

Sustainability Performance of Dutch Stock Listed Companies

AGM Report 2015





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(Dutch Association of Investors for Sustainable Development)

Disclaimer

The contents, conclusions and recommendations of this report are the sole responsibility of the VBDO.

FOREWORD



Engagement, or a structured dialogue with listed companies, is probably the strongest instrument for investors to influence their investees. It is one of the key forms of responsible investment. Not only can investors ask for compliance with long-term, sustainable, objectives, they can also set priorities and share best practices.

Corporations tend to appreciate this constructive partnership, mostly when the issues brought forward are relevant. This means sector specific, based on facts and creating long-term value. Engagement should be long-term oriented, done by loyal shareholders¹.

The VBDO tends to operate within these requirements. We have engaged for over 20 years, and feedback shows our engagement is appreciated because it is fact-based, relevant, brings long-term value, is done with a long-term commitment, and is always done with a smile.

This report contains the results of our engagement with 64 listed companies around their Annual General Meeting. We have asked questions around 3 priority themes: Circular economy, human rights (with a specific focus on grievance mechanisms) and Responsible taxation. We have also looked at whether companies endorse the OECD (Organisation for Economic Co-operation and Development)

Guidelines for Multinational Enterprises. Furthermore we assessed whether or not companies calculate the costs of externalities arising from their business activities. We also assessed long-standing items such as greenhouse gas emissions, diversity and supply chain issues. On the next pages you will find the results.

We have categorised the results per sector, enabling both a comparison of company performance within their sector as well as a comparison of sustainability performance between sectors.

None of this all would have happened without our volunteers. I would like to express my sincere appreciation for all those who did research, drafted questions, visited the AGM's and wrote their reports. This publication was made possible by the financial support of our members.

Combined with our previous report on Active Ownership² (September 2015) this report shows the impact investors can have on listed companies. Leverage can be obtained with as little as three shares. I therefore call upon all institutional investors to step up their engagement efforts, thus encouraging and rewarding those companies that combine working to a better world with increased returns.

Giuseppe van der Helm,
Executive Director, VBDO

November 2015

MANAGEMENT SUMMARY

Conclusion

An increasing number of companies envisions and grasps sustainable business opportunities. An encouraging 90% of the companies in scope work with stakeholders throughout the supply chain to improve the sustainability of their products (2014: 67%) and 48% research opportunities in the circular economy (2014: 37%). We applaud the increase in companies with a responsible tax strategy (2014:

16%, 2015: 45%), although could be enhanced. However, only 38% of the companies endorse the OECD Guidelines, and only 16% have a grievance mechanism in place for stakeholders other than employees. Hence, there is significant room for improvement regarding integration of these key sustainability themes into the Dutch corporate sector.

Recommendations

Circular economy: the VBDO promotes the circular economy principles as formulated by the Ellen MacArthur Foundation. More specifically, VBDO recommends companies to: design for disassembly and re-purposing; collaborate with supply chain partners; encourage experimentation and innovation; and formulate a long-term (10-20 years) strategy including clear targets.

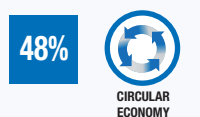
Grievance mechanisms: the VBDO encourages companies to install a proper grievance mechanism accessible to all stakeholders. More specifically, VBDO recommends companies to apply a systematic approach to filing and handling grievances, to set up a grievance mechanism according

to the eight effectiveness criteria as formulated by the UN Guiding Principles on Business and Human Rights and to report on the number of grievances received per topic and the mitigating actions taken.

Responsible taxation: the VBDO recommends companies to be transparent about their tax strategy and payments. More specifically: formulate a tax strategy and discuss this with stakeholders; report corporate income taxes, revenues, profits, assets, and employees on a country by country basis; publish the total tax contribution; describe tax risks and mitigating actions in detail; and provide better tax assurance.

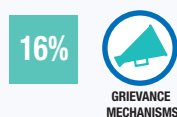
Results of selected priority themes

The companies within scope have been assessed and scored as follows on the following priority themes:



Circular economy

48% of the companies have a policy and/or programme in place for biological nutrients to re-enter the biosphere safely, and/or technical nutrients to circulate at high quality without entering the biosphere, compared to 37% in 2014.



Grievance mechanisms

16% of the companies have a grievance mechanism in place for stakeholders other than employees (discussed for the first time in 2015).



Responsible tax

45% of the companies have Responsible taxation principles and/or a Responsible taxation policy in place to which they comply, going beyond national and international regulations, compared to 15% in 2014.

Results other selected themes

the companies within scope have been assessed and scored as follows on the following priority themes:

19%

Integrating externalities: 19% of the companies have a policy and/or project in place to calculate the externalities of their business practices, or a part thereof, compared to 10% in 2014.

58%

Greenhouse gas emissions: 58% of the companies have measurable short- and/or long-term targets in place to reduce their greenhouse gas emissions, compared to 51% in 2014.

73%

Employee diversity: 73% of the companies have a commitment in place to diversify their employee base.

88%

Responsible supply chain management: 88% of the companies work with some or all stakeholders throughout the supply chain to improve the ESG performance in the value chain, compared to 63% in 2014.

38%

OECD Guidelines: 38% of the companies publicly endorse the OECD Guidelines.

73%

Human rights commitment: 73% of the companies commits to social standards, going beyond national and international regulations.

Results by sector

The following sectors were categorised and scored on all themes:

57%

Communication:
57% collective score on all themes

53%

Building and construction:
53% collective score on all themes

53%

Oil, gas, maritime & industrials and chemicals:
53% collective score on all themes

46%

Financial sector:
46% collective score on all themes

44%

Services:
44% collective score on all themes)

59%

Technology and electronics:
59% collective score on all themes

40%

Food, beverage and retail:
40% collective score on all themes

Commitments to VBDO

The companies in scope made 100 commitments to the VBDO during AGM season 2015.

About AGM season 2015

For the purpose of VBDO's AGM season 2015, the sustainability performance of 64 companies was scrutinised, followed by one or more engagement activities.

About this report

This report provides insight into the status quo of sustainability performance of the largest Dutch stock-listed companies, focusing on VBDO's priority themes and a number of other indicators.

About VBDO

Since 1995, the VBDO actively engages with the Board of Directors of publicly listed companies during Annual General Meetings (AGMs) with constructive, critical questions to improve the company's sustainability performance.

The association does this with the support of its members, i.e.

75 institutional and over
550 private investors.

OVERALL COMPANY SCORES ON SELECTED THEMES

Figure 1.1: Overall company scores on selected themes (1).

116,078










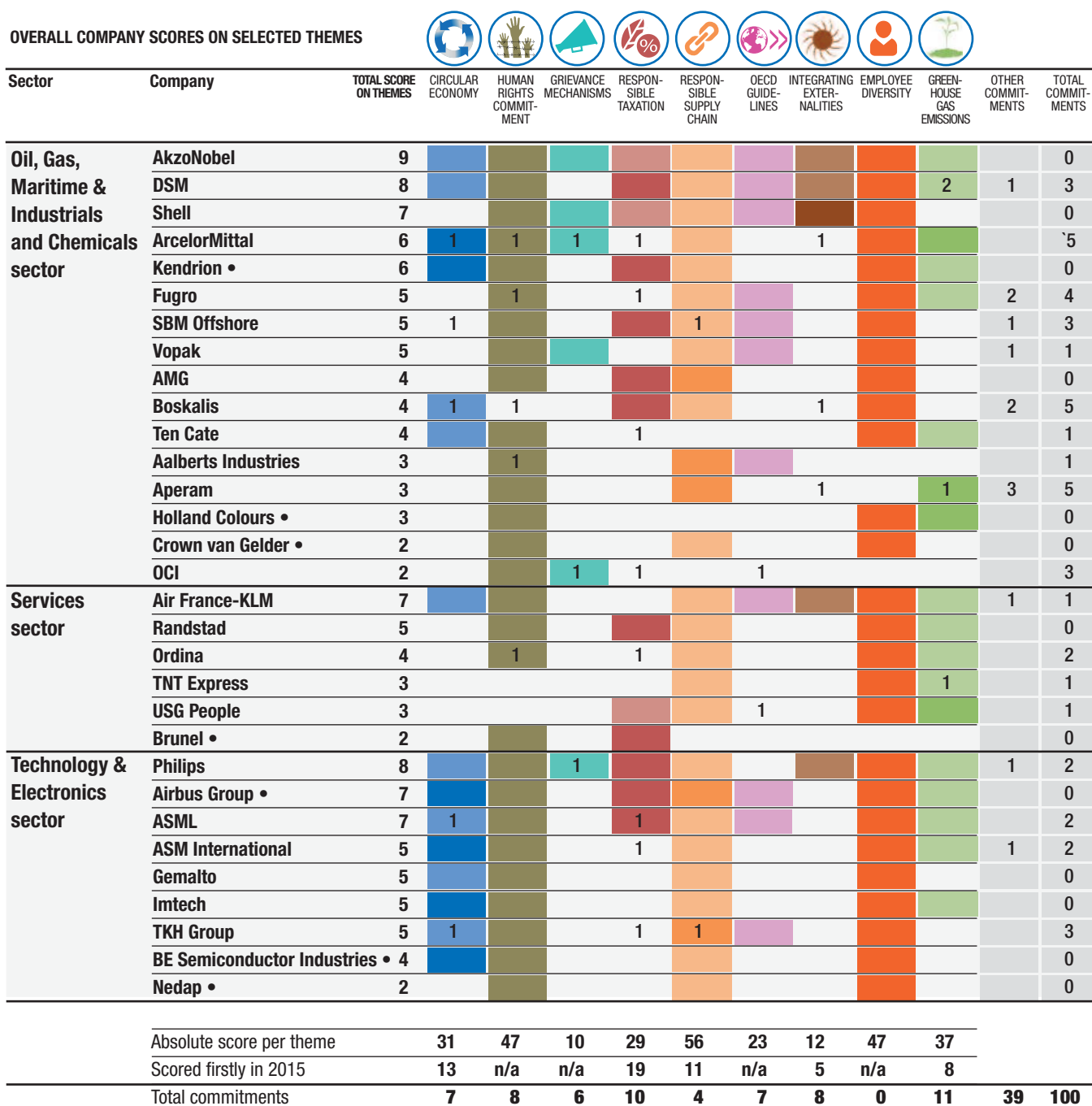
OVERALL COMPANY SCORES ON SELECTED THEMES													
Sector	Company	TOTAL SCORE ON THEMES	CIRCULAR ECONOMY	HUMAN RIGHTS COMMITMENT	GRIEVANCE MECHANISMS	RESPONSIBLE TAXATION	RESPONSIBLE SUPPLY CHAIN	OECD GUIDELINES	INTEGRATING EXTERNALITIES	EMPLOYEE DIVERSITY	GREENHOUSE GAS EMISSIONS	OTHER COMMITMENTS	TOTAL COMMITMENTS
Building & Construction sector	Arcadis	7	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	<div></div>	<div></div>	2	3
	Heijmans	7	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	2	2
	BAM Group	7	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	1
	Ballast Nedam	4	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0
	Grontmij •	4	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0
	Wereldhave	2	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	1
Communication sector	KPN	7	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1		1
	PostNL	6	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	<div></div>	<div></div>	<div></div>		1
	RELX Group	6	<div></div>	<div></div>	<div></div>	1	<div></div>	1	1	<div></div>	1		4
	Wolters Kluwer	5	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	1
	Telegraaf Media Groep	3	<div></div>	<div></div>	1	<div></div>	1	<div></div>	<div></div>	<div></div>	1		3
Financial Sector	ING Group	8	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0
	Rabobank	7	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	1
	Aegon	5	1	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	2
	Van Lanschot	5	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	2	2
	Delta Lloyd Group	4	<div></div>	<div></div>	1	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	2	3
	Nationale-Nederlanden	4	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	1	2
	Nieuwe Steen Investments •	4	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0
	BinckBank •	0	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0
	KAS Bank	0	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	<div></div>	<div></div>	<div></div>	3	4
Food, Beverage & Retail sector	Unilever	9	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0
	Heineken	7	<div></div>	<div></div>	<div></div>	1	<div></div>	1	<div></div>	<div></div>	<div></div>	1	3
	Wessanen	7	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	1
	Ahold	5	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	<div></div>	1	2	4
	Nutreco	5	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	<div></div>	<div></div>		1
	Sligro	4	<div></div>	1	<div></div>	<div></div>	<div></div>	1	<div></div>	<div></div>	1		3
	Accell Group	3	<div></div>	1	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1		2
	Corbion	3	<div></div>	<div></div>	<div></div>	<div></div>	1	<div></div>	<div></div>	<div></div>	<div></div>	1	2
	Beter Bed •	2	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0
	Acomo •	1	1	1	1	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	2	5
	Macintosh Retail Group	1	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	1	<div></div>	<div></div>	2	3
	Eurocommercial Properties •	0	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0
	Vastned •	0	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		0

Figure 1.1: Overall company scores on selected themes (2).



Legend:

1. A coloured box refers to a company scoring in line with VBDO's criteria on the respective theme.

All the following light colours represent a company scoring in 2014 & 2015:

All the following darker colours represent a company scoring firstly in 2015:

2. A number in a theme box refers to a commitment to VBDO on the respective theme.

3. Companies with a dot (•) have only been engaged with in writing.

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CHAPTER I: OVERALL RESULTS AGM SEASON 2015

For the purpose of this report, VBDO has analysed the performance of companies within scope of the AGM season 2015, on both the priority themes and other selected sustainability themes. The presented performance scores are based on VBDO's company engagement during and around the AGM, publicly available information (including annual, integrated and sustainability reports) and a targeted company-specific web search. Explanation of the scoring methodology per respective theme is elaborated in the following paragraphs. The full performance overview is presented in figure 1.1. The scoring methodology can be found in appendix 2.

Priority themes

- Circular economy
- Responsible taxation
- Grievance mechanisms



Other themes

- Greenhouse gas emissions
- Employee diversity
- Responsible supply chain
- Integrating externalities
- OECD guidelines
- Human rights commitment



Based on its desk research and interactions with a wide variety of stakeholders in the field, the VBDO perceives an overall better performance on each of the respective themes compared to 2014. The companies in scope show greatest improvement on the theme responsible taxation. Also circular economy and responsible supply chain management significant improvement is made. However, over 80% of the companies in scope do not have a grievance mechanism that is accessible to stakeholders other than employees. Moreover, more than half do not have a responsible tax policy, only 38% endorse the OECD guidelines and just 19% shows effort on integrating externalities. Hence, there is still a way to go to full integration of these key sustainability themes into the Dutch corporate sector.

1.1. Results on priority themes

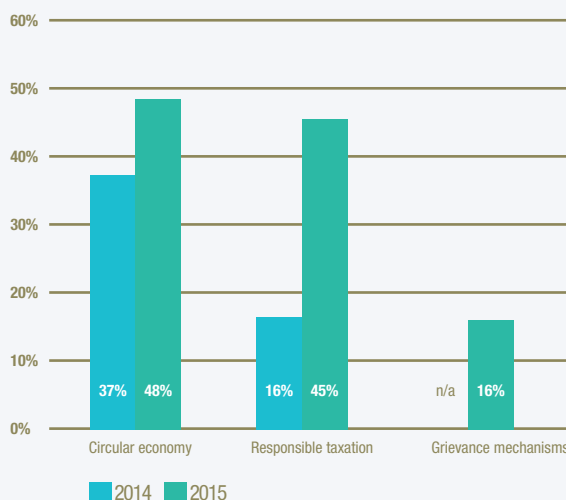


Figure 1.2: Percentage of companies that score on the respective theme.

The VBDO works with parties on both the supply and demand side of the capital market to improve their sustainability performance. As such, the VBDO actively engages with the Board of Directors of publicly listed companies during Annual General Meetings (AGMs) with constructive, critical questions to improve the company's sustainability performance. The association does this with the support of its members, i.e. 75 institutional and over 550

private investors. VBDO's institutional members consist of all major Dutch banks, a set of insurance companies, pension funds, consultancy firms, including the big four consultancy and accountancy firms, non-governmental organisations and labour unions.

1.1.1 Circular economy



Within a circular economy the principle of "circulation" is central. The concept is inspired by nature where nothing is spilled and every form of waste is transformed into new raw material. This can be achieved when products become the temporary storage of resources. It is hereby essential that business models are structured in such a way that producers are rewarded when resources are continually reused, instead of consumed. In this way a circular economy is the opposite of our current "linear" economy, in which raw materials become waste after their use³.

This linear economy is a take-make-waste system: we take (raw materials), we make (products), and we throw away (waste). During this process we constantly rely on the scarce resources of our planet. In addition, all of these steps require a high amount of (fossil) energy and cause damage to nature. The realisation that this system cannot be sustained gave rise to the circular economy concept.

The circular economy provides significant economic opportunities. According to the Ellen MacArthur Foundation, Europe can take advantage of circular economy principles and create a net benefit of €1.8 trillion by 2030: €0.9 trillion more than in the current linear development path⁴.

The VBDO regards the principles of the circular economy as an important driver in good business conduct and encourages companies that are committed to reduce their waste throughout the whole supply chain and actively look for ways to reuse and refurbish materials and products.

This was the second year VBDO asks questions about circular economy. For every company within scope, the VBDO has assessed whether it has a policy and/or programme in place for biological nutrients to re-enter the biosphere safely, and/or technical nutrients to circulate at high quality without entering the biosphere.

Almost half of the companies in scope (48%) now have a policy and/or programme in place (compared to 37% in 2014), an encouraging increase. The VBDO is optimistic to perceive more awareness, more consideration and more formulation/implementation of policies to the concept of circular economy.

1.1.2 Responsible taxation



Over years, a number of multinationals have attempted to reduce tax costs by relocating some of their operations to low-tax countries, or by creating company constructions, which avoid duties. Whereas this may yield direct cost reduction, it simultaneously undermines country's tax regimes. This type of "aggressive tax planning" is put on the agenda by organisations such as the OECD, for example by encouraging country-by-country-reporting: providing transparency about their tax payments in the countries in which they operate. The VBDO encourages companies to develop a responsible taxation policy. This also suggests that companies not only comply with the letter of the law, but also actively explain how they engage with the spirit of the law⁵.

This is the third year VBDO asks questions about responsible taxation. For every company within scope the VBDO has assessed whether it has responsible taxation principles and/or a responsible taxation policy in place to which it complies, going beyond national and international regulations. Earlier this year VBDO published its first Tax Transparency Benchmark, comparing the responsible taxation performance of 64 Dutch listed companies.

The total amount of companies aligned with VBDO's criteria rose this year with 30% (from 16% scoring in 2014). Now 45% of the company universe perform on the topic.

To an increasing amount, responsible taxation policies are related to sustainability policy and transparency of tax payments on a country-by-country basis is on the rise. Inaction on this theme is commonly substantiated by operation in compliance with (inter)-national laws and regulations and no tax evasion: arguments that defer from the essential discussion on tax as a social and economic driving force.

1.1.3 Grievance mechanisms

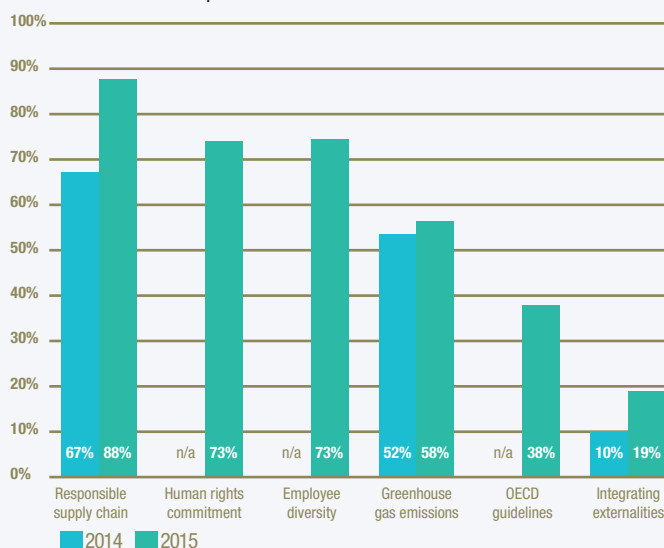


The VBDO believes that companies should conduct human rights due diligences and implement effective grievance mechanism(s) to avoid possible human rights violations⁶. Grievance mechanisms are complaint and remedy processes which can be used by individuals, workers, communities and/or civil society organisations that may be adversely impacted by business operations. So far grievance mechanisms have not yet received the attention they deserve. VBDO believes that a continued emphasis on this theme is important. Therefore, the VBDO expects companies to have solid grievance mechanisms. The theme is especially relevant for all production sectors in scope. Moreover, given the overall business materiality, possible reputation damage resulting from human rights infringement and a 16% of the companies in scope committing to VBDO's contemporary standards, VBDO sees significant room for improvement on this topic.

1.2 Results on other themes

Next to selected priority themes, VBDO has engaged with companies on a number of other themes. The 'other themes' are selected based on materiality for most of the companies during company engagement activities during and around AGM season 2014. These are: supply chain, human rights commitment, employee diversity, greenhouse gas emissions, OECD Guidelines and integrating externalities.

Figure 1.3: Percentage of companies that score on the respective theme.



Responsible supply chain management



For every company within scope, the VBDO has assessed whether it works with some or all stakeholders throughout the supply chain to improve the ESG performance in the value chain. With most companies performing on this theme, the results are encouraging.

Currently, responsible supply chain management receives significant attention from the Dutch government, as the 'IMVO sectorconvenanten'-trajectory illustrates⁷. The Dutch government aims to establish approximately ten international Sustainability Sector Treaties by 2016 in a multi-stakeholder process. The core aim of these treaties is to have a new universal instrument (supported by the government, sectors and companies) to diminish sustainability risks arising throughout the complete value chain.

Human rights commitment



For every company within scope, the VBDO has assessed whether it has a commitment in place setting out social standards to which it complies, going beyond national and international regulations. A substantial amount of companies makes a public commitment to human rights.

Respecting and promoting human rights through a solid policy is important for companies and investors for several reasons, including reputation and risk management. A solid policy is based on international principles such as the OECD Guidelines and the UN Guiding Principles on Business and Human Rights. Companies can find guidance on how to report on human rights issues in line with the UNGPs by means of a comprehensive guide: the UN Guiding Principles Reporting Framework (by SHIFT and Mazars). Moreover, in 2016 the Corporate Human Rights Benchmark, a collaboration between VBDO, the Institute for Human Rights and Business, EIRIS, Aviva Investors, the Business and Human Rights Resource Centre and Calvert Investments will issue a pilot ranking of 150 companies on their human rights policy, process and performance.

Employee diversity



For every company within scope, the VBDO has assessed whether it has a commitment in place to diversify its employee base. Approximately 70% of the companies in scope perform on this theme. However, according to the Dutch Female Board Index (by Tias Business School), only 17% of the directors of Dutch listed companies is female. And women and ethnic minorities are known to earn less (by careerwebsite Intermediair and Nyenrode Business Universiteit, 2015). VBDO challenges companies to act upon their commitment.

Greenhouse gas emissions



For every company within scope, the VBDO has assessed whether it has SMART short and/or long-term targets in place to reduce its green house gas emissions. With over half of the companies performing, there is still a window of opportunity in terms of concrete efficiency, cost reduction and transition. And regarding the latter, VBDO will closely monitor the upcoming global discussion during the 2015 United Nations Climate Change Conference to be held in Paris, France.

OECD Guidelines



For every company within scope, the VBDO has assessed whether it publicly endorses the OECD Guidelines in the annual-, integrated- and/or sustainability reports. With just over a quarter of the companies performing there is still a long way to fulfil the Dutch government's ambition to have 90% of large Dutch companies endorse the OECD Guidelines.

Integrating externalities



For every company within scope, the VBDO has assessed whether it has (or had) a policy and/or project in place to calculate the externalities of its business practices, or a part thereof (e.g. costs of land use, carbon emissions, underpayment or child labour).

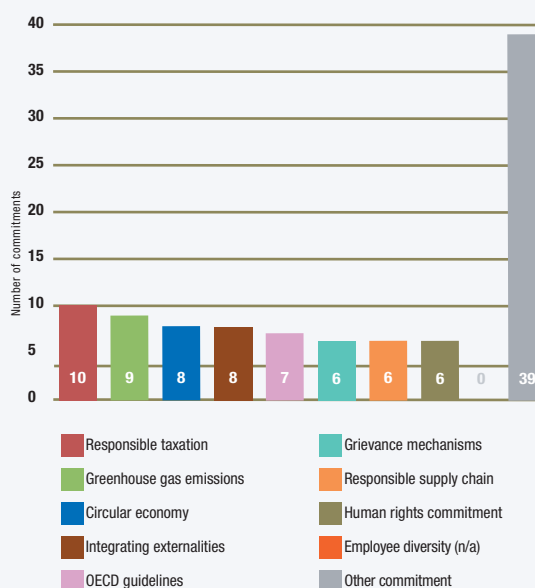
Currently, it is uncommon for the Dutch corporate sector to calculate the externalities of their business conduct. Their most common reaction to VBDO's question about this topic is that there is a lack of consensus about what metric to use for calculation.

1.3 Commitments on all themes

During AGM season 2015, 100 commitments were made to the VBDO. As figure 1.4 indicates, most of the commitments relate to the 'other' category. This category entails, amongst others, issues as assurance, transparency, integrated reporting and overall sustainability performance improvement.

For more insight into VBDO's active ownership process and impact please consult VBDO's Active Ownership Report 2015.

Figure 1.4: Overview of amount of commitments from companies to VBDO during AGM season 2015, categorised by theme.



CHAPTER II: RESULTS PER SECTOR

VBDO has engaged with companies from a variety of sectors during AGM season 2015.

Selected sectors for the purpose of this report

Communication

Financial sector

Technology and electronics

Building and construction

Services

Food, beverage and retail

Oil, gas, maritime & industrials and chemicals

The overall performance on the selected themes is assessed per sector. The full performance overview and scoring methodology by company can be found in figure 1.1. Figure 2.1 provides an overview of sectors scoring on the respective themes. An overall score of 100% would imply that all companies within the sector have a maximum score on all themes. As the figure reveals, the technology & electronics, building & construction, communication and oil, gas, maritime & industrials and chemicals sectors lead in terms of collective theme scores, closely followed by the financial and services sectors. This could be due to the nature of the sector; for the financial and services sector the themes of for example circularity and emissions are less relevant, therefore the attention for these topics is less present. The food, beverage and retail sector has the lowest collective scores. This score is disappointing, since we would expect the sector to take more responsibility on all of the themes regarding the relevance for the food, beverage and retail sector.

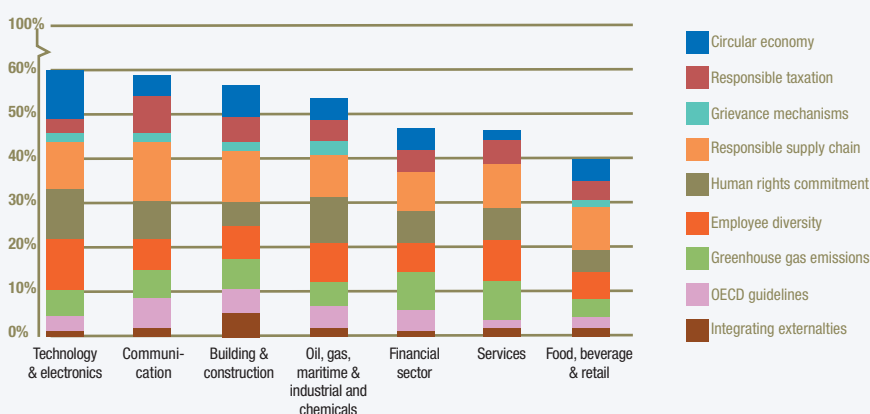
On circular economy the technology and electronics sector is clearly making further advancements by integrating circular concepts into its business activities. Remarkably, however, the building and construction and food, beverage and retail sector perform strongly below expectation on circular economy. It is essential that both sectors, being tremendously reliant on (raw)materials, further develop circular concepts and incorporate circular concepts throughout their business lines.

Due to the services and communication sectors operating mostly in and around the Netherlands, grievance mechanisms accessible to external parties are less relevant. It is noticeable however that the oil, gas, maritime & industrials and chemicals sectors perform relatively weak, especially considering their widespread international activities and higher risk-levels for workers and the impact on local communities. In addition we would expect the building & construction and technology & electronics sectors to implement grievance mechanisms. Moreover, the financial sector is performing disappointingly, although grievance mechanisms are relevant regarding their function in society and current issues in the sector that require dealing with grievances of all stakeholders.

On responsible taxation the communication sector is currently leading. The issue however is equally relevant for all sectors. Whether by implementing a country by country tax report (for all globally operating multinationals) or by providing more transparency regarding the relationship between tax and CSR in the annual reports (for all companies in scope).

The following paragraphs provide more insight into the sector-specific performances on the respective themes.

Figure 2.1: Aggregated results per sector.



SUSTAINABILITY PERFORMANCE OF DUTCH STOCK LISTED COMPANIES. AGM REPORT 2015

2.1 Communication sector

Companies in scope:

- KPN
- PostNL
- RELX
- Telegraaf Media Groep
- Wolters Kluwer

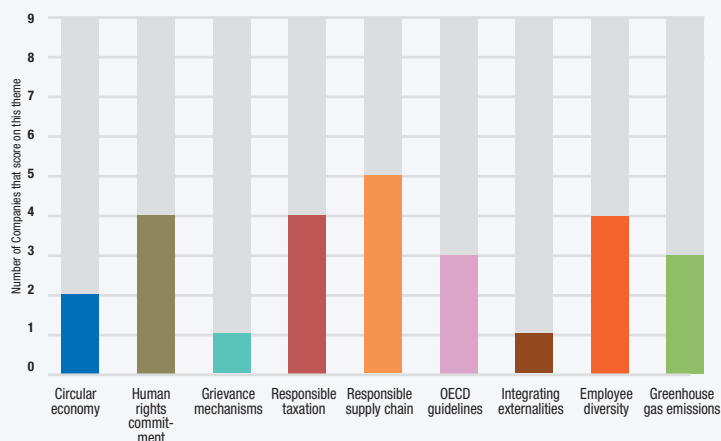
The main sustainability themes for KPN and PostNL continue to be emissions reduction and energy savings, both with suppliers and customers. The power to shape public opinion, accountability and transparency are other important factors and offer opportunities for all companies in this sector. Digital security and accessibility (for a more inclusive society) require more attention now and in the future.

Regarding circular economy, most activities focus on energy efficiency, CO₂-reduction and the recycling of materials and products. Especially KPN performs well. Measuring targets and publicly disclosing information on progress is an opportunity in this entire sector. Some companies have internal KPI's and targets but do not disclose this information to the public. It is important to highlight two new circular activities: city logistics pilots of PostNL and new initiatives of the Telegraaf Media Groep to develop its operations in a circular way.

Regarding grievance mechanisms, with only one company scoring (PostNL) most of them have opportunities to improve on grievance mechanisms. Usually there is a whistleblower policy and a code of conduct in place but it remains unclear what most of these policies entail. There is also little information available on the grievance mechanisms of most of these companies. However, Telegraaf Media Groep is planning to make their grievance mechanisms more explicit. KPN, and RELX have policies to promote sustainability within their supply chain, including grievance mechanisms. Nevertheless, most companies do not report in much detail about the complaints submitted by internal and external stakeholders.

With three out of five companies mainly operating in the Netherlands, country-by-country reporting does not have high priority in this sector. Most companies publish their tax policies and all promise to follow (inter)national upcoming regulations in this area. Progress is worth mentioning: RELX, Wolters Kluwer, Telegraaf Media Groep and PostNL acknowledge explicitly the relationship between CSR and taxes. Wolters Kluwer has introduced the Wolters Kluwer Tax Principles and KPN achieved a shared first place in the 2015 Tax Transparency Benchmark.

Figure 2.2: Number of companies in the **communication sector** performing on the respective themes.



2.2 Financial sector

Companies in scope:

- Aegon
- BinckBank
- Delta Lloyd Group
- ING Group
- KAS Bank
- Nationale-Nederlanden
- Nieuwe Steen Investments
- Rabobank
- Van Lanschot

Encouraging general developments in the financial sector are the increased use of materiality analysis and integrated reporting. It remains however remarkable that most of the results of the materiality matrices differ widely. Therefore, the basis of these analyses appears to be unambiguous causing difficulty in verifying or assuring them. In most cases the materiality analyses are constituted by the inputs from the company itself (including her clients and shareholders). What appears to be lacking is the input of thematic and sector experts and a solid standard for such analysis.

Furthermore, the issue of the Carbon Bubbleⁱ (or Stranded Assets) is taken more seriously regarding the development of investment strategies. This is illustrated by recent expressions of Governor Mark Carney of the Bank of England⁸ and Klaas Knot⁹, president of the Dutch Central Bank. It is therefore key that the sector makes further steps towards a long-term investment strategy.

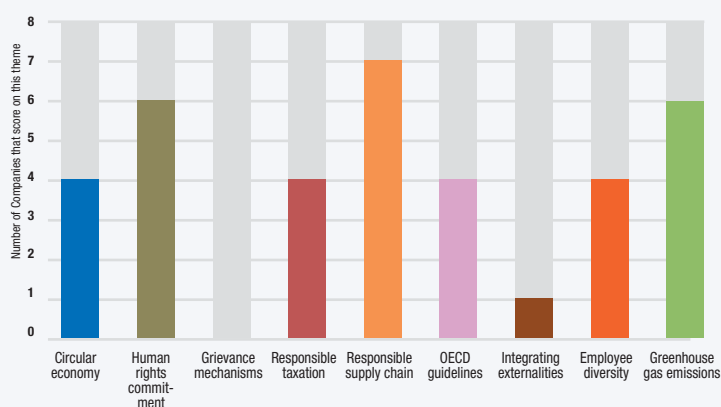
Human rights is commonly perceived as an issue to manage risks upon, and is generally applied as an exclusion criterion, rather than a value driver. Setting up grievance mechanisms for all stakeholders should get more attention, also since current issues in the sector are impacting society as a whole. With less than half of the companies performing on responsible taxation, the sector is generally not transparent on its responsible taxation policy. The sec-

tor is following circular economy-related trends; particularly given the increasing materiality of performance as basis for increased revenue of its customers.

ING Group is the sectors' best practice. Sustainability is seen as an integral part of doing business which provides competitive advantage in the future. ING drives sustainable progress and makes a positive contribution to global economic growth and development by promoting responsible lending and investment practices in retail and commercial banking. RobecoSAM also acknowledges this: ING has received the Industry Leader, Gold Class distinction for its sustainability performance in 2015. It is to be noted however that no other Dutch financial institution is a participant in the RobecoSAM-benchmark.

Next to increasing effort on low scoring topics, focal sustainability topics for next year(s) include transcending greenhouse gas emissions reporting from own activities to indirect impact by clients and relations (Tier 1/2/3); and the contribution of the financial sector to the circular economy and innovation.

Figure 2.3: Number of companies in the financial sector performing on the respective themes.



ⁱ The idea that there is a bubble in valuation of companies dependent on fossil-fuel-based energy production. This is because true costs of carbon dioxide in intensifying global warming are not taken into account in a company's stock market valuation.

2.3 Technology and electronics sector

Companies in scope:

- **Airbus Group**
- **ASM International**
- **ASML**
- **BE Semiconductor Industries**
- **Gemalto**
- **Imtech**
- **Nedap**
- **Philips**
- **TKH Group**

The technology and electronics sector is strongly influenced by trends in related industries such as the ICT sector: 3D printers, the smart home, the internet of things, digital health, robots and drones. The amount of devices for all aspects of life is expected to grow exponentially. These trends are the source of many opportunities, but at the same time challenges lie ahead concerning the growth of business impacts.

Circularity efforts in the sector vary starkly. Good practices are the Gemalto biodegradable Contactless EMV card; Philips continued development in solutions based on functionality instead of ownership and ASML and Airbus Group recycling more than 90% of their end-of-life-systems.

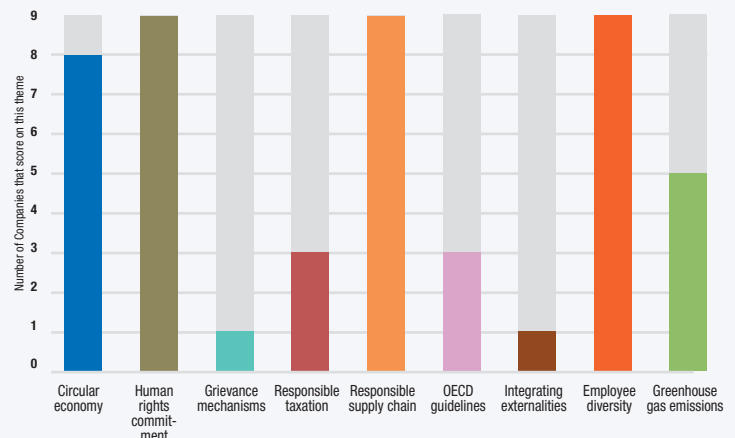
Tax transparency is an important topic that is regularly and proactively addressed as per continuous dialogue with investors and stakeholders at large. However, only Philips, ASML and Airbus Group perform on this theme; ASM International has committed to include a tax policy in next year's annual report. Country-by-country reporting remains under-addressed. This is not expected to change if no substantial changes are made to the regulatory international accounting framework.

The topic of grievance mechanisms has gained much attention over the past years, however much progress

is still to be made. Not at least as consumers and other stakeholders perceive that companies are to be held accountable for adverse working conditions and other environmental effects at their manufacturers' facilities around the globe. Most companies do not have grievance mechanisms in place accessible to others than employees. There is a lack of (easy) access for outside stakeholders; the reporting of grievances for third parties like communities and NGOs is still very low.

Some companies are looking into the options of a Social and Environmental Profit & Loss account (SEP&L); most companies struggle with the concept. They perceive that there are no clear procedures to measure social and environmental profits and losses. Most companies are interested in the topic but wait for a clear guideline on how to execute a SEP&L

Figure 2.4: Number of companies in the **technology and electronics sector** performing on the respective themes.



2.4 Building and construction sector

Companies in scope:

- **Arcadis**
- **Ballast Nedam**
- **Bam Group**
- **Grontmij**
- **Heijmans**
- **Wereldhave**

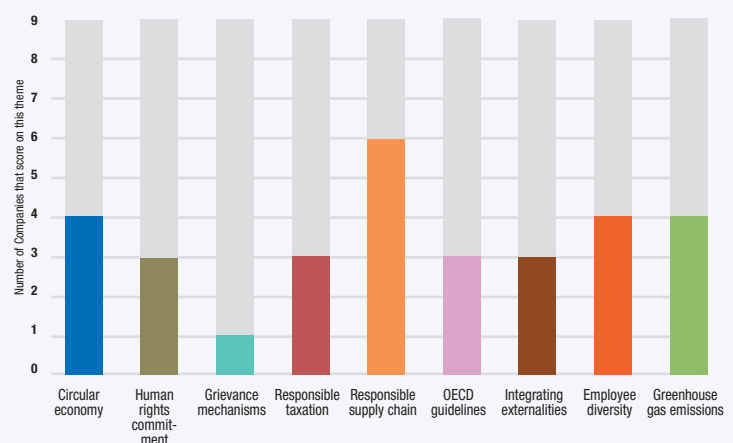
Currently it is the largest challenge for the building and construction sector to stay financially healthy. The sector is under pressure, which has consequences to its sustainability performance and prioritisation of key focus points. Some companies seek to incorporate sustainability considerations into their business operations; they acknowledge the necessity to do so in order to be future-proof. For other companies there is indeed a desire to be more sustainable, however, due to the declining financial results sustainability is deemed less stringent. In general the building and construction sector can be more innovative instead of reacting to societal changes. For example: it has already been possible for a while to industrially, cost-competitively and environmentally friendly built houses. But now, induced by different trends (such as the refugee crisis), this is actually taken into practice. Moreover, no use is made of energy-positive building. Therefore, innovation is rather a project-issue than one of implementation and large-scale application.

Circular economy and the re-use of raw materials are two of the most important sustainability themes for this sector. An increasing amount of companies in this sector is developing policies regarding circular building and slowly the first projects are executed in a circular fashion. However, since the sector is a large user of raw materials, we would expect it to take more responsibility. Substantial profits can be made by means of pursuing energy efficiency, re-use of raw materials, biobased raw materials, and circular building.

Other important sustainability issues for 2016 are integrated reporting, integrity, responsible taxation (due to the quick uptake of projects originating from countries with a dubious reputation) and labour/ human rights (due to the uptake in freelancers and workers from Eastern Europe). Grievance procedures apply often only internally (e.g. employees) and not externally (e.g. clients, communities, other stakeholders). Regarding responsible taxation, companies have traditional tax policies and no evidence was found of obscure tax constructions. However, no company publishes a full country-by-country tax report (aside from indicating geographical tax payments).

Arcadis, BAM Group and Heijmans share the best performance on the different sustainability themes. Heijmans' score rose significantly compared to last year. The three companies are involved in the Green deal on 'Cooperating on Transparency of Natural and Social Capital'. Aside from that BAM Group scores an A in the CDP (Carbon Disclosure Project)-index and scores highest in the Dutch Transparency Index (Transparantiebenchmark). BAM Group and Heijmans publish an integrated annual report. Arcadis is working on a framework for integrated reporting as being a member of and collaborating with the World Business Council for Sustainable Development (WBCSD).

Figure 2.5: number of companies in the **building and construction sector** performing on the respective themes.



2.5 Services sector

Companies in scope:

- **Air France-KLM**
- **Brunel**
- **Ordina**
- **Randstad**
- **TNT Express**
- **USG People**

The services sector is a very heterogeneous sector. It includes transport companies, professional services companies, IT service companies. Within transport companies, use of bio fuels, fuel efficiency and the transition to an electric fleet to realize CO₂-reductions are still major trends and get the most attention. To professional services companies, talent attraction and retention are particularly important, as they are knowledge-intensive companies whose business success depends on the quality of their workforce. IT service companies are somewhat more interested in environmental issues, as the industry's main environmental impacts stem from data centre operations. Integrity and data privacy are also high on the corporate agenda of these companies.

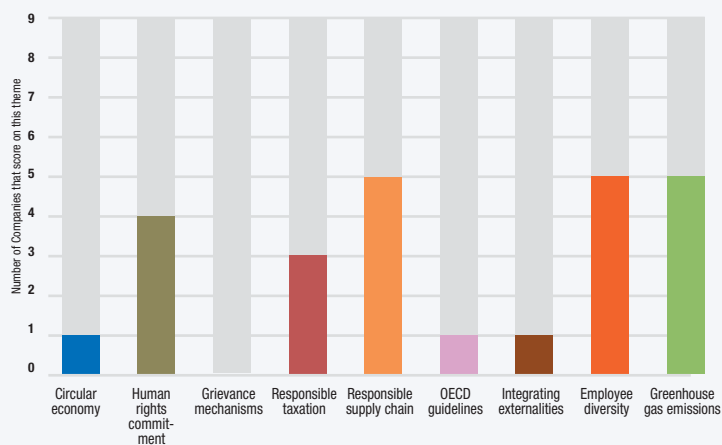
Circular economy is in general not a topic that gets a lot of attention from the companies in the services sector. For example TNT Express has expressed to be aware that the circular economy is an important subject, but does currently not regard it as a priority for the company. Air France-KLM is the only company performing very well in the area of circular economy. The company has incorporated circular economy aspects in its waste management strategy, and promotes reuse, recycling and upcycling of all its products, from advertising boards to old uniforms.

Respecting human rights, and in particular grievance mechanisms also do not get the attention they deserve from the sector. For example, the professional services companies and IT services companies in this sector all claim that the OECD Guidelines are not applicable or not

relevant to their business. However, most of the companies in the sector do have a grievance mechanism in place, although most of them do not make this mechanism publicly available and most of them also do not publicly communicate the cases, the number of cases or the nature of the cases.

None of the companies in the services sector reports corporate income tax on a country-by-country basis and half of companies in the sector do not publicly disclose their tax policy/strategy. Positive exemptions include Randstad that published its Global Tax Policy online and sees this as part of the company's values and business principles. Ordina has committed to publish a statement on the relation between taxes and social responsibility as soon as possible on their website.

Figure 2.6: Number of companies in the **services sector** performing on the respective themes.



2.6 Food, beverage and retail sector

Companies in scope:

- **Accell Group**
- **Acom**
- **Ahold**
- **Beter Bed**
- **Corbion**
- **Eurocommercial Properties**
- **Heineken**
- **Macintosh Retail Group**
- **Nutreco**
- **Sligro**
- **Unilever**
- **Vastned**
- **Wessanen**

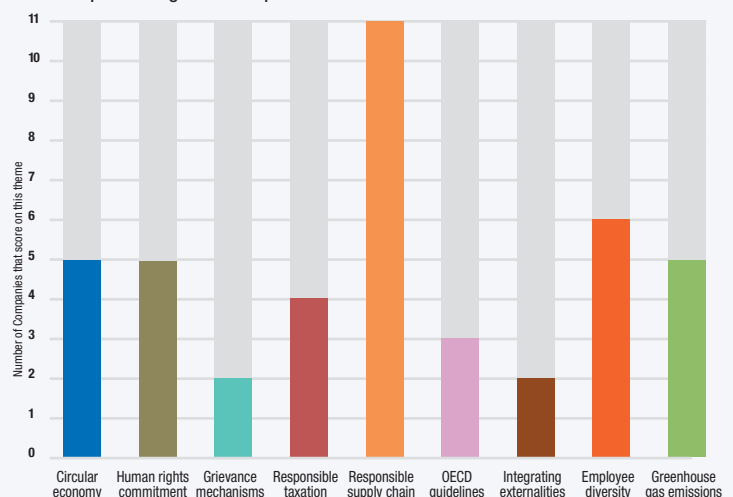
A general positive conclusion is that sustainability is more and more embedded in the way companies operate; in most cases the sustainability reports elaborate on the companies' 5-10-year sustainability programs. However, hardly any specific targets can be found within these reports, which are full of words like 'increase, strengthen, integrate'. This obstructs stakeholders to measure what the impact and outcome of the sustainable strategies is. The health and wellness trend in the food sector is obvious. Big challenges in the sector are responsible supply chain management and the scarcity of raw materials. Supply chain management can help address human rights, reduce costs and ensure food safety, a key concern that highlights the need for quality control and transparency along the supply chain. Companies consider themselves too much in the middle of the value chain to be able to influence end users/customers demand.

In relation to circular economy, packaging is an important issue in this sector. Packaging is necessary to reduce food-waste. On the other hand, the sector tries to reduce packages where abandoning packaging is not possible, recyclable and decomposable packaging are increasing. Examples in the sector: Nutreco is developing an 'unpacked transfer system': ingredients are transferred 'silo to silo'. For the plastics industry, Corbion Purac produces Poli Lactic Acid for general

purpose and bio plastics. However, it is still too expensive to be used for normal packaging on a large scale. On overall the sector scores disappointingly low on circular programs, regarding the relevance of this theme for the sector. More and more the companies work together in the chain to use sustainable, biological ingredients. (Organic) certified products are on the rise. All companies in the sector have set targets to reduce CO₂-emissions, water use and waste. The opinion about the use of GMO's differs in the sector. Wessanen can be seen as a best practice. Wessanen's focus is on organic, vegetarian and natural ingredients. The company also informs consumers about healthy and biological food.

In relation to grievance mechanisms, most companies do have internal procedures. Procedures allowing third parties access are less common. Additionally, letting external experts or NGO's check these procedures is rare. A good practice can be seen in Unilever, which is working towards a comprehensible and wide coverage sustainable sourcing plan. The implementation up to date was recorded in the study of OxfamNovib whereby Unilever took the lead. Hardly any of the companies have included a 'country-by-country-reporting' regarding their worldwide tax contributions. In their opinion, by being transparent, and by adhering from aggressive tax planning, they meet good tax governance requirements. Sligro declares that the company only works in the Netherlands, and therefore a country-by country-reporting is not useful. A best practice is Unilever that publishes its Global Tax Principles on the website and is the winner of the 2015 Tax Transparency Benchmark.

Figure 2.7: number of companies in the food and beverage sector performing on the respective themes.



2.7 Oil, gas, maritime & industrials and chemicals sector

Companies in scope:

- **Aalberts Industries**
- **AkzoNobel**
- **AMG**
- **Aperam**
- **ArcelorMittal**
- **Boskalis**
- **Crown van Gelder**
- **DSM**
- **Fugro**
- **Holland Colours**
- **Kendrion**
- **OCI**
- **SBM Offshore**
- **Shell**
- **Ten Cate**
- **Vopak**

Oil, gas, maritime

The low oil & gas prices have led to major cost cutting exercises within the industry. Positive side effect is that programmes are implemented to reduce fuel and energy consumption, which have a positive effect on companies' environmental performance. The oil & gas industry is also confronted with an increasing change in mind-set towards fossil fuels. They need to develop new corporate strategies and active stakeholder management to embrace the transition to lower carbon economies.

All companies are willing to invest in both systems and dedicated people to come to improved data collection on waste, fuel and energy consumption and CO₂-reduction. It is however seen as a difficult subject. For example: assessing CO₂-emissions based on fuel consumption is not a straightforward calculation, e.g. due to major variance in

shipping geometries and conditions. Many external factors are diluting the reporting but throughout the industry innovations are being measured to be able to use these data for target setting.

The topic of Social and Environmental Profit & Loss account was introduced at the general meetings. Shell and SBM Offshore are already actively gathering such information. Integrated assessments are initiated on the potential environmental, social and health impacts through the life of the project or operation. Boskalis is the initiator of the ambitious research program 'Building with Nature' which is aimed at gaining insight into the impact of hydraulic engineering projects on ecosystems. This will help to achieve a sound balance between ecological, economic and social sustainability.

Industrials and chemicals

The chemical industry in the Netherlands is active in basic chemistry, biotechnology, food ingredients, coatings and high performance materials. Innovative processes and product development are key for the chemical industry. For 2050 the chemistry sector has the ambition to be leading on green and sustainable chemistry, bio based materials and clean/sustainable production.

There is a growing awareness of the environmental impact of chemical operations. This has resulted in legislative and consumer pressure, driving chemical companies to embrace more sustainable approaches. The chemical industry increasingly adopts targets on emission reduction, the use of (bio)based materials, more efficient waste-, energy- and water management and the replacement of traditional solvents and hazardous reagents with renewable materials.

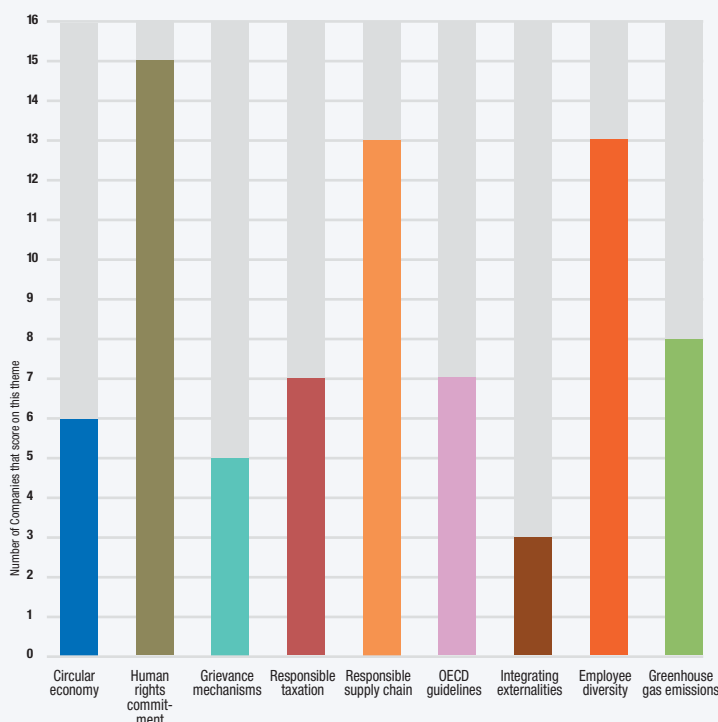
Most companies have whistleblowing policies in place but lack a grievance mechanism openly accessible to other parties than employees. Regarding responsible taxation: most companies are not transparent on tax on a country-by-country level as this might affect their competitive position. Most (chemical) companies are waiting for laws and regulations related to responsible fiscal policy. Circular economy in the chemical industry is visible by: the use of re-

newable resources instead of fossil fuels and the use of waste and residues for new products, the reduction of environmental impact (GHG and other emissions), the increase of positive societal impact, the reduction of waste and the reduction of hazardous waste and products. Circular economy remains to be a focal topic for the coming years.

Both AkzoNobel and DSM are leading companies on sustainability and are truly supportive of low carbon regulation. They are 'forward thinkers' and position themselves as low carbon leaders (CDP, 2015). On societal impact, labour rights, waste and accidental pollution AkzoNobel performed better than DSM. On green products, water, energy and emissions DSM scored better than AkzoNobel (VIGEO, 2014).

Industrial component manufacturers like Aalberts Industries and Kendrion strive to develop innovative and sustainable solutions, which have longer life-cycles and enable company customers to reduce their energy consumption and water usage and more general optimise operating efficiency and thus minimising environmental impact.

Figure 2.8: Number of companies in the oil, gas, maritime & industrials and chemicals sector performing on the respective themes.



CHAPTER III: RECOMMENDATIONS

The business sector plays a pivotal role in pioneering sustainability initiatives as well as taking responsibility throughout the entire value chain. A number of critical themes are excellent business value drivers in itself, with economic, environmental and social sustainability as possible positive externality. Recommendations are given to the business community for the relevant priority themes as identified in the report: circular economy, grievance mechanisms and responsible taxation.

Circular economy

- Design out waste: waste does not exist when the components are designed by intention to fit within a materials cycle, designed for disassembly and re-purposing;
- Collaborate with your supply chain partners (up- and downstream) to capture circular economy opportunities;
- Encourage experimentation, innovation and redesign;
- Formulate a 10-20 years' strategy, including clear targets.



Good practice circular economy: Philips

Philips is a good practice example amongst the 48% of other companies performing on circular economy.

Philips truly supports and integrates circular concepts over the full span of its business lines: "for a sustainable world, we see the transition from a linear to a circular economy as a necessary boundary condition" (corporate website Philips, 2015). A good circular example is their light solutions program, in which the customer does not buy lamps, but pays for light as a service.

Philips further substantiates its circular ambitions by means of setting SMART targets:

- 2015 target: 45,000 tonnes (up 100% as compared to 2009 levels) of materials to be collected and recycled;
- 2015 target: 15,000 tonnes (up 100% as compared to 2009 levels) of recycled content to be used.

Grievance mechanisms

- Apply a systematic approach to filing and handling grievances that you receive through various channels (internal speak up procedures, ombudsman, customer complaint lines, website queries, key account managers, supply chain managers, etc.)
- Set up grievance mechanisms according to the eight effectiveness criteria as formulated by the UN Guiding Principles on Business and Human Rights: legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue;
- Report on the number of grievances received per topic and the mitigating actions you have



Good practice grievance mechanism: Heineken

Heineken is a good practice example amongst the 16% of other companies performing on grievance mechanisms. Heineken distinguishes itself by having a grievance mechanism (SPEAK UP) that is available to everyone working for or on behalf of Heineken and also for any party with whom Heineken has or has had some type of business relationship (such as business partners, suppliers, shareholders, agents, distributors, representatives and customers) who wish to raise a concern about possible misconduct within Heineken.

Responsible taxation

We recommend the following on responsible taxation, in line with the recommendations from the Tax Transparency Benchmark 2015:

- Formulate a clear tax strategy, including tax principles;
- Discuss your tax strategy with your stakeholders, including governments, tax authorities, civil society organisations, and investors;
- Report your corporate income taxes, revenues, profits, assets, and employees on a country by country basis (or as granular as possible without disclosing competitive information);
- Publish your total tax contribution, including VAT, withholding taxes, wage taxes, and other taxes;
- Describe your tax risks and mitigating actions in detail;
- Provide better tax assurance, e.g., by a Tax In Control Statement or third party tax assurance.



Good practice responsible taxation: Unilever

Unilever is a good practice example amongst the 45% of other companies performing. Unilever distinguishes itself by its award winning (1st place: Tax Transparency Award 2015) tax policy. "The tax we pay is an important part of our wider economic and social impact and plays a key role in the development of countries where we operate. We regard it as a critical element of our commitment to grow in a sustainable, responsible and socially inclusive way"

(Unilever corporate website 2015).

Unilever has published a set of clearly formulated global tax principles, which it seems to effectively embed into the organisation through an online training course for employees and new compliance procedures. Additionally, Unilever made a good start in disclosing more information on its corporate income taxes paid by region. These numbers can be matched to the tax base by region in terms of revenues, profits, assets and FTEs in its Annual Report. Finally, Unilever also reports its consolidated total tax payments by type.

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APPENDIX 1: SCREENING AND SCORING METHODOLOGY

In order to improve overall corporate sustainability performance, active company engagement during and around AGMs has always been one of VBDO's core activities. For this reason, the VBDO pursues constructive dialogues on material sustainability themes with selected companies during AGMs.

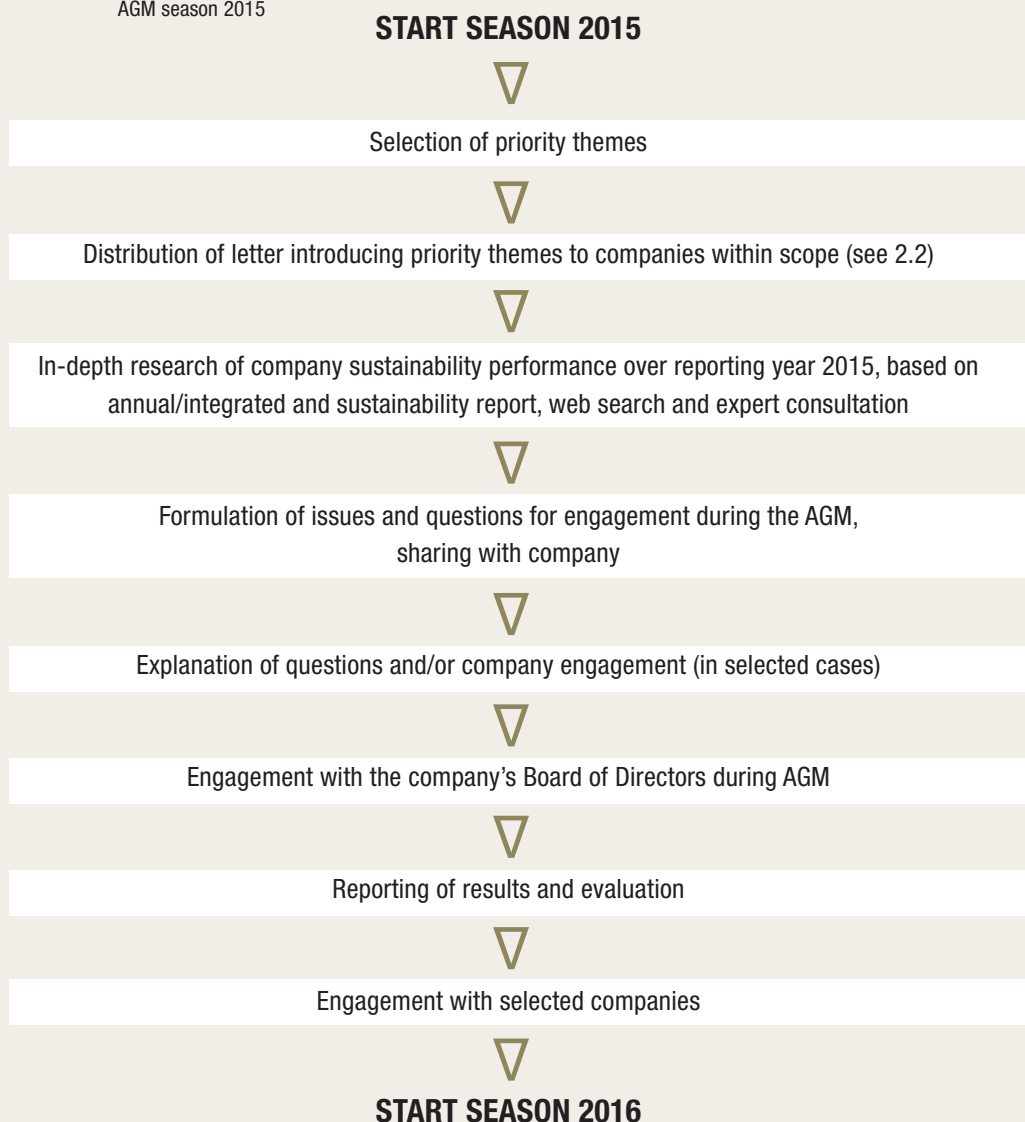
Engagement during AGMs is frequently followed-up by in-depth bilateral dialogues on specific sustainability policies. This can happen at either the request of the company, a third party, or on VBDO's own initiative, and

will focus on sustainability issues where significant improvement might be realised.

All VBDO's engagement activities have a constructive and positive-critical character. Thus, the VBDO attempts to create an open exchange of ideas and concepts about companies' sustainability policy in order to improve overall sustainability performance.

VBDO's engagement flow around AGM season 2015 is shown in figure A1.1.

Figure A1.1: VBDO's engagement flow around
AGM season 2015



Priority sustainability themes

Priority themes for AGM season 2015

- Circular economy
- Grievance mechanisms
- Responsible taxation

The three priority themes were selected on the basis of international sustainability trends, regulations and developments. These were identified through consultation sessions with global accountancy and consultancy firms KPMG, Deloitte, EY and PWC, as well as VBDO's own analysis and interaction with its institutional members.

For impactful engagement purposes during the AGM, the most material issues per respective company were assessed. This resulted in a number of other sustainability themes about which the VBDO entered into dialogue, including integrating externalities, greenhouse gas emissions, employee diversity, responsible supply chain management, OECD Guidelines and human rights commitment. In 3.1 these issues are elaborated in depth, including company performance on the latter.

Basis of company selection for engagement during AGM season 2015

For the purpose of VBDO's AGM season 2015, the sustainability performance of 64 companies was studied, which was followed by written engagement on the initial results. The full list of companies can be found in figure 1.1.

In 2015 the VBDO entered into direct engagement with the Board of Directors during the AGM of 50 publicly listed companies. In order to increase the quality and effectiveness of VBDO's engagements, this number was deliberately lower than in previous years (2012: 71, 2013: 64, 2014: 51). In total 14 companies were only engaged with in writing.

Basis of company selection for engagement

- Presence in different indices such as: AEX, AMX, ASX and/or
- Companies VBDO deemed necessary to enter into engagement with based on sustainability performance related issues over reporting year 2014.

Research and questions

The issues raised during the AGMs were based on in-depth research of company sustainability performance over reporting year 2014, based on annual/integrated and sustainability reports, web search and expert consultation. VBDO's analysis is further substantiated by data from research provider Vigeo (www.vigeo.com) and global business intelligence on ESG-performance by RepRisk (www.reprisk.com). These analyses resulted in materialised questions for the respective companies within scope.

Nature of questions to respective companies

- Questions addressing VBDO's priority themes
- Questions addressing transparency issues
- Questions addressing themes of particular materiality for a respective company
- Questions regarding commitments made during previous AGM seasons
- Questions arising from the content of the companies' presentation or questions of other shareholders during the AGM.

VBDO's sustainable voting policy

The VBDO utilises a standardised directive for votes during AGMs and prepares its votes in line with the sustainable voting policy (appendix 3).

APPENDIX 2: SCORING METHODOLOGY

Theme	Criterion	Score	
Circularity	The company has (or had) a policy and/or programme in place for biological nutrients to re-enter the bio-sphere safely, and/or technical nutrients to circulate at high quality without entering the biosphere, based on publicly available information.	Yes	No
Grievance mechanisms	The company has a mechanism(s) in place to ensure that grievances are heard. This includes grievances from affected communities or individuals (not only from workers), based on publicly available information. ¹	Yes	No
Responsible Tax	The company has Responsible taxation principles and/or a Responsible taxation policy in place to which it complies, going beyond national and international regulations, based on publicly available information.	Yes	No
Integrating Externalities	The company has (or had) a policy/project to calculate the externalities of its business practices or a part thereof, based on publicly available information.	Yes	No
Greenhouse gas emissions	The company has SMART short and/or long-term targets in place to reduce its green house gas emissions, based on publicly available information.	Yes	No
Employee diversity	The company has a commitment in place to diversify its employee base (e.g. regarding race, culture, religion, mental or physical abilities, heritage, age, gender, sexual orientation, and other characteristics), based on publicly available information. ²	Yes	No
Responsible supply chain management	The company works with stakeholders throughout the supply chain to improve the ESG performance in the value chain, based on publicly available information.	Yes	No
OECD Guidelines	The company endorses the OECD Guidelines, based on publicly available information. ³	Yes	No
Human rights commitment	The company commits to social standards, going beyond national and international regulations, based on publicly available information. ⁴	Yes	No
Commitments to VBDO	How many commitments did the company make to VBDO on the respective themes during the AGM in 2015?	Amount	

¹ This criterion is new in 2015.

² This criterion changed compared to last year, and results are therefore incomparable.

³ This criterion is new in 2015.

⁴ This criterion changed compared to last year, and results are therefore incomparable.

APPENDIX 3: SUSTAINABLE VOTING POLICY 2015

Resolution	Vote	Explanation
Annual accounts/ annual report	<i>For</i>	<ul style="list-style-type: none"> If the company scores ≥ 100 points in the Transparency Benchmark.
	<i>Withhold</i>	<ul style="list-style-type: none"> If the company scores between 50 and 100 in the Transparency Benchmark.
	<i>Against</i>	<ul style="list-style-type: none"> If the company scores ≤ 50 in the Transparency Benchmark
Declaration of dividend	<i>For</i>	Unless: see below.
	<i>Against:</i>	<ul style="list-style-type: none"> If the company does invest insufficiently in improving its sustainability performance, based on VBDO's company assessment and engagement trajectory. For more information, contact VBDO.
Discharge of directors	<i>For</i>	Unless: see below.
	<i>Against</i>	<ul style="list-style-type: none"> If there are current legal procedures against one or more directors in relation to the company's performance. Serious social-, environmental- or governance breaches have been proven and the company has taken no action towards improvement.
Election of executive directors	<i>For</i>	<ul style="list-style-type: none"> In case of a board of more than four people, the VBDO votes 'for' if in the proposed board composition $\geq 40\%$ of new directors is female And there is proven sustainability knowledge in the board.
	<i>Withhold</i>	<ul style="list-style-type: none"> In case of a board of more than four people, the VBDO withholds its vote if 20-40% is female after election of new directors. Or if knowledge about sustainability is insufficient - even if $\geq 40\%$ of the board is female.
	<i>Against</i>	<ul style="list-style-type: none"> In case of a board of more than four people, the VBDO votes against if $\leq 20\%$ is female after election of new directors Or if 20-40% is female after election of new directors but knowledge about sustainability is insufficient.
Election of non-executive directors	<i>For</i>	Unless: see below.
	<i>Against</i>	<ul style="list-style-type: none"> If after election of directors, knowledge about sustainability is insufficient in the board, and the board does not contain at least one financial expert. Or if the board is insufficiently diverse for a representative and transparent nomination. Or if the board contains more than five non-executive directors after election. Or if the candidate does not meet the criteria of independence in the Corporate Governance Code Or if the candidate has seriously neglected their tasks and responsibilities in a previous role in any way.
Remuneration policy	<i>For</i>	<ul style="list-style-type: none"> If $>10\%$ of the executives' bonus is determined by social, environmental and governance indicators And at least one third of the company's goals are set for the long term (> 5 years).
	<i>Withhold</i>	<ul style="list-style-type: none"> If $> 0\%$ and $\leq 10\%$ of the executives' bonus is determined by social and environmental indicators And at least one third of the company's goals are set on the long term (> 5 years).
	<i>Against</i>	<ul style="list-style-type: none"> If the remuneration policy deviates from the Corporate Governance Code Or if the recommendations deviate from the SCGOP regarding directors' remuneration . Or if 100% of the bonus is determined by solely financial indicators.
Other non-sustainability related	<i>For</i>	<ul style="list-style-type: none"> For, if not sustainability-related. For more information, contact VBDO.
Other sustainability-related		<ul style="list-style-type: none"> Contact VBDO.

APPENDIX 4: ABOUT THE VBDO AND THIS REPORT

Since its initiation in 1995, the Dutch Association of Investors for Sustainable Development (VBDO) has been active to make the capital market more sustainable. A sustainable capital market considers not only financial criteria but also non-financial (e.g. environmental, social and governance) criteria. VBDO's vision is to increase sustainability awareness among companies as well as private and institutional investors.

About the VBDO

The VBDO works with parties on both the supply and demand side of the capital market to improve their sustainability performance. As such, the VBDO actively engages with the Board of Directors of publicly listed companies during Annual General Meetings (AGMs) with constructive, critical questions to improve the company's sustainability performance. The association does this with the support of its members, i.e. 75 institutional and over 550 private investors. VBDO's institutional members consist of all major Dutch banks, a set of insurance companies, pension funds, consultancy firms, including the big four consultancy and accountancy firms, non-governmental organisations and labour unions.

VBDO's core activities

- 1) Active engagement with the board of directors of publicly listed companies during Annual General Meetings (AGMs) with constructive, critical questions to improve the company's sustainability performance;
- 2) Initiation and identification of sustainability and responsible investment trends;
- 3) Research and reporting on sustainability and responsible investment themes;
- 4) Organisation of multi-stakeholder dialogues towards improved sustainability and responsible investment performance;
- 5) Performing engagement activities on behalf of institutional investors on the sustainability performance of selected companies;
- 6) Organisation of sustainability and responsible investment related conferences.

About this report

The VBDO is encouraged by the results of last years report "*Sustainability Performance of Dutch Stock Listed Companies*" (VBDO 2014) and on going requests from the market to continue the constructive dialogue since last years AGM season. It is imperative for the private sector to improve their performance on environment, social and governance (ESG) issues, especially given a number of increasingly evident trends¹⁰ amongst which:

Sustainable investing is going mainstream, as indicated by:

- Basic ESG-integration has become mainstream with 94% of Dutch pension funds applying at least some ESG criteria in the evaluation of equity investments¹¹
- The global sustainable investment market continues to grow (from \$13.3 trillion in 2012 to \$21.4 trillion at the start of 2014)¹²
- Sustainable and responsible investment strategies are continuing to grow¹³

Goal of this report

- To provide insight into the status quo of sustainability performance of the largest Dutch stock-listed companies, focused on three selected sustainability priority themes: **circular economy, grievance mechanisms and responsible taxation**, and a number of other selected indicators: **integrating externalities, greenhouse gas emissions, employee diversity, OECD Guidelines, responsible supply chain management, and human rights commitment.**



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