



AGM Engagement Report 2024

From Compliance to Leadership

**Regulation as a Catalyst for Advancing
the Sustainability Strategy**



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Lead
Florine Kits van Heijningen

Research
Carlijn van der Donk | Lente Visser

Contributions from
**Angélique Laskewitz | Arjan Rensma | Denise Reike
 Edwin Janssen | Erik van Buuren | Hein Brekelmans
 Ilonka de Beer | Jasper Meewis Jeroen Bach
 Jonna Tjapkes | Karin Roeleveld | Marjan Staal
 Marjolein Baghuis | Mathieu Sueters | Pieter Fortuin
 Rishma Moennasing | Stijn Scholten | Tosca Langereis
 Stefanie Claessens-Jansen**

For information please contact
Florine Kits van Heijningen | Project Manager
florine.kitsvanheijningen@vbdo.nl | +31 (0) 6 30 84 64 13

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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. VBDO was established in 1995 to help create a more 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 29 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: almost 80 institutional investors and more than 350 private investors.

Preface

Dear reader,

Traditionally, the preface of this report offers readers an overview of significant events in the field of sustainability. When it comes to significant events, there are plenty to choose from. Unfortunately, this is not in a positive sense. In 2023, the world experienced its warmest year on record.¹ It was also the first year in which all days were more than 1°C warmer for that time of the year (globally) than the pre-industrial period.² The year 2024 has continued on the same foot, with each month breaking temperature records.³ The statistics are alarming and witnessing them manifest through heatwaves, floods, droughts, and wildfires is even more disconcerting.

Another concerning development is the ongoing politicisation of ESG and the persisting trend of regulation aimed at restricting ESG factors in decisions on business and investments. As a consequence, semantic discussions ensue over the definitions and interpretations of ESG and sustainability that ultimately only detract from the substantive action that is needed to achieve crucial goals on climate change and other environmental and social issues.

Nevertheless, amidst these sobering realities, it is imperative to also acknowledge the numerous positive developments that have made it impossible for corporations to avoid the topic of sustainability. This year is marked by the Corporate Sustainability Reporting Directive (CSRD). It is heartening to witness the considerable amount of time and energy dedicated to the implementation and preparation of this Directive.



In this year's engagement dialogues, VBDO has observed an overall positive outlook among corporations regarding this piece of legislation. Yet, there is more to come. The recent approval of the Corporate Sustainability Due Diligence Directive (CSDDD) by the Council of the European Union signals further regulatory advancements. Under this Directive, companies within the European Union will be required to adhere to new legislation focused on ensuring sustainable and responsible business practices throughout their supply chains, which clearly indicates that the responsibilities of companies extend beyond their own operations.

This extension of responsibility beyond a company's own operations is also a crucial aspect of the new social theme for this engagement season, namely the concept of a living wage. This was the social theme for the 2016 to 2019 engagement cycle. Due to the lack of progress made on this issue, VBDO decided to return to the theme once again. With the majority of companies in scope still classified as "laggers" on the subject of a living wage, there is certainly room for improvement. Ensuring a living wage

for workers in the supply chain requires full insight into the supply chain. Furthermore, it is a topic that benefits from a multi-stakeholder approach whereby companies, NGOs, and labour unions collaborate. A good example is the Platform Living Wage Financials (PLWF), an alliance of 24 financial institutions that engage on the living wage and living income with investee companies in the garment and food sectors.⁴ Since the beginning of 2024, VBDO has been officially involved with the platform, assisting in day-to-day operations and broadening the platform's reach to solidify

“It is imperative to also acknowledge the numerous positive developments that have made it impossible for corporations to avoid the topic of sustainability”

the living wage and living income as key topics for companies to put on their agenda.

For the third consecutive year, VBDO has engaged companies on the theme of biodiversity. The results indicate that companies are increasingly setting targets and KPIs related to biodiversity. Furthermore, companies are increasingly not only seeking to reduce their negative impact on biodiversity but also working towards restoring, preserving, and regenerating biodiversity. However, a point of concern is the fact that only 28% of the companies in scope have identified biodiversity as a material topic. This stands in stark contrast with the many companies that state that biodiversity is a relevant or key topic. VBDO would like to encourage companies to continue to assess the materiality of this topic and conduct thorough research into the impacts, risks, and opportunities related to biodiversity.

For the second year, VBDO has engaged with companies on the topic of lobbying. It is clear that this remains a complex topic, with many companies expressing discomfort due to the persistent negative connotations relating to the term. However, slowly but surely, companies are increasing transparency about their memberships of industry organisations and trade associations. This is an important development as it allows stakeholders to gain insights to better understand and evaluate the alignment between a company's sustainability objectives and its direct and indirect lobbying activities. Furthermore, this encouraging development sets a precedent for sector-wide improvements and helps mitigate the negative perceptions associated with lobbying. This signifies a positive shift towards companies utilising lobbying as a means to advance sustainability goals and promote responsible business practices.



“My gratitude goes out to the companies in scope for their openness and constructive dialogues, and I look forward to continuing these dialogues in the future”

Looking forward, the CSRD has major strategic value: it prompts companies to address critical questions related to their sustainability strategy and short- and long-term sustainability-related risks and opportunities. Addressing such questions in a meaningful way is highly reliant on the integration of sustainability throughout the company. Conversely, viewing the CSRD as a mere tick-the-box and compliance exercise will not optimally utilise its strategic value. Only by approaching the CSRD from a strategic perspective, will its value be realised. In turn, this will move companies from mere compliance to leadership in corporate sustainability.

From policymakers and corporations to consumers and investors, each of us has a role to play in fostering a more sustainable future. The CSRD is a reminder that the pursuit of sustainability is not a choice but a necessity – one that requires concerted action and collaboration across all sectors of society. VBDO is motivated as ever to contribute to this undertaking.

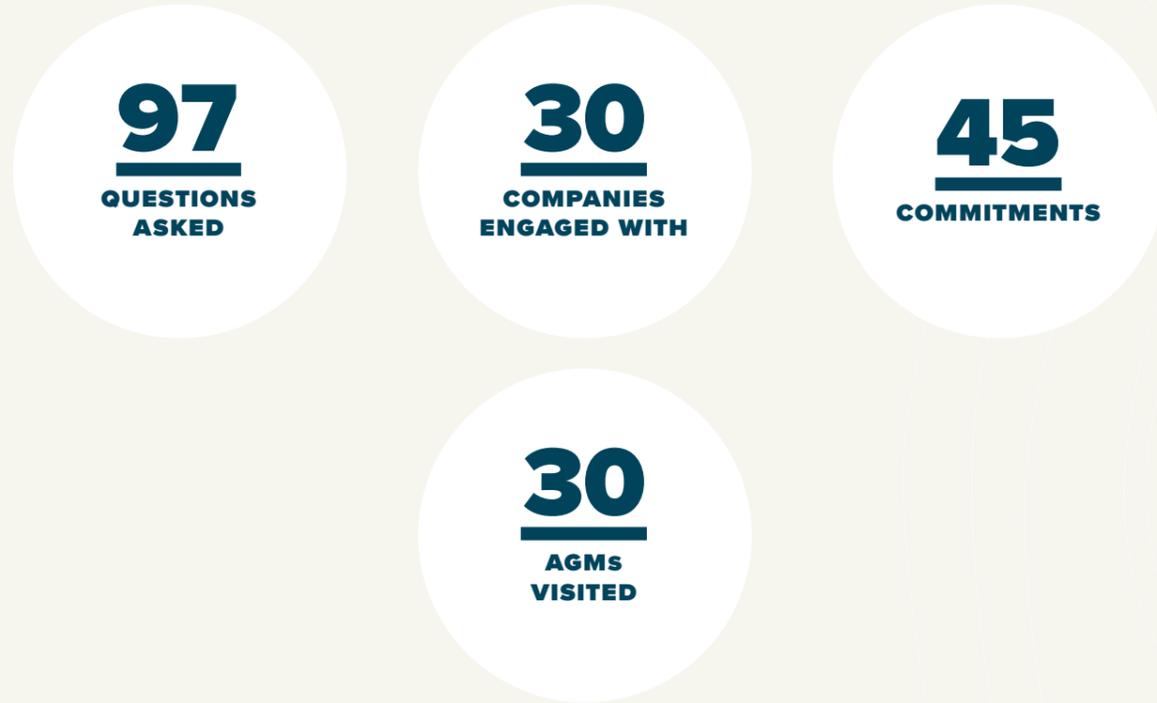
As we navigate the complexities of our rapidly changing world, let us seize these regulatory milestones as catalysts for positive change. Let us strive not only to comply with regulations but to embrace them as opportunities to lead the way towards a more sustainable and equitable future for all.

My gratitude goes out to the companies in scope for their openness and constructive dialogues, and I look forward to continuing these dialogues in the future. I would also like to thank our members and partners, both locally and globally, for their indispensable support, which has made this AGM engagement report possible. VBDO remains resolute in its commitment to advancing sustainability within capital markets. I extend special thanks to our sector commission members for their invaluable contributions throughout the engagement season, and to our hardworking employees for their unwavering commitment and perseverance.

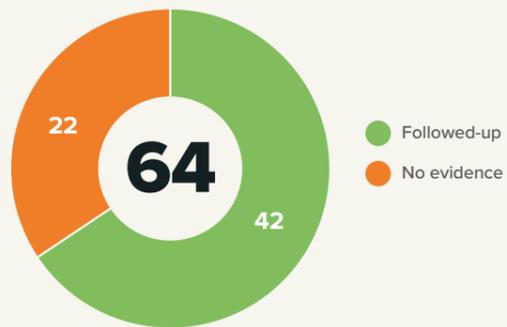


Angélique Laskewitz
Executive Director of VBDO

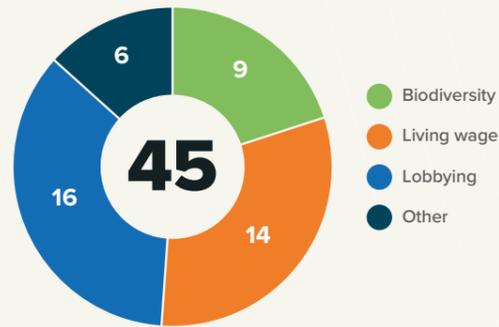
Highlights from VBDO's 2024 AGM engagement season



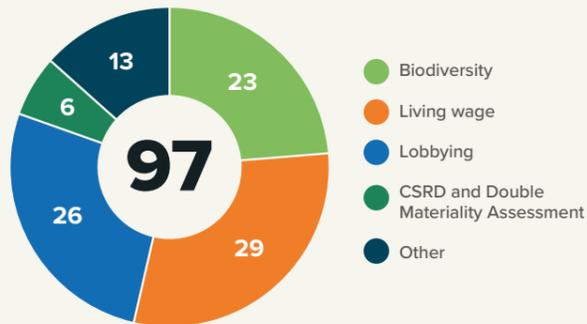
Graph 1: Commitments in 2023 that were followed up



Graph 2: Commitments 2024

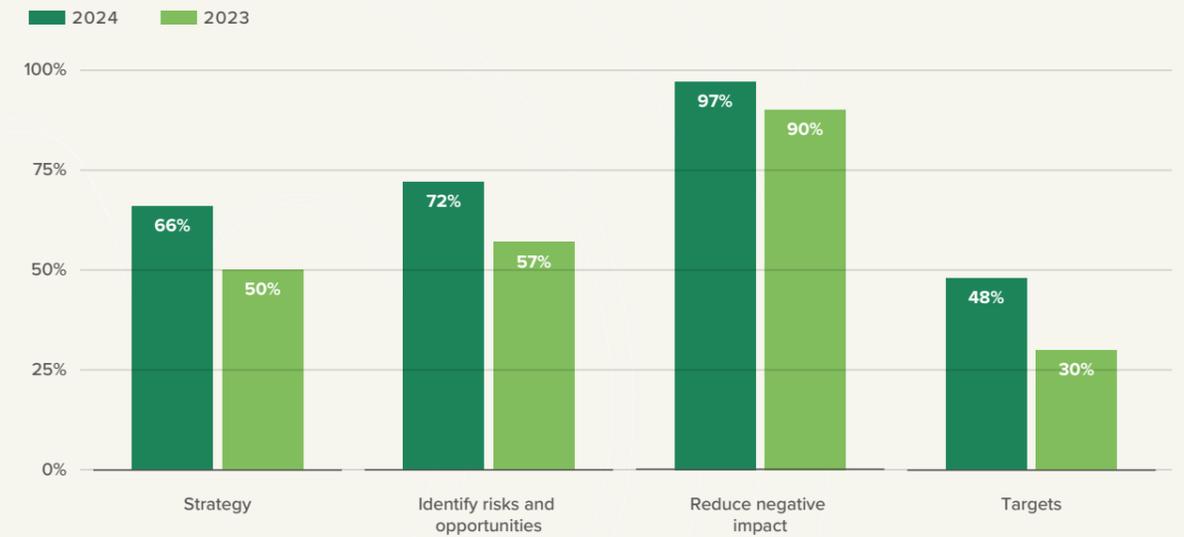


Graph 3: AGM questions 2024

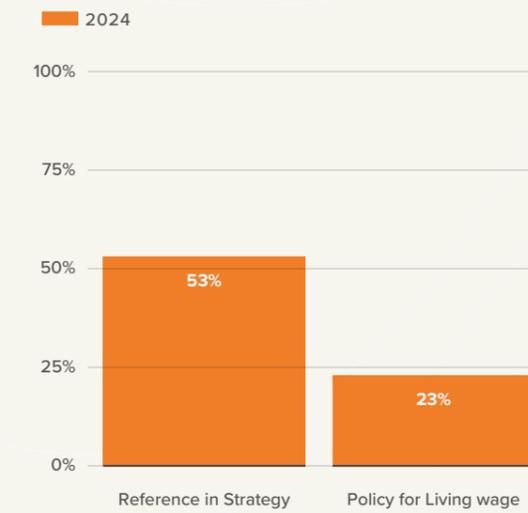


Impact highlights from VBDO's 2024 AGM engagement season

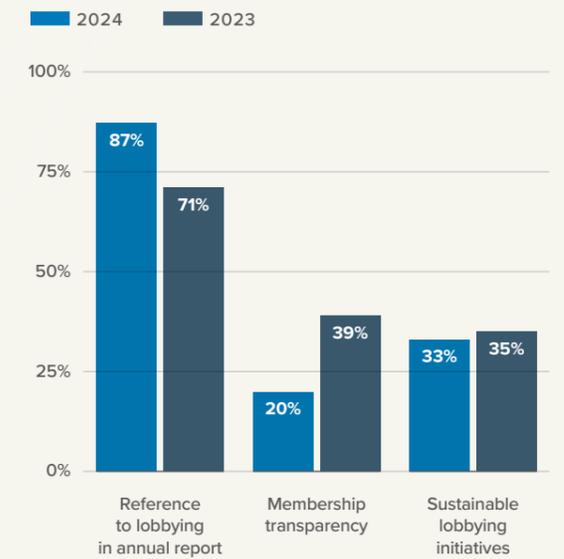
Graph 4: Biodiversity – overview of key performance



Graph 5: Living wage – overview of key performance



Graph 6: Lobbying – overview of key performance



1. Executive Summary



Biodiversity | A significant improvement has been seen this year on the topic of biodiversity compared to last year. However, companies still need to focus on integrating biodiversity-related risks and opportunities in their risk assessments, working on nature-positive transformative solutions, and making meaningful public commitments.

Living wage | This marks the first year since 2019 that VBDO has conducted assessments on the crucial topic of the living wage. It is encouraging to note that 53% of the companies in scope reference the living wage in their strategies. However, to truly advance on this topic, companies need to also formulate policies specifically addressing the payment of a living wage for workers in the supply chain.

Lobbying | Despite limited progress in reporting on lobbying activities, dialogues have increased awareness and prompted more transparency. More companies are now discussing lobbying at the Board level and are committed to publishing their memberships of trade associations next year.

BIODIVERSITY: THERE HAS BEEN A NOTABLE IMPROVEMENT IN BIODIVERSITY EFFORTS THIS YEAR COMPARED TO LAST. HOWEVER, COMPANIES CAN FURTHER ENHANCE THEIR APPROACH BY INTEGRATING BIODIVERSITY-RELATED RISKS AND OPPORTUNITIES INTO THEIR RISK ASSESSMENTS, PURSUING NATURE-POSITIVE TRANSFORMATIVE SOLUTIONS, AND MAKING MEANINGFUL PUBLIC COMMITMENTS.

2024 marks the third consecutive year of VBDO's engagement with companies on the topic of biodiversity. Overall, we have witnessed a notable improvement in performance on this topic, with one company advancing from the Lagging to the Learning category, two companies progressing from the Learning to the Leading category, and one company achieving a remarkable leap from the Lagging to the Leading category. Once again, the Financial sector obtained the highest score on biodiversity, while the Technology & Electronics sector recorded the lowest average score. Importantly, none of the companies in our scope regressed to a lower category.

We have observed advancement on several aspects of companies' biodiversity reporting. It is encouraging to note that 86% of the companies in our scope reference biodiversity in their strategies. However, it is concerning that only 28% of the engaged companies have identified biodiversity as a material topic after the double materiality assessment of the CSRD. According to VBDO, biodiversity should be a material topic for most of the companies, as many make a significant impact on biodiversity, for example through their value chain. This year, there was a slight increase in the percentage of companies conducting detailed assessments mapping specific impacts, dependencies, financial risks, and opportunities (2024: 34%; 2023: 30%). However, given that such risk and impact assessments should form the foundation of a company's biodiversity activities, we expect a significant increase in the number of companies conducting comprehensive biodiversity assessments in the years ahead.

Almost all companies in our scope are now striving to reduce their negative impact on biodiversity (2024: 97%; 2023: 90%). Only one company has not included any measures to mitigate its negative impact on biodiversity.

Moreover, 72% of the engaged companies are undertaking initiatives aimed at preserving, regenerating, and restoring biodiverse areas and ecosystems, representing a substantial increase from the previous year (2023: 60%). However, the number of companies developing transformative solutions related to biodiversity remains the same as in 2023 (12 companies; 41%). Given that these transformative solutions offer the most effective means to achieve a positive impact on biodiversity, they should be the primary focus of a company's implementation measures.

This year, 48% of the companies in scope have set targets and/or KPIs regarding biodiversity. This is significantly higher compared to last year (2023: 30%). As KPIs and targets give insights into the progress made by companies through 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 Network (SBTN) and the Taskforce on Nature-related Financial Disclosures (TNFD) can help companies in their target setting and enable companies to validate their targets.^{5, 6}



In conclusion, a growing number of companies have enhanced their biodiversity reporting over the past year. VBDO is encouraged by the progress observed yet acknowledges that further improvements are necessary. We strongly urge companies to incorporate biodiversity- and natural capital-related risks and opportunities into their risk assessments. Additionally, we would like to see more companies not only striving to reduce their negative impact on biodiversity but also working on nature-positive transformative solutions that may aid in bringing about systemic change.

LIVING WAGE: FOR THE FIRST TIME SINCE 2019, VBDO HAS EVALUATED COMPANIES ON THE CRITICAL MATTER OF THE LIVING WAGE. OF THE COMPANIES WITHIN OUR SCOPE, OVER HALF (53%) INCORPORATE LIVING WAGE CONSIDERATIONS INTO THEIR STRATEGIES. NONETHELESS, IN ORDER TO ENHANCE OUR COLLECTIVE IMPACT, VBDO EXPECTS A GREATER NUMBER OF COMPANIES TO INCORPORATE THIS MATTER IN THE COMING YEAR.



In 2024, VBDO resumed engagement on the living wage after a hiatus since 2019, using revised criteria for our assessment. Notably, the percentage of companies incorporating a living wage in their strategies dropped from 83% in 2019 to 53% in 2024, highlighting a diminished emphasis on this issue and underscoring the need to bring this topic back on the agenda. VBDO would like to emphasise the need for companies to embed living wage principles into their strategies as doing so serves as the foundation for developing a robust policy. Additionally, companies should extend this strategy and policy beyond their own employees, including by considering wage-related risks in their supply chains.

This year, only 23% of companies had policies in place for ensuring a living wage for both direct and indirect employees. Moreover, only 24% included a living wage

in their supplier Codes of Conduct. What's more, this inclusion is often not a strict requirement for suppliers, but mostly an encouragement for suppliers to consider the topic. VBDO encourages continued progress in this area, emphasising the importance of ensuring the payment of a living wage throughout the supply chain to ensure fair compensation for all workers.

Not paying a living wage poses substantial risks to workers and their families, as it directly affects their ability to meet essential needs such as food, housing, healthcare, and education. In 2023, only 10% of companies identified key risks associated with living wages. Implementing a living wage within a company involves several measures. VBDO found that only one of the companies in our scope assessed the negative impacts of not paying a living wage. Three companies had strategies to ensure a living wage in their supply chains, and two were tracking supplier performances on the living wage both quantitatively and qualitatively. The overall implementation score is still low, with many companies reporting difficulties in engaging with their suppliers on this issue. It appears that, for now, the topic of the living wage is slowly being incorporated into strategies. VBDO expects that in the coming years, this will evolve into the formulation of policies, targets, and KPIs.

Currently, only 10% of companies set targets and KPIs for living wages. VBDO views this as a good start but expects more companies to follow suit next year. Additionally, just 7% of companies engaged with stakeholders on living wage issues, with no engagement or target setting observed in the Industry and Services sectors. VBDO emphasises the need for more companies to actively engage and set targets related to living wages to drive meaningful progress.

VBDO underscores the need for greater commitment and transparency in addressing living wages across all sectors. The organisation urges companies to adopt comprehensive strategies and utilise available resources and methodologies to ensure fair compensation throughout their operations and supply chains. Furthermore, the complexity of this issue and the identified challenges necessitate collaboration not only within sectors but also with external stakeholders. VBDO hopes to see increased cooperation in the near future.



LOBBYING: OVER THE PAST YEAR, COMPANIES HAVE BECOME MORE AWARE OF THE CONSTRUCTIVE POTENTIAL OF LOBBYING IN RELATION TO ADVANCING ON ENVIRONMENTAL AND SOCIAL ISSUES. WHILE ADVANCEMENTS IN REPORTING ON LOBBYING ACTIVITIES REMAIN MODEST, DIALOGUES HAVE INCREASED AWARENESS AND PROMPTED MORE TRANSPARENCY. A GROWING NUMBER OF COMPANIES ARE NOW ADDRESSING LOBBYING AT THE BOARD LEVEL AND HAVE INDICATED THEY WILL DISCLOSE THEIR MEMBERSHIPS OF TRADE ASSOCIATIONS AND INDUSTRY ORGANISATIONS NEXT YEAR.

VBDO continues its focus on lobbying and engaged on this topic with companies for the second year, which brings us the opportunity to see whether there has been any improvement compared to last year. This year's assessment reveals limited progress in aligning corporate lobbying with sustainability goals. Dialogues with companies highlighted the persistent negative perception of lobbying. VBDO aims to change this narrative by demonstrating how lobbying can support sustainability legislation and promote a level playing field. Despite the modest progress indicated by the results, the discussions on lobbying have had a significant impact. There is a growing dialogue on lobbying within boardrooms, and awareness of its importance has increased. More companies are now transparent about memberships of trade associations and industry organisations. VBDO is also pleased that several other companies have committed to disclosing this information next year.

Currently, VBDO notes that companies still struggle to align their lobbying with sustainability and to transparently report on their industry association memberships. Associations like the European Automobile Manufacturers' Association (ACEA), the European Dairy Association (EDA), and BusinessEurope often resist EU climate regulations, overshadowing positive efforts by their members. VBDO emphasises the need for companies committed to sustainability to lobby for ambitious regulations and engage with supportive industry associations.

When it comes to transparency, VBDO observes that there have been minimal changes in companies' lobbying transparency compared to last year. Most companies report only their memberships of trade associations and industry organisations, with some providing a general overview of their lobbying topics. However, transparency is increasing, with eight companies committing to report on their lobbying activities. 13% of companies now have policies to align lobbying with sustainability goals (2023: 0%). Furthermore, 87% of the companies in our scope refer to lobbying in their strategy or annual report (2023: 71%).

Many companies indicated that they have experienced difficulties in tracking lobbying activities, especially indirect lobbying. Furthermore, it appears that the reporting requirements under CSRD have made lobbying less of a priority for companies when it is not considered a material topic. We also see little improvement when it comes to setting targets and KPIs that ensure companies' lobbying activities are transparent and aligned with ESG objectives.

However, we are pleased to see that some companies already have a clear vision on lobbying as outlined in public affairs statements or stakeholder engagement policies. VBDO continues to emphasise the importance of well-formulated strategies, commitments, and targets related to lobbying. These provide essential guidance for responsible lobbying practices.

2. VBDO's engagement

2.1. VBDO'S ENGAGEMENT TIMELINE

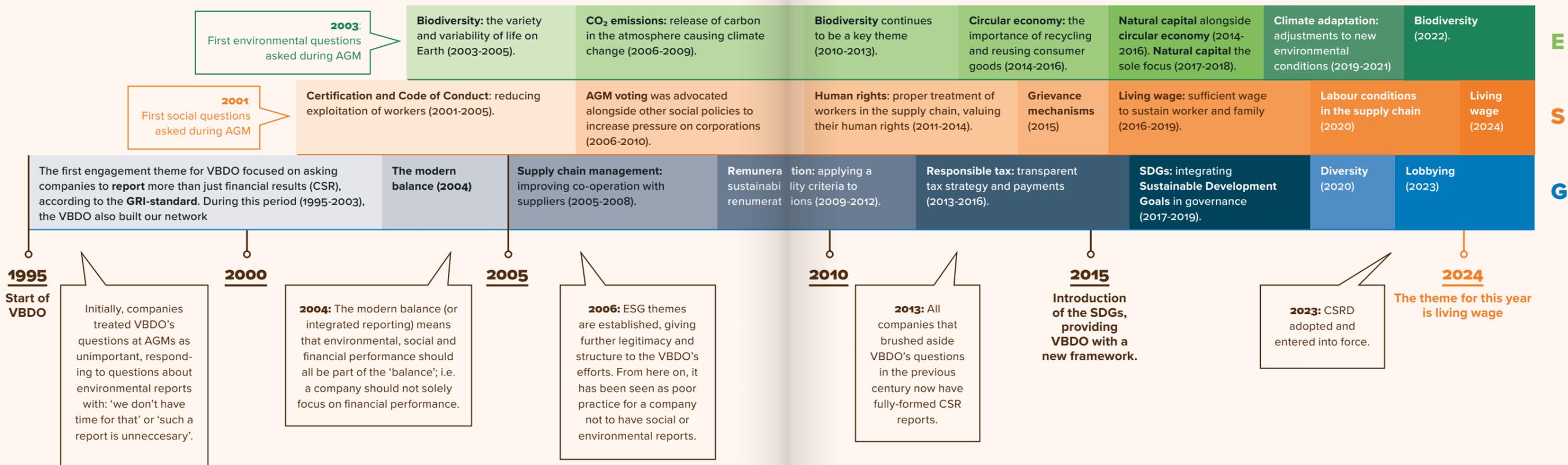
The history of VBDO is one of persistence. When VBDO began its initial corporate engagements, our questions were often dismissed as unimportant or nonsensical. However, this did not deter us from pressing companies to release environmental and social reports. VBDO's persistent efforts eventually led to a steady increase in these reports and, more importantly, enhanced transparency regarding non-financial information.

This increase in reports allowed VBDO to start carrying out its primary role: scrutinising results and entering into dialogue with companies based on their social and environmental performance. By the time specific ESG engagement themes were introduced by VBDO in 2006, we no longer had to advocate for environmental or social reporting as it had become the norm.

Working alongside our members, VBDO has made it our mission to champion urgent and pertinent themes. Over the past 29 years, some of these engagement themes have appeared more than once, albeit with differences in questions or scope. Yet, in terms of substance, significant changes have taken place. Twenty years ago, the emphasis was on urging companies to establish a Code of Conduct. Currently, we expect companies to not only adopt and strengthen human rights guidelines throughout their supply chains but also to collaborate with suppliers, enhance due diligence practices, and disclose advancements on targets and KPIs. This evolution serves as a testament to the consistent shift in expectations. These transformations are also evident in VBDO's other work, which has expanded over the years to encompass benchmarks, research, and knowledge sharing.



29 years of engagement



2. VBDO's engagement

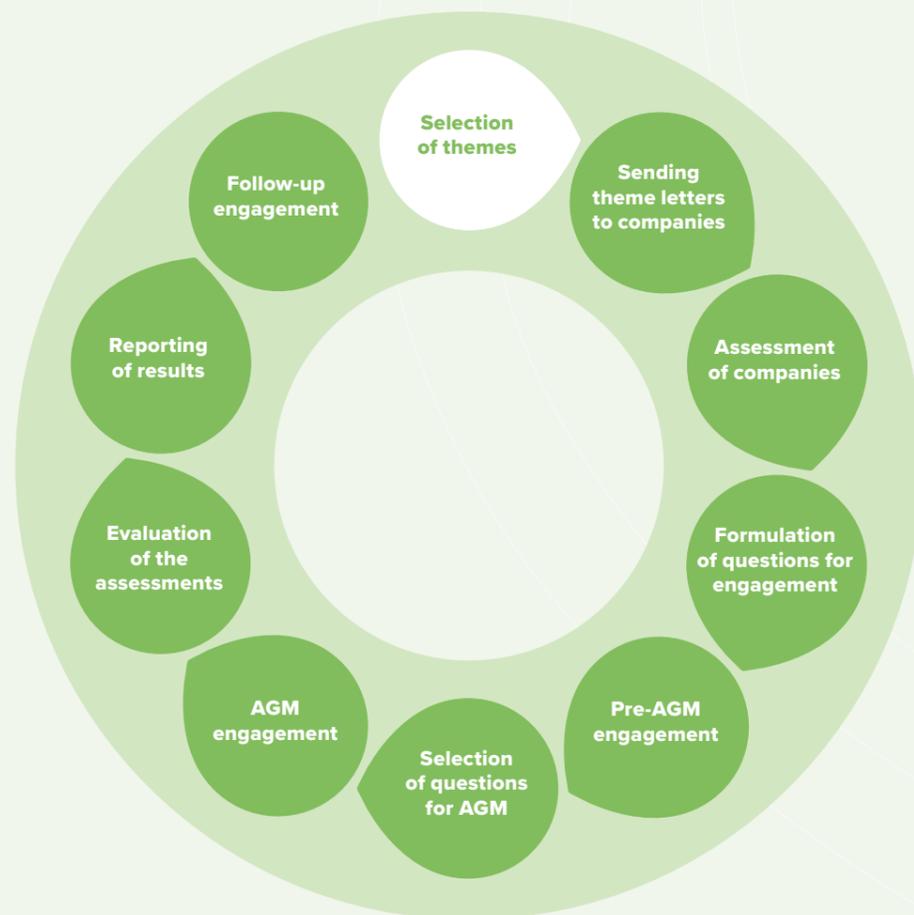
2.2 VBDO'S ENGAGEMENT PROCESS

In 2024, 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 the AGM.

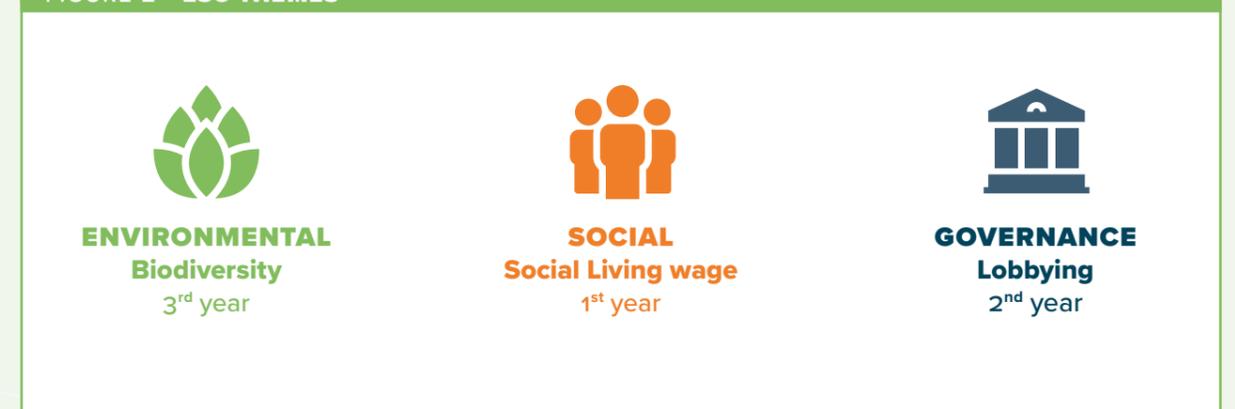
VBDO aims to create an open exchange of ideas around a company's sustainability policy and practices to improve its overall sustainability performance. Figure 1 illustrates VBDO's AGM engagement process, which has evolved over the past 29 years to maximise its impact.

Figure 1: VBDO's engagement process



2.3 INTRODUCTION OF ENGAGEMENT TOPICS FOR 2024

FIGURE 2 - ESG THEMES



Three topics have been chosen for VBDO to engage on in 2024: biodiversity (environmental), living wage (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 the sustainability themes, measure the impact of our engagement, select companies to engage with, and formulate questions, can be found in Appendix I.

3. Environmental – Biodiversity

3.1 OVERVIEW OF ENGAGEMENT

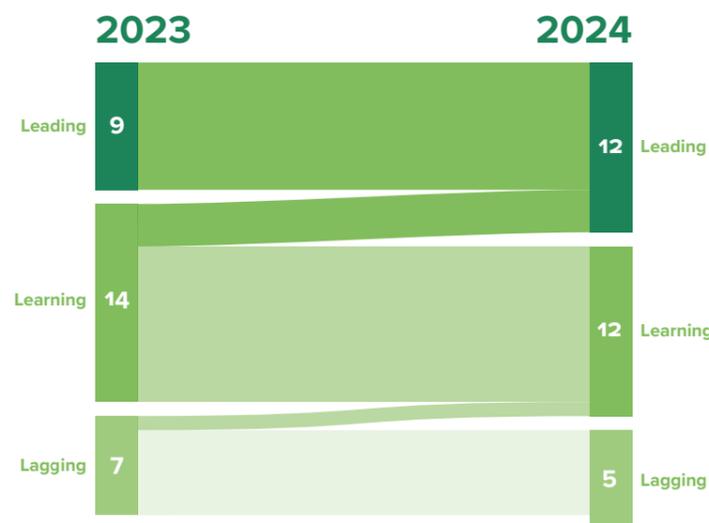
LAGGING	5	LEARNING	12	LEADING	12
Aalberts ASML Just Eat Takeaway.com TKH Group Wolters Kluwer	Adyen Ahold Delhaize AkzoNobel ASM International KPN Philips	PostNL SBM Offshore Signify Sligro Vopak Wereldhave	ABN AMRO Arcadis a.s.r. Corbion Fugro Heijmans	HEINEKEN ING Group JDE Peet's NN Group Royal BAM Group Van Lanschot Kempen	

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 2024, VBDO has noted an overall improvement in performance regarding the theme of biodiversity. We have observed that three more companies have advanced to the Leading category, with one even transitioning from the Lagging category to the Leading category. Additionally, one company has progressed from the Lagging category to the Learning category. Sector-wise comparison reveals that the Technology & Electronics sector achieved the lowest score, averaging 4.33 out of 10 (compared to 3.83 in 2023). Nonetheless, advancements are evident within this sector. Once again, the Financial sector maintains its lead with an average score of 9.20 out of 10 (compared to 8.17 in 2023).

Graph 7: Movement between maturity categories from 2023 to 2024 – Biodiversity



3.2 THEME INTRODUCTION

For the third consecutive year, VBDO has engaged with companies on the environmental theme of biodiversity. The European Environment Agency defines biodiversity as ‘the name given to the variety of ecosystems (natural capital), species and genes in the world or in a particular habitat. It is essential to human wellbeing, as it delivers services that sustain our economies and societies.’⁷ Human activities have led to the extinction of many plant and animal species over the past decades. It is estimated that up to one million species are now at risk of disappearing.⁸ In 2019, the UN Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) released its landmark report on biodiversity and ecosystems.^{9,10} 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.’¹¹ In order to halt biodiversity loss, it is of vital importance that the balance of global ecosystems is 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.¹² The Kunming-Montreal Global Biodiversity Framework (GBF) is a framework that can assist companies in reaching its biodiversity goals. The GBF is an ambitious, landmark agreement focused on a collective vision of ‘living in harmony with nature by 2050.’^{13,14} The type of biodiversity risks will differ per sector. Companies with a direct impact on biodiversity include companies in the Industry sector, since these companies contribute to biodiversity and natural capital loss through their

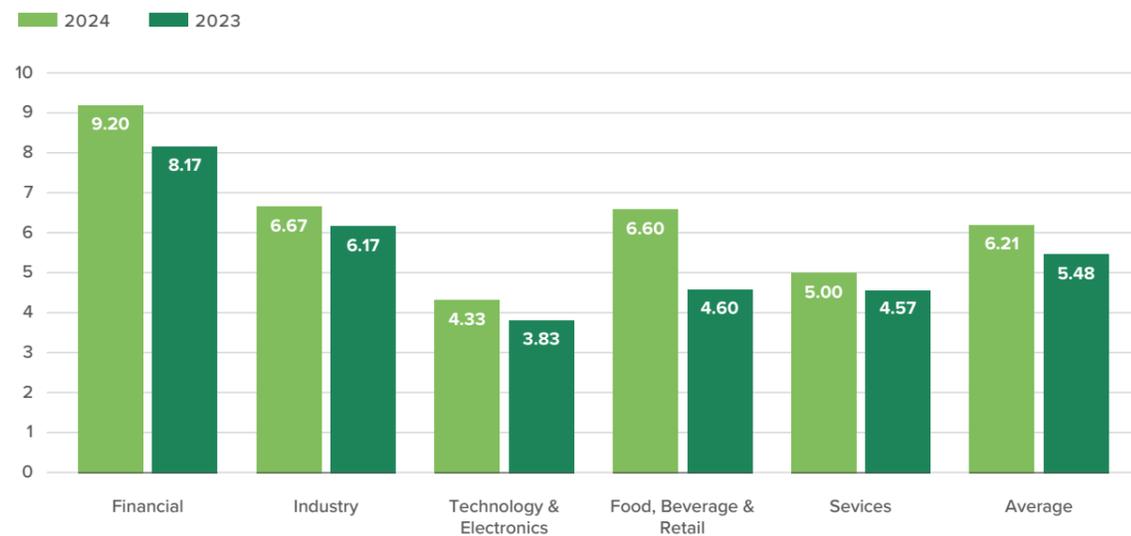
Biodiversity and the CSRD

The CSRD should be viewed not merely as mandatory legislation, but as a catalyst for change – a powerful tool that companies can leverage to pursue greater ambition. European Sustainability Reporting Standard (ESRS) E4, “Biodiversity and Ecosystems,” delineates the biodiversity reporting requirements mandated by the CSRD.¹⁷ The importance of preserving biodiversity is evident in goals outlined by the Kunming-Montreal Global Biodiversity Framework (GBF) and the Green Deal, both aiming to benefit biodiversity on the planet.¹⁸ ESRS E4 requires companies to report on the implementation of biodiversity and ecosystems in the business, which are significant themes within environmental discussions. The primary factors contributing to changes in biodiversity and ecosystems are named in ESRS E4 and include climate change, pollution, alterations in land and sea usage,

direct exploitation, and the introduction of invasive alien species. The role of ESRS E4 is important in extending the scope of biodiversity reporting among many companies. When companies report on biodiversity in accordance with ESRS E4, they should articulate measurable biodiversity targets, action plans, and the potential implications of biodiversity-related impacts.¹⁹ The CSRD sends a clear message to companies that they can play a role in environmental conservation by safeguarding and restoring biodiversity. ESRS E4 not only raises awareness about biodiversity but also encourages companies to integrate biodiversity considerations into their strategies and operations. By reporting on biodiversity-related metrics, targets, and actions, companies can identify areas for improvement and set goals to enhance their biodiversity performance. Additionally, the CSRD

provides a platform for companies to demonstrate their commitment to biodiversity conservation and transparency to stakeholders, including investors, customers, and regulators. Therefore, by complying with the CSRD’s requirements on biodiversity reporting, companies can effectively use it as a tool to advance their biodiversity strategies and contribute to environmental stewardship. This year, out of the 29 companies studied on biodiversity, eight companies identified biodiversity as a material topic (28%). VBDO would like to compliment ABN Amro, a.s.r., Arcadis, Royal BAM Group, Corbion, Fugro, JDE Peet’s, and Sligro, who have identified biodiversity as a material topic.

Graph 8: Biodiversity – average sector score



The figure above illustrates the average score on biodiversity per sector. Once again, the Financial sector has emerged as the top performer across all sectors regarding biodiversity. Encouragingly, every sector has shown improvement this year in their average biodiversity scores. Notably, some companies even attained the maximum score of 10 points for biodiversity. VBDO would like to extend its commendations to these companies – namely, a.s.r., Van Lanschot Kempen, Corbion, and JDE Peet’s – for achieving such outstanding scores.

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 lending and 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.

Currently, many companies lack awareness regarding the specific impacts of their activities on biodiversity or their dependence on natural capital (such as natural resource stocks, land, and ecosystems).¹⁵ Moreover,

even when companies acknowledge the importance of the topic, they often lack suitable strategies to address biodiversity issues. Therefore, one of the initial and crucial steps in tackling this issue will be for businesses to map and measure their individual dependencies and impacts on biodiversity. Only after identifying these can effective biodiversity strategies be developed and implemented.¹⁶

3.3 VBDO’S BEST PRACTICE GUIDELINES

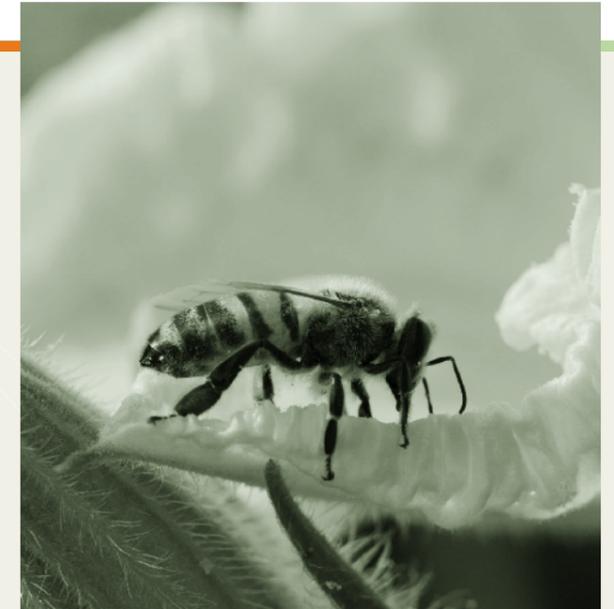
When assessing the maturity of a company’s biodiversity policy, VBDO has the following five expectations:

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. 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 expected to set biodiversity- and natural capital-related targets and KPIs. These targets and KPIs may vary significantly depending on the sector in which a company operates. Naturally, we expect companies to report transparently on their progress towards achieving these targets and KPIs.

Engagement and public commitment: VBDO expects companies to engage with relevant stakeholders on the topic of biodiversity and natural capital, and to make

Table 1: Highlighted commitments on biodiversity

Companies	Highlighted commitments (see Appendix II for the full list of commitments)
Royal BAM group	In 2026, Royal BAM Group hopes to be able to report on the results of the scorecard for biodiversity in the Netherlands.
Philips	Philips will conduct research into its biodiversity impact along the value chain and report on this.
Vopak	Vopak will report in more detail on its efforts to protect biodiversity, and provide examples of initiatives and objectives in this area.
Sligro	Sligro will report on its biodiversity-related KPIs in the next annual report.
Signify	Signify will report next year on the actions taken as part of its biodiversity roadmap.



a meaningful public commitment to nature-positive policies.

3.4 FINDINGS

2024 marks the third consecutive year of VBDO's engagement with companies on the topic of biodiversity. We have witnessed notable progress made by many companies. This year, 86% of the companies within scope have referenced biodiversity in their strategy (compared to 90% in 2023). While this percentage has slightly decreased from the previous year due to one company omitting biodiversity from its strategy, eight of the engaged companies not only included biodiversity in their strategy but also identified it as a material topic. VBDO emphasises that biodiversity should be considered a material topic for most companies, particularly those operating within the Industry, Food, Beverage & Retail, and Technology & Electronics sectors, as these sectors significantly impact biodiversity through their value chains.

Risk assessment and impact disclosures

Currently, 21 of the assessed companies (72%) have identified the key biodiversity and natural capital-related risks and opportunities within their own operations and the most material elements of their value chain. This marks an improvement compared to 2023, with more companies now recognising these risks and opportunities in their operations compared to the 57% doing so in 2023. VBDO emphasises the importance of conducting thorough risk and impact assessments on biodiversity and is pleased to note this increased recognition. Without such assessments, companies lack the necessary insights to develop effective and comprehensive biodiversity strategies and implement corresponding measures. For instance, in response to questions asked by VBDO at the AGM last year, Arcadis committed to reporting on its biodiversity impacts and objectives. It is encouraging to see that this commitment has been followed through and Arcadis has included its biodiversity impacts and objectives in its annual report, underscoring the positive outcomes of engagement efforts.

The specific elements considered in biodiversity risk and impact assessments vary greatly depending on the sector in which a company operates. However, they generally encompass the primary drivers of biodiversity loss, including factors such as air and water pollution, waste generation and management, habitat conversion or construction activities, and the utilisation of pesticides and invasive species.

As part of the CSRD's double materiality assessment, companies increasingly need to financially quantify their impact, risks, and opportunities. This is no different for biodiversity. Additionally, investors and stakeholders increasingly expect companies to disclose and manage biodiversity-related risks and opportunities. Furthermore, financial quantification provides concrete data that can inform decision-making processes within a company. By understanding the financial implications of biodiversity risks and opportunities, companies can prioritise actions and allocate resources more effectively.

This year, four 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 (2024: 34%; 2023: 30%).

Biodiversity strategy

Once biodiversity risks, impacts, and opportunities have been identified, companies are tasked with translating

the findings into actionable biodiversity strategies. These strategies should extend beyond sporadic donations to conservation efforts, focusing instead on mitigating the primary impacts and dependencies arising from a company's operations. By addressing these factors, companies not only contribute to biodiversity conservation but also bolster their own resilience. Given that many companies rely, either directly or indirectly, on the health of ecosystem functions and natural capital, evaluating these impacts and dependencies is crucial for ensuring their long-term viability.

VBDO is pleased to note that, of the 29 companies engaged with this year, 19 (66%) have already developed a biodiversity policy, either as a standalone document or as part of their overarching company strategy. This marks a significant increase from 2023, when only 15 companies (50%) had such policies in place. Notably, in the Financial sector, all companies have implemented a biodiversity policy. Moreover, there have been notable improvements in the Food, Beverage & Retail sector, with 60% of companies now having a biodiversity policy, compared to just 20% in 2023. Consequently, the Food, Beverage & Retail sector no longer ranks lowest in terms of biodiversity policy adoption. However, the Technology & Electronics sector currently exhibits the lowest rate of biodiversity policies, standing at 50%. This highlights that the sector requires increased attention for future engagement efforts.

The primary reason why some companies hesitate to commit to disclosing a biodiversity strategy is that

The Taskforce on Nature-related Financial Disclosures (TNFD)

The Taskforce on Nature-related Financial Disclosures (TNFD) is a market-led, science-based and government-supported global initiative launched in 2021. The TNFD has formulated a series of disclosure recommendations and guidance aimed at motivating and facilitating businesses and financial institutions to evaluate, report, and take action on their dependencies, impacts, risks, and opportunities

associated with nature. This will help businesses and the Financial sector to integrate nature into decision making. The TNFD accommodates the different approaches to materiality and is aligned with the goals of the Kunming-Montreal Global Biodiversity Framework (GBF).²⁰ It is good to see that several companies have committed to complying with the TNFD, including Philips, KPN, HEINEKEN, and a.s.r..²¹ The European

Financial Reporting Advisory Group (EFRAG) and the TNFD have officially announced the signing of a collaboration agreement, underscoring the significance of tackling nature-related concerns to promote corporate sustainability. This agreement reflects a mutual dedication to improving corporate transparency concerning biodiversity and ecosystems.²²



“DEPENDENCE ON NATURE FOR THE FUTURE OF BUSINESS IS TOO OFTEN UNDERESTIMATED”
VBDO AND PWC COLLABORATE ON BENCHMARK FOR BIODIVERSITY

they do not consider biodiversity to be a material topic. However, as previously emphasised, VBDO firmly believes that biodiversity should be considered material for the majority of companies. Moreover, even if a topic is not deemed material according to the double materiality assessment, it does not preclude a company from reporting on it. Voluntary reporting on biodiversity remains an option for companies, regardless of its perceived materiality status.

Implementation measures

Even without specific biodiversity assessments or strategies, 97% (2023: 90%) of companies have undertaken at least some measures that reduce the negative impact of their operations on biodiversity. Additionally, 72% of the companies engaged with undertake measures that aim to preserve, regenerate, and restore biodiverse areas and ecosystems (2023: 60%). 41% of the assessed

companies have developed one or more transformative solutions related to biodiversity, which is the same percentage of companies that developed transformative solutions related to biodiversity in 2023.

As previously mentioned, almost every company (97%) is now reporting on its efforts to reduce negative impacts. The next crucial step in this process is to focus on measures to preserve, regenerate, and restore biodiversity. Many companies are already implementing such measures. Looking ahead, VBDO encourages companies to make further progress in achieving transformative solutions for biodiversity. This is vital because embedding transformative solutions into a company's business model, such as developing products that reduce dependencies on natural capital and minimise impacts, is the most effective way to achieve a positive impact on biodiversity.

What are (listed) companies doing to reduce their negative impact on biodiversity and increase their future resilience? And what are the good practices to learn from? Investors are already engaging with this topic, large organisations need incentives to address it, and the current economy urgently needs transformation. For Alexander Spek, Sustainability Lead at PwC, and Angélique Laskewitz, Executive Director at VBDO, biodiversity is the key word.

Spek and Laskewitz are in daily discussions with companies about the impact of biodiversity on the resilience of their organisations. What large organisations are currently doing both practically and strategically, and why this is essential for the resilience of the business, is outlined in the report Biodiversity & Business, a collaboration between PwC and VBDO. Further research into the impact of biodiversity on businesses should ultimately lead to a new benchmark.

lighting, they discussed approaches to biodiversity, Board involvement, strategy development, target setting, and all the challenges that come with these. The outcome of these discussions, including practical examples and concrete challenges, demonstrates how essential consolidated information on this topic is. According to Spek, “As stakeholders – from customers to investors – you want to form an accurate and realistic view of what all policy measures entail and what their strategic and financial effects are. Uniform reporting, as now prescribed by the CSRD, ensures transparency and enables stakeholders to compare companies.”

BIODIVERSITY BENCHMARK

“We want to challenge companies to further engage with biodiversity and nature,” says Laskewitz. “With a benchmark, you encourage better performance and more transparency from a competitive standpoint. Every company wants to do well; no one wants to be left behind. We also know from our previous experience with benchmarks, such as for tax transparency, that this works.” Spek adds, “Transition plans and reporting on biodiversity are no longer optional thanks to the CSRD; organisations must now actively engage with them.” Creating that transparency is the goal, explains Spek. “The CSRD puts biodiversity on the agenda, but in practice, we see that this new directive allows for much interpretation. This leads to different approaches and little coordinated action, and makes it difficult to compare companies. That is why we are now working on a biodiversity benchmark – a template with clear and pre-defined metrics, so that everyone doesn't have to reinvent the wheel. With this benchmark, we will provide guidance on how organisations can take meaningful steps in biodiversity. Additionally, it helps stakeholders to compare companies and their efforts effectively,” says Spek.

NATURE AS THE BASIS FOR BUSINESS

Increasing positive impact on nature and mapping the dependencies and risks of declining biodiversity are yet another item on many organisations' increasingly lengthy action lists. “Today, there are many issues and themes demanding attention of CEOs. Because of all the threats and opportunities, companies must set priorities. I understand that, of course,” says Spek. “But I keep emphasising that nature is fundamentally important for healthy life on Earth and forms the basis of everything we do. So, too, for business.” Laskewitz shares that opinion. “The attention that corporations now have for biodiversity will yield the most profit for everyone in the long term.”

“We are now working on a biodiversity benchmark – a template with clear and pre-defined metrics, so that everyone doesn't have to reinvent the wheel”

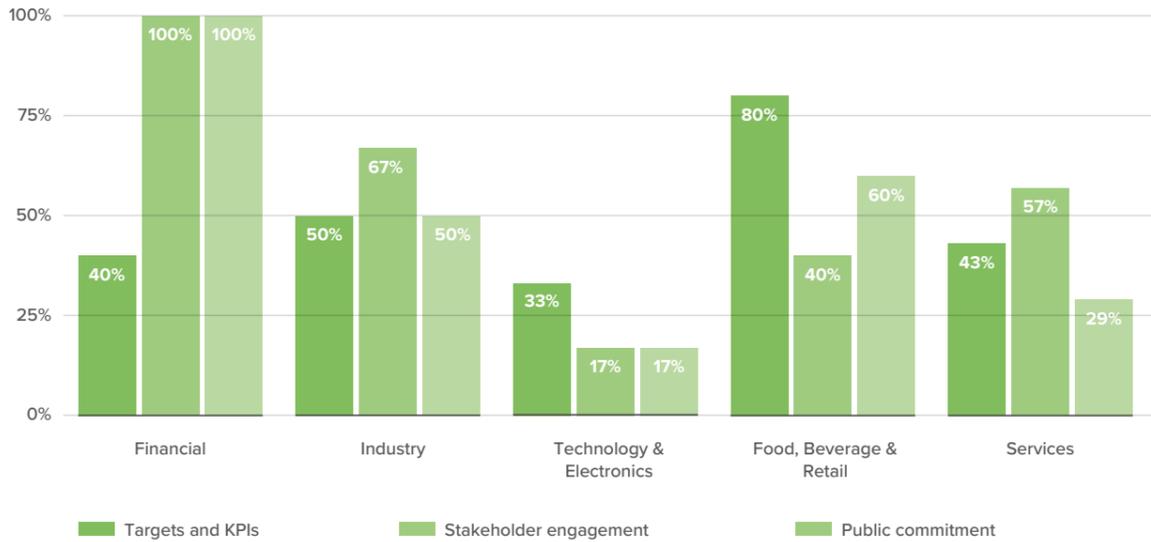
AWARENESS

“The dependency on nature is too often underestimated by enterprises,” says Laskewitz. “Our world economy and societal progress depend on the stability of our ecosystems.” Spek, who is responsible for advising clients on nature and strategy at PwC, emphasises that over 55% of the world economy depends on nature. He believes that raising awareness is essential. “A large company dependent on natural resources recently stated that biodiversity is not an urgent issue for them. This shows that organisations significantly underestimate the value of nature for their own resilience.”

ACCURATE AND REALISTIC VIEW

PwC and VBDO investigated the biodiversity policies of large companies. During in-depth discussions with companies in sectors such as construction, chemistry, retail, and

Graph 9: Biodiversity – performance on targets, engagement and public commitment



This figure shows the average outcomes per sector. The first outcome shows the percentage of the companies that have set relevant biodiversity- or nature-related targets and KPIs. The second outcome shows whether the company engages on biodiversity- and natural capital-related issues with stakeholders to ensure fair and equitable impacts. The last outcome shows whether the company has made any meaningful public commitment and/or advocates for nature-positive policies and regulations.

While these efforts are commendable, the most impactful measures are taken when a company comprehensively understands the main risks and impacts within its supply chain and has developed a robust biodiversity strategy. Therefore, in the coming years, VBDO hopes to see more targeted measures addressing specific biodiversity risks in both a company's own operations and its supply chain. Nonetheless, we acknowledge that reducing harmful biodiversity effects is a positive development, irrespective of the means by which these measures are implemented.

Reporting outcomes

Despite the broad scope of biodiversity, VBDO expects companies to report on the progress made on the implementation of their biodiversity policies. This could include aspects such as deforestation, regenerative agriculture, habitat conversion, species abundance, and alterations to ecological processes.

In the assessment of companies' reporting on outcomes, VBDO looks at three areas: reporting on biodiversity-related targets and KPIs, stakeholder engagement, and a public commitment on or advocacy for nature-positive policies and regulations (see graph 9). Almost half of assessed companies are currently setting comprehensive targets and KPIs on the topic of biodiversity, which shows great progress compared to last year (2024: 48%; 2023: 30%). Compared to last year, five additional companies have set biodiversity-related targets. In the Food, Beverage & Retail sector, most

companies (80%) set targets related to biodiversity (2023: 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 Technology & Electronics sector, only 33% of companies set KPIs related to biodiversity. As KPIs and targets give insight into the developments made by companies on their biodiversity strategy, VBDO hopes that companies increase the setting and reporting on targets aimed at mitigating biodiversity loss. VBDO remains optimistic that companies will persist in their commendable practices and further enhance biodiversity conservation efforts.

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 (2024: 55%; 2023: 57%). This stakeholder engagement on biodiversity is done most by the Financial sector (100%), and least by the Technology & Electronics sector (17%).

This year, two more companies, Royal BAM Group and HEINEKEN, have made a meaningful public commitment and/or have advocated for nature-positive policies and regulations (2024: 48%; 2023: 43%). VBDO encourages this progress in making meaningful commitments, which shows that the companies in our scope are gradually becoming more vocal about this issue.



Last year, companies were still lagging behind in their efforts to address biodiversity, but we are now witnessing a notable catch-up. This positive change may be attributed to the introduction of the new CSRD legislation, which has likely motivated many companies into action. Despite this progress, there remains considerable room for improvement. Not every

company currently views biodiversity as a material topic, highlighting an area where further development can be achieved. Additionally, gaining deeper insights into value chains could lead to even more significant advancements in biodiversity. By continuing to build on these efforts, companies can play a crucial role in preserving our natural ecosystems for the future.

GOOD PRACTICES

HEIJMANS – THE AI BIOBUDDY²³

To fulfill Heijmans' ambition to leave every area the company works in better than how they found it, Heijmans has recently implemented an innovative measuring box. This box, the BioBuddy, utilises artificial intelligence (AI) to measure and analyse biodiversity within an area. The BioBuddy assesses the status of flora and fauna, including insects, birds, and mammals such as hedgehogs. The BioBuddy uses various types of sensors within the measurement box to gather visual and audio data for analysis by AI, enabling the identification of species that might otherwise go unnoticed by human observation. The BioBuddy autonomously

conducts continuous measurements and sends them to a central database for further analysis and eventual presentation. Heijmans, in collaboration with Faunabit, developed the first prototype of the BioBuddy. The initial results from its placement at the Heijmans headquarters were processed this spring. Subsequently, versions of the BioBuddy will be positioned nationwide, starting with five construction sites. The BioBuddy will be utilised for measurements in both residential and infrastructure projects.

ARCADIS - BIODIVERSITY NET GAIN CALCULATOR²⁴

Arcadis recognises that biodiversity is crucial for the economy and should be a priority in any business strategy. To tackle biodiversity loss, a company must first know where it stands by using biodiversity measurements. However, this is often where the difficulties arise since there is no universal standard for biodiversity. Therefore, Arcadis developed the Biodiversity Net Gain Calculator (BNGC), to quantify both positive and negative impacts on biodiversity. The BNGC has been featured in reports issued by the European Commission and has demonstrated effectiveness across diverse countries and industries,

including aviation, manufacturing, real estate, and finance. Whether through desktop research or an on-site assessment conducted by a biodiversity expert, the BNGC ensures precise evaluations. With the BNGC, a company can gain insight into the current and potential biodiversity value of a business site or other location, which is relevant for nature restoration. Furthermore, different scenarios can be evaluated, both operational and strategic insights can be gained, invasive species can be mapped, and progress can be monitored. The latter, in particular, is beneficial for reporting, and thus for the CSRD.

4. Social – Living wage in the supply chain

4.1 OVERVIEW OF ENGAGEMENT

LAGGING 23				LEARNING 7	LEADING 0
ABN AMRO Adyen Ahold Delhaize Aalberts AkzoNobel Arcadis	ASM International ASML Fugro Heijmans ING Group JDE Peet's	KPN PostNL Randstad Royal BAM Group SBM Offshore Signify	Sligro Takeaway.com TKH Group Wereldhave Wolters Kluwer	a.s.r. Corbion HEINEKEN NN group Philips Van Lanschot Kempen Vopak	—

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

This year, VBDO has renewed its engagement with companies on the crucial issue of a living wage. Despite previous efforts spanning from 2016 to 2019, the disappointing lack of progress compelled VBDO to revive the conversation and place this vital topic back on the agenda. It is important to note that the criteria used to assess living wages, have been updated to better align with current regulatory frameworks and standards. Consequently, this could lead to companies not scoring the same as they did previously. VBDO has also increased the focus on workers in the supply chain as the importance and responsibility of paying a living wage extends beyond a company's own employees. Furthermore, several of the assessment criteria for the Financial sector differ from those used for other sectors due to the distinct business model of this sector. The focus is primarily on the approach, strategy, and actions related to living wages, particularly through lending and investing activities. As some criteria are different, the results for this sector will be discussed separately when necessary.

According to the UN Global Compact, a living wage can be defined as “a wage that enables workers and their families to meet their basic needs.”²⁵ In many countries,

wages earned during normal working hours are often too low to meet the basic needs (e.g. food, housing, clothing, education, and healthcare) of the workers and their families. A living wage excludes overtime pay and refers to compensation for regular working hours. Typically, a living wage is higher than the minimum wage. While minimum wages are legally mandated, living wages are voluntary and at the discretion of employers. However, minimum wages are often insufficient to ensure a decent standard of living. When workers are not paid a living wage, this can affect their physical and mental wellbeing, as well as having wider implications for social development at the national/regional level. In addition, not paying a living wage may lead to other human rights violations, for example child labour.

The CSRD is including the living wage as one of the material topics on its long list. ESRS S1 is applicable to a company's own work force, and introduces the topic of adequate wages.²⁶ The EFRAG defines an adequate wage in its ESRS as “a wage that provides for the satisfaction of the needs of the worker and his/her family in the light of national economic and social conditions.”²⁷ This corresponds with the UN Global Compact definition of a living wage, which VBDO is



using. The ESRS S1 requires that a company disclose whether or not its employees are paid an adequate wage, and if they are not all paid an adequate wage, the company should disclose where employees earn below the applicable adequate wage benchmark and the percentage of employees that earn below this benchmark for each of the applicable countries.²⁸ Furthermore, ESRS S2, the ESRS for workers in the value chain, refers to adequate wages for workers in the supply chain.²⁹ Another significant piece of upcoming legislation is the Corporate Sustainability Due Diligence Directive (CSDDD). The CSDDD will mandate companies to implement strategies, such as adjusting their procurement practices, to assist their suppliers in ensuring living wages for their workers.³⁰

While ensuring a living wage is undoubtedly crucial for a company's direct employees, its significance is even more pronounced for indirect workers. These workers, located within a company's supply chain, are often situated in developing countries where wages frequently fall below the minimum threshold required for a decent standard of living.

Assessing a living wage can be challenging, given its variation across different countries. However, there are several methodologies that can help companies to assess the living wage for each country. These include the Anker Methodology, which is a well-regarded and widely published approach for estimating living wages that ensures both inter-

Platform Living Wage Financials (PLWF)

The Platform Living Wage Financials (PLWF) is an alliance of 24 financial institutions that engage on living wage and living income with investee companies in the garment and food sectors. The PLWF recognises the systemic issue of underpayment in supply chains. Within the framework of the PLWF, financial institutions collaborate to promote, support,

evaluate, and monitor investee companies' commitment to ensuring living wages and incomes for workers in their supply chains. By advocating for living wages and incomes, the PLWF upholds its commitment to the United Nations Guiding Principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational

Enterprises. These guidelines call for financial entities to exercise due diligence and identify and address significant human rights risks.³³ Since the beginning of 2024, VBDO has been officially involved with the platform, assisting in day-to-day operations and broadening the platform's reach to solidify living wage and income as key topics for companies to put on the agenda.

national comparability and local specificity. Created by living wage experts Richard Anker (formerly of the International Labour Organization (ILO)) and Martha Anker (formerly of the World Health Organization (WHO)), this methodology was refined over 15 years of rigorous testing. Through the efforts of the Global Living Wage Coalition, it has been used to calculate living wages in 20 countries worldwide.³¹ Another tool that can be used to assess the gap between the payment of a minimum wage and a living wage, is the Living Wage Analysis Tool of the UN Global Compact. This tool can be used by companies to calculate the living wage per country, which also makes it helpful when calculating the living wages for a company's whole value chain.³²

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 acknowledge their responsibility to ensure that, in addition to their employees, indirect employees, for example the workers in the supply chain, also receive a living wage. For some sectors, the concept of a living income is more suitable in this context. This can be the case when working with independent parties, such as farmers directly supplying the company. The recognition of responsibility includes understanding that a living wage is a fundamental right and a critical component of ethical business practices. Additionally, companies can demonstrate this acknowledgement by including living wage and living income requirements in their supplier Code of Conduct. By

clearly outlining their expectations, companies reinforce their commitment to a living wage. This not only sets a standard for suppliers but also helps ensure accountability and transparency throughout the supply chain. By embedding these principles in supplier agreements, companies can more effectively promote social justice and contribute to the wellbeing of workers globally.

Risk assessment and passive due diligence: The first step towards ensuring a living wage for workers in supply chains is understanding where the issues are most salient, prevalent, and rectifiable. To gain this understanding, companies should conduct thorough assessments of living wage risks, with a particular focus on the most vulnerable groups in the supply chain. Utilising the previously mentioned methodologies, supplier self-assessments, and human rights audits can help determine appropriate wage rates and ensure that workers are indeed receiving a living wage. Additionally, companies can gain a more specific understanding of risks, impacts, and opportunities by closely examining the detailed wage practices of high-risk suppliers. The company is also expected to implement grievance mechanisms that allow workers to report wage-related issues safely and anonymously.

Active due diligence: When it has a clear understanding of the risks and living wage violations in its supply chain, a company should take concrete steps to mitigate these issues. This includes ensuring that all workers receive a living wage that meets their basic needs and allows for a decent standard of living. Additionally, improving workplace safety and security can indirectly support better wage practices. Finally, the critical issue

of underage labour often coincides with wage exploitation; therefore, actively addressing and eliminating child labour is essential for improving overall wage practices.

Proactive improvement: Companies often encounter systemic challenges when seeking to address wage-related issues, such as the depth and opacity of their supply chains. Tackling these challenges individually can be daunting and less effective. Therefore, the next step in ensuring a living wage for workers involves not only proactively engaging suppliers but also collaborating with local governments, NGOs, and sector-wide

initiatives to achieve systemic change. Sector-wide initiatives can be particularly effective in addressing wage-related issues because they create a unified approach and shared standards across an industry. By participating in these initiatives, companies can share knowledge, resources, and best practices, fostering innovation and efficiency in addressing wage-related issues. Furthermore, establishing common standards and expectations for living wages across the industry can reduce competitive disadvantages and ensure a level playing field.

Table 2: Highlighted commitments on the living wage

Companies	Highlighted commitments (see Appendix II for the full list of commitments)
Ahold Delhaize	Ahold Delhaize will report on the results of its human rights assessment, including on living wages in the supply chain.
ASML	ASML will conduct an assessment on the living wage, which will be implemented in the new human rights policy that ASML is currently working on.
HEINEKEN	HEINEKEN aims to have carried out an initial assessment in all regions by the end of 2025 with regard to living and working standards (which includes fair wages), with actions to close gaps and embed standards into the way its operating companies do business running until 2030.
TKH Group	TKH group will explore and report on how the living wage is integrated in its Code of Supply as well as in audits.
Wolters Kluwer	Wolters Kluwer will increase the monitoring of living wages and looking at standards, and will continue to assess this for all suppliers and will continue to report on this.
ABN AMRO	When there is a clear definition available for the living wage for ABN AMRO, the company will include the living wage in its next annual report.

GOOD PRACTICES

Corbion – Social Value Initiative (SVI)

In 2017, Corbion joined the Social Value Initiative (SVI), a cross-sector initiative formed to help companies measure the social impacts of products and services.³⁴ With this initiative, Corbion conducts Social Value Assessments, which include living wage impacts/issues. The SVI is creating social value over the total value chain.³⁵ Corbion is following the handbook of the SVI, which includes living/fair wage impacts and issues. The SVI also reports more information

regarding a living wage in its Social Topics Report (2022).³⁶ Here, the definition of a living wage is clearly explained, and details are given about how a company can achieve the payment of a living wage. Corbion uses the findings of the Social Value Assessment as essential input into its efforts to improve the labour conditions in its own operations and facilities. This information provides Corbion with a basis for engagement with Corbion's suppliers to promote ethical and sustainable practices throughout its value chain.³⁷

Signify - Tritium programme

Cooperation with suppliers is paramount for implementing an effective living wage strategy, as the most pressing challenges related to living wages often arise within the supply chain. Signify demonstrates a proactive approach to supplier engagement through its Tritium programme, which is renowned as a best-in-class model for supplier management. This programme operates on robust selection and rewards criteria aligned with Signify's priorities. By

incentivising sustainability, working conditions, human rights, climate action, and diversity, equity, and inclusion (DE&I), the Tritium system encourages continuous improvement with regards to supplier sustainability performance. Instances of non-compliance are penalised, with corrective action required and potential consequences for the business relationship.³⁸ Through initiatives like the Tritium programme, challenges related to supplier compliance with living wage standards can be effectively addressed.

4.4 FINDINGS

2024 is the first year that VBDO has engaged on the living wage since the engagement period of 2016 to 2019. This year, VBDO has used different criteria to score companies on the living wage. In 2019, the last year that VBDO included the living wage in its engagement process, 29 of the 35 companies made a reference to a living wage (83%). This year, 53% of the companies made a reference to a living wage in their strategy. Therefore, there has been a decrease in companies addressing the living wage in their strategies since VBDO last engaged on this topic. According to VBDO, the payment of a living wage is an important topic and should be included in the strategy of all companies. The value chain, in particular, is a risk for companies regarding the payment of a living wage.

Commitment to a living wage

To ensure the provision of a living wage for both direct and indirect employees, it is imperative for companies to establish policies that support the attainment of living wage standards. This year, of the 30 companies within our scope, seven have implemented policies aimed at

meeting living wage levels for both direct and indirect employees (23%). Additionally, six out of 25 companies have incorporated references to a living wage in their supplier Code of Conduct (this number excludes the Financial sector, as Financial sector companies were not assessed on this criterion.) This represents a slight increase compared to 2019, where five companies made such references (14%). While VBDO is pleased to note that almost a quarter of the companies have policies in place regarding the payment of a living wage, we urge companies to continue making progress in this area. It is particularly crucial to have policies that address living wages in the supply chain, as workers deep within the value chain often do not earn a living wage.

Addressing living wage-related risks

Failing to provide a living wage to employees poses various risks for both the workers and their families. By identifying these risks more clearly, the importance of paying a living wage becomes evident. In 2024, only 10% of the companies within our scope had identified key risks related to a living wage (three out of 30 companies). Additionally, for non-financial companies, VBDO assessed whether they had implemented a



grievance mechanism. Such a mechanism allows direct and indirect employees to voice complaints or concerns, including those related to living wage issues, and ensures collective bargaining provisions for remedial actions. Remarkably, 100% of the companies within our scope had a grievance mechanism in place (25 out of 25 companies assessed on this criterion). VBDO is extremely pleased with this result and encourages companies to continue this commendable practice.

The implementation of a living wage

To ensure the payment of a living wage within a company, various implementation measures can be adopted. Recognising that the supply chain of the Financial sector differs from the other four sectors, VBDO has chosen to assess the implementation within the Financial sector differently and the results will be discussed separately. First, the other four sectors will be discussed.

Only one of the 25 companies (excluding the Financial sector) in our scope has identified and assessed negative impacts on living wages in their own operations and in the value chain. Furthermore, only three of the 25 companies have implemented a strategy to ensure a living wage in the supply chain. Two of the 25 companies are quantitatively and qualitatively tracking the responses of suppliers on the living wage based on several indicators. For the last assessment of the implementation criteria, VBDO found that none of the 25 companies transparently communicate how they address living wage impacts in their supply chains.

Overall, the average score on the implementation of a living wage remains relatively low. Many companies indicated difficulties in determining living wage rates, especially those with a widely spread supply chain. VBDO suggests making use of the available methodologies as discussed in section 4.2.

To evaluate the implementation of a living wage for companies in the Financial sector, distinct criteria were

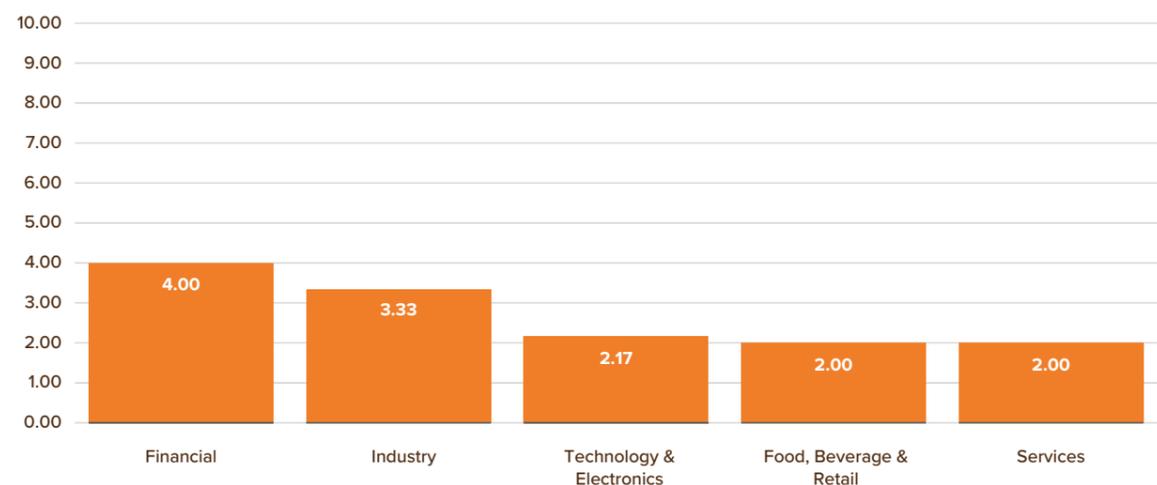
applied. The first criterion involved examining whether the financial institution has included living wage topics in its ESG-integration across all asset classes. None of the five financial companies in our scope received points for meeting this criterion. Additionally, VBDO assessed whether the financial institution votes on and engages with companies in high-risk sectors associated with wage levels below the living wage threshold. Here, we found that all financial companies in our scope met this criterion. Lastly, VBDO checked whether the financial institutions have pursued impact investments or allocated significant capital towards business models committed to implementing a living wage. Only one out of the five financial companies indicated doing so.

Reporting outcomes

Only 10% of all companies in scope have established relevant targets and KPIs concerning a living wage. While this marks a commendable beginning, VBDO hopes to see a higher proportion of companies setting targets related to a living wage in the coming year. Furthermore, VBDO examined the extent to which companies in our scope engage with stakeholders on the topic of a living wage. It was found that only 7% of the companies in our scope actively engage with stakeholders on this issue. Notably, for the Financial, Industry, and Services sectors, none of the companies had established relevant targets or engaged with stakeholders on the topic of a living wage.

The payment of a living wage is an emerging issue that will also be relevant when companies are fulfilling the requirements of the CSRD and CSDDD. Consequently, VBDO anticipates more advancements in this area in the coming years when we reassess the companies in scope. VBDO recommends collaborating with specific platforms, such as the Platform Living Wage Financials for companies in the Finance sector, to assist companies in making progress on the crucial topic of the living wage.

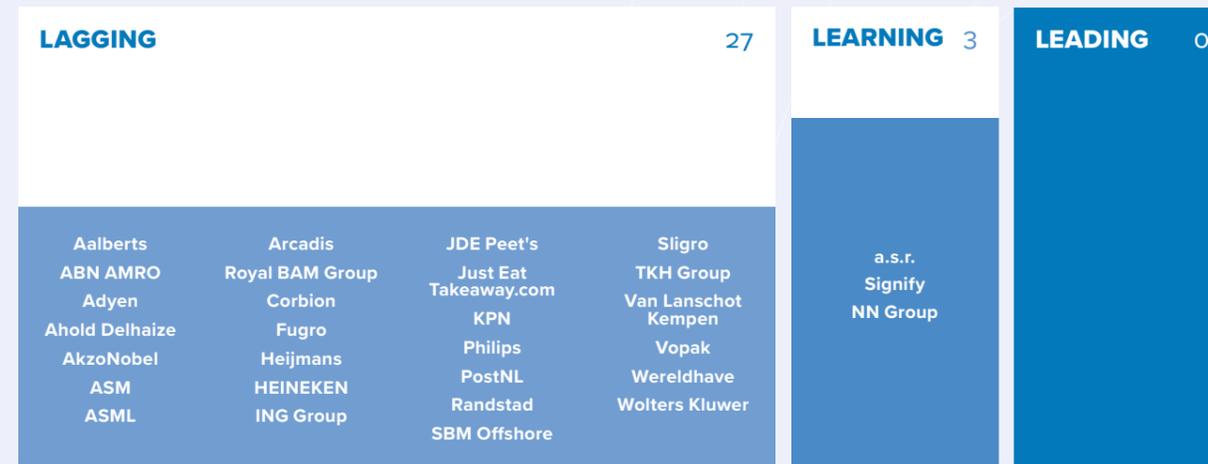
Graph 10: Living wage – average sector score



This figure shows the average total score on the topic of the living wage per sector. The Financial sector has scored the highest average score on the living wage.

5. Governance – Lobbying

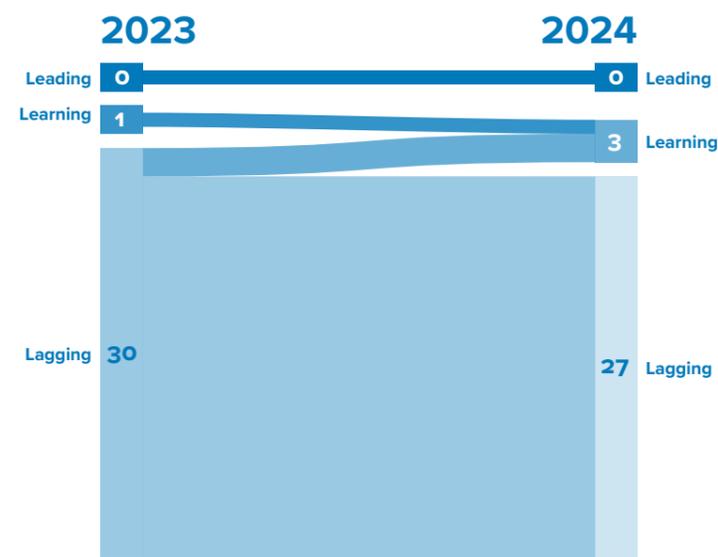
5.1 OVERVIEW OF ENGAGEMENT



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.

The results of this year's engagement season show limited progress, with only subtle changes between the maturity categories. However, a small but positive shift can be observed: the number of leaders has increased to three in 2024, up from just one in 2023. Furthermore, the number of laggards has decreased from 29 to 27. Despite these improvements, there remains significant room for growth and development in responsible lobbying practices.

Graph 11: Lobbying – Movement between maturity categories from 2023 to 2024



5.2 THEME INTRODUCTION

This year, VBDO has continued to engage for the second year on the theme of lobbying. This stems from VBDO's observation that, in general, companies still struggle significantly with aligning their lobbying activities with sustainability and transparently reporting on their membership of industry associations and the associated costs. Several organisations and associations have shown resistance to various reforms in EU climate regulation. The European Automobile Manufacturers Association (ACEA) and the European Dairy Association exhibited negative engagement with EU climate policies.³⁹ Furthermore, the industry association BusinessEurope has a predominantly negative stance on EU climate policy.⁴⁰ 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, they 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.”⁴¹

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 (CLG) Europe advocate for “rais[ing] climate ambitions, build[ing] low carbon policy, and driv[ing] innovation to deliver a low carbon society.”⁴² 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.⁴³ The CSRD requires that companies report on their lobbying activities, particularly in relation to sustainability and climate policies if lobbying and advocacy are considered material topics. Furthermore, the ESRS stipulate that if lobbying and advocacy are considered material topics, companies must provide additional disclosures, including their positions on these advocacy topics. This entails disclosing how lobbying efforts

and memberships of industry associations align with companies' public sustainability commitments and targets. The directive emphasises transparency in these areas to ensure that companies' actions are consistent with their sustainability objectives and that stakeholders have access to relevant information.⁴⁵ Furthermore, the European Union has established the mandatory Transparency Register, which details the activities of lobbyists targeting EU institutions.⁴⁶

VBDO has noted a slight increase in transparency regarding lobbying activities compared to last year. However, there is still significant room for improvement. VBDO has observed that companies generally lack transparency about their lobbying objectives, activities, and outcomes. This issue is compounded by the fact that much lobbying is conducted through trade and industry associations, leading to indirect lobbying that increases sustainability risks due to companies losing oversight of the activities carried out on their behalf. Many companies report difficulties in tracking every lobbying activity and question the value of fully disclosing all such activities, including memberships, costs, support, and types of involvement in lobbying activities across all geographies. They do not see the added value in such comprehensive reporting to enhance transparency and accountability. Some companies also stated that they were not involved in any direct or indirect lobbying activities. VBDO recommends that

GOOD PRACTICE

Corbion's Advocacy and Public Affairs Policy

Corbion has adopted an Advocacy and Public Affairs Policy, which explicitly acknowledges the possibility of misalignment.⁴⁷ Furthermore, the policy sets out actions Corbion may undertake when it becomes aware of such misalignment. It emphasises Corbion's public affairs efforts focussing on engagement with regulators, policymakers, and like-minded organisations to advocate for regulatory conditions that support sustainable frontrunners. Lastly, Corbion has publicly reported on its engagement with policymakers and its active participation in consultations, and has set a clear goal “to create an enabling environment that encourages businesses to adopt sustainable practices and contribute to a greener, more inclusive economy.”

companies explicitly clarify this to ensure maximum transparency, for example by including a position statement on lobbying in their annual report.

Over the last few years, many companies have stated their commitment to sustainability challenges. However, they have encountered significant obstacles, such as an uneven playing field, which hinder their efforts to implement these intentions. Recognising these complexities, VBDO advocates for using lobbying to overcome these challenges. By collaborating with industry leaders, companies can effectively engage with governments and communicate their positions to civil society. Identifying specific obstacles allows companies to influence sustainability policies and expedite the transition to a more sustainable society. It is crucial for companies to develop strong sustainability lobbying strategies, with clear objectives, transparent practices, and mechanisms to align with sustainability goals within industry associations. Through these efforts, companies can reduce negative impacts and enhance their positive influence 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: As well as 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 risk 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.

GOOD PRACTICE

Arcadis' membership of the World Business Council for Sustainable Development

Arcadis is a member of the World Business Council for Sustainable Development (WBCSD) – a global, CEO-led organisation of around 200 leading businesses committed to accelerating the transition to a sustainable world. Through this membership, Arcadis shares knowledge, integrates global value chains, and expresses its support of relevant sustainable goals in line with the Paris Agreement, such as restricting the global temperature rise to 1.5°C above pre-industrial levels.⁴⁸

EU Transparency Register

The Transparency Register is a database of organisations that seek to influence the decision-making and policies of EU institutions. The register shows which interests are being represented, by whom, and with what budget. In this way, citizens and interest groups can monitor the activities of lobbyists.⁴⁹ However, this register only records formal lobbying activities, and does not include informal lobbying engagements, which traditionally form a major part of lobbying activities.

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.

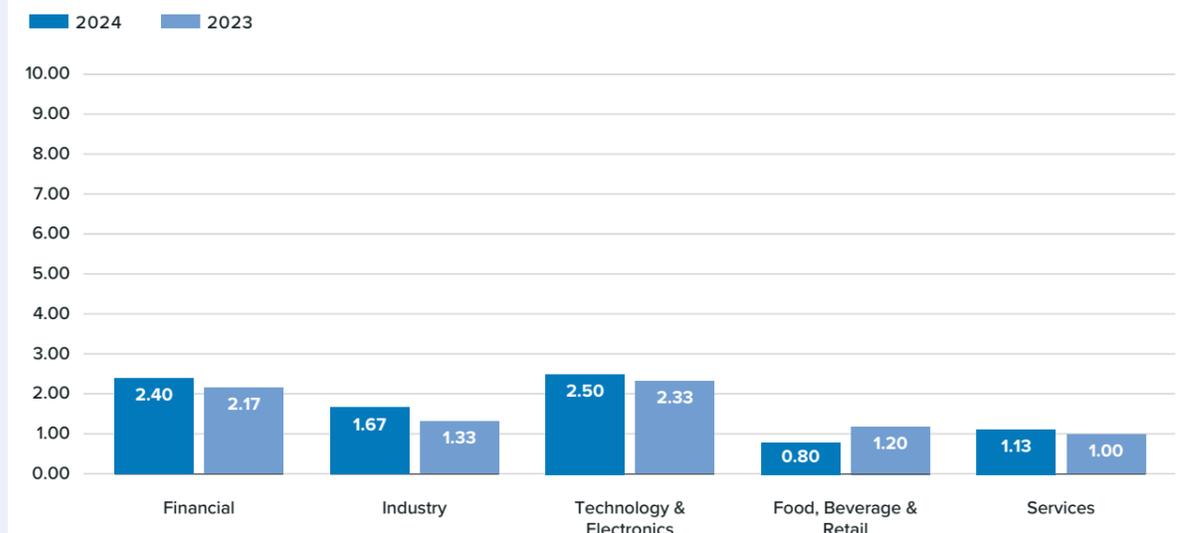
Statements, commitments, and target-setting:

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

Generally speaking, VBDO has not seen significant changes in the results compared to last year. It appears that, for most companies in scope, reporting on lobbying does not extend much beyond reporting on memberships of trade associations and industry organisations, with some companies additionally providing a general overview of topics they engage on. An increasing number of companies are transparent about membership of trade associations and industry organisations. However, it remains uncertain to what extent companies are fully aware of and have insight into the lobbying activities conducted by these parties. VBDO has observed that many companies lack a formal system or framework for monitoring such activities. During engagement dialogues, companies generally indicated limited interest in establishing a formalised system for monitoring indirect lobbying activities nor for setting up a framework to address potential misalignments. Multiple companies indicated that they deemed it unnecessary as they assumed that their values and sustainability goals would be inherently aligned with those of the parties they are a member of.

Graph 12: Lobbying – average score per sector



Overall, VBDO has observed that more companies are willing to report their memberships, as eight companies have committed to transparently reporting on their direct and indirect lobbying involvements and their contributions and memberships. Reporting on memberships is a good starting point for stimulating a dialogue on responsible lobbying. This is something that has often been remarked on in dialogues with companies. Several companies indicated that, while they are hesitant to increase disclosure beyond memberships of associations and organisations, VBDO's engagement increased awareness about lobbying and stimulated internal dialogue. This change is being reflected in the number of companies that make a reference to their lobbying or advocacy activities in their strategy, which has increased from 71% to 87% this year. Furthermore, 13% of companies have now developed policies to align their direct lobbying activities and those of their industry associations with their sustainability objectives. This marks significant progress compared to the previous year, when no companies had such policies in place. VBDO is pleased to observe this advancement.

When comparing different sectors in terms of lobbying performance, we have observed varying scores. The Technology & Electronics sector leads in lobbying with

an average of 2.50 points, which is a slight increase compared to 2.33 in 2023.

Other sectors generally do not score significantly different compared to last year. The overall result, when aggregating all sectors, remains nearly unchanged. In the Financial sector, all companies in scope refer to lobbying in their strategy or annual report (100%). There is a significant increase in the Industry sector, where 83% of companies in that sector refer to lobbying and advocacy activities in their strategy, compared to 50% in 2023. In addition, 13% of the total companies, equivalent to four companies, have developed a policy to align their direct lobbying activities and those of their industry associations with their material sustainability objectives.

The Technology & Electronics sector also shows an increased performance. All companies in this sector refer to lobbying and advocacy activities in their strategy, and 50% of the companies publicly disclose their memberships and costs of all associations, alliances, and coalitions they are engaged in. Conversely, the Food, Beverage & Retail sector has slightly declined. Of the five companies engaged, only three score points on this topic, with just one company publicly disclosing its



memberships and costs of all the associations, alliances, and coalitions it is involved in. The Services sector has seen a slight improvement, with 88% making a reference to lobbying in their strategy or annual report, up from 75% last year.

Recognition of responsibility

In 2024, 87% of companies in scope refer to lobbying either in their strategy or annual report. This equates to 26 out of the 30 companies assessed, which is four more than last year. This shows a slight improvement.

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. Recognition of responsibility is 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. VBDO encourages companies to go beyond the mere recognition of responsibility around this topic and to advance by implementing a strategy and accompanying policy to put this recognition into practice.

All companies in the Financial and Technology & Electronics sectors refer to lobbying in the annual report or strategy. The Financial sector's score may be attributed to its extensive regulatory framework in other legislative areas, while the Technology & Electronics sector's prominence in driving rapid innovation and societal change underscores the importance of monitoring political developments for these companies.

During the engagements, VBDO observed that many companies believe lobbying is not a material topic for them since they do not directly employ lobbyists. While this reasoning is understandable, it is essential to

Graph 13: Lobbying – reference to lobbying in annual report

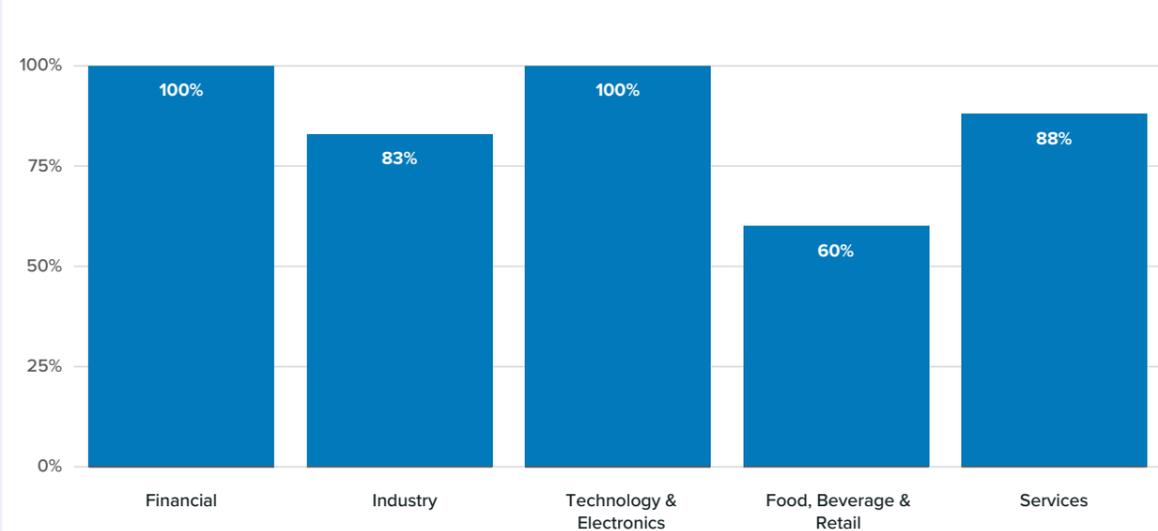


Table 3: Highlighted commitments on lobbying

Results	Highlighted commitments (see Appendix II for full list of commitments)
ABN AMRO	If an organisation's lobbying activities are not in line with ABN AMRO's ESG policy, the company will engage in a dialogue about this, and report on it.
HEINEKEN	HEINEKEN will make information about its advocacy activities and positions easier to access by dedicating a webpage to this information.
KPN	KPN will report on its memberships of industry organisations.
Royal BAM group	Royal BAM Group will consider to include its memberships in industry associations in the next annual report, instead of only listing them on the website.
TKH Group	TKH Group will explore how it can more clearly articulate that the company does not engage in proactive lobbying
Vopak	Vopak intends to increase its reporting on direct and indirect lobbying activities in its 2024 annual report. Furthermore, Vopak intends to also report about membership costs in line with CSRD requirements, and is willing to publish more specific amounts for the larger memberships.
Wereldhave	Wereldhave will list all its memberships in its next annual report.

recognise that most companies participate in industry associations that engage in lobbying activities on their behalf. Even if a company's lobbying efforts are carried out indirectly through associations, a company should acknowledge its responsibility for the advocacy conducted on its behalf.

Responsible lobbying strategy

In terms of responsible lobbying strategies, we have also observed a slight improvement compared to last year. In total, 13% of companies have now developed a responsible lobbying policy, whereas last year there were none. Corbion, Vopak, and NN Group have developed such a policy. VBDO encourages all companies to follow suit, as the main objective of such a strategy is to align the lobbying activities of a company with its sustainability vision. This should outline how the company aims to make a positive impact through lobbying. Companies can, for example, outline their perspective and expectations on important legislative topics. An example of this is how several companies within our scope have articulated their expectations of the CSRD or the CSDDD, as observed by VBDO in recent years.

However, in order to be able to articulate expectations on legislative issues, companies should describe their approach to lobbying on such issues, gain insights into the position of industry associations and trade organisations, or describe how they expect their industry associations to lobby on these topics. Lastly, such a strategy should include the company's stance and potential actions towards relevant industry associations whose lobbying activities may be aligned or, in some cases, misaligned. Corbion serves as an example, as it has

GOOD PRACTICE

Vopak

In 2023, Vopak conducted a comprehensive internal review of its corporate memberships, underscoring the significance of stakeholder engagement through proactive dialogue and open communication channels. The company's Stakeholder Engagement Policy, implemented in 2021 and revised in 2023, outlines clear expectations for engaging with stakeholders and overseeing lobbying activities.⁵²



adopted an Advocacy and Public Affairs Policy explicitly acknowledging the possibility of misalignment.⁵⁰

Transparency

Currently, 20% of assessed companies disclose their memberships of industry associations and other lobbying alliances and coalitions, a decrease from last year's 39%. Many companies report difficulties in tracking every lobbying activity and question the value of fully disclosing all such activities, including memberships, costs, support, and types of involvement in lobbying activities across all geographies. Several companies have noted that the emphasis on aligning their reporting with the CSRD has prompted them to focus solely on material themes, with lobbying not considered material for most companies. This shift in reporting priorities has resulted in a decline in the disclosure of lobbying activities, particularly within the Financial sector, where VBDO has observed a significant decrease from 83% to 40% of companies disclosing this information. VBDO reiterates the importance of transparency regarding lobbying activities. Stakeholders are showing a growing interest in companies' memberships and are scrutinising the relationships between companies and industry organisations and trade associations. Therefore, maintaining transparency on lobbying activities is crucial for fostering accountability with stakeholders.

Impact-based engagement

Ultimately, lobbying should aim to create a positive sustainability impact. To maximise this impact, companies should strategically choose advocacy issues that either generate the most significant positive outcomes or effectively minimise negative consequences. One way to do this is by joining or supporting coalitions and associations that specifically lobby in support of sustainability goals, typically goals that are aligned with the Paris Agreement. However, the number of companies in our scope that have done so has declined from 11 in 2023 to nine in 2024. In the Technology & Electronics sector, 50% of the companies in scope are involved in such coalitions or associations, making it the best performing sector on this specific topic. A factor to which this can be attributed may be the previously mentioned prominence of this sector in driving innovation and societal change, which underscores the importance of monitoring political developments and thus requires a proactive approach towards lobbying.

Statements, commitments, and target-setting

So far, none of the companies assessed this year have set targets and KPIs to ensure that their lobbying activities are transparent and aligned with ESG objectives. Some companies, such as Corbion, Signify, and NN Group, do demonstrate a clear vision on lobbying, outlined in public affairs statements or stakeholder engagement policies. For instance, NN Group published its Public Affairs Charter in 2024, detailing its purpose, core principles regarding lobbying, and its affiliations.⁵¹

Although the aforementioned examples serve as a good starting point, in order for lobbying to have the greatest impact, companies need to have a well-formulated strategy, which is accompanied by public lobbying-related statements, commitments, and targets. These are essential to provide guidance for responsible lobbying practices. The engagement dialogues indicated that for many companies it is a challenge to set targets to guide their lobbying practices. VBDO recommends that companies start with an outline of specific topics and legislative issues of interest for the company.

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 regulations. 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.

VBDO encourages companies to take proactive steps by openly opposing lobbying activities that have adverse sustainability effects and publicly committing to aligning lobbying efforts with sustainability goals. Such actions not only contribute to reshaping the persistent negative narrative around lobbying, but also position companies as leaders in driving positive change towards a more sustainable future.

6. Other engagement topics



6.1 INTRODUCTION

As well as engaging on the three ESG focus themes, VBDO also engages on other topics that are relevant to the companies within 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. This section of the report will elaborate on several

of these topics. While the topics discussed here do not constitute a comprehensive overview of all engagements, they have been selected for their significant relevance to society. Naturally, the CSRD is a topic that could not go undiscussed, as it significantly transforms reporting processes and drives the sustainability strategies of all companies within scope.

In addition to the CSRD, emissions, deforestation, and broader human rights due diligence were frequently discussed in meetings and calls with companies prior to their AGMs. These discussions often resulted in pertinent questions being raised at the AGMs.

6.2 CSRD AND DOUBLE MATERIALITY

The CSRD has been a significant focus for companies this year, driving substantial changes in their reporting processes and sustainability strategies. This shift has been particularly evident in all engagement dialogues, where VBDO consistently enquired about companies' preparations for the CSRD and the challenges they foresee in achieving future compliance. Given the critical role of materiality in determining disclosure requirements, VBDO placed a strong emphasis on evaluating companies' (double) materiality assessments.

In some cases, it is clear which topics are or are not material. However, VBDO also observed outcomes of the materiality assessments with which it did not agree. Therefore, VBDO asked questions related to the process underpinning the double-materiality assessment. Furthermore, VBDO was interested in understanding the remaining challenges identified by companies

in their journey towards full compliance with CSRD. Companies often reported difficulties in interpreting various aspects of the CSRD, highlighting a significant area of concern and need for clarity. Moreover, the complexity of CSRD requirements has led to concerns about the expanding length of annual reports. Companies are grappling with the need to balance comprehensive CSRD disclosures with the inclusion of additional topics they consider important but not material. This dilemma was a recurring theme in engagement dialogues, as stakeholders, including VBDO, demand information on topics that are not adequately covered due to their perceived lack of materiality. This demand signals the necessity for companies to re-examine and possibly broaden their materiality assessments.

A major challenge identified by many companies is gaining sufficient insight into their entire value chain to accurately assess impacts, risks, and opportunities.

VBDO frequently questioned the extent to which companies evaluate their impacts beyond tier-1 suppliers and direct customers. Many companies acknowledged difficulties in this area, underscoring the complexity of achieving comprehensive compliance with CSRD.

6.3 SCOPE-3 EMISSIONS

Another topic of discussion in this year's engagement dialogues related to scope-3 emissions and, more specifically, the formulation of plans to reduce these emissions. Mitigating CO2 emissions is a central focus of sustainability dialogues among Dutch companies. CO2 emissions serve as the primary driver of climate change, warranting urgent action to curb their release. This imperative stems from the need to safeguard ecosystems, sustain the global economy, and preserve living standards worldwide. VBDO consistently advocates for climate mitigation, urging companies to decrease emissions not only from their own operations but also from their broader value chains. In order to properly establish a strategy to reduce these emissions, companies have to map these emissions. Mapping these emissions is an essential first step towards devising effective reduction strategies. By gaining a comprehensive understanding of emission sources throughout their value chains, companies can identify areas for improvement and prioritise interventions. However, this process of mapping emissions presents its own set of challenges, requiring robust data collection, analysis, and collaboration with suppliers.

6.4 DEFORESTATION

The Regulation on Deforestation-free Products (EUDR) has become a focal point for companies this year, significantly influencing their supply chain management, as it will come into force on 30 December 2024. The Regulation, aimed at curbing deforestation linked to the production of key commodities, mandates that companies ensure their supply chains are free from deforestation and forest degradation activities. To be compliant with the EUDR, companies will have to conduct due diligence to ensure that the products they place on the market, such as soy, palm oil, cocoa, coffee, wood, and beef, do not contribute to deforestation. Similar to the dialogues about future compliance with the CSRD, VBDO has engaged in comprehensive discussions with companies about the remaining challenges and progress on targets related to deforestation-free commodities.

6.5 HUMAN RIGHTS DUE DILIGENCE

In dialogues centred on the focus topic of living wage, conversations frequently expanded into broader discussions on human rights due diligence. This is not unexpected, as the concept of a living wage is intrinsically linked to numerous human rights issues, which are often featured in supplier audits and assessments, naturally leading to a more extensive examination of these processes. Furthermore, the upcoming CSDDD will require companies to ensure comprehensive due diligence practices for human rights and environmental risks. VBDO enquired to what extent companies are already preparing for this Directive as well as the actions companies will need to take to improve the current due diligence practices related to human rights and environmental risks. Additionally, as VBDO has previously engaged on the topic of labour conditions in the supply chain, VBDO used the opportunity to enquire about last year's commitments on this topic and assessed to what extent companies followed up on these commitments.



Appendix II – List of 2024 engagement season commitments

Aalberts (Industry sector)

→ No commitments were made in 2024.

ABN AMRO (Financial sector)

- ABN AMRO is contemplating the exact definition of “living wage”. As soon as possible, ABN AMRO will include this definition in an appropriate corporate disclosure.
- If the lobbying activities of an organisation that ABN AMRO is a member of are not in line with ABN AMRO's ESG policy, the company will engage in discussions about this and report on it.
- When ABN AMRO formulates a lobbying policy, the company will publish it.

Adyen (Technology & Electronics sector)

→ No commitments were made in 2024.

Ahold Delhaize (Food, Beverage & Retail sector)

- Ahold Delhaize will report on the results of its human rights assessment, including on living wages in the supply chain.

AkzoNobel (Industry sector)

- AkzoNobel will reassess the materiality of biodiversity next year.
- AkzoNobel will increase transparency about the screening of both direct and indirect suppliers.

Arcadis (Services sector)

→ No commitments were made in 2024.

ASM (Technology & Electronics sector)

- ASM will consider publishing an exhaustive list of memberships and associations in its annual report next year.

ASML (Technology & Electronics sector)

- ASML will conduct an assessment on the living wage, which will be implemented in the new human rights policy that ASML is currently working on.
- ASML will review the disclosures of lobbying contributions to several associations and the type of involvement it has with some of these organisations, and whether ASML can make such disclosures more robust and comprehensive in the 2024 report.

a.s.r. (Financial sector)

→ No commitments were made in 2024.

Royal BAM Group (Industry sector)

- In 2026, Royal BAM Group hopes to be able to report on the results of the scorecard for biodiversity in the Netherlands.
- Royal BAM Group will consider to include its memberships in industry associations in the next annual report, instead of only listing them on the website.

Corbion (Industry sector)

→ No commitments were made in 2024.

Fugro (Services sector)

- Fugro is going to expand on supply chain due diligence in a general sense and the living wage will be included.

Heijmans (Industry sector)

- Heijmans will map out its supply chain to address living wage issues.
- Heijmans is making efforts to establish KPIs in the area of biodiversity. Heijmans will continue to report on this in the coming years.

HEINEKEN (Food, Beverage & Retail sector)

- In 2024, HEINEKEN will focus on gaining a better understanding of its impacts and dependencies on nature and biodiversity across the value chain. When HEINEKEN has this input, the company will decide its approach to publicly reporting on this matter.
- HEINEKEN will make information about its advocacy activities and positions easier to access by dedicating a webpage to this information.
- HEINEKEN aims to have carried out an initial assessment in all regions by the end of 2025 with regard to living and working standards (which includes fair wage), with actions to close gaps and embed standards into the way its operating companies do business running until 2030

ING Group (Financial sector)

→ No commitments were made in 2024.

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

- JDE Peet's is willing to report on its advocacy activities in its next annual report.

Just Eat Takeaway.com (Food, Beverage & Retail sector)

- Just Eat Takeaway.com has reported its scope-3 emissions for the last 3 years and will continue to do so in line with applicable regulations.
- For its independent workforce, Just Eat Takeaway.com will closely monitor the developments on the concept of living wage and will consider capturing reference to this concept as appropriate in relevant policy documents.

KPN (Services sector)

- KPN will from now on report on its memberships of industry organisations.

NN Group (Financial sector)

→ No commitments were made in 2024.

Philips (Technology & Electronics sector)

- Philips will conduct research into its biodiversity impact along the value chain and report on the results.
- Philips acknowledges a living wage beyond tier 1 in its supply chain. Philips will be continuing its efforts regarding the living wage and a growing number of suppliers is included in its Supplier Sustainability programme, aiming to increase the number of workers reached in the supply chain.

PostNL (Services sector)

- PostNL will continue to monitor its memberships of industry organisations and trade associations and the ways in which it interacts with these organisations.
- PostNL will expand its reporting on the compliance of hiring parties with human rights also with regard to the CSRD and CSDDD.

Prosus (Technology & Electronics sector)

- No commitments were made in 2024, as VBDO's engagement will take place after the publishing of this report.

Randstad (Services sector)

- Randstad is reviewing how to increase disclosure and reporting on its services that contribute to essential and high-impact sectors, such as the renewable energy sector, healthcare sector, and education sector.
- Randstad will continue to monitor the developments within the institutional world as well as proactively advocate directly and indirectly via the International Organisation of Employers and the World Employment Confederation for the concept of a living wage. Pending ILO guidance, Randstad will progress its policies and KPIs accordingly.
- Randstad is exploring what would be the right approach to assist and skill people into green jobs. Once it has gained clarity on this matter, Randstad has the ambition to report on this.

SBM Offshore (Services sector)

- If SBM Offshore identifies relevant wage-related issues during assessments, SBM Offshore will report on actions taken to address these issues, as well as the due diligence processes.

Signify (Technology & Electronics sector)

- Next year, Signify will report on the actions taken as part of its biodiversity roadmap.
- In its next Code of Conduct, Signify will bring more attention to the topic of the living wage.
- Signify aims to be fully compliant with the CSRD by the end of this year.

Sligro (Food, Beverage & Retail sector)

- Next year, Sligro will report on its biodiversity-related KPIs.

TKH Group (Industry sector)

- TKH Group will increase reporting on how human rights (including living wages) are integrated into audits.
- TKH Group will explore how it can more clearly articulate that the company does not engage in proactive lobbying.

Van Lanschot Kempen (Financial sector)

→ No commitments were made in 2024.

Vopak (Industry sector)

- Vopak will integrate the assessment of contractors' and suppliers' pay practices against living wage standards into the overall screening process of its global suppliers.
- Vopak intends to increase its reporting on direct and indirect lobbying activities in the annual report of 2024.
- Vopak intends to report about membership costs in line with CSRD requirements from the 2024 annual report, and is willing to publish more specific amounts for the larger memberships.

Wereldhave (Food, Beverage & Retail sector)

- In its supplier assessments, Wereldhave will also take into account suppliers that pose a potential risk of negative impact on people and/or the environment.
- In its review of its Sustainable Supplier Code, Wereldhave will also consider including a definition of the living wage in the Code.
- Wereldhave will list all organisations of which it is a member in the annual report.
- Wereldhave will continue dialogues with local governments to explore nature-based solutions and possibilities for climate-proofing land surrounding Wereldhave assets.

Wolters Kluwer (Services sector)

- Wolters Kluwer will continue to assess whether biodiversity is material or will become material.
- Wolters Kluwer will increase the monitoring of living wages and relevant standards and will continue assessing this for all suppliers and reporting on this.
- Wolters Kluwer will continue to monitor lobbying and consider how to report on this subject more fully.

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Colofon

Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO)

Pieterstraat 11, 3512 JT Utrecht

+31 (0) 30 234 00 31 | info@vbdo.nl