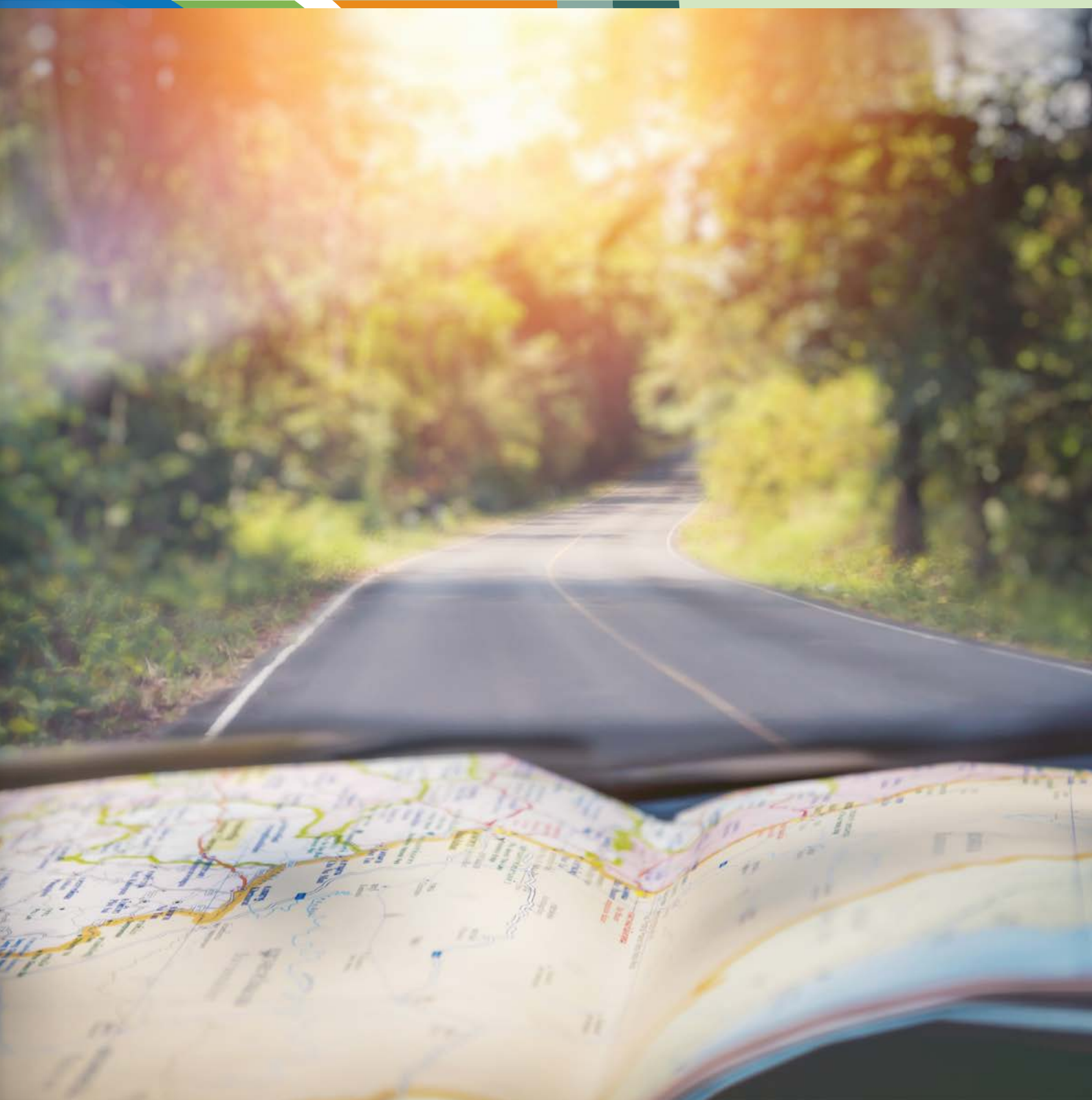




AGM Engagement Report 2023

Moving Forward Together

**Navigating Legislative and Social Demands
for Sustainability**



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Navigating Legislative and Social Demands for Sustainability

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About VBDO

VBDO stands for Vereniging van Beleggers voor Duurzame Ontwikkeling, which translates to the Dutch Association of Investors for Sustainable Development. It was established in 1995 to help create a sustainable capital market. With this goal in mind, VBDO undertakes benchmarking exercises, organises seminars and conferences, and engages with companies and financial institutions.

VBDO has been actively engaging with the Boards of Directors of publicly listed companies in the Netherlands for 28 years. We attend Annual General Meetings (AGMs) to ask constructive, critical questions in order to encourage companies to improve their sustainability policies and practices. VBDO is funded by our members: 80 institutional investors and more than 350 private investors.

Preface

Dear reader,

Much has changed over the last year. On the one hand, there have been many positive developments that mean that corporations cannot avoid the topic of sustainability anymore. 180 investors representing \$10 trillion AUM signed VBDO's plastic statement demanding that companies act on reducing plastic. The EU is finalising the requirements of the CSDDD and setting further actions for the CSDDD. Moreover, accountants are now required to start auditing non-financial data. And this year, more than ever, sustainability has been a major topic of discussion during companies' Annual General Meetings (AGMs). When VBDO started engaging with companies, discussing sustainability issues at AGMs was unusual. Now, 28 years later, it is commonplace.

While these are positive steps, it is not all good news. A growing number of US states and US investors are adopting or promoting anti-ESG laws. European companies and industry associations are lobbying against regulations on due diligence, plastic, and other sustainability issues. Finally, the most recent IPCC report clearly stated the urgency of significantly increasing actions on sustainability topics, before it is too late.¹

The anti-ESG positions and lobbying activities of conservative states, investors, companies, and industry associations show the necessity for sustainability-minded companies to raise their voices as well. If sustainable frontrunners do not actively support ambitious sustainability initiatives

and regulations, we will soon start to see a stagnation in progress. Companies can and should make a positive impact via responsible lobbying. This is why VBDO has chosen lobbying as a new key engagement topic. VBDO has observed that lobbying is not a topic that companies are used to discussing and reporting on. There are only a handful of companies in our scope that report transparently on their own lobbying activities and on those of relevant industry associations. Furthermore, none of the companies we engaged with have developed a robust lobbying strategy that includes a clear vision, objectives and scope. The first important step for companies to take is to develop such a strategy, and by doing so, share their pro-ESG views with policymakers and industry associations. Currently, companies and industry associations usually only raise their voice when they disagree with climate regulations. However, VBDO believes that companies that agree with ambitious regulations should step out of the shadows. Therefore, VBDO is looking forward to engaging with companies on this topic in the coming years.

“Companies can and should make a positive impact via responsible lobbying. This is why VBDO has chosen lobbying as a new key engagement topic”



Another topic that VBDO has engaged on, for the fourth consecutive and final year, is labour conditions in the supply chain. Again, we have observed progress on this topic. More companies have developed policies to improve labour conditions in their supply chain. However, companies, especially those with a large supply chain, are still struggling to gain full insight into their supply chain. This results in concerns about upcoming regulations, such as the CSDDD and the CSRD. Despite these concerns, there are companies demonstrating that it is possible to be more transparent and improve labour conditions in their supply chain.

Finally, VBDO has, again, observed significant interest in the topic of biodiversity. This interest not only translates into more corporate actions on biodiversity, but also into the development of biodiversity legislation such as the biodiversity reporting requirements set out in the draft European Sustainability Reporting Standards. These are positive developments, especially as the biodiversity reporting requirements of the CSRD mandate companies to map their individual impacts and dependencies on biodiversity, and then to implement company-specific and effective biodiversity measurements. However, the upcoming

CSRD should not stop companies from acting beyond legislative requirements or be a reason not to implement ambitious biodiversity measurements before the legislation is brought in. Therefore, VBDO is pleased to announce that we will launch our biodiversity benchmark next year.

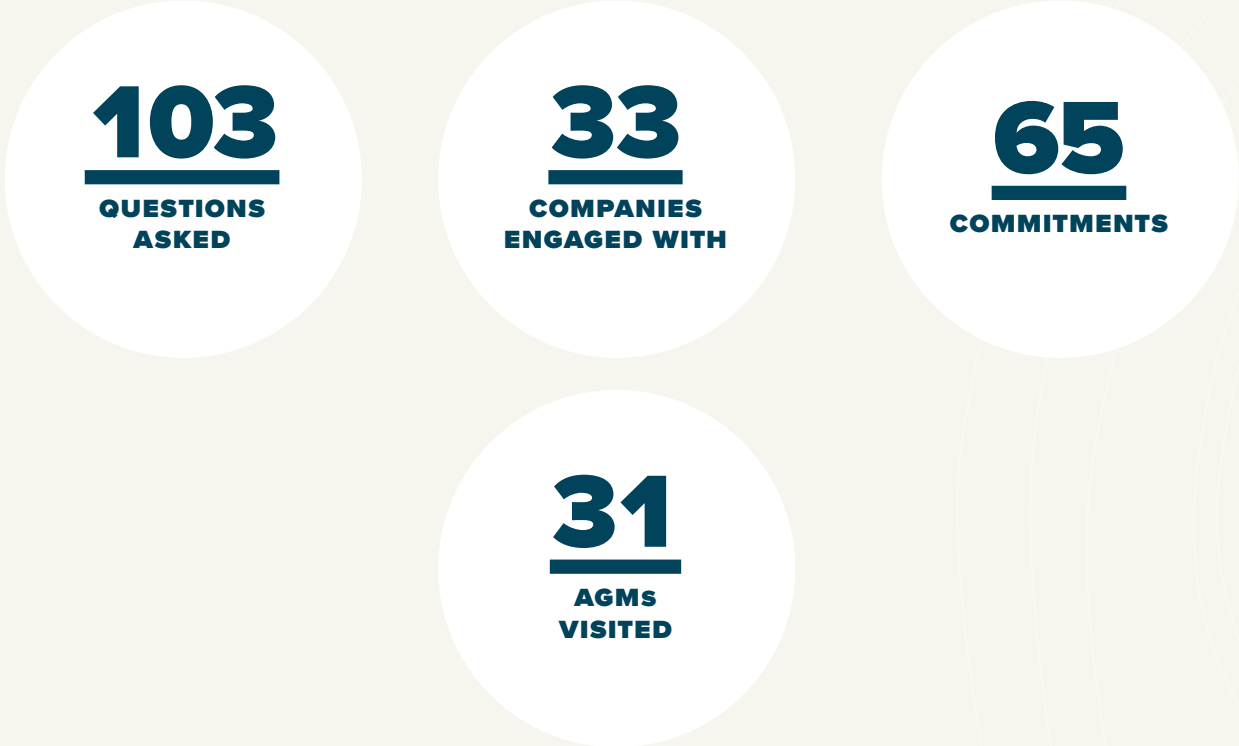
In the coming year, VBDO will select a new social topic to engage on and we will involve all relevant stakeholders in this process.

This AGM engagement report would not have been possible without our members and partners in the Netherlands and in other parts of the world. VBDO will continue to deliver on both the promise and promise of making the capital markets more sustainable. I would like to thank, in particular, our sector commission members, who provided expert knowledge throughout the engagement season, and our employees for their hard and dedicated work.

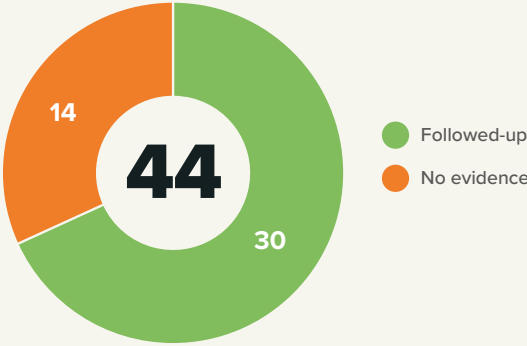


Angélique Laskewitz
Executive Director of VBDO

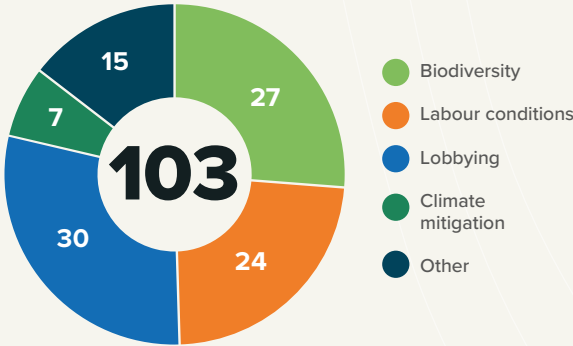
Highlights from VBDO’s
2023 AGM engagement season



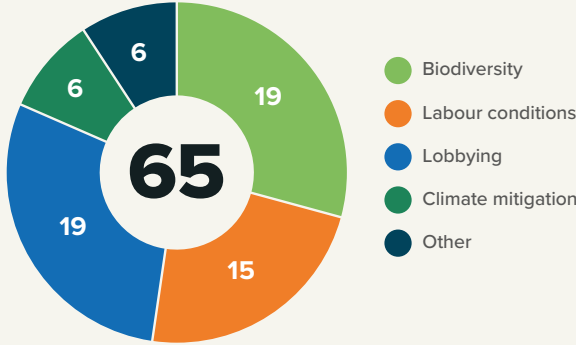
Graph 1: Commitments 2022



Graph 2: Questions 2023

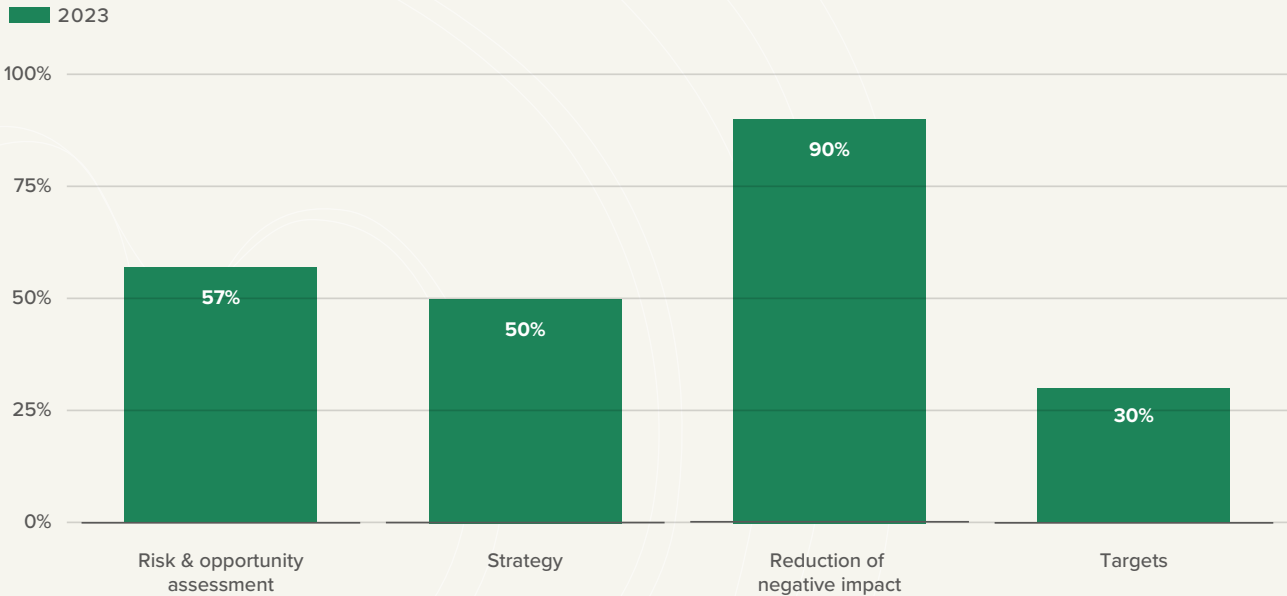


Graph 3: Commitments 2023

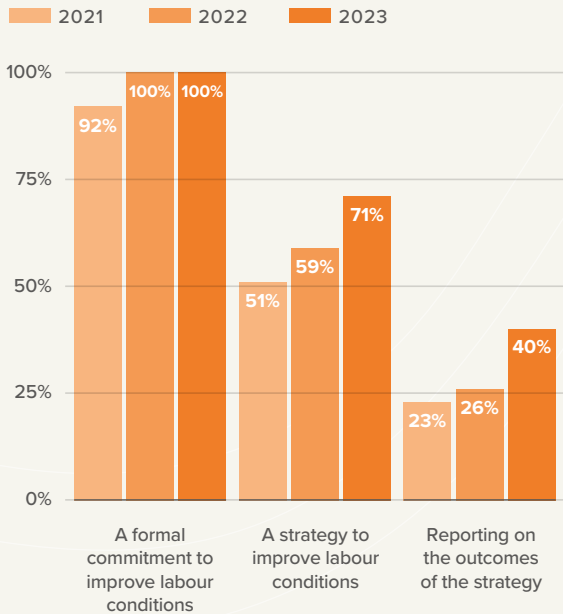


Impact Highlights from VBDO’s
2023 AGM engagement season

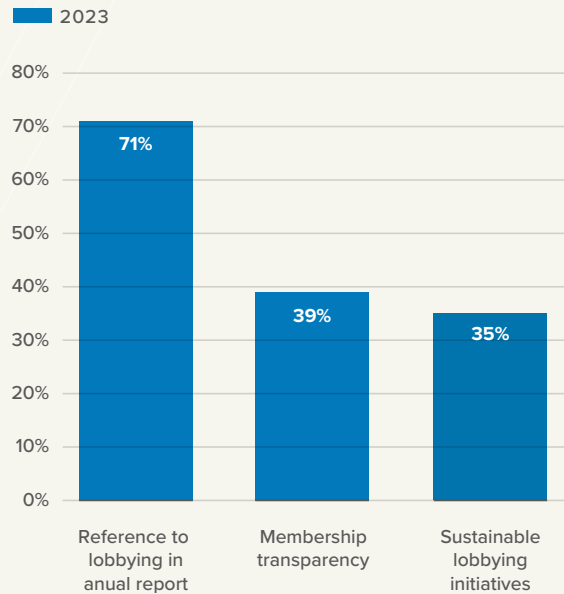
Graph 4: Biodiversity – overview of key performance



Graph 5: Labour conditions in the supply chain – overview of key performance



Graph 6: Lobbying – overview of key performance



1. Executive Summary



Key results include:

Biodiversity | Improvement has been made; however, companies should place more focus on drafting biodiversity strategies and setting biodiversity targets that are backed up by a risk and dependency assessment.

Labour conditions in the supply chain | Over the last year, more companies have developed a strategy to improve labour conditions in the supply chain and report about specific outcomes; however, many companies still need to significantly improve their efforts on labour conditions in the supply chain.

Lobbying | Many companies refer to lobbying activities in their annual report, and a substantial minority provide some transparency about either their direct or indirect lobbying activities. However, very few companies leverage lobbying activities to contribute to sustainable and ambitious regulation, or engage with industry associations to align lobbying with sustainability.

This report will first outline our recommendations for companies on each engagement theme, and then look at the most important results in greater detail. The full list of company commitments can be found in appendix II.

BIODIVERSITY: IMPROVEMENT HAS BEEN MADE; HOWEVER, COMPANIES SHOULD PLACE MORE FOCUS ON DRAFTING BIODIVERSITY STRATEGIES AND SETTING BIODIVERSITY TARGETS THAT ARE BACKED UP BY A RISK AND DEPENDENCY ASSESSMENT.

2023 is the second year VBDO has engaged with companies on the topic of biodiversity. This year, we have seen an overall increase in performance on this topic, with four companies progressing from the Learning to the Leading category and four companies moving from the Lagging to the Learning category. The Financial sector obtained the highest score on biodiversity and also showed the biggest improvement since last year. None of the companies in our scope regressed to a lower category.

We have seen progress on several aspects of companies' biodiversity policies. We are pleased to see that 90% of the companies in our scope made a reference to biodiversity in their strategies (2022: 85%). Unfortunately, few of the engaged companies have identified biodiversity as a material topic. According to VBDO, biodiversity should be a material topic for most of the companies, also those that make a significant impact on biodiversity only through their value chain.

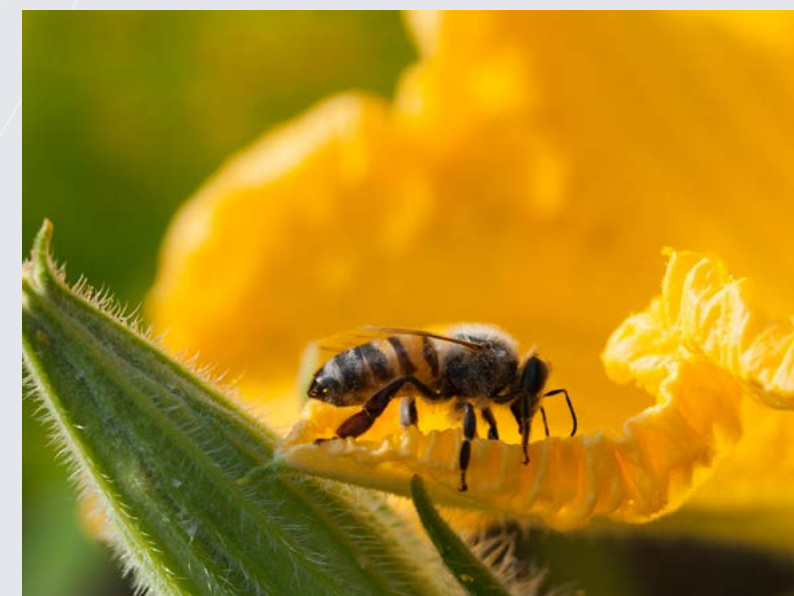
This year, the percentage of companies that carried out a detailed assessment mapping specific impacts, dependencies, financial risks, and opportunities increased (2023: 30%; 2022: 21%). However, since the risk and impact assessment should be the basis for a company's biodiversity activities, we hope to see the number of companies that carry out a detailed biodiversity assessment increase significantly in the years to come.

Even though half of the engaged companies have a specific biodiversity strategy in place, considerable improvement can be seen when it comes to implementation measures. 90% of the assessed companies have at least one implementation measure in place to reduce their negative impact on biodiversity (2022: 76%). Additionally, 60% of the companies engaged with undertake measures that aim to preserve, regenerate, and restore biodiverse areas

and ecosystems, which is a large increase on last year (2022: 47%). A small improvement can also be seen in the percentage of companies that have developed one or more transformative solutions related to biodiversity (2023: 40%; 2022: 38%). Since these transformative solutions are the best way to achieve a positive impact on biodiversity, they should be the focus of a company's implementation measures.

Compared to last year, three additional companies have set biodiversity-related targets (2023: 30%; 2022: 26%). As KPIs and targets give insights into the developments made by companies on their biodiversity strategy, VBDO hopes to be able to review more targets and KPIs on this topic in the years to come. The Science Based Targets for Nature can help companies in their target setting and will enable companies to validate their targets.

To conclude, over the last year, many more companies have started to act or improve their actions on the topic of biodiversity. Whilst this progress is positive, it is questionable whether it is being made quickly enough. Therefore, VBDO urges more companies to develop a solid biodiversity strategy based on risk assessments. Finally, VBDO expects the CSRD to foster this process.



LABOUR CONDITIONS IN THE SUPPLY CHAIN: OVER THE LAST YEAR, MORE COMPANIES HAVE DEVELOPED A STRATEGY TO IMPROVE LABOUR CONDITIONS IN THE SUPPLY CHAIN AND REPORT ABOUT SPECIFIC OUTCOMES; HOWEVER, MANY COMPANIES STILL NEED TO SIGNIFICANTLY IMPROVE THEIR EFFORTS ON LABOUR CONDITIONS IN THE SUPPLY CHAIN.

In 2023, for the fourth consecutive year, VBDO engaged with companies on labour conditions in the supply chain. This year, four companies moved from the Learning category to the Leading category, and one company moved from the Lagging to the Learning category. We are pleased to say that we have seen progress on several aspects of this theme. All

strategies (2023: 40%; 2022: 26%). Whilst we are glad to report these positive trends, many companies still need to significantly improve their efforts towards labour conditions in the supply chain.

Over the next few years, VBDO expects more companies to increase their efforts on improving labour conditions in the supply chain. From the financial year 2024 onwards, companies will need to adhere to the standards of the CSRD, which mandates that all companies in our scope will need to report how their business models and strategies are aligned with the UN Guiding Principles.² In addition, all companies will need to report about the process they take to identify and assess material labour conditions in the supply chain and related impacts, risks and opportunities.



companies in scope have made a formal commitment to improve labour conditions in the supply chain. Moreover, this year, six companies now comply with all the criteria VBDO uses to assess companies' actions on labour conditions in the supply chain, compared to just one company last year. Furthermore, many companies are making progress. For example, for a second consecutive year, an increasing percentage of companies have developed a strategy to improve labour conditions in the supply chain (2023: 71%; 2022: 59%). At the same time, for a third consecutive year, there has been an increase in the percentage of companies that publish the specific outcomes of these

Furthermore, if labour conditions in the supply chain is considered a material topic, companies will need to report on (1) policies, (2) engagement processes, (3) remedy processes, (4) mitigation actions, and (5) targets concerning labour conditions in their supply chain.³ In addition to the CSRD requirements, the upcoming CSDDD means that companies will also be held responsible for issues relating to labour conditions in their supply chain.⁴



LOBBYING: MANY COMPANIES REFER TO LOBBYING ACTIVITIES IN THEIR ANNUAL REPORT, AND A SUBSTANTIAL MINORITY PROVIDE SOME TRANSPARENCY ABOUT EITHER THEIR DIRECT OR INDIRECT LOBBYING ACTIVITIES. HOWEVER, VERY FEW COMPANIES LEVERAGE LOBBYING ACTIVITIES TO CONTRIBUTE TO SUSTAINABLE AND AMBITIOUS REGULATION, OR ENGAGE WITH INDUSTRY ASSOCIATIONS TO ALIGN LOBBYING WITH SUSTAINABILITY.

This year, VBDO has introduced lobbying as a new engagement topic. Due to the influence of lobbying on sustainability legislation, VBDO expects companies to provide transparency regarding their lobbying activities, and to align these activities with material sustainability objectives. By lobbying activities, we mean both the direct lobbying carried out by companies and the indirect activities taking place on the companies' behalf via industry associations. Out of the 31 companies engaged with, only one has been placed in the Learning category; the other 30 are in the Lagging category. However, six of these companies have achieved scores which bring them near to the threshold of the Learning category. In addition, some companies explained that they are lobbying responsibly, but they do not report on this yet. Therefore, we expect many more companies to make it into the Learning category next year.

VBDO was glad to find that 71% of the companies in scope make a reference to their lobbying activities either in their strategy or annual report. This equates to 22 out of the 31 companies assessed. It should be noted that the scores achieved on this criterion differ per sector, with 83% of companies in the Financial

and Technology & Electronics sectors meeting this criterion. This stands in contrast to the Industry sector, where only half of the companies refer to their lobbying activities. Moreover, 35% of companies in scope support lobbying coalitions that specifically lobby in support of relevant sustainability goals, typically the Paris Agreement.

In addition, 39% of the companies disclose their memberships of industry associations, lobbying alliances, and coalitions. Nevertheless, VBDO sees much room for improvement in this area. After all, only when companies are transparent about their memberships, they will be able to take responsibility for their lobbying activities. Transparent disclosures enable companies and stakeholders to monitor progress towards responsible lobbying practices, as defined in the companies' responsible lobbying policies.

Currently, few companies report extensively about their direct and indirect lobbying practices; therefore, there is much room for improvement. First, companies should increase transparency with regard to their direct and indirect lobbying activities, objectives, and costs. This enables stakeholders, governments, and civil society to monitor how companies seek to impact (sustainability) legislation. Second, companies should think strategically about using lobbying to work toward more ambitious sustainability legislation. Therefore, companies ought to monitor the industry associations of which they have memberships for any misalignments with material sustainability objectives and seek to correct them if detected.

2. VBDO's engagement

2.1. VBDO'S ENGAGEMENT TIMELINE

Our history is one of persistence. When VBDO commenced our first corporate engagements, our questions were often seen as unimportant or nonsensical. This did not, however, stop us from pressuring companies to release environmental and social reports. VBDO's pressure eventually resulted in a steady increase in those reports and, more importantly, increased transparency on non-financial information.

This increase in reports allowed VBDO to start carrying out our primary role: scrutinising results and entering into dialogue with companies based on their social and environmental performance. With the introduction of ESG themes at VBDO in 2006, we no longer had to advocate for environmental or social reporting as it had become the norm.

Together with our members, VBDO made it our mission to put urgent and salient themes on the agenda. When we look back over the last 28 years, we can see similar themes popping up multiple times but in different guises. However, in terms of content, much has changed. Twenty years ago, the focus was on motivating companies to create a Code of Conduct. Now, we expect companies to apply and reinforce human rights guidelines across their entire supply chains. We also expect them to cooperate with suppliers, improve due diligence practices, and disclose progress on targets and KPIs. This contrast is an example of the steady shift in our expectations. These changes are also reflected in our other work, which has expanded over many years to include benchmarks, research, and knowledge sharing.

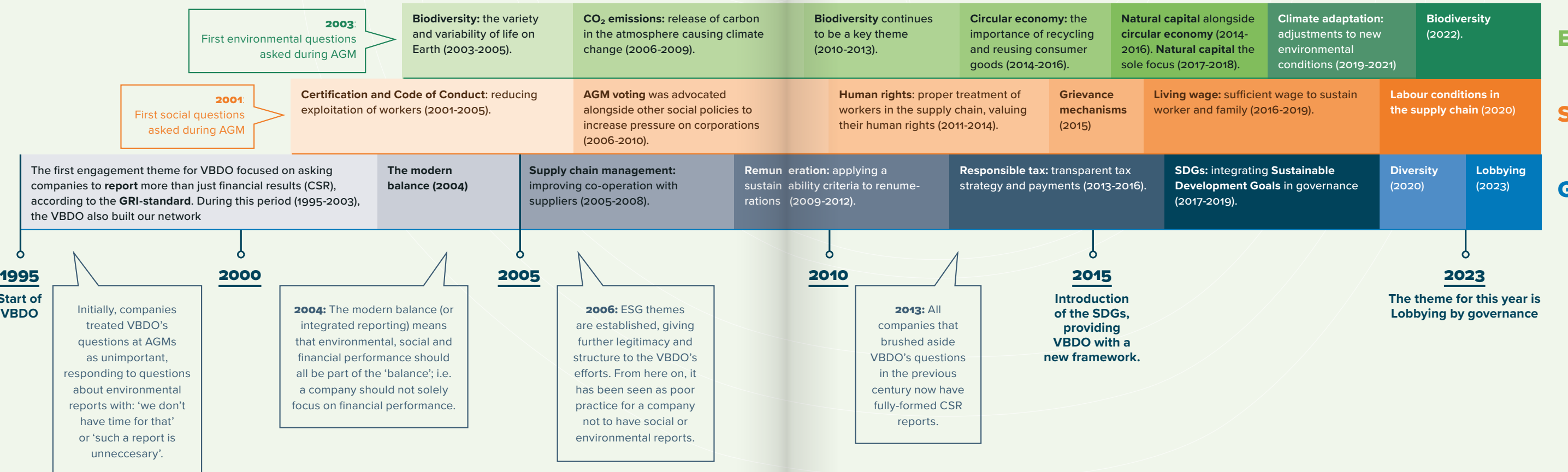


Legal developments

From the financial year 2024 onwards, large listed companies will have to comply with the Corporate Sustainability Reporting Directive (CSRD). This affects all companies in our scope. The current draft requirements, published in November 2022, of the CSRD are included in the draft European Sustainability Reporting Standards (ESRS). In short, all companies that will have to comply with the CSRD will also need to report on the relevant standards of the ESRS. These entail the general principles (ESRS 1) and the general disclosures (ESRS 2). Moreover, all large listed companies will need to

report on the standards given for the topics of Climate Change (ESRS E1) and Own Workforce (ESRS S1). In addition, companies may need to report on other ESG topics if these are considered material. For example, companies for which biodiversity or labour conditions in the supply chain are seen as material will need to report in line with ESRS E4: Biodiversity and Ecosystems and ESRS S2: Workers in the Value Chain. Materiality is based on the principle of double materiality which means that both financial materiality and impact materiality should be evaluated.⁵

28 years of engagement



2. VBDO's engagement

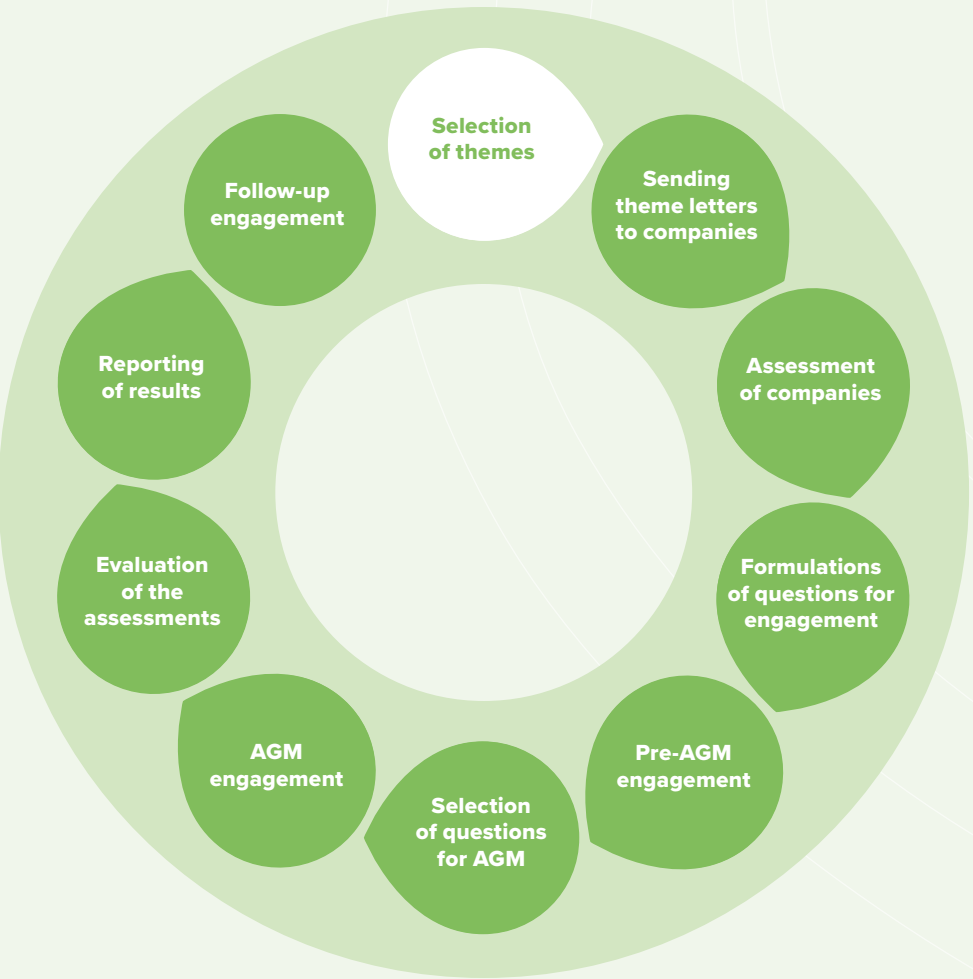
2.2 VBDO'S ENGAGEMENT PROCESS

In 2023, VBDO has pursued constructive dialogues with companies on material sustainability themes. Engagement at each AGM was preceded by in-depth research of the company's sustainability performance over the previous year. This research included analysing the company's annual report and sustainability report(s), as well as undertaking web-based research and consulting with relevant experts and NGOs. Following these analyses, relevant issues were selected and questions were formulated. The questions were shared with the selected companies, and VBDO conducted meetings

and calls prior to the AGMs in order to enhance our understanding of each company's strategies and performance. Based on these conversations, VBDO then selected the most material questions to ask each company's Board of Directors at its AGM.

VBDO aims to create an open exchange of ideas around a company's sustainability policy and practices to improve its overall sustainability performance. Figure 1 shows VBDO's AGM engagement process. Our process has been updated and developed over the last 28 years to ensure that we make as great an impact as possible.

Figure 1: VBDO's engagement process



2.3 INTRODUCTION OF ENGAGEMENT TOPICS FOR 2023

FIGURE 2 - ESG THEMES



Three topics have been chosen to engage on in 2023: biodiversity (environmental), labour conditions in the supply chain (social), and lobbying (governance). In addition, VBDO engaged on several other topics due to their materiality to one or more companies in our scope. These are outlined in chapter 6.

A more detailed explanation of how we select our sustainability themes, measure the impact of our engagement, select companies to engage with, and decide questions, can be found in Appendix I.

Companies starting to prepare for ESRS implementation

Existing GRI Reporters well prepared



Following the adoption of the CSRD late 2022, companies have been eagerly awaiting the publication of the European Sustainability Reporting Standards (ESRS), which is scheduled for the end of July. Realising that from 1 January 2024 the first group companies – large companies with 500 employees or more – will need to start collecting data to be able to publish in 2025 their first ESRS report, the time to prepare is short. However, there is good news. A large portion of these companies have already been reporting using the GRI Standards and are therefore well prepared.

Peter Paul van de Wijs
Chief External Affairs Officer at GRI

A review of the initial drafts produced last year and the near final drafts published for public consultation at the end of May, shows that the close between GRI and EFRAG during the development of the ESRS has paid off. They have achieved a high level of interoperability between their respective standards in relation to impact reporting resulting in a user-friendly reporting system without undue complexity.

In keeping with the requirement formulated in the CSRD to adopt a double materiality approach and to build on existing sustainability reporting standards, the ESRS have adopted the same definition for impact materiality as GRI. ESRS and GRI definitions, concepts and disclosures regarding impacts are therefore fully or, when full alignment was not possible due to the content of

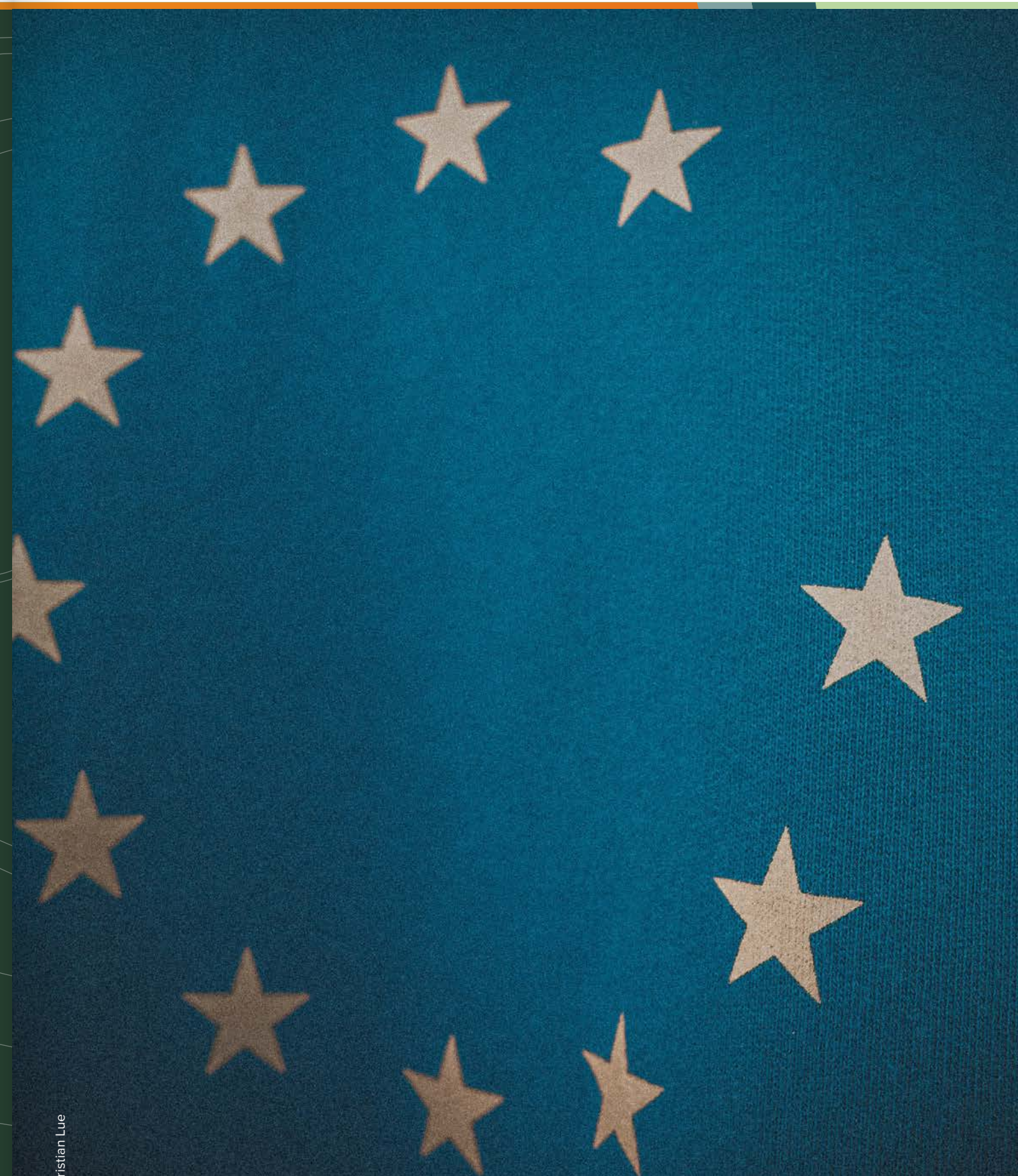
the CSRD mandate, closely aligned. Furthermore, the ESRS acknowledge the possibility for entities to use the GRI Standards to report on additional impact-related material topics that are not covered by the ESRS, such as tax.

Existing GRI reporters will be well prepared to report under the ESRS given the many shared disclosures and high level of alignment achieved. In addition to the shared GRI disclosures, existing GRI reporters mandated to report under ESRS will be required to report information in relation to financial materiality and possibly additional disclosures covered in the ESRS to report on their impacts. In the ESRS impacts are in general the starting point for identifying related risks and opportunities under the financial materiality perspective.

Both existing GRI reporters and companies new to impact reporting, can benefit from the wealth of experience developed by GRI. The GRI Standards provide an abundance of

guidance in relation to the application of the standards and processes such as materiality assessments. Additionally, the GRI Academy offers a range of trainings and certifications aimed at supporting reporting companies. This offering will be expended in the coming months and include easy to use tools mapping the GRI Standards and ESRS.

Furthermore, GRI and EFRAG are working on a digital taxonomy and multi-tagging system for their respective standards allowing for a streamlined digital reporting exercise on the preparer's side.



3. Environmental – Biodiversity

3.1 OVERVIEW OF ENGAGEMENT

LAGGING	LEARNING	LEADING
Aalberts ASML TKH Group Sligro HEINEKEN Wolters Kluwer Just Eat Takeaway.com	Adyen Aegon Ahold Delhaize AkzoNobel ASM BAM Group Fugro KPN Philips PostNL SBM Offshore Signify Vopak Wereldhave	ABN AMRO ING Group a.s.r. NN Group Van Lanschot Kempen Corbion JDE Peet's Arcadis Heijmans

N.B. – This report is not to be read as a benchmark. VBDO aims to quantify the qualitative process of engagement for clarity of communication; however, it should be noted that the engagement process is nuanced and differs with each company in our investment scope.

Note: VBDO has not included Randstad in its engagement on biodiversity, as this topic is considered to be non-material for this company. In comparison to last year, this year, VBDO's engagement on biodiversity included Wolters Kluwer, since biodiversity is considered to be an important topic for this company.

3.2 THEME INTRODUCTION

For the second consecutive year, VBDO has engaged with companies on the environmental theme of biodiversity. The European Environment Association defines biodiversity as “millions of unique living organisms that inhabit Earth, and the interactions among them.”⁷ Over the past decades, human activity has been causing many global plant and animal species to disappear. As many as one million species are currently expected to be threatened with extinction.⁸ In 2019, the UN Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) released its landmark report on biodiversity and ecosystems.⁹ By assessing natural changes over the last five decades, this report illustrated the rapid deterioration of the health of ecosystems globally. It showed that ecosystems do not only form the basis for the lives of all species on earth but also provide

the basis for the global economy, our livelihoods, food security, and overall health. At the same time, the report acknowledged that it is still possible to prevent further deterioration through global transformative action. According to the Chair of IPBES, Sir Robert Watson, this would require “a fundamental, system-wide reorganisation across technological, economic, and social factors, including paradigms, goals, and values.”¹⁰

In order to halt biodiversity loss, it is of vital importance that the balance of global ecosystems be maintained and that the main threats to biodiversity are eliminated. Businesses play an important role in these efforts, as many of the drivers behind biodiversity loss find their origin in business operations.¹¹ The type of biodiversity risks will differ per sector. Companies with a direct impact on biodiversity include companies in the



Impact of CSRD on biodiversity reporting

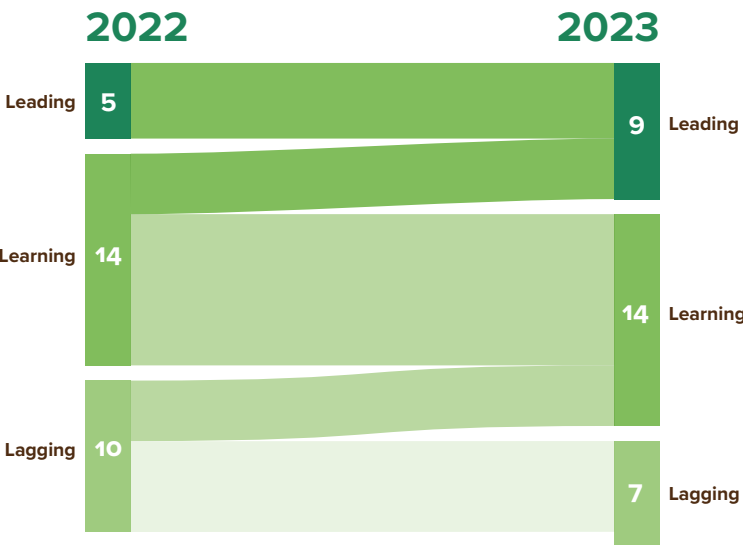
The topic of Biodiversity and Ecosystems is included in the CSRD. The draft ESRS E4 sets out the biodiversity reporting requirements resulting from the CSRD. All companies that will need to comply with the CSRD will need to report on the process they use to identify and assess material biodiversity and ecosystem-related impacts, risks, and opportunities. Some of the draft

ESRS disclosure requirements are sector specific. For instance, ESRS E4-1 requires companies in priority sectors, which have been identified by the Taskforce on Nature-related Financial Disclosures (TNFD) to put in place a transition plan on biodiversity and ecosystems.¹⁴ In addition, as elaborated on in the draft ESRS E4, companies that identify biodiversity as a material topic need to report more.

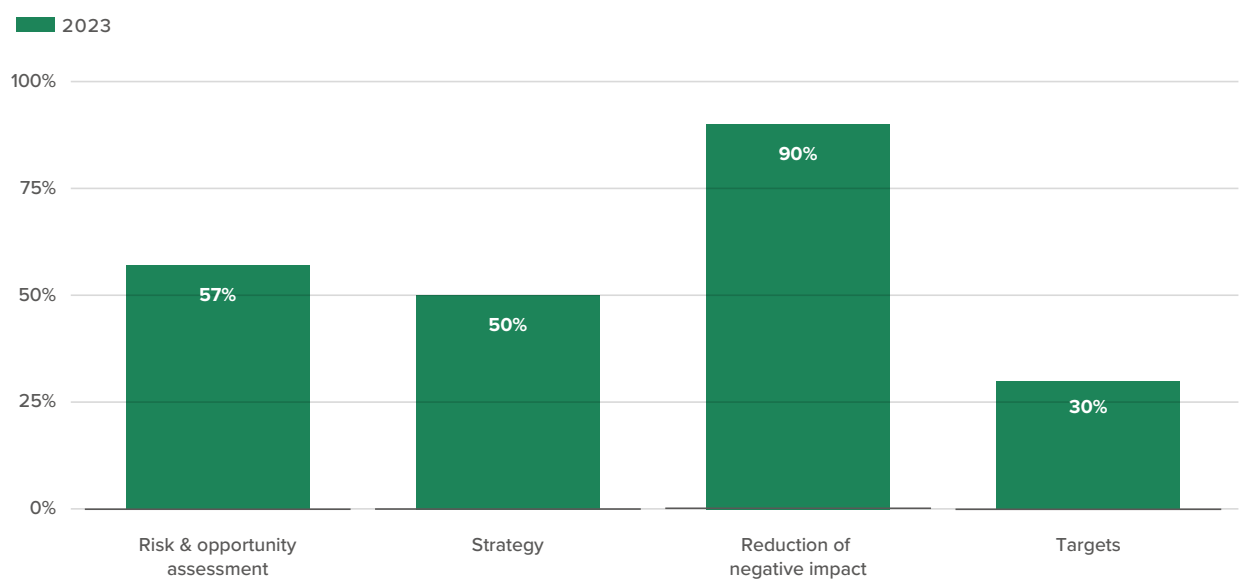
For example, the company is, among other things, required to disclose an assessment of the company's material impacts, risks, and opportunities, and their relation with the company's strategy and business model(s). Furthermore, the company is required to disclose the company's policies, actions, resources, and targets related to biodiversity and ecosystems.¹⁵

In 2023, VBDO has observed an overall increase in performance on the theme of biodiversity. We have seen a significant number of companies, four, move from the Learning category to the Leading category. The biggest shift can be seen in the Financial sector, with ABN AMRO, ING Group, and NN Group progressing from the Learning to the Leading category. In the Services sector, Arcadis also progressed to the Leading category. Furthermore, ASM, Adyen, Ahold Delhaize, and PostNL moved from the Lagging category to the Learning category. When comparing sectors, we can see that the Technology & Electronics sector scored the lowest on the assessments, with an average score of 3.8 out of 10 (2022: 3.0/10). However, some progress has been made in this sector. For example, ASM published its first biodiversity policy statement and set a target for zero net deforestation and no net loss of biodiversity.⁶

Graph 7: Movement between maturity categories from 2022 to 2023 – Biodiversity



Graph 8: Biodiversity – overview of key performance



Industry sector, since these companies contribute to biodiversity and natural capital loss through their own operations. Companies with a secondary impact on biodiversity include those in the Food, Beverage & Retail sector, the Technology & Electronics sector, and the Services sector. In particular, the Technology & Electronics sector has an impact on biodiversity through the mining activities in its supply chain. Companies with a tertiary impact on biodiversity include financial institutions that make an impact on biodiversity through their investment portfolios. The main direct drivers that will need to be addressed in different sectors are climate change, overexploitation, habitat conversion and destruction, and invasive species. More indirect drivers that contribute to biodiversity loss are infrastructure, tourism, overconsumption, and urbanisation.

At present, many companies are unaware of the specific impacts their activities have on biodiversity, or the company's dependence on so-called natural capital (natural resource stocks, land, and ecosystems).¹² Furthermore, companies do not yet have the right

strategies to tackle biodiversity issues, even when they recognise the importance of the topic. Therefore, one of the first and most important steps in addressing the issue will be for businesses to map and measure their individual dependencies and impacts on biodiversity. Only once these are known can effective biodiversity strategies be created and executed.¹³

3.3 VBDO'S BEST PRACTICE GUIDELINES

When assessing the maturity of a company's biodiversity policy, VBDO has the following five expectations:

Risk assessment and impact disclosures: First, companies are expected to acknowledge the fact that their operations to some extent impact biodiversity and to assess risks and opportunities for the company related to biodiversity. The materiality of these risks and opportunities differs depending on the specific situation of each company. The risk assessment is expected to cover both the company's own operations and the material elements of the supply chain. As for the Financial sector, VBDO expects companies to identify these risks and opportunities for relevant asset classes.

The Financial sector and biodiversity – ABN AMRO's Impact on Biodiversity report & ING Group's progress

The Financial sector has performed the best of all sectors on biodiversity. All financial institutions assessed by VBDO have incorporated biodiversity in their responsible investment policy, almost all companies identified key biodiversity-related risks, and all financial institutions collaborated with peers to enhance nature-related financial disclosures. In addition, with ABN AMRO's Impact on Biodiversity report, the bank has quantified the company's impact on biodiversity. In this report, quantification is executed by country, sector, and impact driver. For example, ABN AMRO has identified four main drivers of biodiversity loss: the climate crisis, land use, air pollution, and water pollution. In addition, ABN AMRO

identifies where in the value chain the negative impact takes place, and the bank reports on the progress made over the years.¹⁶ VBDO applauds such an elaborate overview and believes this is a good first step to reach ABN AMRO's ultimate biodiversity goal: "to steadily reduce the company's net negative impact, with the prospect of one day even turning its impact on biodiversity into a positive one." Furthermore, ING Group also stood out this year. The company expanded its due diligence to include key biodiversity areas. In so doing, ING Group took a leap forward and went from a Learning to a Leading company.

Table 1: Highlighted commitments on biodiversity

Companies	Highlighted commitments (see Appendix II for the full list of commitments)
Adyen	Adyen will perform an assessment of the company's negative impacts on biodiversity in 2023.
BAM Group	BAM Group aims to quantitatively report on KPIs related to materiality passports and circularity assessments in 2023 and report on most of the company's sustainable KPIs in 2024.
Heijmans	Heijmans aims to develop a measurable KPI on biodiversity this year.
Philips	Philips will investigate how it can report on biodiversity in the context of suppliers, and how it can set joint targets on biodiversity.
PostNL	PostNL intends to take three actions in 2023 to support its longer term aim of zero deforestation: (1) including a 'deforestation-free' assurance in the contracts with its paper and cardboard suppliers, (2) entering into dialogue with the paper and cardboard industry, and (3) mapping its paper and cardboard use.

Alongside assessing the main risks and opportunities, companies should identify and disclose the main impacts resulting from their own operations on biodiversity and natural capital.

Biodiversity strategy: VBDO expects companies to develop and implement a research-based biodiversity strategy to mitigate identified material risks and impacts. This strategy should not only focus on reducing the company’s impact on biodiversity and natural capital, but also on preserving, regenerating, and restoring natural capital and ecosystems as well as creating transformative solutions.

Implementation measures: VBDO expects companies to implement different types of measures to address the risks and impacts identified in their biodiversity assessments. For one, companies should take measures that reduce their overall negative impact on biodiversity. Secondly, we expect companies to take measures that preserve, regenerate, and restore biodiverse areas and ecosystems. Finally, companies should develop transformative biodiversity solutions.

Reporting outcomes: Companies are additionally expected to establish biodiversity and natural capital-related targets and KPIs. These targets and KPIs can strongly differ depending on the sector in which a company operates. Naturally, we expect companies to report on their progress against these targets and KPIs transparently.

Engagement and public commitment: Lastly, VBDO expects companies to engage with relevant stakeholders on the topic of biodiversity and natural capital, and to make a meaningful public commitment to nature-positive policies.

3.4 FINDINGS

2023 is the second year VBDO has engaged with companies on the topic of biodiversity. Many companies have made improvements on this topic, most notably on reducing the impact of their operations on biodiversity. 90% of the companies in our scope have made a reference to biodiversity in their strategy (2022: 85%). However, only a few of the engaged companies identified biodiversity as a material topic. According

to VBDO, biodiversity should be a material topic for most of the companies, especially those in the Industry, Food, Beverage & Retail, and Technology & Electronics sectors, since these companies make a significant impact on biodiversity through their value chains.

Risk assessment and impact disclosures

Currently, 17 (57%) of the assessed companies have identified the key biodiversity and natural capital-related risks and opportunities of their own operations and the most material elements of their value chain. This number of companies has not changed since last year. Therefore, VBDO has focused on addressing the importance of conducting risk and impact assessments on the topic of biodiversity. Without such assessments, companies will not acquire the necessary knowledge to draft effective and comprehensive biodiversity strategies and implement corresponding measures. We asked nine companies to carry out a biodiversity risk and impact assessment this year. 78% of these companies then made a commitment to conduct a risk or impact assessment on biodiversity. For instance, as a result of our engagement, Adyen committed to performing an assessment of its negative impacts on biodiversity in 2023 and Arcadis committed to reporting on the biodiversity impacts and objectives of the company in 2024.

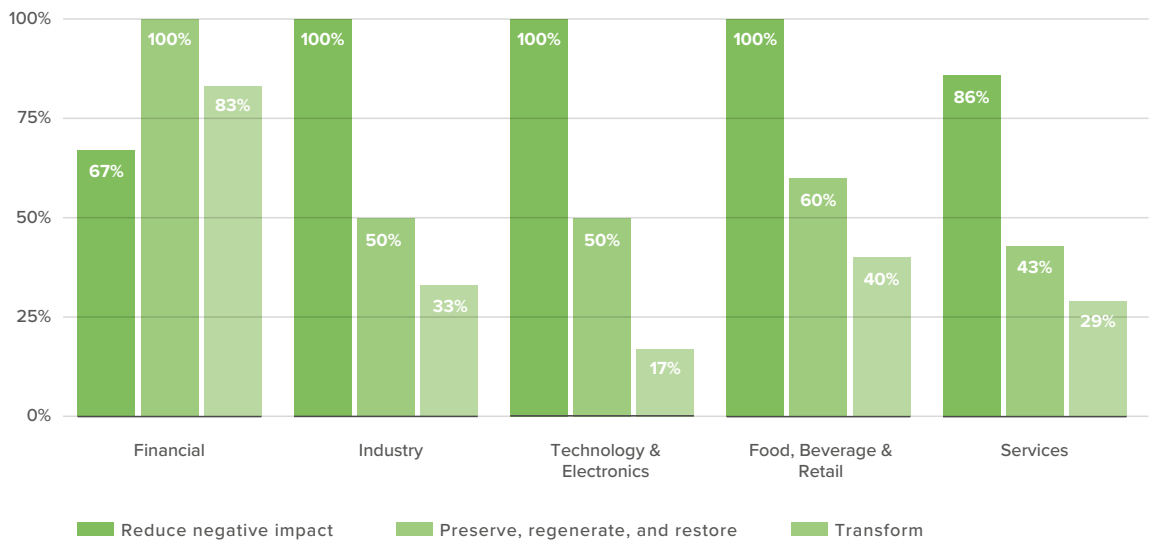
The specific elements that are considered in biodiversity risk and impact assessments depend largely on the sector in which a company operates, but, generally, they relate to the main drivers behind biodiversity loss, such as air and water pollution, waste production and management, habitat conversion or construction, the use of pesticides, and invasive species.

This year, three more companies have integrated biodiversity and natural capital-related risks and opportunities in their risk assessments (for their own operations and their value chain) and disclosed their impacts and dependencies on nature and natural capital, as well as the financial risks and opportunities resulting from these impacts and dependencies (2023: 30%; 2022: 21%). This shows that quite a large number of companies have been able to identify biodiversity risks within their supply chain, and the number of companies that actually performed detailed assessments that map specific impacts, dependencies, financial risks, and opportunities is increasing.

Biodiversity strategy

After having determined biodiversity risks, impacts, and opportunities, companies are expected to translate the results of these assessments into biodiversity

Graph 9: Biodiversity – implementation measures per sector



Science Based Targets for Nature

The Science Based Targets for Nature (SBTs for Nature) expand the science-based targets that are focused on climate to other environmental impacts. The SBTs for Nature enable companies to achieve a streamlined target-setting process and to have their environmental targets validated by an external party. The SBTs for Nature initiative has five key action areas: freshwater, land, biodiversity, ocean, and climate. Climate is also part of the Science Based Targets initiative (SBTi). As part of the target-setting process for the SBTs for Nature, companies first assess their material pressures. This is to understand the environmental impacts

of the company. Secondly, companies prioritise what locations and business components the nature-related target setting should focus on, and finally, companies measure baselines and set targets. The SBTs for Nature connect with many other nature-related frameworks, standards, and regulations, such as the TNFD. The first release, published in May 2023, of the SBTs for Nature includes targets for freshwater, land, biodiversity (partial coverage), and climate. VBDO encourages companies to comply with the SBTs for Nature now, even though they are at an early stage. This will also make compliance with the CSRD easier. For example, Corbion is part

of the initial group of 17 companies piloting the targets validation process. In 2024, the SBTs for Nature will be expanded to include further coverage of biodiversity and to include marine impacts. In 2025, comprehensive corporate SBTs for Nature will be published.¹⁷ It is good to see that several companies have committed to complying with the SBTs for Nature when they are defined, such as JDE Peet’s, Corbion, and Arcadis. Moreover, Corbion and JDE Peet’s are taking part in the corporate engagement programme of the SBTs for Nature.

strategies. Biodiversity strategies should go beyond occasional donations to conservation initiatives, by addressing the main impacts and dependencies on biodiversity resulting from a company's own operations. By addressing these impacts and dependencies, companies will also contribute to their own resilience. Since numerous companies are (indirectly) dependent on healthy ecosystem functions and natural capital, assessing these impacts and dependencies will become increasingly important for companies' own continuity.

VBDO is pleased to see that, of all the companies engaged with this year, 15 have already developed a biodiversity policy, either separately or as part of the overall company strategy (2022: 13 companies in our scope). In the Financial sector, all companies have a biodiversity policy. Compared to 2022, significant improvements can be seen in the Services sector (2023: 43%; 2022: 17%) and Technology & Electronics sector (2023: 33%; 2022: 17%). However, in these two sectors as well as in the Food, Beverage & Retail sector, still more than half of the companies in our scope do not have a biodiversity strategy in place. This illustrates where most of the attention for future engagement should be focused.

This year, VBDO engaged with seven companies specifically on drafting biodiversity strategies. As a result of the question raised by VBDO on this subject, Signify made a commitment that the company will report

on its biodiversity roadmap for 2025 in next year's annual report. In addition, at the end of 2023, Signify will assess biodiversity impact across its full value chain and report on the steps to be taken for biodiversity in the value chain up to 2025. The most prominent reason why companies did not want to commit to disclosing a biodiversity strategy is because they did not deem biodiversity a material topic. However, as previously stated, VBDO believes that biodiversity should be seen as material for the majority of companies.

Implementation measures

Even without specific biodiversity assessments or strategies, almost all companies have undertaken at least some measures that reduce the impact of their operations on biodiversity. For example, 90% (2022: 76%) of all engaged companies have already undertaken measures that reduce their negative impact on biodiversity, including all engaged companies in the Industry, Technology & Electronics, and Food, Beverage & Retail sectors. Additionally, 60% of the companies engaged with undertake measures that aim to preserve, regenerate, and restore biodiverse areas and ecosystems (2022: 47%).

40% of the assessed companies have developed one or more transformative solutions related to biodiversity (2022: 38%). This is important, because transformative solutions that are embedded in a company's business model, for instance by focusing on products that reduce

natural capital dependencies and impacts, are the best way to achieve a positive impact on biodiversity. Therefore, we are pleased to see that this percentage is particularly high in the Financial sector, with 83% of the financial institutions focusing on making nature-positive impacts.

Although all these efforts are admirable, the most effective measures are taken when a company knows where the main risks and impacts lie in its supply chain and a comprehensive biodiversity strategy has been developed. Therefore, in the coming years, VBDO hopes to see more targeted measures that address specific biodiversity risks in a company's own operations. At the same time, it is recognised that reducing harmful biodiversity effects is a good development, regardless of how these measures have come about.

Reporting outcomes

Almost a third of assessed companies are currently setting comprehensive targets on the topic of biodiversity (2023: 30%; 2022: 26%). This means that, compared to last year, three additional companies have set biodiversity-related targets. Although biodiversity is a broad topic, VBDO expects companies to report on KPIs related to, for example, deforestation, regenerative agriculture, habitat conversion, the abundance of species, or changes to ecological processes. In the Food, Beverage & Retail sector, most companies (60%) set targets related to biodiversity (2022: 60%). This

is important considering the heavy reliance of these sectors on natural capital and ecosystem services, and it is certainly a laudable development. In contrast, in the Services sector, only one out of the seven assessed companies set KPIs related to biodiversity. As KPIs and targets give insight into the developments made by companies on their biodiversity strategy, VBDO hopes to review more targets and KPIs on this topic in the years to come. Therefore, this year, VBDO engaged with twelve companies on the topic of setting targets for biodiversity.

Engagement and public commitment

More than half of the assessed companies have engaged on biodiversity and natural capital-related issues with stakeholders (including local communities) that are directly and indirectly impacted by the company's operations, to ensure fair and equitable outcomes (2023: 57%; 2022: 53%). This stakeholder engagement on biodiversity is done most by the Financial sector (100%), and least by the Technology & Electronics sector (17%). These outcomes have not changed since last year. This year, however, two more companies in our scope have made a meaningful public commitment (e.g. linking to global collective action) and/or have advocated for nature-positive policies and regulations (2023: 43%; 2022: 41%). This shows that the companies in our scope are gradually becoming more vocal about this issue.

GOOD PRACTICES

HEIJMANS – THE NATURE LADDER

Heijmans' ambition is to leave every area the company works in better than Heijmans found it. In order to make it easier for the whole sector to improve biodiversity through its projects, Heijmans has developed the Nature Ladder (Natuurladder), in collaboration with Dura Vermeer. This tool is meant to make building in a nature-inclusive way feasible, and to measure to what extent projects are nature inclusive, improve climate adaptivity, and add to a clean environment. The Nature Ladder makes it possible to take concrete action to realise targets for nature-inclusive and climate-conscious construction. The Nature Ladder

consists of five steps. Step (1), 'nature unconscious' is the initial stage, building without considering the impact on nature. Step (2), 'nature friendly', means carrying out ad hoc nature-inclusive initiatives. Step (3), 'nature conscious', means carrying out nature-inclusive construction in a structural way, by identifying opportunities for nature and discussing these with the construction developer. Step (4), 'nature inclusive', requires the involvement of (other) stakeholders, in addition to the contracting party. The aim in this step is to improve local biodiversity and natural capital. Step (5), 'nature adaptive', means building together with nature. This is a way of building that fully integrates

biodiversity and climate adaptation.¹⁸ This integration enables nature and biodiversity to flourish, even beyond the borders of the project.¹⁹ At Heijmans' Annual General Meeting, CEO Ton Hillen stated that the Nature Ladder will likely become as important as Heijmans' Safety Ladder.

CORBION – SETTING AMBITIOUS KPIS

Corbion sets many sustainability-related commitments, including the ambitious commitment to achieve 100% verified deforestation-free key agricultural raw materials by 2025. The five key raw materials are sugarcane, palm oil, soy, wheat, and corn.²⁰ Corbion already achieves

high scores on this target. The company tracks progress toward the set targets and reports on this progress in its annual report. Moreover, Corbion has specific policies in place to limit the adverse impacts its key raw materials may cause, such as on human rights, deforestation, air, soil and water, and climate change.²¹ VBDO appreciates that Corbion has a strong focus on improving its biodiversity practices even though the company is already leading in this matter. This year, VBDO asked Corbion to set biodiversity targets for other drivers of biodiversity loss. Corbion has committed to reporting on progress the company makes with regard to setting biodiversity-related targets in next year's annual report.

4. Social – Labour conditions in the supply chain

4.1 OVERVIEW OF ENGAGEMENT

LAGGING	LEARNING	LEADING
Adyen Fugro Wolters Kluwer	<div>Aalberts</div> <div>Aegon</div> <div>ASML</div> <div>BAM Group</div> <div>Heijmans</div> <div>ING Group</div> <div>Just Eat Takeaway.com</div> <div>PostNL</div> <div>Randstad</div> <div>Sligro</div> <div>TKH Group</div> <div>Vopak</div> <div>Wereldhave</div>	<div>a.s.r.</div> <div>ABN AMRO</div> <div>Ahold Delhaize</div> <div>AkzoNobel</div> <div>Arcadis</div> <div>ASM</div> <div>Corbion</div> <div>HEINEKEN</div> <div>JDE Peet's</div> <div>KPN</div> <div>NN Group</div> <div>Philips</div> <div>SBM Offshore</div> <div>Signify</div> <div>Van Lanschot Kempen</div>

N.B. – This report is not to be read as a benchmark. VBDO aims to quantify the qualitative process of engagement for clarity of communication; however, it should be noted that the engagement process is nuanced and differs with each company in our investment scope.

4.2 THEME INTRODUCTION

For the fourth consecutive year, VBDO has engaged with companies on the topic of labour conditions in the supply chain. This comprehensive topic, covering issues such as auditing direct contractors, the living wage, and raw material mining in the lowest levels of the supply chain, remains a significant challenge, especially for multinational companies with large supply chains. According to the United Nations Human Rights Appeal 2022, companies are encouraged to demonstrate their commitment to human rights through greater engagement and by making human rights central to all corporate strategic decisions and practices.²²

In February 2022, the European Commission adopted a proposal for the Corporate Sustainability Due Diligence Directive (CSDDD). The directive requires companies to identify, prevent, and remedy negative impacts on human rights and the environment.²³ Since then, the CSDDD has slowly moved forward to official adoption. In April 2023, the directive was adopted by the Committee on Legal Affairs of the European Parliament. The next step will be the adoption of the directive by EU member states, during the second half of 2023.²⁴

During this year's engagement, VBDO once again asked many of the companies in scope about the action they're taking on this due diligence directive. Generally, the biggest challenge relating to compliance with this directive is that companies often deal with large supply chains and, as a result, have a poor overview of issues. For this reason, VBDO advises these companies to first evaluate the highest risks, then to mitigate these specific risks, and, finally, to engage with suppliers and collaborate with local stakeholders to further improve labour conditions in the supply chain.

One particularly salient issue is the use of 3TG minerals by companies, particularly those companies in the Industry and Technology & Electronics sectors. 3TG minerals include minerals from which the metals tantalum, tin, tungsten, and gold are derived. The extraction of these minerals sometimes directly or indirectly benefits armed groups.²⁵ Additionally, during the extraction of these minerals, there is potential for human rights abuses to take place.²⁶ In addition to 3TG minerals, companies are increasingly looking at the origin of other minerals in their supply chains, such as mica and cobalt.

4.3 VBDO'S BEST PRACTICE GUIDELINES

When assessing the maturity of a company's approach towards labour conditions in the supply chain, VBDO has the following four expectations:

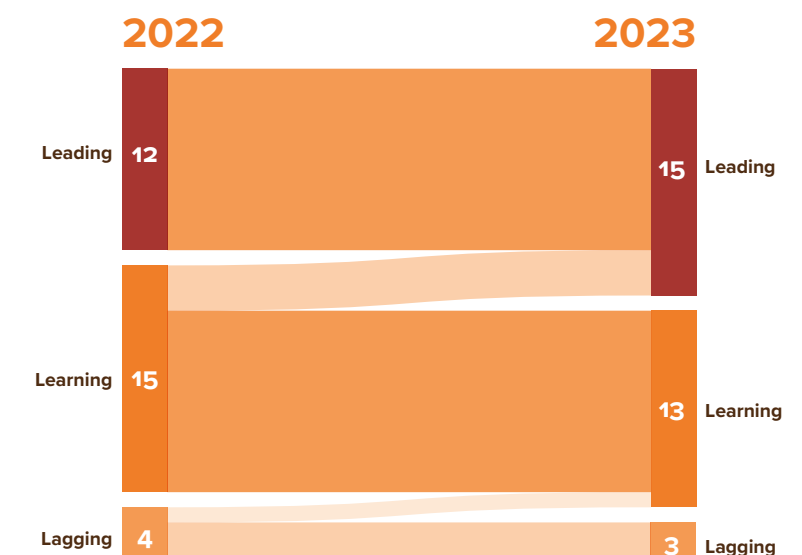
Recognition of responsibility: Companies should recognise that they have a responsibility to protect the rights of all workers in their supply chain.

Risk assessment and passive due diligence: The first step towards improving the labour conditions of workers

in supply chains is understanding which issues are most salient, prevalent, and rectifiable. These assessments should include general understanding, for example of salient risks and vulnerable groups in the supply chain, as well as specific understanding, for example of the detailed sustainability performance of high-risk suppliers. This detailed information can, for example, be acquired through services like EcoVadis, through supplier self-assessments or through human rights audits. The company is additionally expected to have grievance mechanisms for workers in the supply chain.

In 2023, VBDO has, again, seen an increase in the number of companies rising from the Learning category to the Leading category. Notably, ABN AMRO, ASM, Ahold Delhaize, and Arcadis have progressed from Learning to Leading, and Aalberts has progressed from Lagging to Learning. In addition, VBDO is pleased to see that in 2023, all companies in scope have made a formal commitment to improve labour conditions in the supply chain, as was the case last year.

Graph 10: Movements between maturity categories from 2022 to 2023 – labour conditions in the supply chain



Impact of CSRD on reporting on labour conditions in the supply chain

Labour conditions in the supply chain topics are included in the CSRD.²⁷ The draft version of ESRS S2 Workers in the Value Chain sets out supply chain reporting requirements. For example, all companies that will need to comply with the CSRD will need to report how their business models

and strategies are aligned with the UN Guiding Principles. In addition, all companies will need to report about the process they use to identify and assess material labour conditions in the supply chain-related impacts, risks, and opportunities. Furthermore, if this is considered a material topic,

companies will also need to report about their labour conditions in the supply chain (1) policies, (2) engagement processes, (3) remedy processes, (4) mitigation actions, and (5) targets.²⁸

Active due diligence: As soon as a company has insight into the human rights risks and violations in its supply chain, it can work to mitigate these risks. This step usually has a significant impact on workers by improving safety standards, requiring a living wage, and reducing under-age labour for, in some cases, hundreds of thousands of workers.

Proactive improvement: Companies often encounter systemic challenges to improving human rights risks in their supply chains, such as the depth and opacity of their supply chains. The next step in improving conditions for workers is, therefore, to proactively engage suppliers, while working collaboratively with local governments, NGOs, and sector-wide initiatives in order to achieve systemic change.

4.4 FINDINGS Recognition of responsibility

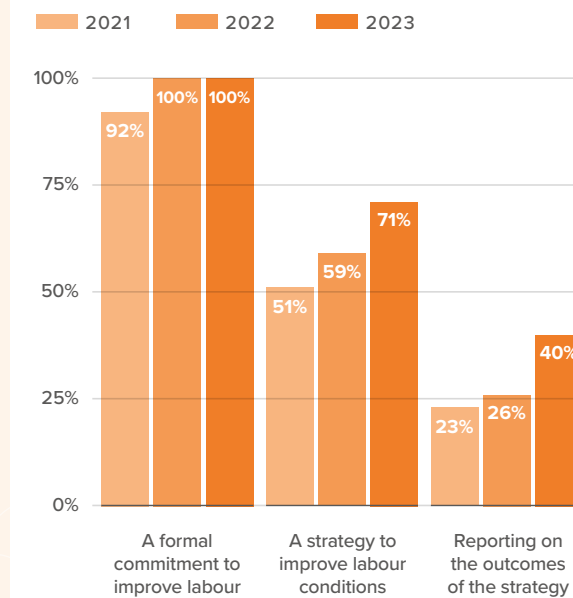
In 2023, once again, all of the evaluated companies (31 in total) made a formal commitment to improve labour conditions in the supply chain (2022: 100%; 2021: 92%). VBDO strongly recommends that companies use internationally recognised human rights risks conventions, such as the United Nations Guiding Principles on Business and Human Rights (the UNGPs) or the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work. These principles convey the company's aim to protect supply chain workers' human rights, such as the worker's right to freedom from forced labour, freedom

from child labour, the right to equal treatment, and freedom of association. This year, 97% of the companies in scope that have made a commitment to human rights in the supply chain have indeed formulated a Supplier Code of Conduct consistent with the UNGPs or the ILO Declaration (2022: 97%; 2021: 89%).

Risk assessment and passive due diligence

It is good to observe that this year, yet again, there has been an increase in the number of companies reporting on risks, issues, and vulnerable or marginalised groups with regard to labour conditions in the supply chain (2023: 87%; 2022: 78%; 2021: 62%). This first step towards improving the labour conditions of workers in supply chains is important because it allows companies to develop specific and effective improvement programmes. In addition, 87% of companies within VBDO's scope have grievance mechanisms and collective bargaining provisions in place to receive any ethical concerns and to ensure that provisions are in place to remedy them (2022: 92%; 2021: 86%). The decrease in percentage is the result of a change in the companies in scope. Additionally, grievance mechanisms should be open to external stakeholders because only then can workers in the company's supply chain create awareness about problems with labour conditions. Finally, it is important that companies also measure the effectiveness of their grievance mechanisms and report the outcomes, while ensuring anonymity for the workers in question.

Graph 11: Labour conditions in the supply chain – commitments, strategies, and outcomes



Active due diligence

Whilst the majority of the companies assessed recognise the importance of ensuring safe labour conditions in the supply chain and have systems in place to identify risks and raise complaints, not enough are working to effectively implement improvement strategies. For example, only half of the companies

(2023: 52%; 2022: 46%; 2021: 43%) identify and assess any negative impacts on labour conditions in the supply chain. In addition, half of the companies track the responses of suppliers on labour conditions based on qualitative and quantitative indicators (2023: 55%; 2022: 57%; 2021: 46%). However, almost all the companies in VBDO's scope that rely on minerals, track responses of their suppliers via qualitative and quantitative supplier assessments. Considering the challenges that the mining sector is known to face, which will be discussed later in this report, it is good to see that most of these companies at least track labour condition issues.

There has also been a significant increase in the number of companies in VBDO's scope that have developed a strategy to improve labour conditions in the supply chains (2023: 71%; 2022: 57%; 2021: 51%). For example, during the last year, two extra companies in the Food, Beverage & Retail sector have developed such a strategy. Finally, the number of companies in VBDO's scope that communicate how they address labour conditions in the supply chain and the outcomes, increased from 26% in 2022 to 40% in 2023. Whilst this is a positive trend, VBDO still sees much room for improvement, especially when all assessed companies have made a formal commitment to improving labour conditions in the supply chain. Furthermore, systematically reporting about the outcomes of due diligence processes will become even more important when the upcoming CSDDD is brought in. In addition, from a risk perspective, shareholders need to be able to evaluate how companies are handling labour conditions

GOOD PRACTICES

Randstad's misconduct reporting procedure

In its annual report, Randstad transparently reports on the number of complaints and concerns raised by its employees and by its placed workers over the past three years via its reporting mechanism. In addition, Randstad describes the way the company deals with these complaints. For example, it reports on the number of complaints that were accepted as admissible, and the number of these claims that have been (partially) proven. Moreover, Randstad specifies the

nature of the (partially) proven complaints (e.g. harassment and intimidation, discrimination, or breach of business principles). Finally, Randstad describes the corrective actions taken to protect and ensure the victim's well-being. By being transparent about the number and cause of employee complaints over the years, Randstad clearly shows how it protects labour rights and how it is making progress on this matter.

The commitments of PostNL

Every year, as a result of engagement with VBDO, many companies make new commitments. This year, PostNL made five commitments. For example, PostNL has committed that it will report on the progress made on the number of employees that are in permanent employment, make a further deepening on its KPIs for working conditions for its own employees, and evaluate whether this KPI will also apply for indirect employees. VBDO finds the latter part of this commitment especially important since the majority of PostNL's delivery drivers are indirect employees. In addition, PostNL explained in

its Human Rights Due Diligence report that it is committed to protecting and advancing human rights and that it works vigorously to protect people against infringements of human rights in its operations. The company plans to live up to this commitment via the following six steps: (1) Make a policy commitment, (2) Identify and assess adverse impacts, (3) Cease, prevent or mitigate adverse impacts, (4) Track implementation and results, (5) Communicate how impacts are addressed, and (6) Provide for or cooperate in remediation when appropriate.

Table 2: Highlighted commitments on labour conditions in the supply chain

Companies	Highlighted commitments (see Appendix II for full list of commitments)
JDE Peet's	JDE Peet's will follow up on its progress concerning measuring living wage in its supply chain.
Philips	Philips aims to set a progressive annual target on improving labour conditions for the supply chain of conflict minerals.
PostNL	PostNL obliges its delivery partners to comply with human rights, which in 2024 will be included in contracts and will be enforced if applicable.
Wereldhave	Wereldhave will report more extensively on its due diligence approach on the basis of risk profiles in its next annual report.

issues in their supply chain and what the outcomes are. Therefore, we expect companies to go beyond just asking suppliers to sign a code of conduct, and to review actual labour conditions at suppliers' sites.

Due diligence beyond tier one

A key challenge for ensuring decent labour conditions in a company's supply chain, is the length of the supply chain. For example, supply chains can have more than ten layers, from high-end technology manufacturers and fabricators in the first layer, to (conflict) mineral mines in the deepest layer. VBDO notes that the majority of companies are indeed performing due diligence in the first layer and that a significant number of companies are additionally engaging with sector initiatives such as the Responsible Minerals Initiative to improve labour conditions in the deepest levels of the supply chain. For this reason, VBDO has engaged with multiple companies, such as Philips, TKH Group, and ASM, on due diligence further down their supply chains. It is important that companies assess specific risks further down their supply chain and engage on this

risk assessment with a selection of high-risk companies beyond tier one. However, directly evaluating and engaging with suppliers beyond the first tier is rare. Nonetheless, ASM has committed to evaluating how to expand its due diligence process. Also, KPN sets targets for the percentage of high-risk tier one, tier two, and tier three suppliers audited, and it reports on these two targets in its annual report. le people in the company's supply chain.

Setting KPIs and targets

In order to push for continuous improvement in the supply chain, defining a KPI with a target can be a useful motivator. It is worrisome that two thirds of the companies in VBDO's scope have not set a KPI related to improving labour conditions in the supply chain. However, for the fourth consecutive year, we have seen a slight increase in the number of companies that have set such KPIs (2023: 32%; 2022: 27%; 2021: 22%). Over the last year, two additional companies have set a KPI on improving labour conditions in the supply chain. Moreover, Philips and Corbion already have relevant

Effective grievance mechanisms

Principle 31 of the United Nations Guiding Principles on Business and Human Rights sets out eight criteria to ensure the effectiveness of grievance mechanisms. A grievance mechanism should be the following: legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on dialogue with

the intended users.²⁹ These criteria are aimed at making the grievance process fair and equitable while also, importantly, making it accessible and understandable to users. VBDO, therefore, expects companies to take these eight criteria seriously when evaluating the effectiveness of their grievance mechanisms for workers in the supply chain.



KPIs in place, and have also now committed to, respectively, installing an additional KPI and reviewing how the existing KPIs can be refined. These commitments by Philips and Corbion are laudable and clearly show that even frontrunners can and should seek to constantly improve.

Collaboration

In 2023, VBDO has seen an increase in the number of companies engaging with stakeholders to improve labour conditions in the supply chain (2023: 66%; 2022: 59%). This is important because collaborating with peers and other stakeholders is necessary in order to improve labour conditions in supply chains. In particular, it is essential to work with local partners on the ground in order to improve conditions further down the supply

chain. This is an effective way to overcome problems, such as lack of government oversight or shortcomings in the company's expertise or means. For example, the Initiative for Responsible Mining Assurance (IRMA), helps companies to take responsibility regarding labour conditions in the mining industry. It does so by providing independent third-party verification and certifications, but also by facilitating dialogues between companies, organisations, and individuals.³⁰ Therefore, it is good to see that, following our engagement with TKH Group on its mining-related collaborations, TKH Group has committed to reviewing whether to align with IRMA.

JDE Peet's collaboration with Enveritas

In 2022, JDE Peet's started to collaborate with Enveritas. Enveritas provides sustainability assurance for the coffee industry and collects its data not only via geospatial analysis, but also by field assessments. Moreover, it aims to help local coffee farmers to participate in a globally sustainable coffee industry.³¹ JDE Peet's states in its annual report: "Our sourcing included the Enveritas scheme, they conducted over 40,000 farm assessments in 22 origins. We accessed detailed insights on farmers' challenges to focus our farmer initiatives and identify further actions we can take to improve our coffee value chain. This provides us with greater visibility on the ground. We then share the findings with our suppliers and together turn the insights into action plans and multi-year projects to enable us to source with a positive impact."³²

A summary of Signify's audit findings

In Signify's annual report, the company included a summary of its aggregated 2022 audit findings. Signify selects a number of suppliers (based on their sustainability performance) for its extensive audit programme and then reports the outcomes of this programme. For example, Signify reports the number of suppliers that are part of the audit programme, the number of suppliers that are actually audited, the number of suppliers that are audited on-site, where the suppliers are located, and each supplier's compliance with Signify's expectations. As well as information about the audited suppliers, Signify also reports the outcomes of the audits by giving the percentage range of suppliers that comply with each of the 33 labour, health & safety, environment, ethics, and general indicators. Finally, Signify states how it deals with non-compliant suppliers. Either these suppliers are given the opportunity to improve their processes and are re-audited the following year, or non-compliance results in consequences for the business relationship.

5. Governance – Lobbying

5.1 OVERVIEW OF ENGAGEMENT

VBDO has noted that, when it comes to lobbying, most companies are still struggling with aligning lobbying with sustainability. Companies are not used to reporting on their lobbying activities and costs, or their memberships of industry associations, and very few companies actively use lobbying to progress sustainability objectives. However, there are differences between sectors, with companies in the Financial and Technology & Electronics sectors taking the lead in recognising their responsibility for lobbying and providing insight into industry association memberships. The Food, Beverage & Retail, Industry, and Services sectors show more room for improvement. Interestingly, 19 commitments have been made on lobbying this season, paving the way for improved performance next year.

LAGGING				LEARNING	LEADING
a.s.r.	ASM	JDE Peet's	SBM Offshore	Signify	
Aalberts	ASML	Just Eat Takeaway.com	Sligro		
ABN AMRO	BAM Group	KPN	TKH Group		
Adyen	Corbion	NN Group	Van Lanschot Kempen		
Aegon	Fugro	Philips	Vopak		
Ahold Delhaize	Heijmans	PostNL	Wereldhave		
AkzoNobel	HEINEKEN	Randstad	Wolters Kluwer		
Arcadis	ING Group				

N.B. – This report is not to be read as a benchmark. VBDO aims to quantify the qualitative process of engagement for clarity of communication; however, it should be noted that the engagement process is nuanced and differs with each company in our investment scope.

5.2 THEME INTRODUCTION

This year, VBDO has introduced lobbying as a new engagement theme. The decision was motivated by the impact of lobbying on legislation and the lack of transparency regarding corporate lobbying. One example is plastic packaging lobbying. A recent report by VBDO shows that most grocery retailers and Fast-Moving Consumer Goods companies either do not lobby at all on circular economy legislation, or lobby against it.³³ In addition, relevant industry associations often lobby against circular economy legislation. Due to the higher level of engagement on the part of industry associations, VBDO has concluded that the negative positioning of industry associations potentially outweighs the positive engagement by some of their members. This example shows that if companies are serious about acting on sustainability challenges,

such as transitioning to a circular economy, companies should actively lobby in support of ambitious regulation, and engage with relevant industry associations that lobby against ambitious regulations.

The OECD defines lobbying as “the act of lawfully attempting to influence the design, implementation, execution, and evaluation of public policies and regulations administered by executive, legislative, or judicial public officials at the local, regional, or national level.”³⁴ Current corporate lobbying activities have the potential to make a significant impact on sustainability legislation. This impact could be either positive or negative. On the one hand, associations such as Corporate Leaders Group Europe advocate for “rais[ing] climate ambitions, build[ing] low carbon policy, and driv[ing] innovation to deliver a low carbon society.”³⁵

On the other hand, research by InfluenceMap shows that only 11% of researched business associations in the European Union always lobby in line with the Paris Agreement.³⁶

Governments are already acting to increase transparency of corporate lobbying practices. For example, the upcoming CSRD requires companies to report their political contributions and information about lobbying or advocacy activities related to material impacts, such as the types, purpose and cost of these activities. In addition, the ESRS states that when lobbying and/or advocacy are considered material topics, additional disclosures, including positions on advocacy topics, are required.³⁷ Moreover, the European Union has set up a mandatory Transparency Register, which discloses the activities of lobbyists who target EU institutions.³⁸

Despite the increase in public and political scrutiny of lobbying described above, VBDO has observed that, generally, companies are not very transparent about their lobbying objectives, activities, and outcomes. This lack of transparency is exacerbated by the fact that much lobbying takes place via trade and industry associations. Such indirect lobbying creates additional sustainability risks, since companies lose oversight of the lobbying activities carried out on their behalf. If companies do not actively monitor these lobbying activities, VBDO fears that lobbying via industry associations limits companies’ potential sustainability impact.

GOOD PRACTICE

Randstad's transparency on industry association memberships

Randstad reports an overview of the company's industry association memberships in its annual report.³⁹ This overview also indicates the highest position held by Randstad within these industry associations, ranging from ‘member’ to ‘president’. This overview covers many countries around the world in which Randstad is active; it is not limited to the Netherlands. Lastly, Randstad discloses how much money the company has spent on three specific industry association memberships over the past three years.



During our engagement over the last few years, many companies have expressed their intention to act on sustainability issues. At the same time, many of these companies have indicated that there are significant challenges to realise this intention, such as the lack of a level playing field. VBDO understands the complexity involved in realising sustainability ambitions and believes that lobbying holds opportunities to remediate challenges to implementing sustainable policies. By joining forces with other frontrunners, companies can reach out to governments and make meaningful statements to civil society. By pointing out exactly what the bottlenecks are, corporate players may (and should) facilitate the implementation of sustainability-related legislation, thus accelerating the transition towards a more sustainable society.

For these reasons, it is crucial that companies start to formulate an ambitious sustainability lobbying strategy. Such a strategy includes a clear lobbying vision and objectives, transparency about lobbying practices, and a strategy to ensure that industry associations of which the company is a member lobby in line with the company’s sustainability objectives. We are hopeful that these efforts on the part of companies will lead to a decreased negative impact, as well as an increased positive impact, on sustainability legislation.

5.3 VBDO'S BEST PRACTICE GUIDELINES

When assessing the maturity of a company's lobbying policy, VBDO has the following five expectations:

Recognition of responsibility: VBDO expects companies to recognise their responsibility for responsible lobbying practices. Companies could meet this ambition by including a statement in their annual report or on the company's website. In such a statement, companies should recognise their responsibility not only for their own lobbying practices but also for lobbying carried out on their behalf, for example through industry associations.

Responsible lobbying strategy: VBDO expects companies to develop a responsible lobbying strategy and to refer to this strategy in their annual report. This lobbying strategy should include information about the company's sustainability lobbying vision, objectives, and scope, and be aligned with international sustainability standards, such as the Paris Agreement and the United Nations Guiding Principles on Business and Human Rights. In addition, this strategy should also include an understanding of how the company aims to lobby responsibly. For example, companies can describe how they support ambitious climate policies

and their alignment and engagement with relevant industry associations.

Transparency: Besides having a lobbying strategy, companies should publicly disclose their (specific) lobbying positions, costs, and activities. Moreover, companies should publicly disclose the lobbying position, costs, and activities of the industry associations of which they are a member. Finally, due to the risks of misalignment between companies' own sustainability vision, and the sustainability vision of industry associations, companies are encouraged to disclose and monitor potential misalignments between their positions and those of relevant industry associations.

Impact-based engagement: It is crucial that companies determine the advocacy issues on which they could have the largest positive impact and/or most strongly mitigate negative impacts. Afterwards, companies are expected to proactively engage on these issues. By taking such actions, companies become frontrunners in sustainability lobbying. Moreover, VBDO believes the negative impacts that arise through indirect lobbying via industry associations warrant special attention. Therefore, companies should engage with industry

associations when those industry associations do not support ambitious sustainability regulations. Companies can do so by, for example, entering into a dialogue with those industry associations, or by writing and signing public letters to those industry associations.

Statements, commitments, and target-setting:

Public commitments are the capstone of a responsible lobbying policy. By making such statements, aligning with relevant lobbying pledges, and setting lobbying-related targets, companies show that they care about responsible lobbying. These public commitments are a sign of far-reaching ESG integration on the part of companies.

5.4 FINDINGS

VBDO adopted lobbying as a new engagement topic this year. As a result, the findings included in this section provide an understanding of the initial performance on lobbying across the companies and sectors engaged with.

Generally speaking, only a few companies recognise the importance of lobbying, report on their lobbying activities, and include a lobbying vision in their annual report. In the course of our engagement, VBDO observed that, in many cases, it is not always clear (internally) whether and how the company lobbies and what the lobbying costs are. The 'smaller' companies in our scope, in particular, do not always recognise the importance of lobbying, or claim that this topic is immaterial, in spite of the clear impact of lobbying on sustainability via the industry associations of which they are a member.

On a more positive note, many companies do recognise the importance of responsible lobbying and of being transparent about it. Moreover, some companies publicly shared this belief during their AGM, resulting in several commitments (see commitment highlights on lobbying). They typically commit to researching ways to make an impact, and to developing a lobbying strategy that contributes to sustainability. Another positive finding is the fact that 39% of companies in scope

GOOD PRACTICE

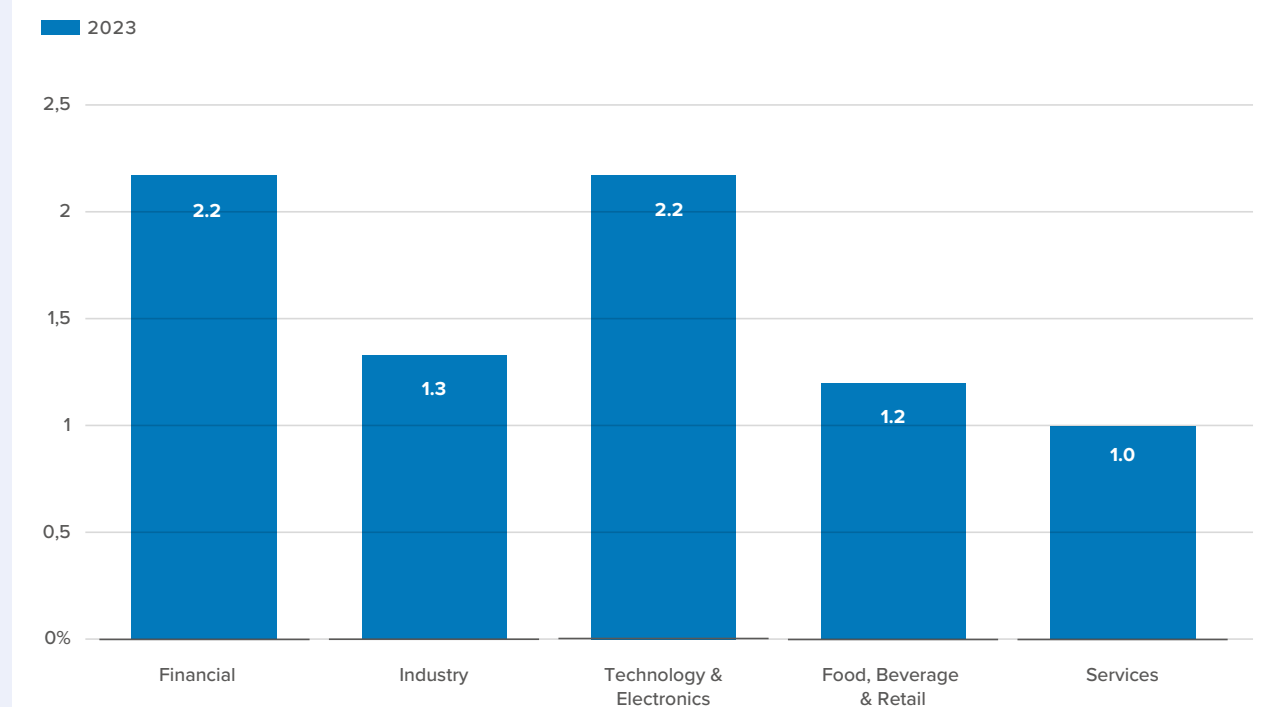
Signify's transparency on sustainability lobbying

Signify clearly reports on the company's sustainability-related lobbying activities. In 2022, the company advocated for the integration of increased climate action with pandemic recovery programmes in the major economies of the world.⁴⁰ Furthermore, Signify is transparent with regard to the company's advocacy on climate measures and energy use in different markets, including the United States, European Union, and China. For example, the company's stakeholder engagement report includes a qualitative description of Signify's lobbying objectives, a description of the lobbying activities carried out by the company, and the memberships and partnerships engaged with. One of these partnerships is, for instance, with the Corporate Leaders Group Europe, which aims for a climate-neutral economy.

CDP disclosures not included in company assessment

VBDO has observed that many companies in scope answer the climate lobbying questions asked by CDP.⁴⁰ The questions include whether lobbying activities are aligned with the Paris Agreement and whether the lobbying activities of the industry associations of which the company is a member are aligned with the company's sustainability vision. Therefore, these questions are largely in line with VBDO's sustainability lobbying vision. However, VBDO expects companies to report more elaborately on lobbying. More specifically, we ask companies to disclose their lobbying objectives and scope, and their relationships with relevant industry associations. Such disclosure should be made in the company's annual report or through other company documents. Therefore, VBDO does not allocate points in its company assessments on the basis of reporting on CDP disclosures.

Graph 12: Lobbying – average score per sector

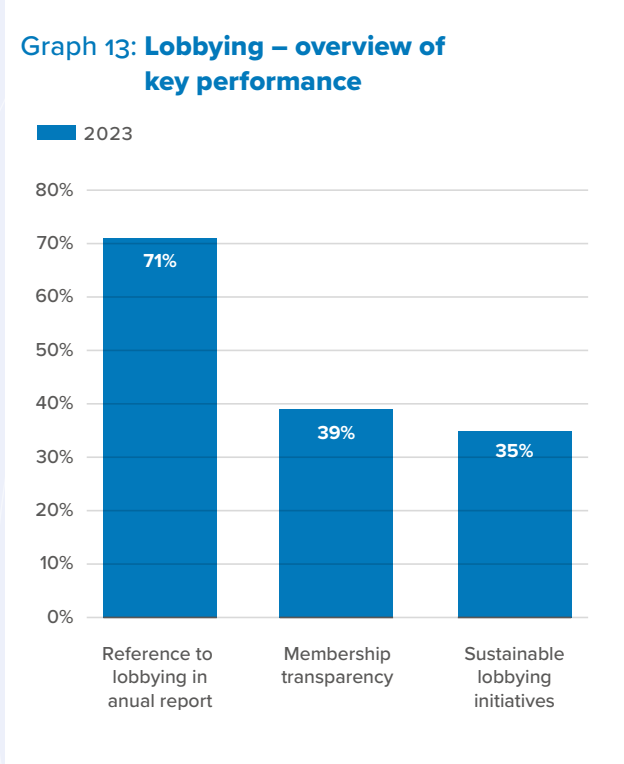


publicly disclose memberships of industry associations. These disclosures occasionally include reporting on financial contributions made to these associations.

The differences between sectors when it comes to lobbying performance are striking. Companies in the Financial sector tend to score highest, with 83% recognising lobbying in their strategy or annual report. The same percentage disclose their industry association memberships, and 17% of the companies even publish a review of their lobbying activities. Technology & Electronics is another sector that shows strong performance. 83% of Technology & Electronics companies in scope refer to lobbying in their strategy or annual report, and 50% participate in coalitions that have the specific purpose of lobbying in support of relevant sustainability goals, such as the Paris Agreement. The Services sector, on the other hand, shows more room for improvement. Out of the eight companies engaged with, only one discloses its memberships. Similarly, only one participates in sustainability lobbying coalitions.

Recognition of responsibility

In 2023, 71% of companies in scope made a reference to their lobbying activities either in their strategy or annual report. This equates to 22 out of the 31 companies



assessed. However, VBDO expects all engaged companies to at least recognise lobbying as a theme that needs to be discussed, and ideally, as a theme for



which they need to take active responsibility. Not only is recognition of responsibility the foundation for making a positive sustainability impact through lobbying, but it is also a strong signal to politicians and civil society that companies are willing to take responsibility for sustainability challenges.

Interestingly, there are significant differences among sectors in the recognition of responsibility for lobbying. The Financial and Technology & Electronics sectors score the best, with 83% of the companies in both of these sectors recognising their responsibility for lobbying. In the case of the Financial sector, this may be because this sector is already subject to many rules and regulations in other legislative areas. In the case of the Technology & Electronics sector, it could be because this sector is at the forefront of rapid innovation and social change, rendering the monitoring of political developments particularly important to these companies.

The Industry sector, however, shows room for improvement, since only half of the industrial companies engaged with publicly recognise their responsibility for lobbying. During our engagement, VBDO observed that many companies believe that lobbying is not a material topic for them since they do not employ any lobbyists

themselves. Although this line of reasoning is perhaps understandable, most companies have joined a number of industry associations that lobby on their behalf. Even when all lobbying activities of a company are carried out indirectly, companies should recognise responsibility for the lobbying taking place on their behalf.

Responsible lobbying strategy

While 71% of the companies engaged with recognise their responsibility on lobbying, none of these companies have developed a responsible lobbying policy. After having recognised responsibility for lobbying, a logical next step for companies is to develop a responsible lobbying strategy. The main objective of such a strategy is to align the lobbying activities of a company with its sustainability vision. Therefore, such a strategy should describe how the company aims to make a positive impact by lobbying. Companies can, for example, describe their vision and expectations on a few important legislative topics, such as the EU Green Deal, including the CSRD, or the CSDDD. In addition, companies should describe how they lobby on these topics, or how they expect the industry associations of which they are a member to lobby on these topics. Finally, such a strategy ought to include their standpoint and possible actions towards relevant

Table 3: Highlighted commitments on lobbying

Results	Highlighted commitments (see Appendix II for full list of commitments)
Fugro	Fugro will consider giving more insight into its lobbying activities.
Heijmans	Heijmans aims to proactively play a role in regulations where it sees negative developments, such as in the areas of safety and sustainability.
Just Eat Takeaway.com	Just Eat Takeaway.com will engage with the Dutch government to put in place stricter rules to improve working conditions.
Van Lanschot Kempen	Van Lanschot Kempen will formulate actions to be taken regarding the lobbying activities of the industry associations of which it is a member.
Vopak	Vopak will provide more transparency on the company's direct and indirect lobbying activities in its next annual report.
Wereldhave	Wereldhave will report more extensively on its direct and indirect lobbying activities in its next annual report.
Wolters Kluwer	Wolters Kluwer will research the number of industry associations of which it is a member that support the Paris Agreement and report on this.

industry associations whose lobbying activities may be aligned or, in some cases, misaligned. VBDO regards the fact that no company in its scope has released a detailed lobbying strategy as a missed opportunity. With increasingly negative publicity about corporate bodies, this is the moment for sustainable frontrunners to make a positive impact and to demonstrate their commitment to sustainability.

Transparency

Currently, 39% of assessed companies disclose their memberships of industry associations and other lobbying alliances and coalitions. It is a positive step, however, VBDO sees much room for improvement in this regard. Transparency is a vital element of responsible lobbying since it shows society how companies seek to impact sustainability legislation. Transparent disclosure enables companies and stakeholders to monitor progress toward responsible lobbying practices, as defined in their responsible lobbying policies.

Transparency, however, extends to more than simply reporting on memberships. VBDO expects companies to disclose the costs of their memberships, as well as the kinds of involvement they have with all associations, alliances, and coalitions engaged in, across all geographies. During our engagement, many companies have expressed scepticism about reporting the costs associated with their industry association memberships. However, there are good examples

of companies transparently disclosing these costs in the annual report or in a separate, publicly available document. These frontrunners include, among others, a.s.r., ASML, and Randstad. They show that it is possible to be transparent about the costs of indirect lobbying, paving the way for other companies in scope to follow this positive example.

In this respect, once again, the differences between sectors are remarkable; all but one company in the Financial sector disclose memberships, whereas in the Industry and Services sectors, only one company in each sector reports their memberships. The Technology & Electronics and Food, Beverage & Retail sectors score slightly better, with two companies in each sector meeting this criterion.

Impact-based engagement

Ultimately, lobbying should be focused on making a positive sustainability impact. In order to maximise positive impact, companies would be well advised to select advocacy issues based on either making the biggest positive impact or minimising negative impact. A first important step that companies can take, is the publication of a detailed annual review covering the company's actions around both its own lobbying activities, and those of the associations of which it is a member. This season, three companies in scope – a.s.r., ASML, and Signify – have met this expectation. In these reviews, companies may include their most important lobbying objectives, including those related to

GOOD PRACTICES

ABN AMRO's disclosures on in-house lobbyists

Annually, ABN AMRO publishes a Non-financial Data & Engagement Factsheet.⁴¹ This factsheet discloses the lobbying activities of the bank. Moreover, ABN AMRO specifies the number of in-house lobbyist FTEs it employs, as well as the business unit that employs them. In addition, the bank reports the location from which these lobbyists work, as well as their formal registration status in lobbying registers established by both the Dutch parliament and EU institutions. Finally, the company reports total spending on both in-house and external lobbyists.

ASML's Government & External Affairs Report

In June 2022, ASML published its Government & External Affairs Report.⁴² This report outlines the company's lobbying objectives and the resulting focus areas, as well as ASML's lobbying transparency compliance. In addition, the report contains an overview of industry association memberships, including membership fees, and a brief description of the lobbying goals and activities of these organisations.



sustainability, and describe how they aim to reach these objectives. VBDO believes the publication of annual lobbying reviews facilitates multi-stakeholder dialogue on responsible lobbying, and therefore has the potential to lead to significant sustainability gains.

However, in the assessment carried out by VBDO, none of the companies studied scored any points for impact-based engagement with industry associations. This shows that, generally, companies shy away from integrating sustainability objectives with lobbying activities. To achieve such integration may seem a tall order. However, there are attainable steps companies may take, such as identifying the most significant negative impacts of their lobbying strategies. In this regard, a good example is Unilever. Unilever left and later rejoined the European Chemical Industry Council (CEFIC) with a commitment to speak out when this organisation advocates for climate policies that are not aligned with Unilever's own climate objectives.⁴³

Another impactful step would be for companies to focus on advocacy issues that align closely to their existing sustainable strategies. In this respect, we are pleased to see that 35% of the companies in scope have joined lobbying coalitions that specifically lobby in support of relevant sustainability goals, typically the Paris Agreement. Four out of the six researched companies in the Industry sector have taken this step, which is the highest scoring sector in this regard. These green coalitions make for a good entry into sustainability

lobbying. VBDO hopes to see the number of companies that sign up to green coalitions increase over the coming years.

Statements, commitments, and target-setting

The assessment carried out by VBDO shows that none of the companies in scope have set targets or KPIs specifically for lobbying. However, public lobbying-related statements, commitments, and targets are necessary to provide guidance for responsible lobbying practices. They inspire action and ensure that companies develop their lobbying policies and practices with an eye to increased responsibility and sustainability alignment. In addition to setting specific internal lobbying targets, companies are also urged to make a meaningful public commitment on lobbying. Such a commitment would stress the importance of lobbying in line with sustainable and ambitious regulation. Our assessment shows that only one company in scope, Signify, has made a meaningful public commitment on lobbying. Signify highlights the importance of working with like-minded advocates and points to collaboration with organisations, governments, and non-profits as key to tackling climate change. We would, therefore, like to encourage companies to boldly take positive action by speaking out against lobbying activities that have a negative sustainability impact, and to publicly commit to the sustainability alignment of lobbying activities.

Responsible lobbying according to InfluenceMap



Will Aitchison
EU Strategy Manager
for Lobbying and Corporate
Influence at InfluenceMap

Why is it important that (Dutch) companies develop a climate policy engagement strategy?

Climate policy advocacy is becoming a mainstream sustainability and governance issue. This has been codified by initiatives such as The Global Standard on Responsible Climate Lobbying, and investors are increasingly considering corporate climate policy engagement as an indicator of management readiness for the energy transition. Scrutiny from citizens is also high; a major analysis by GlobeScan in January 2023 showed that 71% of citizens globally believe companies should support and push governments to act on climate change.

What does a good climate policy engagement strategy look like?

We recently published a briefing setting out what steps companies can take to demonstrate true leadership on climate policy advocacy. The five steps draw on InfluenceMap's

world-leading database for tracking and assessing corporate climate policy engagement, and extensive interactions with corporations and investors, as well as existing standards. The steps are as follows: (1) Secure CEO and regulatory affairs support, (2) Use the work of the IPCC and IEA to take a science-based approach to policy advocacy, (3) Transparently review and disclose all climate policy engagement, (4) Address misalignments with industry associations, and (5) Deploy the full range of policy engagement tactics, from advertising to technical input.

How can companies engage with industry associations when their policy engagement activities are misaligned?

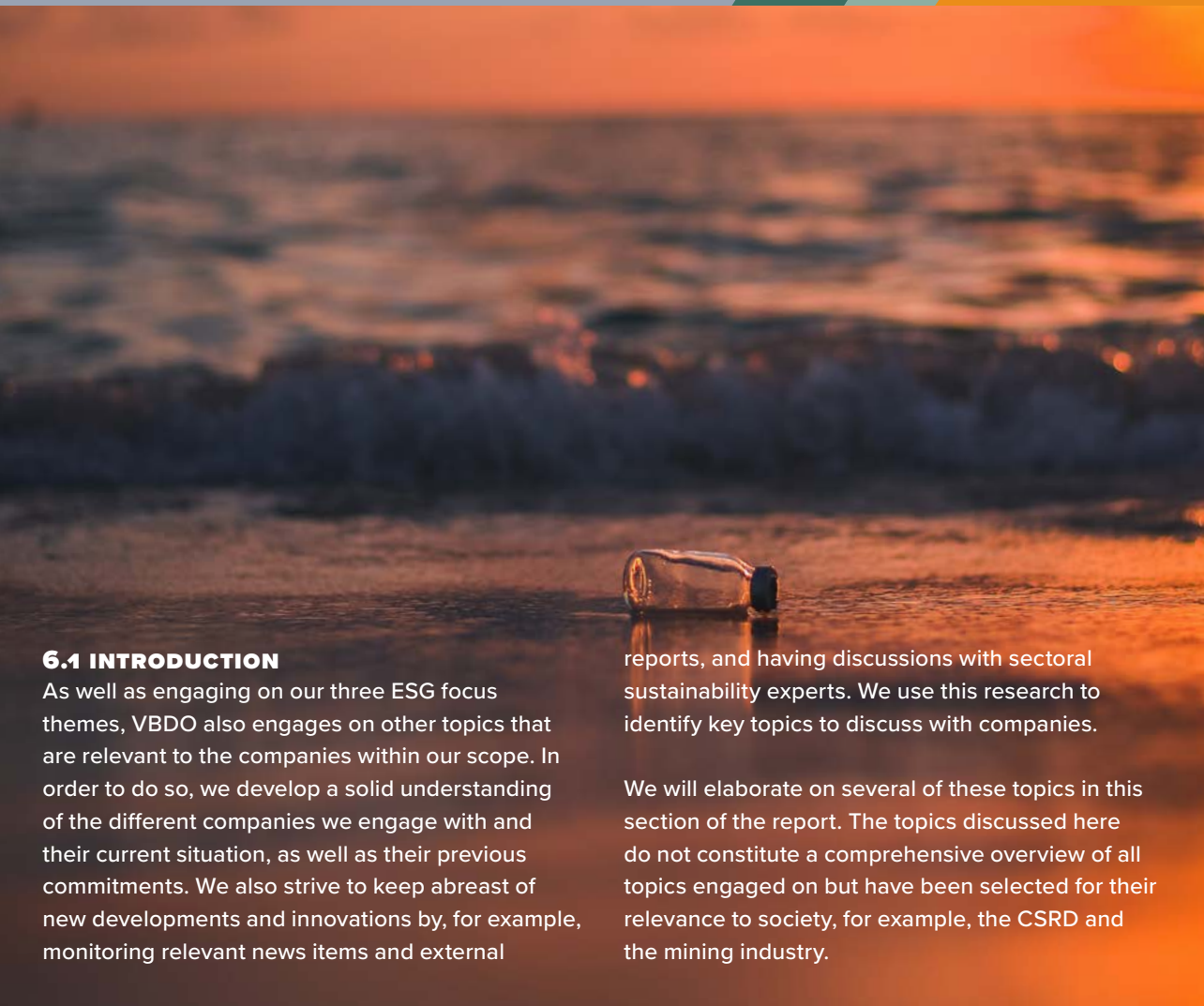
While companies might act positively in their own advocacy, their industry associations wield more power over policy, touting huge sectors of the economy among their membership. Companies can take various steps to address misalignment, from engaging within the group to reform its positions to ceasing membership. In line with the Global Standard on Responsible Climate Lobbying, companies should also publish a detailed industry association review that clearly

lays out the policy positions and engagement activities of the company and its industry associations. To have meaningful impact, however, these disclosures need to be followed by a robust programme to address any misalignments identified.

Are there good examples of companies engaging with industry associations?

Over 60 ClimateAction100+ companies have published industry association reviews and we have assessed the quality of these reviews. Although we have yet to identify a company that demonstrates best practice across the entire engagement review process, Enel's review is currently the highest scoring in our system followed by Fortum and Bayer. Companies have established rigorous governance processes to verify the climate advocacy positions of associations and maintain alignment, for example as disclosed in Enel's 2022 Sustainability Report. Others have taken public action on misalignments; for example, General Motors disclosed that it has not financially contributed to advocacy campaigns against the Build Back Better Act by the Business Roundtable and US Chamber and has publicly advocated a supportive position to ensure its stance is differentiated.

6. Other engagement topics



6.1 INTRODUCTION

As well as engaging on our three ESG focus themes, VBDO also engages on other topics that are relevant to the companies within our scope. In order to do so, we develop a solid understanding of the different companies we engage with and their current situation, as well as their previous commitments. We also strive to keep abreast of new developments and innovations by, for example, monitoring relevant news items and external

reports, and having discussions with sectoral sustainability experts. We use this research to identify key topics to discuss with companies.

We will elaborate on several of these topics in this section of the report. The topics discussed here do not constitute a comprehensive overview of all topics engaged on but have been selected for their relevance to society, for example, the CSRD and the mining industry.

6.2 CSRD & MATERIALITY

This season, VBDO asked 26 engagement question on the CSRD and/or the double materiality assessment carried out by the companies. All companies in our scope are required to report in line with the CSRD from the 2024 financial year onwards. All companies will need to disclose their double materiality assessment as well as metrics and indicators on other sustainability-related topics. These disclosures will be mandatory. What else companies need to disclose depends on what topics they identify as material, using the basis of double materiality. For example, whilst all companies will need to adhere to the general disclosure requirements as well as to the ESRS on climate change and on the company's own work force, some companies will also need to report on topics such as biodiversity, circularity, or workers in the value chain. Because the materiality of topics is crucial in determining what

companies need to disclose, we decided that it would be critically important for us to evaluate the companies' (double) materiality assessments. Whilst, in some cases, it is clear which topics are (not) material, there are other cases where VBDO disagrees with a company on the outcomes of its materiality assessment. Currently, some companies define biodiversity as a key or important topic, but not as a material one. In addition, VBDO has also engaged with multiple companies by joining stakeholder dialogues, conducting interviews, and filling in materiality surveys.

6.3 CLIMATE MITIGATION & SCOPE 3 TARGETS

During this AGM engagement season, VBDO asked seven questions on climate mitigation and scope 3 targets, resulting in six commitments. Four companies made a commitment about setting science-based reduction targets, and two companies

made a commitment about ensuring CO2-reduction programmes are reliable. Reducing CO2 emissions (climate mitigation) is at the forefront of sustainability discussions with Dutch companies. CO2 emissions are the primary cause of climate change and should be limited in order to prevent the severe disruption of ecosystems and the global economy and a severe reduction in the standard of living globally. VBDO continuously engages on climate mitigation to encourage companies to reduce emissions from their own operations and from their value chains. In 2023, we focused mainly on the analysis and targets of scope 3 emissions. Scope 3 emissions typically make up the

vast majority of a company's total greenhouse gas emissions. Therefore, it is of the utmost importance that companies map their scope 3 emissions in addition to scope 1 and 2, and that they set targets for the reduction of these emissions.

6.4 CIRCULAR ECONOMY & PLASTICS

During the 2023 AGM engagement season, VBDO asked seven questions about the circular economy and plastics, resulting in five commitments. For example, HEINEKEN committed to publishing a company-wide circularity strategy next year. Moreover, we engaged on the topic of the circular economy in the 2014-2016

Investors' statement on plastics



Freek van Til
Project Manager at VBDO

In November 2022, VBDO published the report 'Plastic Perspectives', which included an analysis of 18 of the largest EU and UK FMCG and grocery retail companies. The report concluded that none of these companies show the right amount of ambition when it comes to plastic reduction and systemic changes to their packaging policies, and none are doing enough to get behind robust legislation, even though such legislation would provide much-needed guidance for both sectors. Especially worrying is the lack of proper targets relating to (absolute) plastic reduction set by these companies, and in some cases even the removal of ambitious targets, as well as the overall poor performance on recycling and recyclability.

As a much-needed follow-up to the report, in February 2023 more than 30 people from the investment sector joined VBDO's round table on Plastic Perspectives, where they were provided with further insights and collaborative corporate engagement was discussed. As a result, a core group of 11 investors drafted an investor statement, which was later signed by more than 180 investors worldwide, managing \$10 trillion. The statement entailed three concrete expectations:

1. Support ambitious policies for effective outcomes;
2. Commit to – and start delivering – the absolute reduction of single-use plastic packaging, including through implementing reuse systems;
3. Address toxicity in value chains.

The first expectation strongly encourages companies not to lobby against ambitious policies, such as the EU Packaging and Packaging Waste Regulation (PPWR) and the UN Global Plastics Treaty. The statement is aimed at 36 companies from the FMCG and grocery retail sectors, including Unilever, Ahold Delhaize,

Coca-Cola, Carrefour, and Danone. The publication of the statement has been widely picked up by newspapers and (online) media, including the Financial Times, Reuters, Sustainable Views, Trouw and De Telegraaf.

During the round table in February, initial plans for collaborative corporate engagement were laid out, and with the success of the launch of the investor statement, these plans became indisputable. The signatories to the statement have since drafted a cover letter, which has also been sent to each of the 36 companies. This letter contains a reiteration of the expectations set out in the investor statement, as well as an invitation to a follow-up conversation between the company and the signatory investors.

Together with our current investor partners on this topic, VBDO will closely monitor the performance, lobbying activities, strategies, and disclosures of these companies over the next few years and provide regular updates.

period. Since then, more companies now gather data, set targets, and report transparently about their impacts on the circular economy and plastic usage. However, much is still to be done. For example, many companies in our scope do not have a sufficient and sustainable plastic-packaging strategy. For this reason, it is good to see that the European Union is developing ambitious circular regulation, such as the Circular Economy Action Plan⁴³ and Single-Use Plastics Directive⁴⁴. Moreover, resource use and the circular economy are covered by one of the ESRS reporting standards (see section 6.2 for more on the CSRD and materiality).⁴⁵ Finally, investors are also increasingly acting on the topic of plastic packaging. For example, more than 180 investors representing \$10 trillion AUM recently signed a plastic investor statement drafted by VBDO (see the interview with Freek van Til). We are hopeful that, as a result of these efforts, companies will start to take further steps on the topic of circularity.

6.5 MINING

This year, VBDO engaged with seven companies on mining activities in their supply chain. In addition to these engagements, during the rest of the year VBDO, together with other investors, is engaging with mining companies directly. For example, we are engaging on the complete supply chain for nickel (from mining to automotive), which is one of the most sought-after minerals in the energy transition. The mining industry has a notorious reputation for problematic standards and practices, resulting in a large number

of controversies over the years. These controversies include human rights controversies, as well as severe negative impacts on the environment and biodiversity. Whilst many companies already act on improving human rights issues in the mining sector, fewer companies act on mitigating biodiversity issues at mines. When aiming for a just energy transition, it is vital to make sure this transition will be responsible on both a social and an environmental level. Therefore, mining companies are urged to mine responsibly, and companies are encouraged to engage with mining companies on this topic (e.g. on implementing the Initiative for Responsible Mining Assurance (IRMA) standards or those of the Global Reporting Initiative). Therefore, it is good to see that, after our engagement, TKH Group, for example, is now considering joining the IRMA.

6.6 DIVERSITY

VBDO also engaged with four companies on the topic of diversity, resulting in one commitment. Last year, diversity was one of VBDO’s core engagement themes. For this reason, it was good to observe that this year, 12 out of 14 diversity-related commitments made last year were met. However, diversity remains an important topic. It is vital that companies build awareness and knowledge with regard to diversity and inclusion among the entire workforce. This will help to create a more inclusive environment and also create more wide-spread support for any diversity and inclusion measures that the company decides to take. A concrete example of knowledge-building is unconscious-bias training.

Table 4: Highlighted commitments

Results	Highlighted commitments (see Appendix II for full list of commitments)
HEINEKEN	HEINEKEN aims to publish a company-wide circularity strategy next year.
PostNL	PostNL will evaluate how to compensate for CO2 emissions as an alternative to buying CO2 certificates and report on this next year.
Sligro	Sligro will perform a baseline measurement on packaging in 2024.
TKH Group	TKH Group will investigate if it is able to quantify and report on its other material (product) inputs.
Wolters Kluwer	Wolters Kluwer will gather data on its scope 3 GHG emissions, and collaborate with its suppliers on reducing these emissions.



Appendix I – Engagement process

In total, 31 out of 33 companies participated in pre-engagement meetings or calls with VBDO. VBDO strives to enter into a positive dialogue with companies,

so we conduct rigorous research beforehand and aim to formulate our questions in a constructive manner.

Figure 3: VBDO's engagement process



VBDO selects three priority themes for AGM engagement. These are chosen on the basis of international sustainability trends, regulations, and prominent issues, following consultations with the companies in VBDO's scope, as well as discussions with VBDO's members and sustainability experts.

The selected priority themes for 2023 were shared in December 2022 with the companies that VBDO engages with, in a letter to the Board of Directors of each company. VBDO assesses ten relevant criteria per

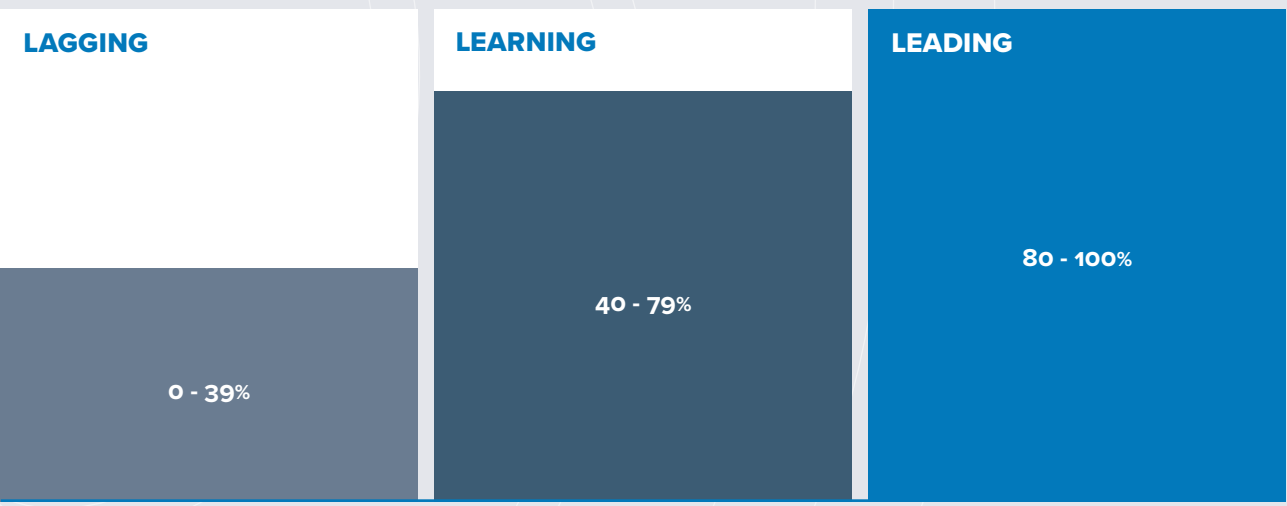
focus theme for each company in order to ensure that engagement is comparable, constructive, and impactful. We engage on our priority themes for a minimum of three consecutive years in order to measure progress.

Impact of engagement

We track our impact in several ways. An obvious point of measurement is the number of relevant commitments that companies make each year following our engagement. VBDO has a categorisation system in place to publicly keep track of the impact of our

engagement. Before we engage with a company, we score it per theme based on its maturity level. During this process, companies are given the opportunity to provide feedback on their scores. This enables

us to ask the right questions and track the impact of our engagement over the years that we engage on a specific topic. A company's score dictates which of the three categories we place them in:



Company selection for the 2023 engagement season

Companies are selected based on the selection criteria detailed below, in consultation with the concerned sector committee. In 2023, five companies that no longer (will) have a their headquarter located in the Netherlands, have been removed from our scope (Arcelor Mittal, Boskalis, RELX, Shell, and Unilever). In total, VBDO engaged with 33 companies in 2023 (engagement with Prosus and DSM is not included in this report as it occurred after the AGM season), compared to 38 companies in 2022 and 2021.

Basis of selection for engagement

- presence in the AEX index;
- or if no relevant peer is included in the AEX index, at least one peer in the AMX or ASX indices;
- headquarters located in the Netherlands;
- and/or companies VBDO deemed necessary to engage with based on their sustainability performance.

Nature of questions

We ask a number of questions to companies. On the whole, these relate to:

- VBDO's focus themes;
- transparency issues;
- themes of particular relevance to the company;
- commitments made in previous engagement seasons;
- the company's presentation or other relevant information shared during the AGM.

Appendix I – Engagement process



Table 5 – List of companies engaged with in 2023

	COMPANY	Pre-AGM meeting	AGM presence by VBDO
Financial	ABN AMRO	Yes	Yes
	Aegon	Yes	Yes
	a.s.r.	Yes	Yes
	ING Group	Yes	Yes
	NN Group	Yes	Yes
	Van Lanschot Kempen	Yes	Yes
Industry	Aalberts	Yes	Yes
	AkzoNobel	Yes	Yes
	BAM Group	Yes	Yes
	Corbion	Yes	Yes
	DSM	No	No
	Heijmans	Yes	Yes
	Vopak	Yes	Yes
Technology & Electronics (T&E)	Adyen	Yes	Yes
	ASM	Yes	Yes
	ASML	Yes	Yes
	Philips	Yes	Yes
	Prosus	Not yet	Not yet
	Signify	Yes	Yes
	TKH Group	Yes	Yes

	COMPANY	Pre-AGM meeting	AGM presence by VBDO
Food, Beverage & Retail (FBR)	Ahold Delhaize	Yes	Yes
	HEINEKEN	Yes	Yes
	JDE Peet's	Yes	Yes
	Sligro	Yes	Yes
	Wereldhave	Yes	Yes
Services	Arcadis	Yes	Yes
	Fugro	Yes	Yes
	Just Eat Takeaway.com	Yes	Yes
	KPN	Yes	Yes
	PostNL	Yes	Yes
	Randstad	Yes	Yes
	SBM Offshore	Yes	Yes
	Wolters Kluwer	Yes	Yes
	33 companies	31	31

Appendix 2 – List of 2023 engagement season commitments

a.s.r. (Financial sector)

- a.s.r. aims to keep the sustainability criteria for its investment policy in place after the transaction with Aegon, thus aligning the investments of Aegon with the improved investment policy of a.s.r. within a few years.
- a.s.r. will investigate how to report on its lobbying objectives, activities, and position in its next annual report.

Aalberts (Industry sector)

- No commitments were made in 2023.

ABN AMRO (Financial sector)

- ABN AMRO will use the input and insights arising from stakeholder dialogues on biodiversity to sharpen the company's policy, and will report progress on this matter.
- ABN AMRO will report the themes for which the company carries out lobbying activities.

Adyen (Technology & Electronics sector)

- Adyen will perform an assessment of the company's negative impacts on biodiversity in 2023.
- Adyen will develop a future plan for improving labour conditions in its value chain on the basis of the company's current impact investigation.

Aegon (Financial sector)

- Aegon will disclose its industry association memberships.

Ahold Delhaize (Food, Beverage & Retail sector)

- Ahold Delhaize aims to report on biodiversity as part of the TNFD.

AkzoNobel (Industry sector)

- No commitments were made in 2023.

Arcadis (Services sector)

- Arcadis will report on the biodiversity impact and objectives of the company in 2024.

ASM (Technology & Electronics sector)

- ASM will investigate the possibility of expanding the company's due diligence process on human rights and other related salient risks in its supply chain.
- ASM will investigate the possibility of disclosing all the company's industry association memberships in its annual report or on its website, and evaluate the opportunity to provide a summary of such memberships along with key dimensions that will make this information more informative and easier to find and digest.

ASML (Technology & Electronics sector)

- No commitments were made in 2023.

BAM Group (Industry sector)

- BAM Group aims to quantitatively report on KPIs related to materiality passports and circularity assessments in 2023 and report on most of the company's sustainable KPIs in 2024.
- BAM Group will set further steps in adjusting its supplier audit scope based on its due diligence risk assessment in 2023.

Corbion (Industry sector)

- In its next annual report, Corbion will report on the progress the company has made with regard to setting biodiversity-related targets.
- Corbion will review the company's targets for the percentage of raw material/supplier combinations classified as high risk, and the mitigation plan coverage of high-risk raw material/supplier combinations.
- Corbion will review whether it is feasible to report the costs of the company's lobbying activities in its annual report.

DSM (Industry sector)

- No engagement took place this year.

Fugro (Services sector)

- Fugro will consider giving more insight into its lobbying activities.
- Fugro will validate its scope 1, 2, and 3 CO2 reduction targets with the Science Based Targets initiative.

Heijmans (Industry sector)

- Heijmans commits that biodiversity will play a role in its new company strategy.
- Heijmans aims to develop a measurable KPI on biodiversity this year.
- Heijmans will review its human rights due diligence analysis process in 2023 or 2024 and will consider publishing a summary of the results of the analysis in the next annual report.
- Heijmans will consider setting a KPI on labour conditions once the results of its due diligence analysis have been published.
- Heijmans aims to proactively play a role in regulations where it sees negative developments, such as in the areas of safety and sustainability.

HEINEKEN (Food, Beverage & Retail sector)

- HEINEKEN aims to be more transparent about its biodiversity risks and the way the company aims to mitigate these.
- HEINEKEN aims to publish a company-wide circularity strategy next year.
- HEINEKEN aims to set more stringent targets on circularity concerning packaging.
- HEINEKEN will consider publishing its position towards legislation on material topics.

ING group (Financial sector)

- In the next Human rights report, ING will provide an update regarding the Human rights engagement tool (dashboard).

JDE Peet's (Food, Beverage & Retail sector)

- JDE Peet's will comply with the Science Based Targets for Nature standards when they are defined and report on this in its annual report.
- JDE Peet's will report on its global assessment of deforestation once the assessment has been completed (either in its 2023 or 2024 annual report).
- JDE Peet's aims to limit its engagement on legislation, and make a positive influence on sustainability legislation through industry associations.
- JDE Peet's will follow up on its progress concerning measuring living wage in its supply chain.

Just Eat Takeaway.com (Services sector)

- Just Eat Takeaway.com will assess the results of its CO2 labelling pilots and Veganuary campaign, look at the feasibility of continuing these trials, and consider reporting on them in more detail.
- Just Eat Takeaway.com will set up a centralised public affairs department for its lobbying activities and will disclose more about these developments.
- Just Eat Takeaway.com will engage with the Dutch government to put in place stricter rules to improve working conditions.

KPN (Services sector)

- No commitments were made in 2023.

NN Group (Financial sector)

- NN Group will report in 2024 about the progress made on determining how to implement the Finance for Biodiversity Pledge.
- NN Group will evaluate whether the company can already align its engagement process with the requirements of the CSDDD.
- NN Group will evaluate how it can inform stakeholders about lobbying in more detail next year.

Philips (Technology & Electronics sector)

- Philips will investigate how it can report on biodiversity in the context of suppliers, and how it can set joint targets on biodiversity.
- Philips intends to disclose its nature-related impacts and dependencies as part of the TNFD disclosure.
- Philips aims to set a progressive annual target on improving labour conditions for the supply chain of conflict minerals.
- Philips aims to continue advocacy with the industry associations of which it is a member on implementing science-based targets.

Appendix 2 – List of 2023 engagement season commitments

PostNL (Services sector)

- PostNL intends to take three actions in 2023 to support its longer term aim of zero deforestation: (1) including a 'deforestation-free' assurance in the contracts with its paper and cardboard suppliers, (2) entering into dialogue with the paper and cardboard industry, and (3) mapping its paper and cardboard use.
- PostNL commits to carry on reporting progress on the number of employees that are in permanent employment.
- In 2023 and 2024, PostNL will report its progress on emission-free deliveries in city centres.
- PostNL will evaluate how to compensate for CO2 emissions as an alternative to buying CO2 certificates and report on this next year.
- PostNL obliges its delivery partners to comply with human rights, which in 2024 will be included in contracts and will be enforced if applicable.

Prosus (Technology & Electronics sector)

- No commitments were made in 2023, as VBDO's engagement will take place after the publishing of this report.

Randstad (Services sector)

- Randstad will report its progress regarding 'meaningful work' in 2024.
- Randstad will consider age diversity when making future appointments to its Supervisory Board.

SBM Offshore (Services sector)

- SBM Offshore will review its materiality assessment and will consider including biodiversity as a material topic.

Signify (Technology & Electronics sector)

- Signify will report on its biodiversity roadmap for 2025 in its next annual report.
- Signify will assess biodiversity in its full value chain and report on the necessary steps for improvement to be taken up to 2025.
- Signify aims to put a stronger process in place and will decide when needed after assessment to engage an independent audit to assess future carbon-offsetting projects and the carbon offsets provided by them.

Sligro (Food, Beverage & Retail sector)

- Sligro will perform a baseline measurement on packaging in 2024.

TKH Group (Technology & Electronics sector)

- TKH Group will consider quantifying the amount of recycled content for a limited set of materials.
- TKH Group will investigate whether it is able to quantify and report on its other material (product) inputs.
- TKH Group will evaluate the IRMA criteria to see whether the company supports working in line with it.
- TKH Group will consider disclosing the membership of associations that TKH Group has an active Board position in.

Van Lanschot Kempen (Financial sector)

- Van Lanschot Kempen will formulate actions to be taken regarding the lobbying activities of the industry associations of which it is a member.
- Van Lanschot Kempen will take action to meet science-based targets on carbon emissions.

Vopak (Industry sector)

- Vopak will provide more transparency on the company's direct and indirect lobbying activities in its next annual report.

Wereldhave (Food, Beverage & Retail sector)

- Wereldhave will report more extensively on its due diligence approach on the basis of risk profiles in its next annual report.
- Wereldhave will report more extensively on its direct and indirect lobbying activities in its next annual report.

Wolters Kluwer (Services sector)

- Wolters Kluwer will research the number of industry associations of which it is a member that support the Paris Agreement and report on this.
- Wolters Kluwer will gather data on its scope 3 GHG emissions, and collaborate with its suppliers on reducing these emissions.

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