote attention to the financial and commercial aspects of their strategy in their annual report, but only 46% devote explicit attention to ESG factors.

Specific and appropriate reporting
77% of companies that apply provision 1.1.4 explain (at least in part) why the financial and commercial aspects of the strategy are specifically appropriate to the company. Of the companies that devote explicit attention to ESG factors, only 59% explain why the ESG aspects are specifically appropriate to the company.

Clarification of the intended course of action to achieve strategic goals
Of the companies that devote attention to financial and commercial aspects of the view on long-term value creation and the strategy for its realisation, 62% show (at least in part) which actions they are willing or able to take in order to achieve their strategic goals and the applicable preconditions. In the case of the companies that devote attention (at least in part) to the ESG aspects of the view on long-term value creation and the strategy for its realisation, the percentage is higher, namely 70%.

Link between results and strategy
45% of the companies that apply provision 1.1.4 establish a link (at least in part) between the financial and commercial aspects of the long-term value creation strategy and the (financial/commercial) results achieved. Of the companies that devote attention to ESG aspects of the view of long-term value creation and the strategy for its realisation (46% of all companies that apply provision 1.1.4), only 30% link the results (at least in part) to the long-term value creation strategy.

An example of reporting on financial and ESG aspects of the strategy

CAPITAL — Growth drivers

OUR FINANCIAL FRAMEWORK – FINANCIAL CAPITAL

We maintain a sustainable mix of debt and equity investments and a sound financial position.
- Net sales: €75.6 billion
- Free cash flow: €1.6 billion

OMNICHANNEL NETWORK – TANGIBLE CAPITAL

Our brands' network of stores, pick-up points and delivery services are supported by state-of-the-art distribution and logistics network,
- Our brands operate 7,452 stores and 1,642 pick-up points
- Online grocery penetration of 6.8%
- Net consumer online sales growth (at constant rates) of 38.2%

TECHNOLOGY – INTELLECTUAL CAPITAL

Our knowledge, experience, thought leadership and strong brands ensure that customers and associates can count on the highest quality retail offerings and concepts.
- We ensure we have processes in place to safeguard data privacy, product integrity and product safety.
- Our brands and hubs develop and maintain innovative proprietary technology solutions.

ASSOCIATES – HUMAN CAPITAL

Our brands' motivated and talented associates are the key to their success.
- Our brands and businesses employ in aggregate 413 thousand associates worldwide, with 55% under collective labor agreements.

COMMUNITIES – SOCIAL AND RELATIONSHIP CAPITAL

We support the communities our brands operate in by providing information on healthy living and well-being, making donations, funding sponsorships and through partnerships that contribute to better living.
- 98% of production sites of own-brand food products are Global Food Safety Initiative (GFSI)-certified or comply with an acceptable level of assurance standard
- 69% of net sales are generated by loyalty card members
- €199.4 million in philanthropic contributions were made

PRODUCTS AND OPERATIONS – NATURAL CAPITAL

The products our brands sell and the operation of our businesses rely on natural resources. How products are grown and produced impacts soil, water resources, and biodiversity. Our brands aim to make it easier for customers to shop for sustainably-sourced products while we continue to build a more sustainable business.
- Use of fossil and renewable energies
- Use of different materials, such as plastic and cardboard
- Use of natural resources from oceans, forests, land and other ecosystems

Source: Ahold Delhaize annual report, p. 38.

An example of reporting on financial and ESG aspects of the strategy

Value creation themes	KPIs	Targets		Performance in 2021	Performance in 2020
Financial	1. CET 1 ratio	15-17%	●	23.7%	24.3%
	2. Return on equity (CET 1)	10-12%	●	15.7%	4.4%
	3. Efficiency ratio	70-72%	●	68.9%	85.7%
	4. Three-year relative performance of discretionary management mandates:				
	a. Private Clients	> benchmark	●	-0.8%	-1.8%
	b. Evi	> benchmark	●	-0.6%	-2.2%
Human and intellectual	5. Employee engagement score	> 80%	●	88%	n/a
	6. Employer Net Promoter Score (eNPS)	> 10	●	13	6
	7. Gender balance in management positions	> 30% female > 30% male	●	22% female 78% male	21% female 79% male
	8. Percentage of total number of training courses followed to develop new skills in order to adapt the workforce (e.g. technical, digital, adaptability)[1]	> 25%	●	53%	57%
Social	9. Net Promoter Score (NPS):				
	a. Private Clients	10	●	36	26
	b. Evi	10	●	15	5
	c. Wholesale & Institutional Clients	20	●	38	n/a
	10. Investment Banking Clients: number of successful transactions with repeat Corporate Finance clients (five-year period)	60-70%	●	46%	43%[2]
	11. Investment Banking Clients: bundled commission paid by repeat Securities clients	> 80%	●	94%	95%
	12. Investment Management: average Morningstar rating of investment strategies (institutional share class)	> 3.5	●	3.6	3.6
	13. Percentage of employees who positively evaluate our culture regarding ethical behaviour and integrity[3]	> industry average of 85%	●	90%	89%
Natural	14. Private Clients sustainability ambition: AuM invested in sustainable and impact investment wealth management solutions	last year +10%	●	2021: €4,367 + €1,304m	2020: €3,063m > €1,017m
	15. Investment Management sustainability ambition:				
	a. Percentage of internal and external fund managers on the approved list that meet the sustainability criteria	> last year	●	76%	70%[4]
	b. Engagement cases with companies that our funds invest in per year	80-100	●	132	116
	c. Engagements for change for which at least one milestone has been reached in the past year[5]	10-15	●	55	54
	16. Decrease in carbon emissions:				
	a. Direct emissions of our own organisation	-2.5%/FTE/year	●	-6.2%	-51.1%
	b. Indirect emissions via our balance sheet (mortgage portfolio)	CO_2e/€ < last year	●	-6.1%	-6.6%

● KPI more than achieved ● KPI achieved ● KPI almost achieved ● KPI not achieved ● KPI far from achieved

Source: Van Lanschot Kempen annual report, pp. 22

Findings of focus groups

During the focus groups, discussions with companies included the view that (in short) there is room for improvement in reporting on the view on long-term value creation and the strategy for its realisation, particularly with regard to ESG aspects. In response, companies indicate that whereas until a few years ago only large caps were concerned with themes such as sustainability or diversity, companies across the board are now addressing these matters. It is acknowledged that smaller companies still have some catching up to do in their ESG reporting. In some cases companies are still trying to find the right approach, partly given that the "ESG landscape" is currently in a state of flux. Participants state that companies need time to implement this properly, and express the expectation that over time it will become easier to improve reporting on themes such as long-term value creation, sustainability and diversity.

Perspective of the Committee

The Committee finds that too few companies (46%) properly address ESG aspects in their reporting on the view of long-term value creation and the strategy for its realisation.

The Committee is well aware that including ESG aspects in the reporting is relatively new for companies and that this needs to develop further in the future.

For inspiration, the Committee refers to the selection of good examples included in this report (a.s.r., Ahold Delhaize and Van Lanschot Kempen). a.s.r., for example, shows clearly in its annual report how four pillars in the strategy are relevant to customers, employees, investors and society. It also clearly describes where a.s.r. believes it can have the most impact for its stakeholders in realising long-term value.

The Committee points out that in this regard the best practices in the updated Code have been tightened. They now state, for example, that the management board is responsible for sustainable long-term value creation. The management board is also expected to report on the formulated objectives in relation to sustainable long-term value creation, what effects the company's products, services and activities have had on people and the environment, how stakeholders' interests have been taken into account, what actions have been taken in that regard and the extent to which the set objectives have been achieved. Management board members and supervisory board members are expected not only to devote attention to the consequences of decisions for the long-term strategy and its impact on stakeholders, but also to act sustainably from an environmental, social and economic perspective.

Provision 2.1.1 (Profile)

Provision 2.1.1 reads as follows:
"The supervisory board should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile should address:

i. the desired expertise and background of the supervisory board members;
ii. the desired diverse composition of the supervisory board, referred to in best practice provision 2.1.5;
iii. the size of the supervisory board; and
iv. the independence of the supervisory board members.

The profile should be posted on the company's website."

Findings of desk research

Compliance
Compliance with provision 2.1.1 by companies listed in the Netherlands is 92%. Companies listed outside the Netherlands comply relatively less often with the provision (64%).

Qualitative assessment
The qualitative assessment considered the following quality factors. The analysis examined whether and to what extent the profile for the supervisory board i) focuses the required expertise on the company, ii) states specific diversity objectives, iii) substantiates why certain diversity objectives have been set, iv) states how many members are permitted or able to sit on the supervisory board, and v) includes specific conditions with regard to the independence of members of the supervisory board.

Profiles are not often updated
Many profiles are relatively old: of the 80 having a clear compilation date, 40% are older than five years. It is also notable that companies often use the same phrases in their profiles.

Example of a profile in which the required expertise is clarified and specified

3.2
Each Supervisory Board member shall be capable of assessing the broad outline of the overall policy of ING and of the most important risks incurred. Each Supervisory Board member shall have the specific expertise required for the fulfilment of the duties assigned to the role designated to him or her within the frame work of the Supervisory Board profile. Each Supervisory Board member shall have sufficient time available for the proper performance of his or her duties. The composition of the Supervisory Board shall be such that it is able to carry out its duties properly.
[…]

3.5
The Supervisory Board shall consist of a mix of persons with executive experience, preferably gained in the banking sector, experience in corporate governance of large stock-listed companies and experience in the political and social environment in which such companies operate.
[…]

3.9
The following criteria are relevant for the selection and composition of the Supervisory Board:
Among its members, there is a proper dispersal of: (1) specific know-how with respect to the various aspects of the business and corporate policy of ING with regard to the various social and economic connections of ING in which it is engaged (2) corporate, political and social experience and (3) the capabilities to take measures to manage ING in the absence of the Executive Board.
Its members have an critical eye for and are capable of evaluating (international) social, economic, political and other developments relevant to ING.

>

Clarification of specific expertise
The companies that apply provision 2.1.1 in almost all cases address the desired expertise and background of members of the supervisory board and provide a summary of the required competences and expertise that must be represented within the supervisory board. Only a very limited proportion of companies (13%) substantiate this expertise and/or provide an explanation as to why certain specific areas of expertise are necessary for effective supervision.

Specific diversity goals
Only 52% of companies make their diversity goals specific and measurable in the profile. Companies state clearly, for example, that at least one-third of the supervisory board must comprise men and at least one-third women. Companies that do not make their diversity objectives specific and measurable explain in particular the desire to have a diverse supervisory board and to look, for example, at nationality, age, gender and background, without specifying precisely what they understand by diversity. Such texts are often similar to the text in provision 2.1.5 of the Code, where these four aspects of diversity are identified. 40% of the companies that include specific diversity goals in the profile explain why they chose them. These companies explain, for example, that they want members of the management board and supervisory board (or possibly a specific number of them) to come from certain countries because they generate a significant share of their revenues in those countries. Companies that do not provide such an explanation often only list the relevant aspects of diversity without explicitly stating why those aspects are relevant to the company.

Specification of the size of the supervisory board
91% of the companies specify the intended size of the supervisory board in the profiles. In many cases companies do this by setting a lower limit to the size, for example stating that the supervisory board (in line with Article 2:158(2) of the Dutch Civil Code) will comprise at least three members.

Specific conditions for independence
60% of the companies explain in the profile what the specific conditions are for the independence of members of the supervisory board. These companies state not only that the members of the supervisory board must be independent or act independently, but also what they understand by independence. Companies often use the independence criteria in the Code (provisions 2.1.7-2.1.9).

Its members are deemed (or, in the case of a reappointment, have proven) to be capable to operate as members of the Supervisory Board as a collegiate body and not as advocates of any specific person, group of persons or party concerned with ING.
Its members do not have (perceived) conflicts of interest with, are not employed by, and are not directly involved in negotiations on labour issues and relations with (affiliates of) ING.

3.10
The following areas of competence are considered for the composition of the Supervisory Board:
management of complex multinational enterprises; international economic, regulatory and public policy issues; labour and social relations within companies; retail and wholesale banking(*); asset management; bancassurance products; audit(*), finance and control; risk management, including enterprise risk management(*); legal affairs and corporate governance; corporate integrity; information technology and e-business(*); operational policies and processes; human resources and management development; and/ or marketing, in particular in the area of financial products and services.

* We strive to have at least two members of the Audit Committee and of the Risk Committee to have a strong track record and experience in the banking or financial industry with respect to the competencies with a (*) mentioned above.

Source: ING profile.

Findings of focus groups

Participants in the focus groups state that profiles contain the basic principles for the composition of the supervisory board. Profiles are therefore formulated generically so that they do not have to be amended every time an appointment is made. When a new member of the supervisory board is being sought, the profile is fleshed out internally for the purpose of instructing a headhunter or for the deliberations on nomination and selection. A general formulation provides latitude for appointments and that is in the company's interest. Participants also comment that soft criteria, such as personality or chemistry within the supervisory board, are difficult to express in a formal profile, even though they are important.

Perspective of the Committee

Partly as a result of contact with the focus groups, the Committee concludes that individual profiles and matrices are indeed regularly updated for internal purposes and adapted to social developments, for example with regard to expertise in the field of digitisation (especially cybersecurity) and sustainability. The Committee calls on companies also to regularly examine the externally published profile and to update it where necessary.

Provision 2.1.6 (Reporting on diversity)

Provision 2.1.6 reads as follows:
"The corporate governance statement should explain the diversity policy and the way in which it is implemented in practice.
It should address:
i. the policy objectives;
ii. how the policy has been implemented; and
iii. the results of the policy in the past financial year.

If the composition of the management board and the supervisory board diverges from the targets stipulated in the company's diversity policy and/or the statutory target for the male/female ratio, if and to the extent that this is provided under or pursuant to the law, the current state of affairs should be outlined in the corporate governance statement, along with an explanation as to which measures are being taken to attain the intended target, and by when this is likely to be achieved."

Findings of desk research

Compliance
Compliance by companies listed in the Netherlands is 87% (previous year: 83%) and for companies listed abroad the figure is 81% (previous year: 65%). The percentage of explained deviations from this provision is higher than for many other provisions. 7% against an average of 2% for the other provisions.

Qualitative assessment
The qualitative assessment considered the following quality factors. It examined whether and to what extent the reporting on diversity i) includes specific, measurable and trackable goals, ii) explains the diversity goals, and iii) establishes a link between the goals of the policy, its execution or implementation and the results achieved.

Example of meaningful reporting on provision 2.1.6 (reporting on diversity)

	Aspiration	**2021**	2020
Inclusion index[1]		**77%**	75%
Internationalization & diversity			
Female executives	25% by 2021	**23%**	21%
Under-represented nationalities	35% by 2021	**31%**	30%

[1] All data presented in People are subject to the Non-financial reporting policy.

The focus areas for I&D: Recruitment, development and inclusion
A wide range of initiatives was undertaken within these three focus areas by our global Inclusion & Diversity (I&D) team, in close collaboration with regional teams and Employee Resource Groups. These initiatives aim to diversify our current and future talent pools, improve development opportunities for underrepresented groups, and ensure a psychologically safe and inclusive working environment where all our colleagues can be their authentic selves. Our efforts are reflected in the increase of our inclusion score (+2%), which is even more evident in our regions such as China (+5%) and Latin America (+4%). […]

Our performance on our I&D targets
In 2021, we realized a 2% increase in the percentage of executive women, from 21% to 23%, reflecting changes implemented in our talent acquisition and recruitment processes, which included 50:50 gender-diverse shortlists and unconscious bias awareness sessions for recruiters. We increased our percentage of under-represented executives from 30% to 31%. Despite this, we underperformed against our 2021 targets for female (25%) and under-represented groups (35%) at executive levels.
Several factors influenced this outcome, including the divestment of Resins & Functional Materials and associated businesses, competition for high-profile candidates in a buoyant market, and the impact of ongoing DSM transformation initiatives.
With the current targets expiring in 2021, our global I&D team worked closely with stakeholders to agree new ambitious I&D commitments for the period 2022-2025. These include:
- 30% of our executives to be female by 2025
- 40% of our executives to be from currently under-represented nationalities by 2025
- Global business and functional Leadership Teams to be a minimum 30% diverse by gender and nationalities by 2025

Source: DSM annual report, pp. 62-64

Specific and measurable goals
More than two-thirds of the companies that apply provision 2.1.6 include specific and measurable goals in their annual report. These companies include a specific target value for a diversity aspect in their reporting, stating for example that a third of the management positions should be filled by women. Companies that do not include specific and measurable goals only express a desire that the composition of the management board, the supervisory board and/or the senior members of second-tier management should reflect the workforce or society as a whole.

Link between goals, implementation and results
38% of the companies establish a link between the goals of the policy, its execution or implementation, and the results achieved. These companies explain, for example, how the implementation of the diversity policy is intended to achieve a particular goal. A company seeking to increase gender diversity in its senior management by stimulating internal advancement, for example, explains what has been done to develop or accelerate this advancement.

Explanatory notes on the diversity goals
Only one-third of companies focus the diversity goals on the company and explain why they are specifically appropriate to the company. Companies that make their goals specific explain why they focus on certain aspects of diversity and/or why they apply the chosen target values. They explain, for example, that they are aiming to have (possibly a specific minimum number of) members of the management board and supervisory board from a specific region or with a specific expertise/background, because the company generates a significant proportion of its revenues in the region concerned. Companies that do not make their diversity goals specific often only provide a list of diversity aspects which the company takes into account in its diversity policy.

Findings of focus groups
During focus groups participants state that in practice they do more for diversity than they are able to disclose in the annual report. Another factor is that it is sometimes difficult to report on inclusion and diversity because these also include "soft" elements.

Perspective of the Committee
As in previous years, best practice provision 2.1.6 remains one of the least complied with reporting provisions. The percentage of explained deviations from this provision is also structurally higher than in the case of many other provisions. Companies often fail to explain why the diversity goals are specifically appropriate to the company and often fail to establish a link between the goals, the implementation and the results achieved.

The Committee understands that companies sometimes do more with regard to diversity than they currently disclose in their annual reports. Nevertheless, the Committee encourages companies to go further in their reporting on diversity. They could do so, for example, by explaining in the annual report which actions the company has taken with regard to diversity and by providing more insight into issues that arise. DSM details the priorities in its annual report, translates these into specific objectives and outlines the activities that have been undertaken to meet these objectives.

After the update the Code specifies that companies must draw up a policy on diversity & inclusion (D&I policy) for the whole enterprise, setting out in any event specific, appropriate and ambitious goals in order to achieve a good balance in gender diversity and other diversity and inclusion aspects of relevance to the company with regard to the composition of the management board, the supervisory board, the executive committee (if any) and the senior management. The management board and supervisory board are expected to consider what the social role of the company is in the field of D&I, what its relevance is to the company's culture and how this can be fulfilled in leadership development. D&I policy starts with awareness and objectives, even if it is still premature to set specific targets. Awareness starts with gaining insight – where relevant and possible – into the inflow, progression and retention of employees. In this context, companies can examine the most recent findings regarding the promotion of diversity provided by the SER (including through the Diversity and Inclusion Programme and on the SER diversity portal) and best practices for the aggregated mapping of employee inflow, progression and retention.

Provision 2.5.4 (Reporting on culture)

Provision 2.5.4 reads as follows:
"In the management report, the management board should provide explanatory notes on:
i. the values and the way in which they are incorporated in the company and its affiliated enterprise; and
ii. the effectiveness of, and compliance with, the code of conduct."

Findings of desk research

Compliance
For companies listed in the Netherlands compliance is 80% (previous year: 90%). Compliance by companies listed outside the Netherlands is 67% (previous year: 82%).

Quality factors
The qualitative assessment considered the following quality factors. The analysis examined whether and to what extent the reporting on culture i) explains the significance of the values, ii) clarifies how the values are embedded in the company and its affiliated enterprise, and iii) specifies the role that the code of conduct fulfils for the company.

Explanatory notes on the significance of the values
63% of companies that apply provision 2.5.4 state their values without explaining them further. They recount *what* their values are, but do not make clear what they understand by these values or what they mean to the company. Companies that do explain the significance of the values state not only that integrity is one of the core values, for example, but also what they understand by this. An even

Example of meaningful reporting on provision 2.5.4 (reporting on culture)
Our core values, established in the company's early days, represent the foundation of our culture. We use them as a guide in every decision we make and every action we take.

to know: We know our talent, our clients, their companies, and our business. In our business it is often the details that count the most. The more we know people, the better we can understand what they need. When we know what makes them tick, we can empathize with their situation and find solutions that truly help them.

to serve: We succeed through a spirit of excellent service, exceeding the core requirements of our industry. We act in service to talent and clients. Not for our success, but for theirs. We make sure that they are seen and heard at every step of the experience. We go beyond what is expected of us and do everything in our power to make their success our priority.

to trust: We are respectful. We value our relationships and treat people well. We build life-long relationships with our expertise and empathy. We deliver on our promises and offer clients and talent our extensive knowledge of the world of work. We listen to them, try to understand their challenges, and keep them informed at every stage of the process. This is how we create lifelong relationships based on trust that adds real value.

striving for perfection: We always seek to improve and innovate. We are here to delight our clients and talent in everything we do. This gives us our edge. To stay at the forefront of conversations about the future of work, and offer more ways to exceed expectations in the client and talent experience, we must continuously innovate. We strive for excellence in our people, our processes, and our perspective. We use the best that tech and touch has to offer to ensure that we continue to grow and improve. We operate at the intersection of real conversation and technology, and get the best out of both.
(…)

Build on our strong foundation
Our strong foundation consists of our core values, human forward promises, and building blocks. Our core values – to know, to serve, to trust, striving for perfection, and simultaneous promotion of all interests – represent the foundation of our culture. Our three Human Forward promises – transparency, guidance and proactivity – will always guide our behavior, no matter whether it is about our human interactions or about how we apply our HR technology. Our four building blocks – best people, strong concepts, excellent execution, and superior brands – work in unison. Strong concepts are of little value without the right people to make them work. Excellent execution is impossible without the right concepts and the best people, and together they guarantee superior brands.
(…)

smaller group (32% of the companies that explain it) focus the reported core values on the companies and explain why they are specific (and appropriate) to the company.

Explicit link between values and embedding
Around a third of the companies that apply the provision explain how the values are embedded in the company and its affiliated enterprise. They state, for example, that there is a culture programme or that specific training courses have been provided and then explain how these activities fulfil or reflect the values. Companies also report on the values in various places in the management report, for example around the description of the value creation model, around the purpose, the profile of the company and/or the risk section.

Clarification of role of code of conduct
Finally, only 16% of the companies applying the provision specify the role that the code of conduct fulfils for the company. Companies that do this explain, for example, what role the code of conduct has in organising and maintaining a healthy risk culture. Companies that do not clearly specify the role of the code of conduct, report, for example, *that* they have a code of conduct that is complied with, but do not provide further clarification.

Business principles
Randstad's business principles, our code of conduct, are based on – and support – our core values. (…) The business principles are our minimum standards, applicable to all Randstad employees (including officers and directors); no one is authorized to violate them. (…)

In 2021, 22,000 employees (both new and existing) received business principles training, mostly online, either by webinar and/or by means of our dedicated elearning program. This means that all of our employees have been trained at least once. Our business principles training also covers grievance reporting, competition law, anti-bribery, data protection, information security, and human rights. In relation to human rights we focus on our salient issues, such as non-discrimination and equal opportunities, and protection against harassment and intimidation. To set a minimum standard, we developed a compliance induction and refresher elearning program: Randstad Rules!

In addition, we developed a set of seven animated videos that support training and communication on our business principles and corporate policies. These videos are available in 16 languages. Our dedicated compliance training ensures capacity building for our employees and increases their awareness of relevant topics in relation to their work. Understanding of our business principles is measured through our Randstad in Touch engagement survey (monthly). The results of this part of the survey can be found in the table 'Understanding of business principles'.

To further enhance awareness of the business principles, they are included in our HR Standards and communicated through various internal communication channels across the Group.

Source: Randstad annual report, pp. 10, 33, 71.

Findings of focus groups

Some focus group participants comment that the company's core values play a central role and that they are reflected in the culture of the company and can be seen as a summary of the culture. It is unsurprising that the same core values may be important to more companies. Culture is only expressed in reporting to a limited extent. Participants also emphasise that shareholders and stakeholders can gain insight into the company's culture in other ways, for example through discussions with members of the management board or supervisory board. Interested parties can thus obtain a fuller picture of the culture within a company than one based solely on the annual report.

Perspective of the Committee

The lower compliance with this best practice provision is disappointing given the great importance of culture within organisations. Companies often state the values that are relevant to them, but in most cases they do not state what they understand by these values and precisely why they are important. It is also notable that very few companies clearly explain the role of the code of conduct.

The Committee has the impression that companies do have the ambition and will to report properly on theme of culture, but that they lack the right tools to do so. The Committee has therefore included a good example in this Monitoring Report to provide inspiration. Randstad N.V. sees a number of core values as the foundation of its culture and provides a detailed explanation of precisely why these values are important to the company. The core values are also linked to business principles and the company's code of conduct. Finally, it explains how the values are applied in the training programmes and various policies on conduct for all employees.

The updating of the Code aims to stimulate an improvement in reporting on culture. For example, the management board will be asked to explain the culture within the company, whether it is desirable to make changes to it, and what initiatives are being taken to that end.

Annex 1: The Code And The Committee

The Dutch Corporate Governance Code

The Dutch Corporate Governance Code (the Code) contains principles and best practice provisions focused on promoting good governance in listed companies.[1] The Code governs the relationships between the management board, the supervisory board and the shareholders (including the general meeting of shareholders). Listed companies use the Code as a guide in designing their governance. In addition, the Code is a source of inspiration for many other companies and institutions that choose to apply the Code voluntarily.

Listed companies report on compliance with the Code in the management report.[2] The Code is considered to have been complied with if a company complies with a principle or provision of the Code ("comply") or if a company explains why it has not complied with a provision ("explain"). Deviation from a provision (i.e.: non-application) without justification in the annual report is deemed to be non-compliance. In their annual report, Dutch institutional investors are required to report on compliance with the principles and best practice provisions of the Code that pertain to them.

The Code is a self-regulation instrument for market participants, i.e. the so-called supporting parties. The supporting parties of the Code are Eumedion, Euronext, the Dutch Trade Union Confederation (FNV), the National Federation of Christian Trade Unions in the Netherlands (CNV), the Association of Stockholders (VEB), the Association of Securities-Issuing Companies (VEUO) and the Confederation of Netherlands Industry and Employers (VNO-NCW).

The Corporate Governance Code Monitoring Committee

The task of the Corporate Governance Code Monitoring Committee is to ensure that the Code remains relevant and useful, and it performs this task by:

> taking stock at least once a year of how and to what extent the provisions of the Code are being complied with;
> keeping up to date with international developments and practices in the field of corporate governance with a view to convergence of national codes;
> identifying gaps or ambiguities in the Code.[3]

At least once a year, the Committee reports its findings to the Ministers of Economic Affairs and Climate Policy, Finance, and Legal Protection. In this report, the Committee can also give guidelines for complying with the provisions of the Code. The Committee held fourteen plenary meetings in 2022. A large part of the meetings were devoted to updating the Code.

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[1] By "listed companies", we mean:
› all companies with registered offices in the Netherlands whose shares or depositary receipts for shares have been admitted to trading on a regulated market or a comparable system; and
› all large companies with registered offices in the Netherlands (balance sheet value > €500 million) whose shares or depositary receipts for shares have been admitted to trading on a multilateral trading facility or a comparable system.

[2] Article 2:391(5) of the Dutch Civil Code in conjunction with the Decree on the content of the management report.

[3] Article 2(3) of the Decree Establishing the Corporate Governance Code Monitoring Committee.

Composition of the Corporate Governance Code Monitoring Committee

Minister Wiebes of Economic Affairs and Climate Policy appointed the current Committee on 1 January 2019 for a term of four years. The Committee is composed of the following members:

Chairman

Ms P.F.M. van der Meer Mohr LL.M.

- Chairman of the Supervisory Board, EY Nederland LLP
- Non-executive director, HSBC Holdings plc (to April 2022)
- Non-executive director, Viatris
- Member of the Supervisory Board, ASM Internationaal
- Chairman of the Supervisory Board, Nederlands Dans Theater (to March 2022)
- Member of the Capital Market Committee, AFM
- Member of the Selection Committee, Supreme Court of the Netherlands
- Member of the Evaluation Committee, Conservatrix (to April 2022)
- Member of the Advisory Board, PBL Netherlands Environmental Assessment Agency
- Member of the Supervisory Board, Koninklijke Ahold Delhaize NV

Committee members

Prof. B.E. Baarsma

- CEO, Rabo Carbon Bank
- Professor of Applied Economics, University of Amsterdam
- Chairman of the Bank Council, De Nederlandsche Bank
- Member of the Dutch Committee for Entrepreneurship and Financing

Mr P.J. Gortzak LL.M.

- Executive Director Policy, APG
- Member of the Supervisory Board, CFK
- Member of the Supervisory Board, Nationaal Register
- Member of the Foundation Board, Netspar
- Member of the Management Board, NL Sporter

Mr S. Hepkema LL.M.

- Chairman of the Supervisory Board, Wavin NV
- Member of the Supervisory Board, SBM Offshore NV
- Member of the Management Board, VEUO
- Senior Advisor, Bain Capital Private Equity

Mr D.R. Hooft Graafland

- Member of the Supervisory Board, Koninklijke Ahold Delhaize NV
- Member of the Supervisory Board, Koninklijke FrieslandCampina NV
- Chairman of the Supervisory Board, Lucas Bols NV
- Chairman of the Management Board, Stichting African Parks Foundation
- Chairman of the Management Board, Carré Fonds

Prof. E.M.L. Moerel LL.M.

- Professor of Global ICT Law, Tilburg University
- Senior Counsel, Morrison & Foerster (Brussels)
- Member, Cyber Security Council
- Chairman of the Supervisory Board, Mauritshuis
- Member of the Supervisory Board, SIDN
- Non-executive director, Topicus.com coop

Mr R.M.S.M. Munsters MiF

- Member of the Supervisory Board, UnibailRodamcoWestfield SE
- Non-executive director, Moody's Europe
- Non-executive board member, BNY Mellon European Bank
- Chairman of the Supervisory Board, Athora Netherlands

Secretariat

Ms S.M. de Mik LL.M.
Ministry of Economic Affairs and Climate Policy, Enterprise Directorate

Mr R.R.D van der Velde
Ministry of Economic Affairs and Climate Policy, Enterprise Directorate

Observers

Ms N. ten Kate LL.M.
Ministry of Justice and Security, Legislation and Legal Affairs Department

Mr L.D. Brouwer
Ministry of Finance, Financial Markets Directorate

External legal advice

Ms T. Van den Berg LL.M.
NautaDutilh

Mr O.M. Buma LL.M.
NautaDutilh

Annex 2: National and international developments

National developments

Government will introduce and promote national ICSR legislation at European level
The Rutte IV government will introduce national legislation on international corporate social responsibility (ICSR), as agreed in the 2021-2025 coalition agreement.[4] It has been indicated that the national legislation will take account of the surrounding countries and the implementation of possible EU regulations. Following the submission to the House of Representatives of the private member's bill for an act on international corporate social responsibility and sustainability, as amended on the advice of the Advisory Division of the Council of State, the Minister for Foreign Trade and Development Cooperation informed the House of Representatives on 3 November 2022 that preparations for the government proposal on ICSR were being suspended in order to discuss the future of both bills with their promoters, thereby avoiding any duplication of work.

DNB study: financial sector must better account for sustainability risks
De Nederlandsche Bank (DNB) concludes in the "Balancing sustainability" study that the majority of the 127 financial institutions studied do not integrate sustainability risks adequately in their risk management.[5]

Friends of the Earth Netherlands sends letter to firms calling for increased sustainability
Friends of the Earth Netherlands has sent a letter to 29 companies calling on them urgently to accelerate the pace of increasing sustainability. In the letter, Friends of the Earth Netherlands states that these companies must achieve a 45% reduction in carbon emissions by 2030 compared to 2019. It says these firms' efforts are crucial for the fight against dangerous climate change. According to research by Friends of the Earth Netherlands, none of the companies approached had obtained a reasonable quality score for their climate policy.

Bill on remuneration measures for financial undertakings comes into force
The bill on "further remuneration measures for financial undertakings" was adopted by the House of Representatives on 21 April 2022. It was adopted by the Senate on 24 May 2022. This law was published on 13 June 2022 and[6] came into force on 1 July 2022.

Adoption of a bill concerning a security assessment for investments, mergers and acquisitions
Investments in and mergers and acquisitions of so-called Dutch vital suppliers and of Dutch companies possessing sensitive technology will be assessed for national security risks by the Investment Review Office (*Bureau Toetsing Investeringen* – BTI) of the Ministry of Economic Affairs and Climate Policy. Any planned acquisition of at least 10% of the shares must be reported to the BTI. If the BTI considers that the investment poses a threat to national security, it can attach consequences to the plan and, in extreme cases, prohibit it. The bill was adopted by the House of Representatives on 19 April 2022 and adopted by the Senate on 17 May 2022.[7] The law was published on 10 June 2022. The law is expected to come into force in early 2023 with retroactive effect to 8 September 2020.

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4 Coalition Agreement 2021-2025, *Looking out for each other, looking ahead to the future*.
5 DNB, *Balancing sustainability*.
6 Act on Further Remuneration Measures for Financial Undertakings, 35.514.
7 Proceedings of the Senate of the States General 2021/2022, no. 28, item 5.

Bill concerning the implementation of the profit tax disclosure directive

The bill creates a legal basis for the implementation of the EU directive requiring the publication of an annual report on the taxes paid by large multinationals (more than €750 million of consolidated revenue) worldwide. Large and medium-sized subsidiaries established in the EU and certain branches of multinationals established outside the EU will also be required to publish a group-wide report. The explanatory memorandum outlines the content of the order in council in which the directive will be implemented. The reporting obligation will apply to financial years commencing on or after 22 June 2024.

Private members' bill for an act on international corporate social responsibility and sustainability

On 11 March 2021, Members of Parliament Voordewind, Alkaya, Van den Hul and Van den Nieuwenhuijzen submitted a bill containing due diligence rules for production chains to combat violations of human rights, labour rights and the environment in the conduct of foreign trade. On the advice of the Council of State, the private member's bill was resubmitted to the House of Representatives on 2 November 2022, with the signatures of members of parliament from CU, SP, PvdA, GL, Volt and D66. The promoters of the bill state that they have amended it largely in line with Council of State's opinion, but that they have also included elements from the recently published proposal for a Corporate Sustainable Due Diligence Directive (CSDDD) in the amendments.

Balancing the Ratio of Men and Women in the Management and Supervisory Boards of Large Public and Private Companies Act

The Balancing the Ratio of Men and Women in the Management and Supervisory Boards of Large Public and Private Companies Act came into force on 1 January 2022. The new legislation obliges Dutch listed companies to achieve a proportion of at least one third men and one third women in the supervisory board. Any new appointment that does not contribute to this end is null and void. In addition, large public limited companies and private limited companies (around 5,000 companies) are obliged to set appropriate and ambitious targets for the supervisory board, the management board and the senior management. These companies must draw up an action plan and report annually on the results.

The obligation on large public and private limited companies to report annually in the management report on the male-female ratio in the senior management and on the targets is laid down in the Decree on the content of the management report. The amendment to the Decree on the content of the management report, which governs this obligation, came into force on 1 July 2022.

Modernisation of company law

In his letter of 27 June 2022[8], the Minister for Legal Protection indicated his intention to further modernise company law. This would include a close examination of the law relating to public limited companies. An expert group will conduct research and issue proposals. The points being considered include the following: limiting financial incentives for directors in acquisitions and whether there is a need for rules on loyalty shares. The possibility of eliminating some technical deficiencies in the law relating to financial statements will also be examined. Finally, consideration will be given to the scope currently afforded by the Civil Code for listed private limited companies to enter the regulated market, in response to the legislative letter from the AFM and the reply to it from the Minister of Finance.

Erasmus Corporate Impact Index

The Erasmus Corporate Impact Index was published for the sixth year in succession. The index analyses the expected social contribution of the 100 largest companies in the Netherlands and addressed the shift of focus from short-term profit optimisation to a long-term vision in which social value creation plays an increased role. Alliander has been the leader in this index for three years. The energy firm scores highly on all five pillars. The top three also include the chemical company DSM and the insurer a.s.r.

[8] Parliamentary Documents 2020-21, 29752, no. 15

Declaration concerning risk management

Leiden University has conducted research on behalf of the Ministry of Finance into strengthening audited entities' own responsibility with regard to the audit and annual reporting. The report was presented to the House of Representatives on 9 July 2021.[9] The report contains a number of recommendations for amendments to the Corporate Governance Code and the Civil Code. Among other things, the researchers recommend enshrining the in-control statement in law and broadening the scope of the in-control statement as laid down in the Corporate Governance Code. They expect this to provide an additional incentive for the management board to actually be in control. On 20 July 2022, the Minister of Finance reaffirmed to the House of Representatives her position that the statement does not need to be enshrined in law at this stage and she would prefer to widen the statement that is already required under the Dutch Corporate Governance Code. The Minister of Finance has indicated that if the next Committee does not take up the idea of widening the statement, she will engage in discussions with the Minister for Legal Protection to see how it might be legally enshrined.

International developments

European Union

Proposal for a directive on sustainability reporting

On 21 April 2021, the European Commission presented a proposal for a directive to revise sustainability reporting, the *Corporate Sustainable Reporting Directive* (CSRD).[10] By means of the proposed directive the Commission intends to meet the growing need in society for sustainability reporting by companies. This is annual reporting on environmental, employee and social matters, respect for human rights and anti-corruption and anti-bribery matters (the sustainability factors). Since the 2017 financial year, there has been a general obligation for European listed companies, banks and insurers with more than 500 employees to report on this non-financial information. The Commission proposes to extend this group of companies that are required to report (to include large banks and insurers, listed companies (except listed micro-companies) and large companies) and to specify the information they must report, to make the reports more accessible and comparable by means of standardisation and digitisation, and to subject the reporting to an audit. The negotiations on the proposed directive have been completed and the publication of the final text is expected at the end of 2022. The phased entry into force will begin with the 2024 financial year. The CSRD empowers the European Commission to adopt European Sustainability Reporting Standards (ESRS). The ESRS will comprise binding standards for sustainability reporting on the familiar ESG themes and will include very detailed reporting requirements. The European Commission has asked EFRAG to assist in the development of the standards. The draft standards were available for public consultation from 29 April to 8 August 2022 inclusive. EFRAG completed its work and published the draft standards, as presented to the Commission, on 15 November 2022.[11] The European Parliament and Member States will also have to approve the standards.

Proposed directive for due diligence obligation in the field of sustainability

The European Commission published the proposed Corporate Sustainable Due Diligence Directive (CSDDD) proposal on 23 February 2022. The aim of this proposal is to encourage companies to contribute to respect for human rights and the environment in their own activities and through their value chains. The proposal concerns undertakings operating in the European single market and is based on the international frameworks in the field of international corporate social responsibility, namely the OECD Guidelines for Multinational Enterprises (OECD Guidelines) and the UN Guiding Principles on Business and Human Rights (UNGPs). The proposed directive will increase the combined impact of companies in the value chain and promote a level playing field in Europe.

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[9] Parliamentary Papers II, 2020/2021, 33 977 No. 37.

[10] Draft Directive of the European Parliament and the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014 with regard to corporate sustainability reporting, COM(2021)189.

[11] See https://www.efrag.org/Meetings/2211141505388508/EFRAG-SRB-Meeting-15-November-?AspxAutoDetectCookieSupport=1.

Regulation for European green bonds
The European Commission presented a proposal for a regulation on "European Green Bonds" on 6 July 2021. The regulation obliges issuers of European green bonds to spend the proceeds on projects with an environmentally sustainable character. An external assessor will be assigned to ensure compliance with the detailed provisions of the regulation. These projects have been defined in the Taxonomy Regulation. The European Council reached provisional agreement on 13 April 2022.

Women's quota for European listed companies
The European Council and the European Parliament reached agreement on a women's quota on supervisory boards on 14 March 2022. By 30 June 2026, Member States must ensure that at least 40% of the members of the supervisory board of listed companies in the Member State are of the under-represented gender, or that at least 33% of the members of the management board and supervisory board of listed companies in the Member State are of the under-represented gender. The Directive contains an exception clause for Member States that (i) have taken effective measures to achieve the stated goals or (ii) have made such progress that the stated goals are close to being achieved. The Netherlands meets these conditions and will invoke the exception clause.

Proposed directive on equal pay for men and women
European companies with more than 50 employees are obliged to publish information on the gender pay gap. If this difference turns out to be more than 2.5%, the company must, in consultation with employee representatives, conduct a wage survey and develop a "gender action plan". This plan will level out the existing income and job inequality between men and women. The directive also includes a right for employees and employee representatives to receive full information on individual and average wage levels, categorised by gender.

Taxonomy regulation
The so-called Taxonomy Regulation (Regulation (EU) 2020/852) has been in force since 2020. The EU Taxonomy Regulation aims to encourage "sustainable finance and investments" and increase the understanding of this area. To this end, an EU taxonomy has been developed including activities that are environmentally sustainable ("green") and the provision of information on this, in particular to investors, is mandatory. Under Article 8 of this directly effective EU Taxonomy Regulation, additional requirements already apply to the 2021 reporting year for the content of the non-financial statement in the management report of large public interest entities (PIEs).

Developments in other countries

US stock market regulator SEC will require listed companies to publish climate information
Companies listed in the United States will be required to include information in their annual report on climate-related developments, such as material climate risks, carbon emissions and climate targets. That stems from a long-awaited draft rule from the SEC. Carbon emissions will be subdivided into three "scopes", 1, 2 and 3. Scopes 1 and 2 concern direct and indirect carbon emissions, while scope 3 concerns indirect emissions that arise in the value chain. The companies must provide information on the monitoring and management of climate related risks. The SEC wants the new reporting obligations to apply to the largest listed companies from the 2023 financial year.

SEC puts cybersecurity risks and incidents on the agenda
Companies listed on a US stock exchange will be required to report on the management of their cybersecurity risks, state their policy in this area and describe how it is supervised. They will also be asked to include any cyber incidents in their periodic reporting.

Review of G20/OECD Principles of Corporate Governance
The OECD began reviewing the G20/OECD Principles of Corporate Governance in 2021. The public consultation on the Draft Revisions to the G20/OECD Principles of Corporate Governance ran from 19 September to 21 October 2022. The review is expected to be completed in 2023.

Developments in surrounding countries

Revision and publication of German corporate governance code
The revised German corporate governance code was published on 17 May 2022. The amended code states that German listed companies must include sustainability as an integral part of their strategy and policy. German listed companies must also provide public insight into the key elements of internal risk management and control systems. The management board will also be required to indicate in the annual report whether these systems are effective.

Proposals to tighten UK corporate governance and audit rules
Proposals to amend certain UK corporate governance and audit rules were published on 31 May 2022. It was proposed, among other things, that the 350 largest British listed companies outsource part of the auditing of their financial statements to an accounting firm that is not part of the "Big 4", namely Deloitte, EY, KMPG and PwC. It was also proposed to create a new regulator for corporate governance and accountancy matters and to abolish the current regulator (the Financial Reporting Council). Among other things, the new Audit, Reporting and Governance Authority (ARGA) will have the power to force British companies to amend their financial statements. ARGA can also issue proposals to strengthen shareholder engagement.

The UK Corporate Governance Code will also be revised. Sustainability reporting will be more strictly audited and UK companies will have to consider "the need to expand market diversity" when selecting an audit firm. The revised Code is intended to come into force on 1 January 2024.