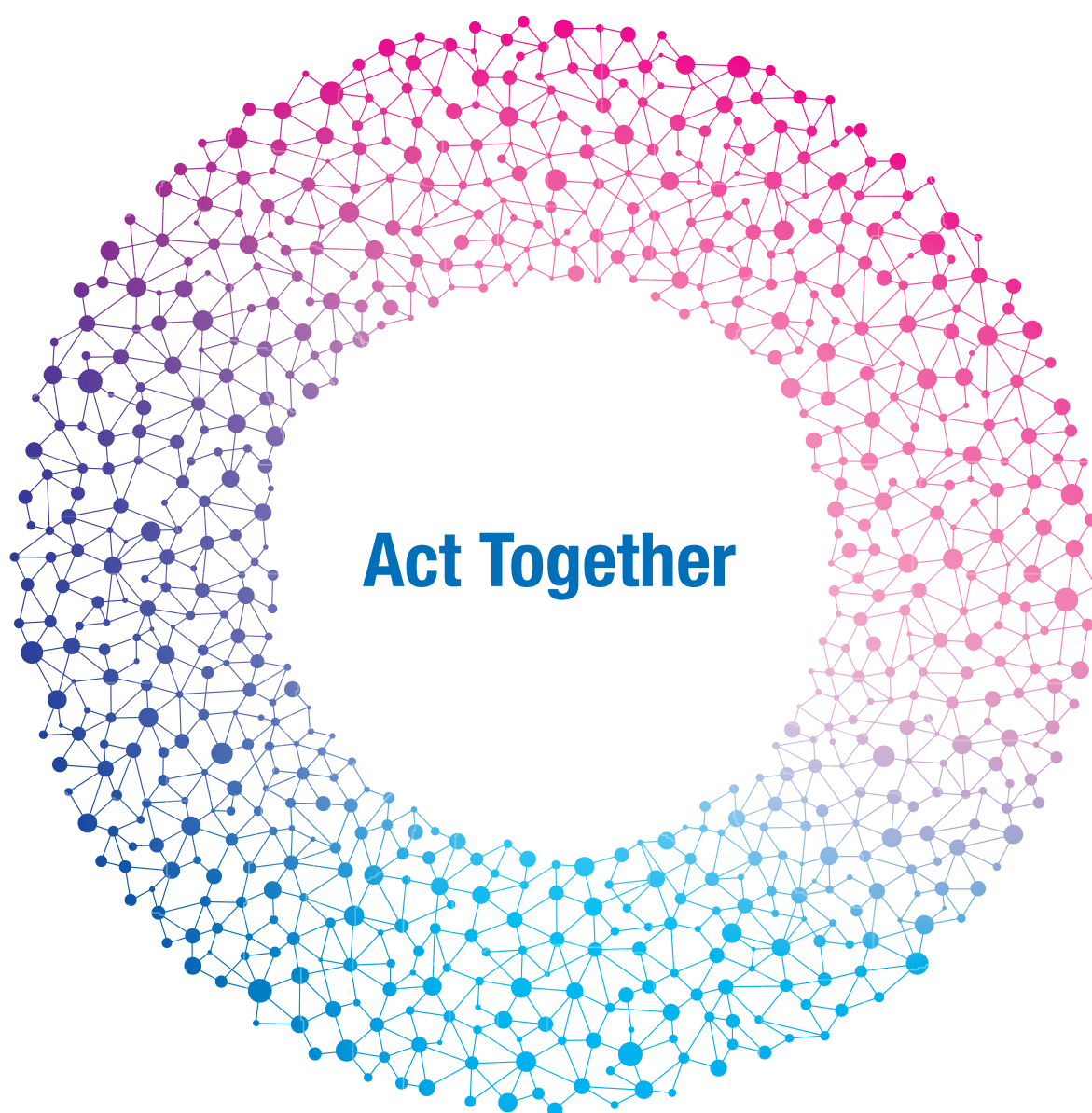
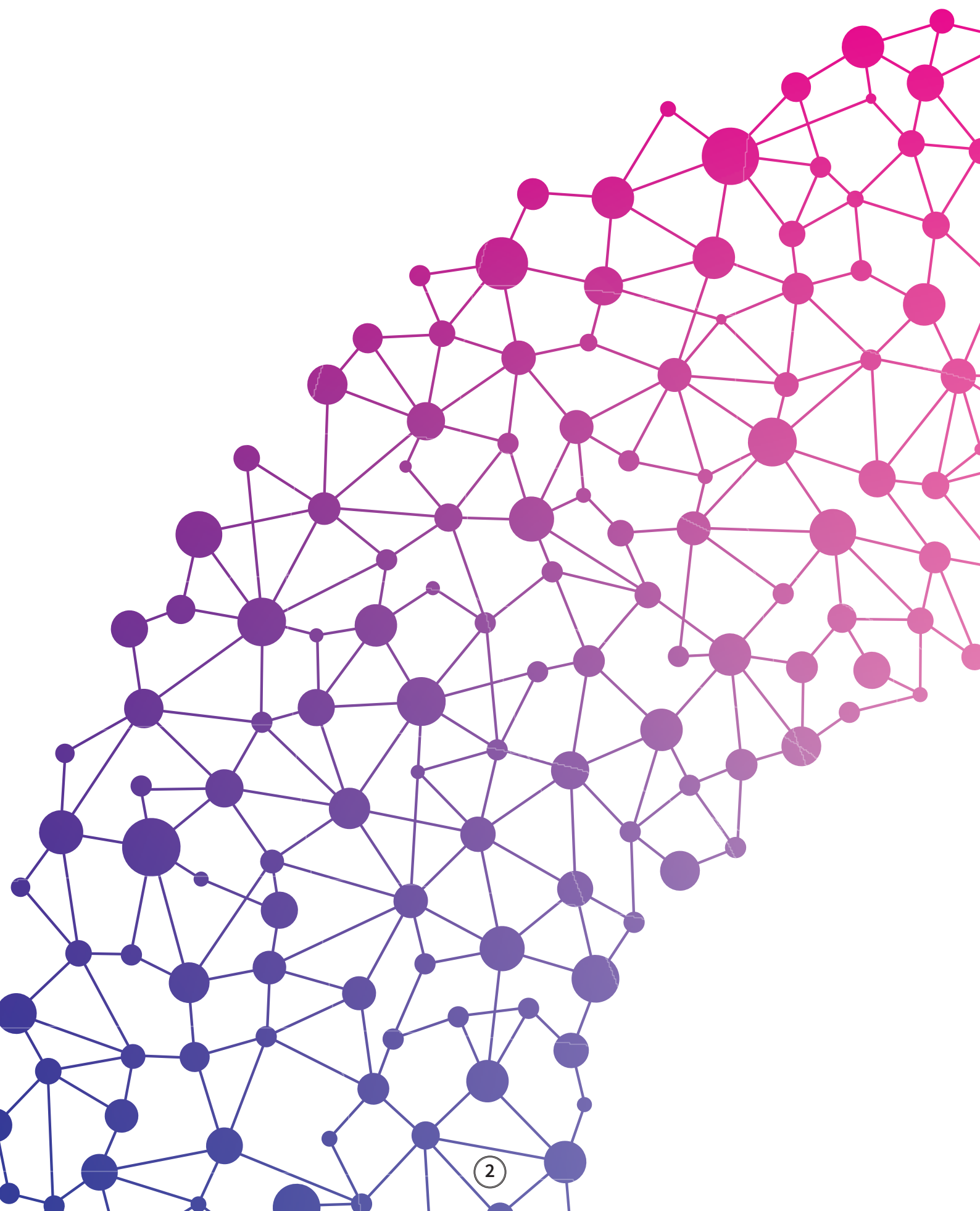


Sustainability Performance of Dutch Stock Listed Companies AGM Report 2018





Sustainability Performance of Dutch Stock Listed Companies

AGM Report 2018

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Utrecht, the Netherlands
June 2018

Dutch Association of Investors for Sustainable Development
Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO)

Foreword



Angélique Laskewitz

The role of companies in addressing worldwide sustainability issues is enormous. VBDO engages with the largest Dutch listed companies to express and discuss sustainability concerns and priorities. We stimulate companies to act responsibly and with integrity. It is important to initiate a dialogue, which is relevant and focused on long-term value creation. For over 20 years this has been our goal, and feedback shows our engagement has been invaluable to companies in achieving their goals.

This report contains the results of our engagement with 35 Dutch stock-listed companies around their Annual General Meeting. For the third consecutive year, we have focused on the themes Natural Capital and Living Wage. In these three years of active engagement we have seen gradual improvement. We have witnessed a shift from hardly any company mentioning these themes at all, towards these topics now being increasingly addressed. This is especially true for Natural Capital. Yet, Living Wage still has to be picked-up by many companies. VBDO also asked questions about the Sustainable Development Goals. This year of engagement shows the strong potential these Goals have.

We have seen front running companies in this field who started new initiatives to contribute to the Goals and set concrete targets. Most companies now have taken the first step to match current activities and strategies to the SDGs.

For most companies the time has come to take the next step and identify their key impacts or risks and set concrete, measurable and time-bound targets on Natural Capital, Living Wage and the Sustainable Development Goals. We especially want to encourage companies to take responsibility in their supply chains. Acting together on these themes will accelerate the required change.

I would like to express my sincere appreciation for all those who conducted research, drafted questions, visited the AGMs and wrote reports. I want to give special thanks for the brave front running companies, who not only show great commitment to these themes, but also actively share their knowledge.

And finally, this publication is indebted to the financial support of our members, whose trust and support is invaluable beyond a doubt. Once more this report shows the huge impact investors can have on listed companies. In particular, I urge institutional investors to intensify their engagement efforts and reward companies with commitment to sustainable development.

Yours Sincerely,
Angélique Laskewitz,
Executive Director, VBDO

Company scores on selected themes 2018

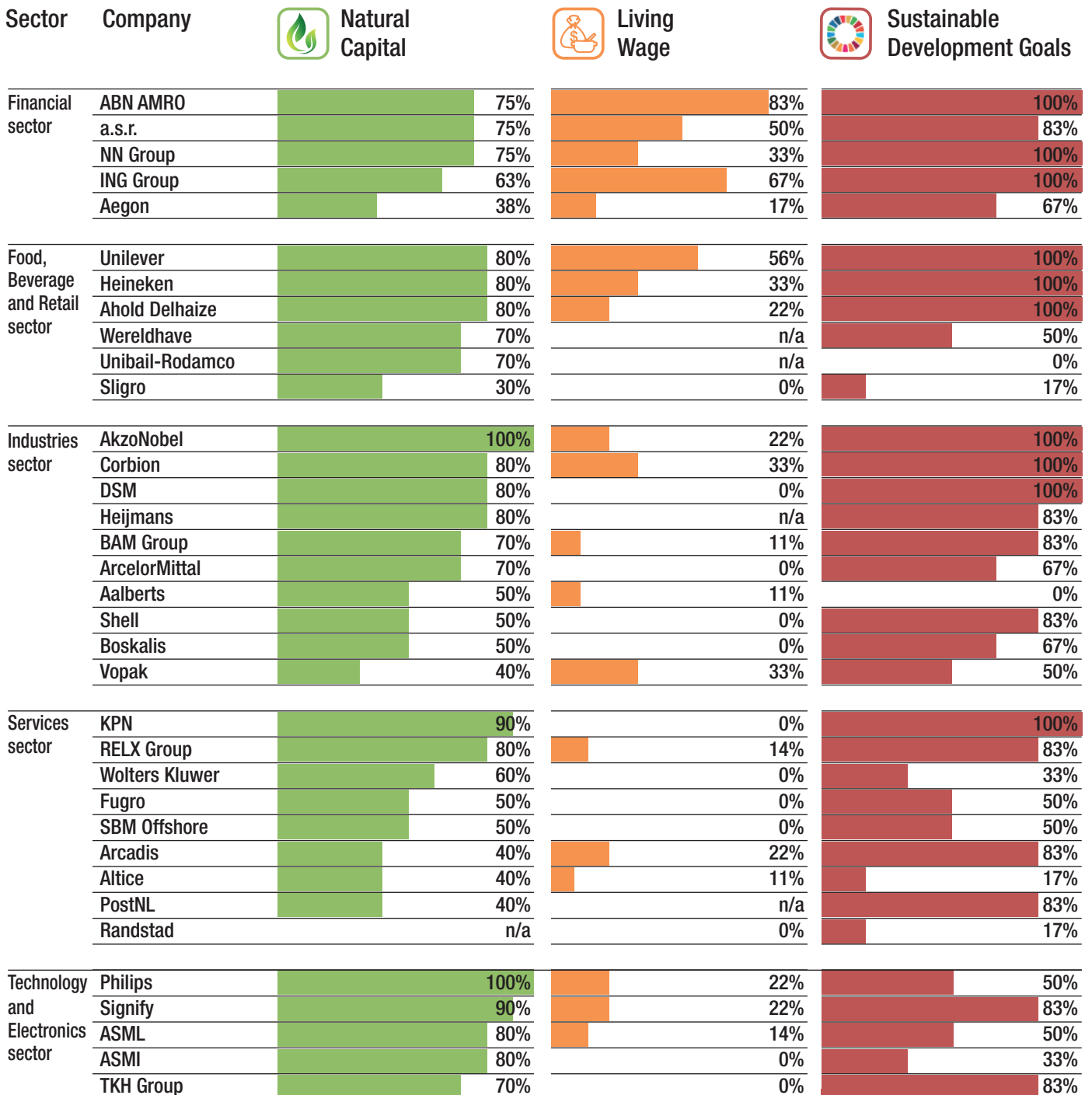


Figure 1: Company scores on selected themes 2018

1. Management summary

Conclusion

In conclusion, all 35 companies in the scope of this report have made important steps towards implementation of the selected themes this year. Concerning Natural Capital and Living Wage, incremental progress can be reported. Most notably, this report shows the inclusion of the Sustainable Development Goals (SDGs) in corporate public information. All companies should proceed to develop a holistic view on all three themes, using the SDGs as a guiding framework.

In the third consecutive year that natural capital is addressed by VBDO, our findings show that all companies make reference to natural capital in their annual report or other public information. Companies report well on their impact on natural capital and are increasingly adding their impacts in the supply chain to this assessment. In addition, almost all companies take specific action to conserve natural capital. They contribute to the clean-up of oceans, source sustainably, implement green roofs or are becoming 100% circular. This year, companies were also assessed on whether they disclose their dependencies on ecosystem services, such as water and air purification and habitats for species. Many companies specify dependencies for their own operations, while the dependency of the supply chain is rarely mentioned. Companies also regularly miss the systemic nature of natural capital risks. Lastly, Dutch stock-listed companies can improve their sustainability performance on natural capital with concrete, measurable and time-bound targets.

In 2018, the ongoing trend of adoption of the living wage concept resumes. More than half of the assessed companies make reference to living wage in their public information. Eight companies have made formal commitments to apply living wages in their own operations. Two companies have done an assessment on living wage for their remuneration structures and made corrections according to the results. However, paying living wages in the supply chain and auditing this issue is for most companies a step too far at this point in time. VBDO sees an encouraging trend with regards to the formation of special working groups on living wage. Especially the financial sector is eager to engage on living wage with companies in their portfolios. Above all, we encourage companies to work together on this topic to overcome competitive challenges in the supply chain.

The second year that VBDO engages on the Sustainable Development Goals showed the potential of the Goals. In general, the SDGs have become common for companies to report on. Almost every company improved its performance on this theme. This resulted in an almost doubled aggregated average score of companies in scope compared to last year. Many companies started additional initiatives and partnerships to contribute to the SDGs. Some examples are; formulating a SDG based best in class policy for investments, partnering up with UN organizations to advance universal health care and creating an open-source knowledge hub for the SDGs. Still, companies often do not set targets to contribute to the SDGs material to their business. Companies should see the additional business opportunities the SDGs provide. Next year, VBDO expects more concrete practices to contribute to specific and relevant SDGs and measurable targets in-line with the criteria defined by the United Nations.

Recommendations



Natural Capital

- Refrain from merely picking a selection of issues. Instead, assess the dependencies of natural capital and the (systemic) risks for the company.
- Conduct an assessment on natural capital for the supply chain that includes dependencies, impacts and (systemic) risks.
- Set concrete, measurable and time-bound targets to conserve natural capital.
- Use scientifically established indicators and tools for KPIs and target-setting.



Living Wage

- Conduct an assessment on the impact of paying a living wage in the company's operations.
- Integrate the concept of living wage in financial decision making, portfolio analysis and engagement conversations with companies.
- Use science-based indicators, such as the Wage Indicator and Asia Floor Wage.
- Incorporate living wage in the Supplier Code of Conduct. Perform audits on payment of living wages in the supply chain and establish whistleblower practices to enforce compliance.
- Collaborate with other companies in the sector, to address (competitive) challenges together and for joint advocacy.



Sustainable Development Goals

- Establish practices that are specifically set up to reach the SDGs that have been identified as material to the core business.
- Integrate the SDGs in investment decisions, e.g. by using them as an indicator for the selection (or exclusion) of companies.
- Set concrete, measurable and time-bound targets in-line with the indicators provided by the United Nations.
- Form partnerships with companies, NGOs, financial institutions and governments to advance the SDGs together.

Commitments

The 35 companies mentioned in this report have made 39 commitments to improve their sustainability performance. Commitments are made regarding enhanced reporting, setting targets or initiating new actions. The commitments, which have been made to VBDO during engagement efforts, can be found in Chapter 4 and Appendix 4.

About this report

This report provides insight into the current sustainability performance of the largest Dutch stock listed companies. In total 35 companies were assessed on three selected ESG themes: Natural Capital, Living Wage and the Sustainable Development Goals. The engagement consisted of conversations prior and during their Annual General Meeting (AGM). The criteria considerations and scoring methodology (also compared to last year) are explained respectively in Appendices 2 and 3.

About VBDO

Since 1995, VBDO actively engages with the Board of Directors of publicly listed companies during AGMs with constructive, critical questions to improve the company's sustainability performance. The association does this with the financial support of its members, i.e. 70 institutional investors and over 443 private investors.

All companies should proceed
to develop a holistic view on all
three themes, using the SDGs
as a guiding framework

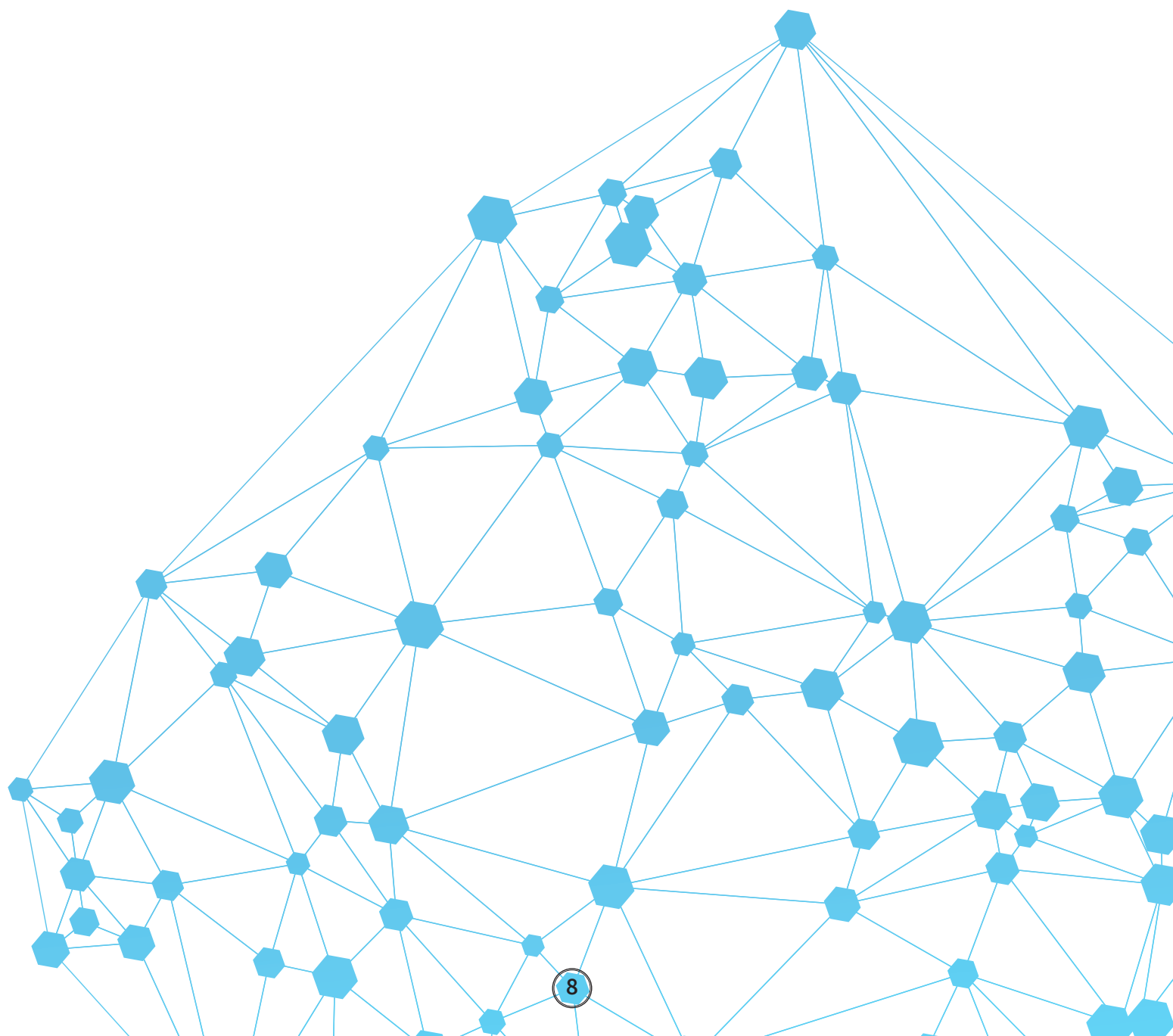


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2. Results per theme

Selected themes

- Natural Capital
- Living Wage
- Sustainable Development Goals

VBDO has analysed the performance of 35 Dutch stock-listed companies on three selected themes; Natural Capital, Living Wage and the Sustainable Development Goals. This chapter focuses on the overall result per theme.

For more information on the themes see Appendix 5. The list of assessment criteria and scoring methodology can be found in Appendices 2 and 3.



Key findings Natural Capital

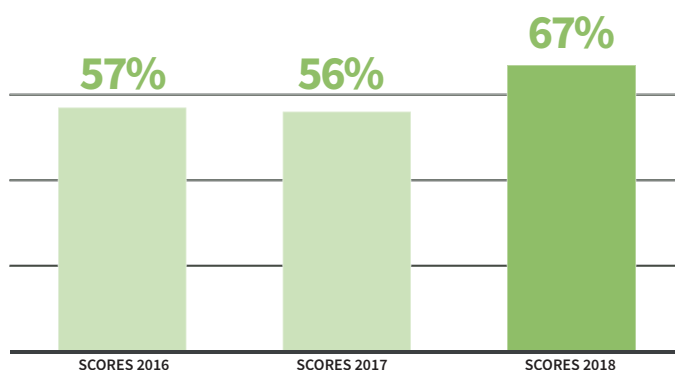


Figure 2: Results of natural capital theme in 2016, 2017 and 2018

Natural capital describes the earth's finite stock of natural assets. Natural capital includes renewable (e.g. plants, animals), and non-renewable resources (e.g. fossil fuels, metals, minerals). For every sector, we have identified material natural capital themes. The companies in the scope of this research have an average score of 67 percent on natural capital criteria. This is an 11 percent increase compared to last year. All 35 companies make reference to and have policies on natural capital in place.

This year, the updated criteria emphasized that companies should report on both the key dependencies on the ecosystem services that natural capital delivers, as well as key risks with regard to natural capital. Overall, companies report well on the dependencies and risks for their own operations, while the risks and dependencies of their supply chain on natural capital are often not mentioned. Setting concrete, measurable and time-bound targets on natural capital themes such as; deforestation, water use and resource scarcity, remains challenging for many companies. Holding companies or companies that work on project basis, could test and take positive findings from one entity and roll that out to other entities or projects to achieve company-wide targets.

A specific note has to be made concerning the Integrated Profit and Loss account criterion. Methodologies to fully integrate natural capital themes in financial decision making are still underdeveloped. Nevertheless, several companies are doing pilots and continue to work together to develop this further. VBDO continues to stimulate these developments.



Key findings Living Wage

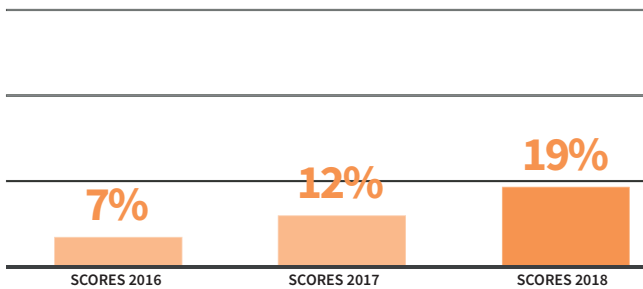


Figure 3: Results of living wage theme in 2016, 2017 and 2018

Living wage is a wage that provides employees with the necessary income to maintain a decent standard of living, for themselves and their dependents, based on geographical location and cost of living. Overall, 18 out of the 31 companies we assessed on living wage referred to this topic in either their code of conduct, annual report or human rights publication. This is a very notable increase from 12 companies that mentioned living wage in 2017. For the first time, two companies have done assessments on living wage for their own operations and have made corrections according to the results. Chapter 3 highlights the good practices of Signify and Vopak on this theme. Both companies have used scientific indicators for their assessment.

Nevertheless, assessing living wages is not yet general conduct for stock-listed companies in the Netherlands. Many companies consider the topic non-material for their own operations and favor other human rights topics within their supply chain over living wage. At the moment, they focus on legal compliance, although minimum wages are often not sufficient. Several companies mention that clear definitions and benchmarks are missing. Good practices show that scientific indicators and tools are available. The implementation of living wages in the supply chain remains dependent on sectoral partnerships and multi-stakeholder cooperation.



Key findings Sustainable Development Goals

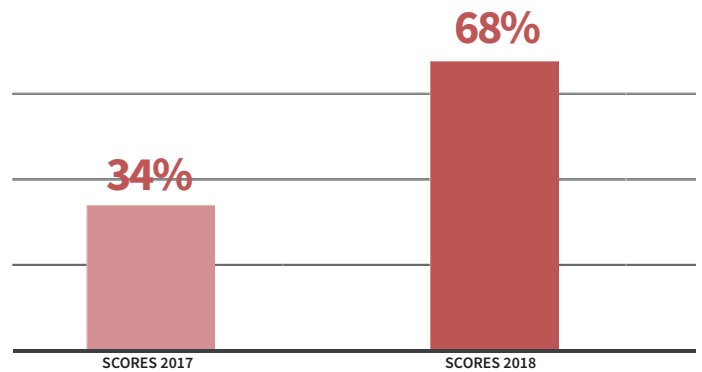


Figure 4: Results of Sustainable Development Goals theme in 2017 and 2018

Overall, companies have embraced the SDGs and increasingly see the potential of one common reporting language, shared between companies, financial institutions and governments. This year, only 2 out of 35 companies do not mention the SDGs in public information. In addition, almost all companies have improved their performance compared to last year.

For companies to contribute to the SDGs, it is crucial that they start additional initiatives linked to their core business. Current efforts will not be sufficient to reach the SDGs in 2030. Today, 20 out of 35 companies started additional initiatives. This is a notable increase from 6 companies in 2017. Most companies are still in the process of mapping their current actions to the SDGs. Others have linked the SDGs to their strategy, but miss concrete, measurable and time-bound targets.

It should be mentioned that nine companies scored 100 percent on the SDG theme. It is not to say that these companies are fully equipped to reach the SDGs they have selected. However, they are leading the pack. It is up to other companies to partner up and see the SDGs as a chance to conduct business. In general, all companies should work towards concrete, measurable and time-bound targets that are in-line with the sub-targets per SDG formulated by the United Nations. Also, they could report more extensively on the opportunities and challenges of reaching the SDGs for their business.

Almost all companies take specific action to conserve Natural Capital. They contribute to the clean-up of oceans, source sustainably, implement green roofs or are becoming 100% circular.

3. Sector and company results

3.1 Financial sector

Relevant sustainability themes in this sector

Natural Capital

- Risks and dependencies related to ecosystem services at clients/companies in portfolio
- Climate change
- Inclusion of Natural Capital indicators in financing or investment decisions

Living Wage

- Actions undertaken to stimulate paying living wages at clients/companies in portfolio
- Wage rates at portfolio companies

Sustainable Development Goals

- SDGs relevant to core business
- Additional initiatives and partnerships to reach the Goals

Good practice

a.s.r.
de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen

Good practice in using the SDGs for the selection of investments

In 2017 a.s.r. has adopted a 'best-in-class' policy on the SDGs for its sovereign portfolio. For this policy the insurance company uses the SDG Country Ranking published by the Sustainable Development Solutions Network and the Bertelsmann Stiftung. The average score of a.s.r. sovereign portfolio will be positioned within the first quartile of this SDG Index. Via this policy a.s.r. aims to invest in countries that are developing policies and progressing regarding the SDGs. Thereby it includes a broad set of sustainability issues next to climate and the environment, such as health, gender equality and education. VBDO applauds the concrete way of using the SDGs for the selection of investments and encourages other financial institutions to adopt similar practices.

Good practice



Good practice in reducing negative environmental impact through financing portfolio

This year, ABN AMRO has launched a new strategy to make real estate more sustainable, called 'mission 2030'. According to ABN AMRO, homes and offices in the Netherlands account for 40% of the country's total carbon emissions. Therefore, ABN AMRO has set itself the target that all homes and offices it helps finance have an average energy label A by 2030.

ABN AMRO finances 10% of the built environment in the Netherlands. With this initiative, it will reduce the impact of the buildings with 2Mt CO₂ in total. In addition, it will finance 1 billion euro in circular assets. To show its impact, ABN AMRO monetized the initiative in an integrated profit and loss account. Not only will 'Mission 2030' cut CO₂ emissions, it will enable the circular use of materials and enhancement of Natural capital in the built environment. This good practice shows how a financial institutions' portfolio can positively contribute to several aspects of Natural capital conservation.

Key findings per theme

This section provides an overview of the main observations in the financial sector for each of the three selected themes.



Natural Capital

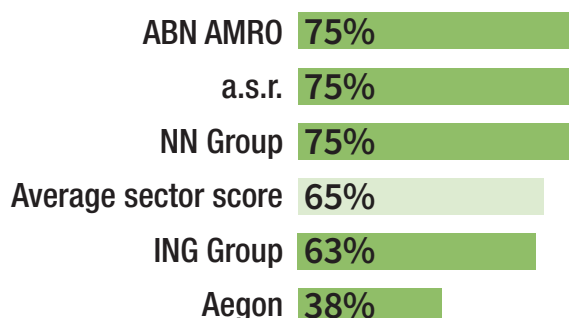


Figure 5: Scores on natural capital in the financial sector

All financial institutions in this benchmark state awareness of their impact through financing and investment activities. The institutions are also all working on reducing their impact on climate change. Although most companies have policies in place that limit finances or investments in coal, not all companies have set up a clear timeframe that pushes its portfolio towards a lower impact on climate change.

Financial institutions are generally aware of the importance to conserve a broad set of natural capital themes, such as water, soil, forests and minerals. All have initiated to update policies or take other concrete actions over the last year. In particular, all the companies have published policy guidelines that are sector-specific and provide important guidance for risk managers when deciding to grant a loan or investment.

This year VBDO took specific interest in the importance of natural capital for portfolio companies. This is sector specific as well; some sectors are dependent upon agriculture, for which soil degradation and water scarcity may pose significant business risks, whereas other sectors are dependent upon water for production processes, or limited resources. This enhanced focus made clear that not all financial institutions fully integrate such risks in financing or investment decisions. Still, some companies are already taking up this topic. For instance, a.s.r. positively selects companies that are leading in ESG criteria. Portfolio companies that depend on agriculture are required to have implemented measures to prevent deforestation and avoid soil degradation.



Living Wage

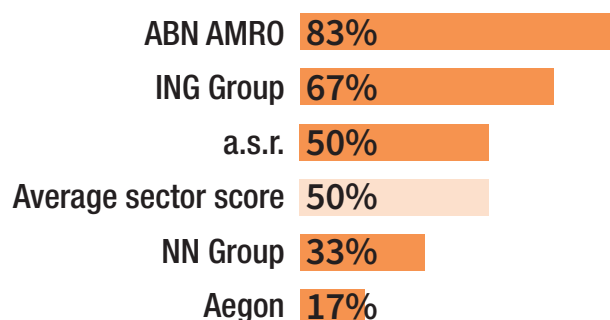


Figure 6: Scores on living wage in the financial sector

In 2018 financial institutions have improved significantly with regards to living wage. Nearly all of the institutions refer to living wages in their Responsible Investment Policy and living wage is also discussed within the Dutch Banking Sector Agreement. A new initiative is launched, which includes NN Group and a.s.r.. They will engage companies in the clothing industry on paying its employees a living wage.

A lot remains to be done. Although living wage is incorporated into policies, no concrete outcomes are published. Only a.s.r. has set payment of a living wage in the mining sector as a minimum requirement, whereas others merely mention living wage as a good practice. Engagement on living wages in specific sectors, such as apparel is increasingly common for financial institutions. To improve next year, engagement should be intensified and initiated in other high-risk sectors as well.



Sustainable Development Goals

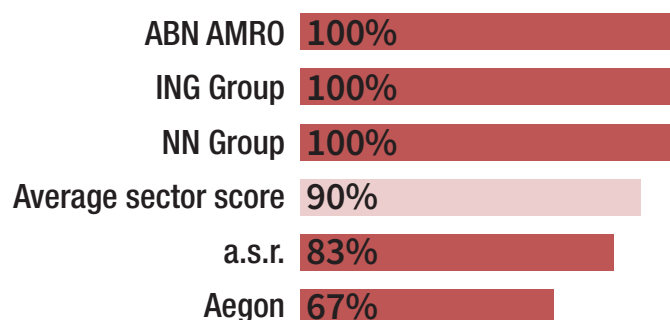


Figure 7: Scores on the Sustainable Development Goals in the financial sector

The financial institutions in this benchmark have improved remarkably in reporting on the SDGs. The average score of this sector increased from 55% last year to 90% this year. Basic reporting on the SDGs (that is, selecting which SDGs are relevant and specifying actions that are undertaken) is well established. Most of the companies in this sector have additional initiatives linked to their core business. Often initiatives revolve around clients' financial literacy. These initiatives can be broadened and should include portfolio companies in the future.

Some SDGs, such as SDG 14: Life Below Water and SDG 15: Life on Land, are often overlooked. These SDGs connect to natural capital themes and are a relevant guideline on which environmental themes should be addressed.

The next step is to truly integrate the SDGs, and make them a structural part of finance or investment decisions. In that way, investment or lending practices will contribute to reaching the SDGs. Working together within the sector and learning from each other's good practices could lead to new methodologies and tools for implementing the SDGs.

The companies

This section provides a recapitulation of each company in the financial sector regarding their current position on the three selected themes, as well as next steps that are to be made on the themes.

Highlighted commitments

- **a.s.r. will consider science based climate targets analysis next year.**
- **NN Group will include a reference to living wages in their Investor Guidance Paper on Labour Rights.**

ABN AMRO

From this year onwards, sustainable investing is the norm for ABN AMRO clients. The company continues to work on true pricing studies, for instance by conducting an analysis of the true price of diamonds. Of all financial institutions in this benchmark, ABN AMRO has one of the most extensive policies on natural capital in place. Still, ABN AMRO can improve by clearly reporting on the risks and dependencies portfolio companies have with regard to natural capital.

With regard to living wage, ABN AMRO demonstrates to be a leader as well, achieving the highest score on this theme. Payment of a living wage is a minimum requirement in the mining sector and the company actively encourages its portfolio to implement a living wage. Still, VBDO encourages ABN AMRO to be stricter in the manufacturing sector. Rather than setting 'having a policy on living wages' as a best practice, VBDO would like to see this as a minimum requirement for all companies.

ABN AMRO has advanced remarkably and is one of the 9 companies that score full marks on the SDGs. The company works on additional initiatives and partnerships that contribute to reaching the SDGs. VBDO recommends ABN AMRO to connect its Sector Specific Policies to relevant SDGs that are often overlooked, such as SDG 14: Life Below Water and SDG 15: Life on Land.

Aegon

In 2018, Aegon improved its score on natural capital. It incorporated several natural capital themes, including biodiversity, for which it is commended. However, VBDO believes Aegon can be clearer on the environmental standards it sets for companies. To improve this, the company can develop Responsible Investment policies that require companies to actively take measures against deforestation, soil degradation or promote good water management.

Aegon has not taken a firm position on the topic of living wage, as indicated at the AGM 2018. VBDO encourages Aegon to develop a policy that sets payment of a living wage as a requirement for investments. Peer companies are taking up this issue, such as NN Group. To tackle the living wage issue Aegon can engage investees on paying living wages. Moreover, Aegon can involve itself in partnerships with financial institutions that are advancing on this topic.

Aegon has taken reporting on the SDGs a step further by aligning their impact investments to the SDGs as described in its Responsible Investment Policy, creating a transparent way of reporting. VBDO recommends Aegon to set targets on these impact investments, either in a quantitative, time-bound way or in a more qualitative, strategic manner. Also, AEGON could extend its policy to its whole portfolio.

a.s.r.

a.s.r. is the company in this sector with the most elaborate policy on natural capital. The company selects portfolio companies based on a robust set of Socially Responsible Investment Criteria, which covers topics such as sustainable agriculture and fishing, GMO cross contamination and environmental impacts of biofuels. In addition, a.s.r. measures the CO₂ impact of several parts of its portfolio. Assessing the full portfolio, reporting and setting targets for mitigation are the next steps. However, this remains dependent on the establishment of adequate methodologies. VBDO encourages a.s.r. to assess the effect of its portfolio on other natural capital themes as well. It would be valuable to see the effects of its policies and draw inferences how they can be further improved.

With regard to living wages, a.s.r. uses the term ‘decent wages’ in its investment policies. In past engagement conversations, it was demonstrated that this term matches with VBDO’s description of a living wage. Over 2000 companies have been screened on labour conditions and subsequently corrections have been made by a.s.r.. VBDO recommends a.s.r. to publish concrete outcomes of these engagements. Specifically, which companies it has excluded because of severe living wage violations. This would allow other investors to take note and take similar measures.

This year a.s.r. has also made significant progress with reporting on the SDGs. It identified the most relevant SDGs for the company. Furthermore, for its investment portfolio the company has implemented a ‘best-in-class’ policy according to the SDG country ranking (published by the Sustainable Development Solutions Network and the Bertelsmann Stiftung). Setting up such a policy shows that a.s.r. expects a commitment from governments to a broad range of sustainability issues. A next step for a.s.r. is to fully integrate SDGs in investment decisions, setting concrete targets and report on the steps that are taken to achieve this.

ING

ING describes risks regarding natural capital in its Environmental and Social Risk (ESR) Framework. With this Framework ING demonstrates to be aware of its impact on natural capital and human rights through its financing activities. Still, ING can elaborate how it encourage its clients to meet the best practices that are listed in the ESR Framework. Furthermore, ING can scale up their ambitions for the Climate Finance portfolio ambition and work towards integrating climate requirements for the entire portfolio.

In 2018 ING improved on the living wage criteria. Within the Dutch Banking Sector Agreement, the issue is considered for the supply chains of cacao and palm oil. This is an important step. VBDO recommends ING to publish outcomes of the dialogue that ING has with companies before financing, so that the bank shows the results of its policies in practice. VBDO also encourages ING to incorporate the topic of living wages into its first Human Rights Report (to be published in 2018).

With regard to the SDGs, ING makes a commitment to two of the Goals in particular, being SDG 8: Decent Work and Economic Growth and SDG 12: Responsible Consumption & Production. For both SDGs ING has initiated projects, such as the Think Forward Initiative and the Orange Circle program. VBDO compliments ING with regard to the SDGs and emphasizes the importance of involving clients in reaching the SDGs. Next steps are to integrate the SDGs in to the finance portfolio and to positively select companies based on their contribution to the SDGs.

NN Group

In 2018 NN Group published an ESG Perspective Paper on palm oil, describing the environmental and social issues that arise in the production chain of palm oil. VBDO wants to compliment NN Group with this paper, as well as with the expectation that a new ESG Perspective Paper on Oil and Gas will be published. With the Investor Guidance paper on the Environment NN Group has taken a significant step in integrating natural capital themes into its ESG policies. The next step is to ensure that natural capital is taken into account with every investment decision.

The topic of living wage is expected to be incorporated in an Investor Guidance paper on Labour Rights, as is committed by NN Group. VBDO expects NN to report on the outcomes of this guidance paper.

NN Group does commit to several SDGs and specifies actions that relate to the Goals. Through partnerships, NN actively explores how to implement the SDGs. Despite the work that still needs to be done to really integrate the SDGs, VBDO considers this learning from peers and other stakeholders as a good tool. In general, setting concrete, measurable and time-bound targets in-line with the indicators formulated by the United Nations is a much-needed next step.

3.2 Food, beverage and retail sector

Relevant sustainability themes in this sector

Natural Capital

- Land degradation, biodiversity, water use, water scarcity and resource efficiency
- Dependencies related to ecosystem services, including for the supply chain

Living Wage

- Wage rates in own operations (applicable for Heineken, Ahold Delhaize and Unilever)
- Wage rates in the supply chain

Sustainable Development Goals

- SDGs relevant to core business
- Additional initiatives and partnerships to reach the Goals

Key findings per theme

This section provides an overview of the main observations in the financial sector for each of the three selected themes.



Natural Capital

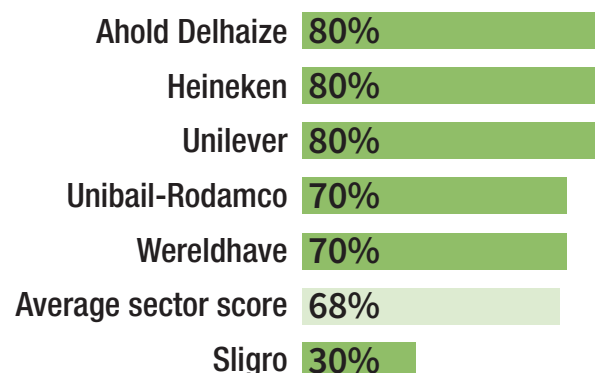


Figure 8: Scores on natural capital in the food, beverage and retail sector

The food, beverage and retail sector improved significantly on natural capital this year. This, despite the changes in scoring methodology, which resulted in slightly different criteria (these changes are all explained in Appendix 3). On average, the sector improved its average score from 55% in 2017 to 68%. Specifically, Wereldhave continuously improved its policy on natural capital, which leads to a higher place in the benchmark. Moreover, both Heineken and Sligro have set ambitious new targets on CO₂ reduction (respectively 80% and 50% by 2030).

Natural capital is often an essential resource for many food and beverage companies. With this in mind, this year VBDO focused on companies' awareness of this dependency and whether companies take up the dependency on natural capital in their risk management. Most companies in this sector demonstrate awareness of this dependency and take this into account in their risk management, for instance by working towards a sustainable supply of their natural resources. Overall, the sector is encouraged to externalize environmental issues and involve them in decision-making processes.



Living Wage

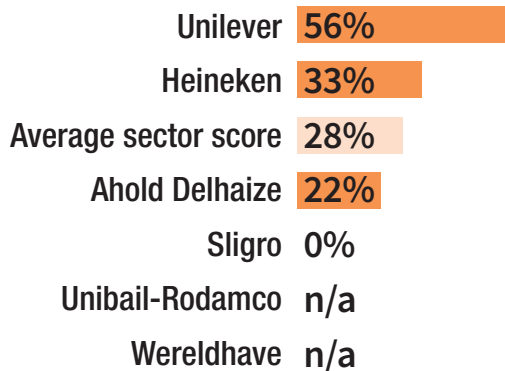


Figure 9: Scores on living wage in the food, beverage and retail sector

Not paying a living wage is an integrated risk for food and beverage companies. With regard to incorporating the topic of paying a living wage, several positive developments can be witnessed. Ahold Delhaize is currently conducting research in collaboration with UTZ to analyze the effects of paying a living wage in Kenya. The Business Social Compliance Initiative, joined by Ahold Delhaize and Sligro, is also working to further the implementation of living wages.

Despite the willingness that seems to be prevalent in this sector, no concrete outcomes can be reported. VBDO recognizes the complexity of paying a living wage in the supply chain, and applauds all efforts that are undertaken to enhance living wage rates. However, Unilever is still the only company that has made a formal commitment to pay a living wage to all its employees. VBDO believes that paying a living wage to their own employees and direct suppliers is an important undertaking and urges companies to raise their standards, work together and set concrete, timebound and measurable targets for paying a living wage.



Sustainable Development Goals

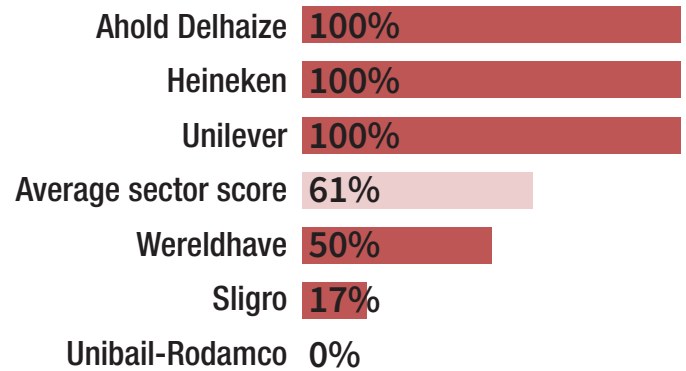


Figure 10: Scores on the Sustainable Development Goals in the food, beverage and retail sector

Companies in the food, beverage and retail sector show great progress with reporting on the SDGs. Three out of six companies already score 100% and also Sligro and Wereldhave have started to report on the SDGs. With this adoption rate of the SDGs the Goals demonstrate to be a common framework for sustainability reporting.

In general, all companies have selected relevant SDGs and provide an explanation for their focus. Many companies have set targets on the SDGs. This demonstrates their commitment to contribute to reaching the SDGs. Partnerships are also increasingly common, for instance, with local parties to reduce food waste (Ahold Delhaize and Sligro) or with tenants in shopping centres to reduce energy consumption (Unibail-Rodamco and Wereldhave). This year VBDO has focused on the additional initiatives that are required to actually reach the SDGs. Several companies have additional commitments such as to source commodities 100% sustainably or to reduce water consumption significantly. Unilever even focuses on reducing water consumption from its consumers, via water use required for their products. Such commitments go a step further than conventional practices. Therefore, this sector is well on track with regards to reaching the SDGs.

The companies

This section provides a recapitulation of each company in the food, beverage and retail sector regarding their current position on the three selected themes, as well as next steps that are to be made on the themes.

Highlighted commitments

- **Ahold Delhaize will undertake pilots with calculating externalities in 2018.**
- **Wereldhave has committed to setting a target on CO₂ reduction in 2018.**

Ahold Delhaize

Ahold Delhaize has an extensive policy on sustainable sourcing of critical commodities, such as fish, coffee and wood. The company aims to source seven of such commodities 100% sustainably by 2020. Later this year, the company believes it is able to sell the first rice products that are certified against the standards of the Sustainable Rice Platform. For next year, Ahold Delhaize is encouraged to envision its plans for beyond 2020, as well as the publication of a pilot study on externalities.

Associates of Ahold Delhaize are paid according to the median of market practices, which the company finds acceptable with regard to living wages. Ahold Delhaize displays awareness of the importance of fair and equal pay, but a wage according to the median of market practices does not necessarily entail a living wage in all countries. Therefore, VBDO urges Ahold Delhaize to commit to a living wage or commit to aiming for a wage that is sufficient to meet the basic needs of the employee's family.

The Sustainable Development Goals are very well established within Ahold Delhaize. This year, the company scored 100%. VBDO recommends to keep focusing on additional practices that contribute to reaching the SDGs. The company can work together with peers and other stakeholders to achieve this.

Heineken

Heineken has shown to be a leader in water (risk) management. VBDO encourages Heineken to keep acting on water issues in areas surrounding its breweries, as it is expected that water scarcity will increasingly become a problem. VBDO recommends to keep conducting water assessments and determining high risk areas, but also to calculate possible price effects of water scarcity as water is potentially a source of conflict in the future.

With regard to paying living wages, Heineken publishes a new Supplier Code of Conduct in 2018 that will include a reference to living wage. VBDO recommends to put management systems in place that aim to ensure compliance with living wages. The company can make use of independent indicators, such as the Living Wage Indicator.

Heineken works well on the SDGs and has a transparent way of reporting on the Goals. At the moment, Heineken will be re-examining its packaging and set targets on its 'Drop the C'-program. With regard to packaging, VBDO encourages Heineken to also take the circular economy (or SDG 12: Sustainable Consumption & Production) into account. In general Heineken should continue its efforts on advocating responsible consumption and its "When you drive, never drink" campaign, and work towards a good combination between its products and social and societal dimensions.

Sligro

Sligro has reached its CO₂-reduction target for 2020 and has therefore set up a new, ambitious target for 2030: reduce its CO₂-emissions by 50%. Nonetheless Sligro is the only company in this sector that does not currently have a policy in place on conserving natural capital in the value chain. VBDO urges Sligro to examine how they can set requirements for their suppliers on natural capital themes, such as biodiversity, but also water management and deforestation.

Sligro is working with others (for instance CBL, IDH and FNLI) on an international CSR covenant to encourage payment of a living wage in the supply chain. VBDO encourages the ongoing efforts on this covenant. We are available to contribute to a successful outcome if necessary.

A good step forward has been taken this year, Sligro referred to the SDGs for the first time in its Annual Report. VBDO is pleased that Sligro has indicated at the AGM that it will continue to examine how the SDGs can be reached. We recommend Sligro to align their (sustainability) strategy with the SDGs and set up additional initiatives, linked to its core business, that contribute to the SDGs.

Unibail-Rodamco

Unibail-Rodamco focuses its strategy on the natural capital theme of energy efficiency and on the 'pollution of transport' of its visitors as well. The company also reports extensively on waste and currently undertakes pilots on the circular economy. Unibail-Rodamco is encouraged to continue with this topic and report on its progress to become fully circular.

Unibail-Rodamco does not report on the SDGs. The company mentioned in an engagement conversation that as-of-yet the added value is missing. Because, many companies use the SDGs as a reporting tool rather than implementing the Goals. However, The SDGs have enormous potential as a common language between governments, financial institutions and companies. We recommend Unibail-Rodamco to collaborate with other stakeholders to work towards improved, standardized methods of SDG reporting and implementation.

Unilever

Unilever continues to work on its Unilever Sustainable Living Plan (USLP). The company has a transparent way of reporting on the progress the company makes toward its targets. Their reporting indicates that one of the targets for 2020, reducing water impact per consumer use (via products that use less water), is not yet within reach. Overall though, Unilever is undertaking action on water use, waste, packaging and sustainable sourcing. Unilever is thus well under way to halve its environmental impact.

The company has committed to paying its direct employees a living wage by the end of 2018, and ensuring compliance by 2020. Unilever has emphasized the importance of living wages at the AGM. In the coming years, the company will work toward ensuring that suppliers meet the basic standards. Moving

beyond basic standards, living wages need to be commonplace rather than an exception. Unilever is in the unique position to establish this and is encouraged to report on its progress.

The USLP is an ambitious plan to increase Unilever's positive impact. It is therefore crucial to transparently connect the SDGs to this plan. This enables Unilever to convey this message in the same standards as other stakeholders. Connecting brands to the SDGs can be a possible way to do so.

Wereldhave

Wereldhave caught up with peer Unibail-Rodamco and increased its overall score on natural capital in 2018. During the AGM 2018, Wereldhave committed to setting a target on CO₂, in response to a question posed by VBDO. This target will be set bearing the relevance of the Paris Agreement in mind, for which VBDO recommends to make use of the Science Based Target initiative.

Another major step that was taken by Wereldhave is reporting on the SDGs. Wereldhave has selected relevant SDGs and outlined how their actions contribute to reaching the SDGs. VBDO recommends Wereldhave to focus on integrated reporting on the SDGs and set its policies in-line with the subtargets of the SDGs.

3.3 Industries sector

Relevant sustainability themes in this sector

Natural Capital

- Use of scarce and finite natural resources (e.g. minerals and raw materials)
 - Supply chain responsibility
 - Circular economy
 - Calculation of externalities
-

Living Wage

- Wage rates in the supply chain
-

Sustainable Development Goals

- SDGs relevant to core business
 - Additional initiatives and partnerships to reach the Goals
-

Good practice



Good practice in conducting a living wage review

After AGM questions from VBDO, Vopak reviewed its salary data in 2017 for all 24 countries it operates in, excluding Venezuela. It was concluded that in only one country salaries did not comply with the living wage standard, which has subsequently been addressed.

The assessment excluded Venezuela because credible indicators and benchmarks lacked. This is due to the ongoing economic and humanitarian crisis in this country.

During the AGM, Vopak has indicated that it will look into issues with living wage rates for contractors. Vopak will research whether opening up whistleblower policies or incorporating such policies in the Supplier Code of Conduct will be an effective method to introduce living wages for contractors and suppliers.

Key findings per theme

This section provides an overview of the main observations in the industries sector for each of the three selected themes.



Natural Capital

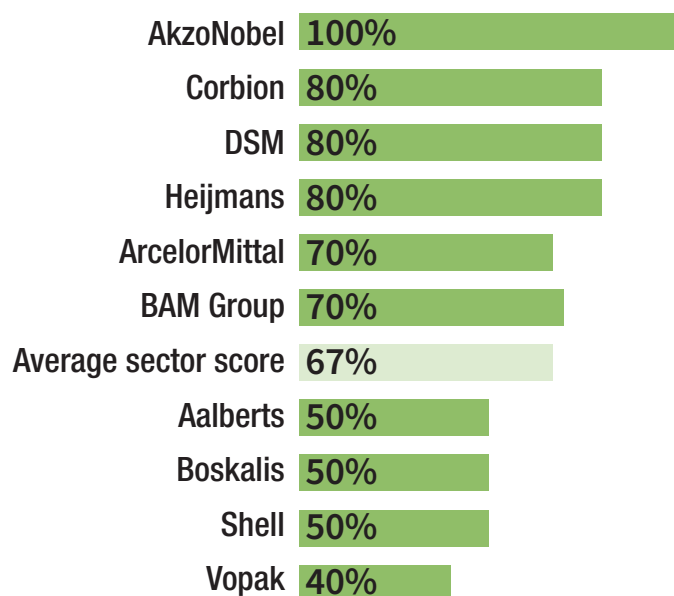


Figure 11: Scores on natural capital in the industries sector

Overall, the sector performs relatively well with regard to natural capital. Most of the companies that scored well in 2017 continue with a strong performance. The companies that scored below average last year, all obtained a higher score this year. Although most companies report on the impact they have on natural capital, such as energy or water use, very few companies clearly state how this impact can have an effect on natural habitats. In addition, not all companies have conducted a risk assessment for operating sites that are located in areas with sensitive ecosystems. VBDO encourages companies to do so, because it shows that companies are willing to go a step further and transition from reducing negative impact to conservation of natural capital. In addition, it will minimize several risks that environmental mismanagement could entail.



Living Wage

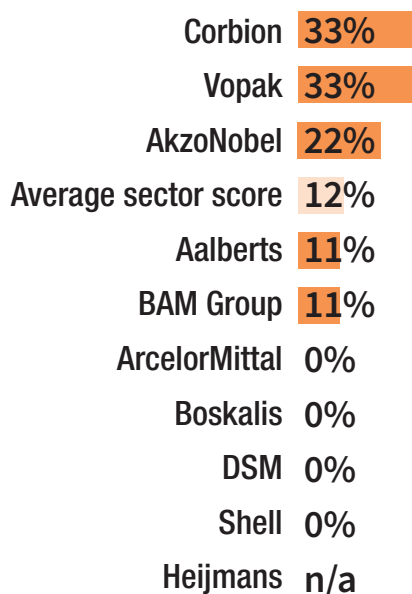


Figure 12: Scores on living wage in the industries sector

Last year, not one company in this sector referred publicly to the concept of (paying a) living wage. In contrast, this year five out of nine companies refer to living wage. Three companies have made a formal commitment to paying a living wage. Vopak even conducted an assessment to verify whether a living wage was paid to all employees.

Many companies mention that living wage is a difficult subject. Several companies already pay a living wage due to market conformity for high-skilled employees (in Western countries). Nevertheless, especially in the industry sector payment of a living wage is at risk in the supply chain and when hiring (sub-)contractors. Among other things, a living wage ensures that local contractors are able to provide their families with education and health care. We urge companies to continue to work on this topic. For further improvements, companies can strengthen their whistle-blower policy and open it up to (sub-)contractors. Furthermore, salary structures can be standardized and verified with publicly available tools to gain initial insights into whether the company pays a living wage. Lastly, VBDO encourages companies to work together, both in the sector and the supply chain, to create a level-playing field for incorporating living wages.



Sustainable Development Goals

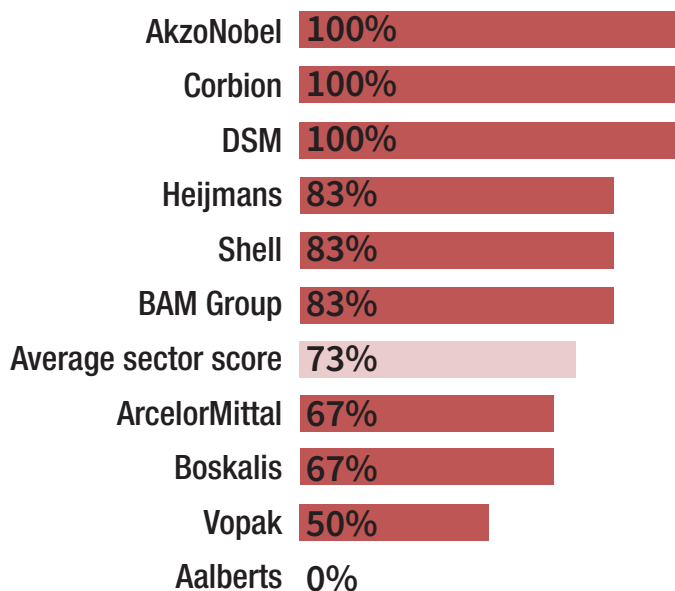


Figure 13: Scores on the Sustainable Development Goals in the industries sector

On this theme, the sector significantly increased their average score from 31% in 2017 to 73% in 2018. In addition, this year the SDGs have been taken up by Vopak and Corbion as well. Both companies did not report on the SDGs before.

All companies that report on the SDGs provide clear explanations for the Goals they have selected. The companies also clearly state relevant actions that contribute to the selected SDGs. Moreover, this year seven companies participate in partnerships that contribute to reaching the SDGs, whereas last year merely two companies participated in such partnerships. Many companies have made the initial step of mapping the SDGs to their current policy and practice. VBDO expects them to take the next step and create policies that are of additional value in reaching the SDGs.

The companies

This section provides a recapitulation of each company in the industries sector regarding their current position on the three selected themes, as well as next steps that are to be made on the themes.

Highlighted commitment

Vopak will investigate whether living wages can be included in the Supplier Code of Conduct and will consider to stimulate payment of a living wage in the supply chain, by using their anonymous whistle-blower policy for its contractors.

Aalberts

Aalberts has made significant progress with regard to reporting on carbon, energy usage and water consumption. The company has announced that it will continue to report on material matters. Still, VBDO strongly encourages Aalberts to publish targets in the future.

On the topic of living wage, Aalberts has published a case on the website that employees in China are paid a fair wage that enables them to properly support their families. This corresponds with the qualitative description of living wage. We recommend Aalberts to emphasize this topic throughout its operations via its whistle-blower policy, called the 'Speak up!' procedure. This way Aalberts can continuously verify that living wages are paid. Moreover, we recommend Aalberts to take up paying a living wage in its Human Rights Policy.

Aalberts indicated during the AGM 2018 that it does work on SDG 11: Sustainable Cities & Communities and SDG 12: Responsible Consumption & Products through its products, but it does not report on this. The company wants to showcase that they take their responsibilities, and indicate that the SDGs can be anchored on the website. VBDO urges Aalberts to do so this year as governments, investors and companies are increasingly using the SDGs to guide their decisions. Aalberts could be at risk if the company runs behind in this field.

AkzoNobel

AkzoNobel is one of the leaders in the field of natural capital and the only company in this sector to establish a 3D (economic, environmental & social) Profit & Loss account. The company states that it will continue to improve methodologies. VBDO applauds this effort, recognizing the methodological difficulties to establish an EP&L. VBDO encourages AkzoNobel to work together with peers to share its knowledge, and to publish case studies of improved methods.

This year during the AGM, it was stated that all employees are paid a living wage. VBDO recommends to incorporate this statement in the Annual Report next year. Next, living wages in the supply chain are a risk to be addressed. VBDO looks forward to an exploration of AkzoNobel's advancements in that field.

AkzoNobel has already fully integrated the Sustainable Development Goals. The company has set measurable and time-bound targets on several SDGs, via targets on Eco-Premium sales that contribute to SDG 11: Sustainable Cities & Communities and SDG 12: Responsible Consumption & Production. However, VBDO recommends to establish qualitative targets or share their vision for certain SDGs that are not easily quantifiable, such as SDG 9: Industry, Innovation & Infrastructure.

ArcelorMittal

ArcelorMittal continued its efforts to make use of its expertise in steel production and mining to develop cleaner processes to minimize the impact on the environment. In particular, the pioneering with new low-carbon technologies and efforts to ensure that both inputs and by-products contribute to low-carbon outcomes are welcomed. Also, the Sustainability Innovation tool provides meaningful insight into the benefits and impacts of proposed R&D projects. Multiple relevant KPIs for each of the ten sustainable development outcomes have been defined, but still only a single target is set. For next year, VBDO expects ArcelorMittal to establish meaningful and science-based targets.

During an engagement conversation, ArcelorMittal indicated that while most mining and manufacturing sites are located

in high-income countries, two are deemed as high-risk: Venezuela and Liberia. In Liberia, ArcelorMittal is in dialogue with trade-unions. VBDO encourages ArcelorMittal to use science-based tools such as the Wage Indicator Database for their discussions with trade unions in this country.

ArcelorMittal has made progress in terms of the SDGs, specifically for SDG 9: Industry, Innovation and Infrastructure, SDG 13: Climate Action and SDG 17: Partnerships for the Goals. The company has, for instance, led the Siderwin project with various European partners, aiming to scale up the breakthrough technology reducing iron ore by using renewable electricity instead of carbon. In addition, it is developing the two-degree roadmap for the steel industry with the International Energy Agency. VBDO looks forward to see the strategic approach ArcelorMittal is developing with respect to the SDGs.

BAM Group

BAM Group creates value by having the lowest possible negative impact on natural capital and restoration of natural resources. Several actions have been taken in 2017 that contribute to becoming resource and climate positive, as laid out in the Net Positive Strategy. The company continues looking into the calculation of externalities by commissioning an assessment of the socioeconomic impact of LE2AP, the Low Emission Asphalt Pavement. However, further transparency on the sourcing of timber for all Group companies as well as more elaborated reporting on the dependencies and impacts of the supply chain on the environment would be appreciated.

BAM Group identifies that its activities impact all SDGs, and aims to contribute to seven Goals in particular. The company is clear on how its strategy contributes to each of the selected Goals and mentions which activities are planned by 2020. Setting concrete, measurable and time-bound targets regarding the contribution to the SDGs and looking for more partnerships would be next logical steps for the Group.

Boskalis

Boskalis has good measures on oil spills, sustainable fleet management and ballast water, but does not report on such topics qualitatively. Furthermore, it has expanded its Building with Nature programs commercially. VBDO recommends to actively promote these sorts of projects, in order to demonstrate natural capital is of added value for the company.

The company has not yet referred nor committed to paying a living wage. VBDO urges companies to consider this topic carefully as non-living wages is one of the causes of human rights violations. VBDO invites Boskalis to continue dialogue on this matter.

Boskalis has made progress on SDG reporting; it integrated the Goals throughout relevant sections in its Annual Report. In terms of additional policy, which aims at contributing to the SDGs rather than mitigating negative impacts, there is potential for Boskalis to take significant further steps.

Corbion

Corbion had already set the target of sourcing 100% of its sugar cane sustainably by 2020 and has now developed a roadmap to source 100% of its palm oil by 2020 sustainably as well. VBDO commends Corbion for setting such an ambitious target and is looking forward to the roadmap for 100% sustainable sourcing in 2030.

Corbion has already committed to paying its employees a living wage and states that it does so. This year, VBDO focused on getting Corbion to the next step, which is implementing a living wage rate in its supply chain. As Corbion indicated, this is a complex process and therefore VBDO recommends to work together with others, both in the industry and the sector, to develop a plan that enhances living wage rates in the supply chain. One option is to participate in RSPO-NEXT, where living wage is one of the criteria for certification.

This year Corbion reported on the SDGs for the first time and immediately obtained a full score. VBDO compliments Corbion with this achievement. The company has shown that it has a clear vision on how the SDGs can be seen as opportunities for the company. However, this could be clearer indicated in detail in the Annual Report.

DSM

DSM has an extensive policy on conserving natural capital. Aside from having introduced a shadow carbon price, the company assesses whether its operations lie in areas with high biodiversity. In such areas, biodiversity is monitored to conserve natural capital. VBDO applauds the way DSM recognizes the value of natural capital and merely encourages DSM to continue on this path.

On the topic of living wage however, DSM has no set policy yet. In 2017, DSM has standardized salary structures, which can help to implement living wages. At the AGM, the company has also indicated that it will look into the living wage concept.

DSM has integrated the SDGs in their business strategy. The company illustrates how its Brighter Living Solutions, which are products that have an additional environmental or social value, contribute to the SDGs. Moreover, DSM has targets on the relative sales of the Brighter Living Solutions. VBDO regards this approach as a best practice with regard to SDG integration.

Heijmans

Heijmans showed its commitment to add value to the habitat by delivering the “Energy Management Plan”, sharpening the sustainable procurement policy and the implementation of the “Heijmans Grondstoffen Netwerk”. The latter is a tool that provides insight into the demand and supply of raw materials and contributes to the target regarding waste separation and reduction. The company has also established a methodology for monetizing the externalities of a building with a GPR certificate, which provides insight into the sustainability performance of a given construction. Further progress can be achieved by means of more explicit reporting on the dependencies on natural capital and the associated risks, both for its own operations as well as its supply chain.

Heijmans activities contribute to reaching the SDGs. The launch of the “Manifest Bouwen met Waarde(n)” with several partners is worth mentioning in this respect. It adopts the most relevant Goals for the built environment and aims to anchor them in the policies which are currently under development, or will be developed, in the coming years. Besides, it obviously contributes to SDG 17: Partnerships for the Goals. Even though the company reports how it contributes to each of the selected sub Goals, VBDO recommends to set concrete, measurable and time-bound targets.

Shell

Royal Dutch Shell has taken further steps with regard to climate change. The Net Carbon Footprint Ambition aims to cut the net CO₂-footprint of energy products sold by fifty percent by 2050. In addition, the company has published the Sky Scenario, which was specifically designed to not exceed the maximum global average temperature rise set by the Paris Agreement, as well as the Energy Transition Report. Also, potential environmental impacts on biodiversity, soil and groundwater contamination and waste production during operations or over the lifetime of a project are mentioned. Yet, no concrete, measurable and time-bound targets have been set in this respect.

With regard to living wages, Shell can take note of service provider Vopak that assessed living wages in its operations and is looking into the implementation of a whistle-blower policy for contractors. Shell is encouraged to follow this good practice and assess whether its employees are paid a living wage all over the world. In addition, creating policies with regard to living wage for contractors would be an important next step.

Shell welcomes the SDGs and prioritizes six of them, outlining the relevance and contribution for each goal separately. The company also published through IPIECA the “Mapping the Oil and Gas Industry to the Sustainable Development Goals: An Atlas” report in partnership with the UN Development Programme and the World Bank’s International Finance Corporation and contributes to universal energy access as a member of the Oil & Gas Industry Energy Access Platform. Regarding the SDGs, defining measurable, time-bound targets would be a next logical step to take.

Vopak

Vopak is increasingly offering services for products that deliver on the energy transition. In order to be a proactive player, VBDO encourages Vopak to assess its dependency upon natural capital and set concrete and measurable targets on environmental performance and the energy transition. For instance, it can set time bound targets on VOCs and spills and reduce storage of products that are from environmental unfriendly sources such as oil from the Arctic regions, or oil and gas from shale extraction.

Vopak has taken significant steps on the topic of living wage, by reviewing all salary data of their operations in order to verify that the wages are meeting or exceeding a living wage rate for that country. In one country exceptions have been found, and they have subsequently been addressed. At the AGM, the company indicated that it aims to enhance living wage rates for its contractors and suppliers by opening up their whistle-blower policy for contractors. VBDO wants to compliment Vopak on their pro-active approach and recommends that it share these good practices with peers.

VBDO congratulates Vopak with reporting on the SDGs for the first time. The company has selected four SDGs, being SDG 7, 8, 9 and 12, that are relevant for the company. As Vopak indicates in its annual report, a next step is establishing targets that are in-line with the SDGs. VBDO encourages the company to look into additional initiatives that contribute to reaching the SDGs and setting up partnerships that explicitly contribute to the SDGs as well.

3.4 Services sector

Relevant sustainability themes in this sector

Natural Capital

- Ecosystem and biodiversity protection (applicable for Arcadis, Fugro and SBM Offshore)
 - Energy efficiency of data centres (applicable for Altice, KPN, RELX Group and Wolters Kluwer)
 - Paper sourcing (applicable for RELX Group and Wolters Kluwer)
 - Re-useable and non-toxic material use (applicable for Altice, KPN, RELX Group and Wolters Kluwer)
 - Knowledge sharing on natural capital related themes (applicable for Arcadis, Fugro, RELX Group and Wolters Kluwer)
-

Living Wage

- Wage rates in the supply chain (not applicable for PostNL)
-

Sustainable Development Goals

- SDGs relevant to core business
 - Additional initiatives and partnerships to reach the Goals
-

Good practice



Good practice in involving the supply chain in circular practice

On October 10th 2017, KPN and 7 critical suppliers signed a Circular Manifesto that enables KPN to become 100% circular by 2025. At the moment, the suppliers represent 20% of KPN's business operations. It has been announced that this will increase when more suppliers sign the Manifesto.

Currently, large hardware providers Ericsson, ZTE, Huawei and Hewlett Packard have all signed. The suppliers agreed to only produce circular hardware by 2025. This good practice shows how one company becoming circular can stimulate other companies to adopt similar practices.

Good practice



Good practice in setting up a publicly available SDG Resource Centre

On June 21st 2017, RELX launched an interactive platform called the SDG Resource Centre (RELX Group, 2017). It features content close to RELX's core business, that can help reach the SDGs in 2030. The resource centre is an example of additional business practices linked to the core business that go beyond established practices. It features scientific articles, reports, tools, webinars, videos, legal practice guidance and discussion groups, all grouped to the SDG it addresses.

The content is all freely made available by RELX. The company has also partnered up with organizations such as the United Nations Global Compact and the United Nations Development Programme. RELX has shown good practice by adding value to reaching the SDGs from its core competences.

Key findings per theme

This section provides an overview of the main observations in the services sector for each of the three selected themes.



Natural Capital

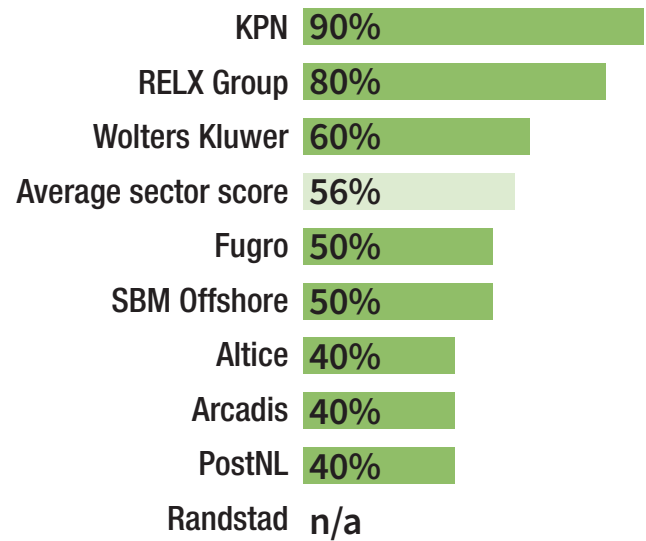


Figure 14: Scores on natural capital in the services sector

The services sector is a very heterogeneous sector, resulting in a wide variety of relevant natural capital related issues for each company. Even though some organizations have a limited ecological footprint, all companies have running projects to reduce the environmental impact of their activities. This is reflected in the overall increase in the sector average by 5% compared to last year. In particular, the progress of Altice and Fugro should be highlighted. Both companies report on the impacts of their own operations and take specific action to conserve natural capital. There are no companies lagging significantly behind within the sector, as indicated in Figure 14.

Another observation is that more companies are aware of the business opportunities that come along with the consequences of climate change. More than in other sectors, the companies in the services sector could positively contribute to a sustainable future by actively engaging in innovation and knowledge sharing, both with clients and suppliers.



Living Wage

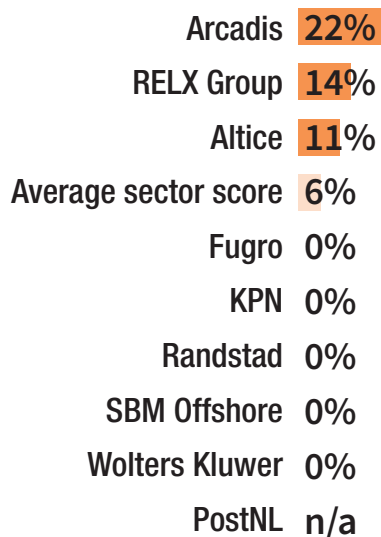


Figure 15: Scores on living wage in the services sector

Given the variety in where and how companies in the service sector operate, living wages for own employees can be a less material subject for some organizations. Yet, that has not hindered Altice and RELX Group to pick up the theme living wages. Just like last year, Arcadis is the only company that has committed to paying a living wage to all employees around the globe, resulting once again in their leading position in the sector.

As no company has included living wages in the Supplier Code of Conduct, further progress can be achieved by engaging with suppliers on this topic and gaining insight in their remuneration policy.



Sustainable Development Goals

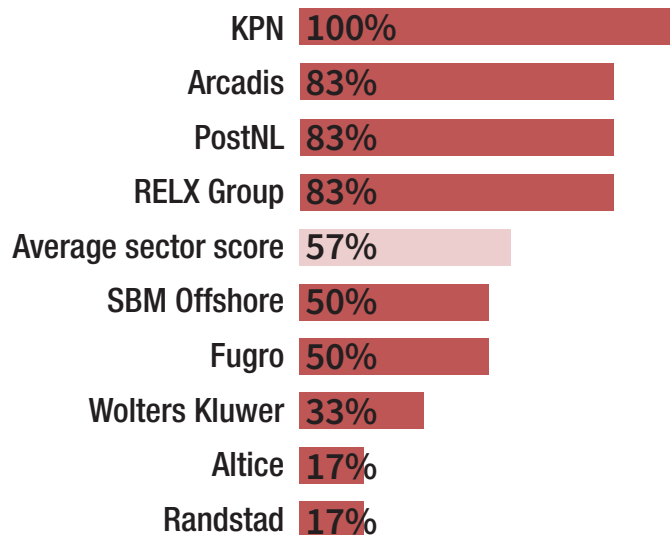


Figure 16: Scores on the Sustainable Development Goals in the services sector

After two years of VBDO engagement on the SDGs, all companies refer to the Goals and have identified the most relevant ones for their business. This explains the 19% increase in sector average as shown in Figure 16. KPN once again scores full marks, but the "SDG Resource Centre" and "Blueprint for SDG Leadership" are two RELX Group initiatives which have potential for all the companies in the scope of this research. VBDO motivates Altice and Randstad to further integrate the SDGs within their strategy.

The companies

This section provides a recapitulation of each company in the services sector regarding their current position on the three selected themes, as well as next steps that are to be made on the themes.

Highlighted commitment

RELX Group will explore setting targets to align with specific SDGs.

Altice

Altice continues to make progress in terms of its environmental performance and the associated reporting. The Group Companies pay particular attention to the environmental impact of their activities and work towards creating a positive impact on the environment. Ecologically responsible products such as the Altice One set top box, requiring a lower energy consumption and less raw material input, as well collection of used mobile phones and reduced paper consumption can be highlighted. The next step would be to set concrete, measurable and time-bound targets on Group level regarding the environmental performance to stimulate internal sharing of knowledge and good practices. Besides, VBDO recommends to publish a Supplier Code of Conduct to ensure waste management and energy performance is structurally embedded in the master agreements with suppliers.

Living wages are a fundamental social principle of Altice, yet despite the special benefits for employees with a hampered financial situation, the company assumes the legal minimum wages are sufficient to cover food, housing and other basic needs. VBDO encourages the company to investigate to what extent its remuneration policy meets the living wage standard.

In terms of the SDGs, considerable progress has been made. For the first time, Altice refers to the SDGs and has translated them in the CSR principles. The company provides an example of concrete actions to implement the seven selected Goals at one of the holding' companies, PT Portugal, and even

associated annual targets. VBDO recommends the company to stimulate similar initiatives at other Group Companies, as well as to look for collaborations with peers to achieve the Goals.

Arcadis

Arcadis proceeds with raising societal awareness on the services nature provides to humanity through its designs and expert advices. It also delivers client solutions resulting in no-net-loss or even a net positive gain of natural capital. The company commits in its Global Sustainability Policy to set appropriate targets to strive for continuous improvement of its environmental footprint. VBDO is looking forward to see how the existing local targets will be translated to the global level. VBDO also encourages the company to take first steps with monetizing externalities.

The company has included its principle to provide a living wage to all Arcadis employees in its Human and Labour Rights Policy. VBDO encourages the company to formally investigate whether its salaries meet the living wage standard. In addition, the publication of the Global Supplier Code of Conduct containing a reference to living wage would advance the leading role Arcadis has taken regarding this topic.

Arcadis made good progress regarding its contribution to the SDGs. The annual publication of the "Sustainable Cities Index" and being a Platform Partner of the "100 Resilient Cities Group" make its contribution to SDG 11: Sustainable Cities and Communities tangible. VBDO looks forward to seeing the percentage of revenues related to the seven selected Goals from next year onwards and encourages the company to set concrete, measurable and time-bound targets for its contribution to the SDGs.

Fugro

Fugro has advanced its environmental performance. The company offers site characterization and asset integrity services and develops innovative solutions for renewable energy projects such as offshore wind farms. In addition, the company offers environmental assessment services and other solutions that assist its clients in: limiting their environmental

impact, and mitigating the consequences of sea-level rising and extreme weather events due to climate change. It is also committed to limiting the impact of its own operations on the environment and expects its suppliers to avoid environmental damage and to reduce or eliminate waste and discharges. VBDO encourages the company to set concrete, measurable and time-bound targets as a stimulus for further reducing the dependencies of and impact on natural capital.

The company has not yet taken further steps in terms of living wages. VBDO recommends the company to formally verify whether all employees are able to cover food, housing and other basic needs for themselves and their relatives, before engaging with suppliers on this topic.

Fugro has for the first time included the SDGs in the sustainability framework and outlines how it contributes to each of the seven selected Goals. VBDO encourages the company to initiate initiatives, potentially in collaboration with peers or public partners, to advance reaching the Goals.

KPN

The company reproduces its excellent scores of last year, despite the continuous (mobile) data growth. In this light, the 2030 targets on energy consumption seem even more ambitious. Besides, the target to operate in a fully circular fashion by 2025 and offer circular alternatives for customer owned devices underlines the pioneering role KPN plays. Specific accomplishments in 2017 include the trade-in campaign with Samsung to increase the collection, reuse and recycling of mobile phones as well as further improvements in the energy efficiency of set-top boxes. A follow-up of the 2016 'True Value' study has been initiated too.

KPN has so far not made reference to living wage or a qualitative description of the concept. This year important steps were made with regard to working hours. Yet, VBDO encourages KPN to examine to what extent suppliers pay their employees a salary which meets the living wage standard.

KPN confirms last year's top score also for the SDGs. This year, setting up the ambition to become a circular organization by 2025 and convincing seven strategic suppliers to join a circular manifesto are without any doubt leading examples to achieve SDG 12: Responsible Consumption and Production.

PostNL

The company strives to continually reduce its environmental impact. In 2017 PostNL already managed to meet its 2020 target regarding the CO₂ efficiency index by introducing biogas vehicles and where possible delivering by small trucks and vans, e-cargo bikes, e-scooters, e-bikes and even delivery on foot. VBDO is looking forward to the new ambition regarding carbon dioxide but encourages to include nitrous oxides and particulate matter in the monitoring given the scientifically proven impact on air quality and human health.

PostNL has also made considerable progress in terms of the SDGs. Even though not yet explicitly mentioned in the annual report, the "Bewust Bezorgd" campaign is a meaningful contribution to SDG 13: Climate Action. VBDO is curious to take note of the ambitions regarding the two selected Goals, SDG 8: Decent Work and Economic Growth and SDG 13: Climate Action.

Randstad

At their 2018 AGM, Randstad indicated that the company lobbies intensively to ensure living wages in risk countries where it operates. VBDO acknowledges this. Next year we are very keen to read back these efforts in the Annual Report, including a reference to the notion of living wage.

In terms of the SDGs, Randstad has not yet incorporated the Goals in the overall (sustainability) strategy. VBDO is interested to see how ambitious the company will be with its targets to contribute achieving to the four selected Goals.

RELX Group

The company works to minimize any environmental impact and sees a role for itself to inform the environmental debate, aid decision makers and encourage research and development. This mind-set results in repeat of last year's excellent result. VBDO encourages the company to look into the calculation of external costs, as the absence of a standardized approach makes that there is an opportunity to contribute to the development thereof.

RELX Group became "Living Wage" accredited in the United Kingdom last year and expects its suppliers to recognize that

wages are essential to meeting employees' basic needs. VBDO encourages RELX Group to ensure all employees around the world receive compensation that is sufficiently high enough to cover food, housing and other basic needs. Once again, the absence of a standardized approach should not halt RELX, as it forms an opportunity to contribute to the development thereof.

RELX Group's dedication to advance the SDGs is remarkable: not only did the company launch the "SDG Resource Centre" to showcase and share the latest developments in driving the Goals forward, also the developed "Blueprint for SDG Leadership" is a comprehensive means for companies to communicate intentions, actions and partnerships they are undertaking to contribute achieving the Goals. VBDO looks forward to the concrete, measurable and time-bound targets RELX is developing regarding its contribution to the five selected SDGs (SDG 3, 4, 10, 13, 16).

SBM Offshore

Besides its intention to operate in an environmentally robust and sustainable manner to minimize the impact on local ecosystems and proactively protect the environment, SBM Offshore sees long-term value creation in facilitating the energy transition for its clients and society. Within this strategy, it has launched the new "Gas, Power & Renewables" product line in 2017. VBDO encourages the company to share its long-term vision on this market segment with its stakeholders, as well to disclose how it monitors the impact of its operations on fish and other sea life.

Living wages are not directly addressed by SBM Offshore, but are included in the Supply Chain Charter "fair remuneration" (published last year). VBDO is keen to provide input to SBM Offshore to come to a more precise definition in order to determine if it allows employees in the supply chain to cover food, housing and other basic needs.

SBM Offshore has increased its performance regarding the SDGs. It focuses on seven Goals after actively involving employees through workshops and a survey, desktop research and a mapping exercise. The company also links the results achieved in 2017 to the identified SDGs. VBDO is looking

forward to how the company will make progress on defining (concrete, measurable and time-bound) targets against the chosen Goals and recommends to look into possible collaborations to boost the contribution achieving the SDGs.

Wolters Kluwer

Wolters Kluwer includes natural capital as input in its Value Creation Model and also expects its suppliers to reduce their energy consumption, trace the origin of the natural resources they use, take steps to ensure safe handling, transport, storage, use and disposal of waste and to be fully transparent on the use of hazardous substances. A next logical step would be the adoption of concrete, measurable and time-bound targets, for instance on the energy consumption of (out-sourced) data centres.

Living wages are currently not one of the requirements which the company's suppliers have to meet. VBDO recommends Wolters Kluwer to formally investigate whether suppliers provide sufficiently high compensation to cover food, housing and other basic needs.

The company contributes to the ten selected SDGs by means of the product portfolio, investments, diversity policy and governance practices. Besides making this contribution to the Goals more concrete, a logical next step seems to set related concrete, measurable and time-bound targets. VBDO also encourages the company to explore how contributing to the "SDG Resource Centre" can advance its contribution to the Goals.

3.5 Technology and Electronics sector

Relevant sustainability themes in this sector

Natural Capital

- (Hazardous) Waste and pollution
 - Use of water and raw materials
 - Supply chain responsibility
-

Living Wage

- Wage rates in supply chain
-

Sustainable Development Goals

- SDGs relevant to core business
 - Additional initiatives and partnerships to reach the Goals
-

Good practice



Good practice in conducting a living wage assessment in own operations

In 2017, Signify assessed its rewards approach to guarantee its remuneration package meets the fair living wage definition it has established. It found that fair living wages were met on average for the lowest-pay grades. Signify will continue to review salaries using the living wage definition and will make sure that every employee will be paid a fair living wage. The company has established its own definition for living wage as:

“the monthly remuneration necessary to cover the cost of food, housing and transportation, with a 10% margin for other expenses (including expenditure for education, health, and clothing). It is calculated as the gross income necessary to afford these expenditures, taking account of tax liabilities and social welfare entitlements. The following model family was selected for our calculations: two parents with a combined employment rate of 1.8 and two dependent children under 18”

Signify used the Wage Indicator database for most of the countries it assessed (WageIndicator, 2018). Only for China, the Asia Floor Wage was used (Asia Floor Wage Alliance, 2018). This database is science based and Signify shows leadership by sharing its methodology in the supplement to the sustainability statements of the annual report (Signify, 2018).

Key findings per theme

This section provides an overview of the main observations in the technology and electronics sector for each of the three selected themes.



Natural Capital

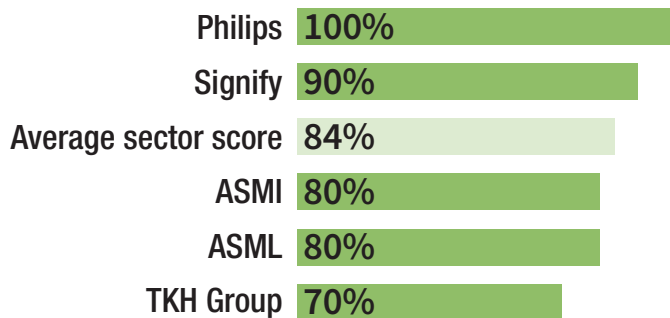


Figure 17: Scores on natural capital in the technology and electronics sector

All companies in the technology and electronics sector have improved their performance regarding natural capital, resulting in the sector average increase by 25%. Philips has shown its leadership with the established profit and loss account, which is reflected in its leading position with full marks as can be seen in Figure 17. Former daughter company Signify is also actively calculating its external costs and therefore follows closely. ASM International, ASML and TKH Group have not explored the externalities of their activities, which would therefore be a suitable topic to consider in the coming year.

In general, it appears the targets with respect to energy consumption, water use or generated waste are easily met within the technology and electronics sector. Setting more ambitious targets could help to reduce the environmental footprint of all companies, which is necessary given the expected growth of this sector in the coming years.



Living Wage

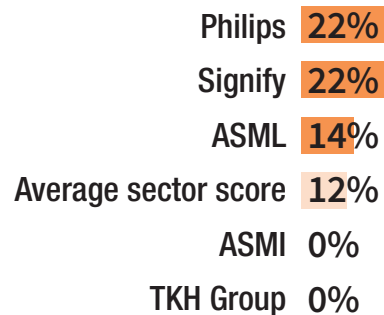


Figure 18: Scores on living wage in the technology and electronics sector

Also in terms of living wages, Philips claims the top spot but shares it with Signify, both bypass the former frontrunner ASML. This development is impressive, as both companies did not even refer to the concept last year but now both formally investigate whether their salaries meet the living wage standard. Only ASM International and TKH Group have not made reference to the subject, even though the former has committed to put this on the agenda at the Responsible Business Alliance. VBDO welcomes this initiative as it would result in a level playing field, given all companies in the technology and electronics sector have based their Supplier Code of Conduct on the Responsible Business Alliance code. Notably, the code only requests compliance with minimum wages and does not guarantee employees are able to cover food, housing and other basic needs for themselves and their relatives.



Sustainable Development Goals

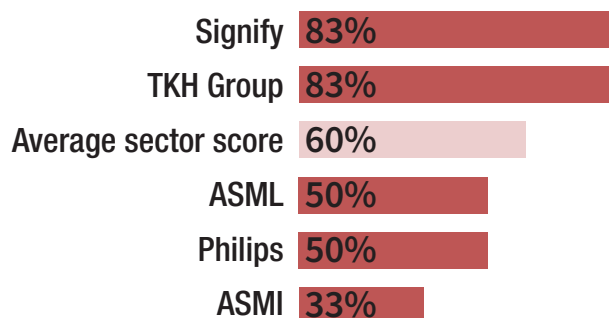


Figure 19 Scores on the SDGs in the technology & electronics sector

Signify confirms its leading position this year by further improving its performance regarding the SDGs, as can be observed in Figure 19. It shares the top spot with TKH Group, which showed great progress after scoring only 14% last year compared to 83% this year. Philips also clearly incorporated the Goals in the overall strategy, improving their performance by 36%. ASML International reported for the first time on the SDGs this year, but still has some margin for improvement. Suggestions are setting concrete, measurable and time-bound targets on its contribution or partnering with peers or other stakeholders.

All companies in the technology and electronics sector include SDG 12: Responsible Consumption & Production in their focus. Yet, concrete actions to increase the lifetime of products, assure devices can be repaired and can be fully recyclable are not yet observed. Only ASML has taken clear steps towards embracing the circular economy. Other initiatives in this respect would be welcomed too.

The companies

This section provides a recapitulation of each company in the technology and electronics sector regarding their current position on the three selected themes, as well as next steps that are to be made on the themes.

Highlighted commitment

ASM International will broach living wages at the Responsible Business Alliance. If no progress is made within the foreseeable future, the company will adapt its own Supplier Code of Conduct.

ASM International

ASM International is committed to reduce the impact on the environment in-line with the ZERO HARM! vision by continuously improving the management systems and setting objectives. Initiatives such as the installation of a wastewater recirculation facility, air conditioner replacements and conversion to LED lighting have allowed the company to meet its 2020 targets on CO₂ and water consumption already in 2017. Further performance progress is possible by looking into the calculation of external costs such as those carried out by peers.

The company has indicated that it assumes their own employees do not have difficulties to cover food, housing and other basic needs but that it is willing to address the living wages in the supply chain at the Responsible Business Alliance. VBDO welcomes this mindset, and encourages the company to formally investigate whether its remuneration policy meets the living wage standard.

In 2017 ASM International has aligned its strategy with the SDGs and focuses on five Goals. Actions and objective setting is being explored for SDG 13: Climate Action. VBDO looks forward seeing initiatives and concrete, measurable and time-bound targets for each relevant SDG. In addition, it encourages the company to actively look for partnerships to reach the Goals.

ASML

ASML commits to product stewardship, aiming for environmentally friendly resource-efficient manufacturing processes and systems. In addition, the company embraces the circular economy by refurbishing systems, remanufacturing parts and upgrading systems to extend their lifetime. The company has running energy-, water- and waste-saving projects in place and set targets for both energy consumption and the amount of generated waste. Looking into calculating the externalities of the business activities could further enhance the company's environmental performance, despite the fact that there is no standardized approach in place at this point in time.

Even though the company explicitly refers to the living wage concept and is confident that this is not an issue for the predominantly well-educated employees, the company has not formally investigated whether its remuneration policy is meeting the living wage standard. Therefore, this seems a logical first step before addressing the salaries in the supply chain.

ASML supports the ambitious SDGs and has thereto mapped its strategy and current efforts to identify the five most relevant Goals. Existing objectives are clearly linked to this selection, yet no additional initiatives or partnerships have been identified. VBDO therefore recommends the company to explore this further.

Philips

Philips has shown its leadership by establishing an environmental profit and loss account and making the underlying methodology publicly available. VBDO recommends Philips to share with its peers how this EP&L-account is of value for the business, as well as keeping track of other approaches which might be developed by other organizations.

In terms of living wage, the company has started examining whether its salaries meet the living wage definition after having recognized this subject as a material social topic. Not only is Philips willing to adapt its remuneration depending on the outcome, it is also prepared to conduct a similar examination for its supply chain.

Philips gives its aspiration of being a major private sector contributor to the two selected SDGs form by the cumulative spending of 7.5 billion EUR on "Sustainable Innovation" before 2020. The company also partnered with the WHO, IFPMA, IFRC and UNICEF amongst others to achieve Universal Health coverage as well as supported the SDG 3 window of the SDG Partnership Platform Kenya in 2017. VBDO recommends the company to more explicitly indicate how exactly the R&D activities contribute to the SDGs and also to look into partnerships within the sector to achieve SDG 12: Responsible Consumption and Production.

Signify

Signify has focused on minimizing environmental impact since the 1970s by setting ambitious targets, developing and implementing detailed plans and reporting on the progress; and has continued to do so in 2017. Besides the strong motivation to reduce the dependency on water, actions include the zero waste to landfill program, as well as phasing out multiple hazardous substances. The company also expresses the impact made on stakeholders and society in monetary terms. Therefore, developing a full environmental profit and loss account seems a next logical step.

Signify not only recognized living wages as a topic to be included in the materiality matrix, it also has completed the inspection of its remuneration policy and will continue to review its salary ranges to ensure adequate compensation for all employees across the globe. The company has indicated it will continue its efforts in this domain by repeating this review for its supply chain. VBDO looks forward to the outcomes thereof.

The company proves its stewardship also in terms of the SDGs. VBDO recommends more explicit reporting on the contribution to the four selected Goals and encourages to actively participate in partnerships with public and/or private partners.

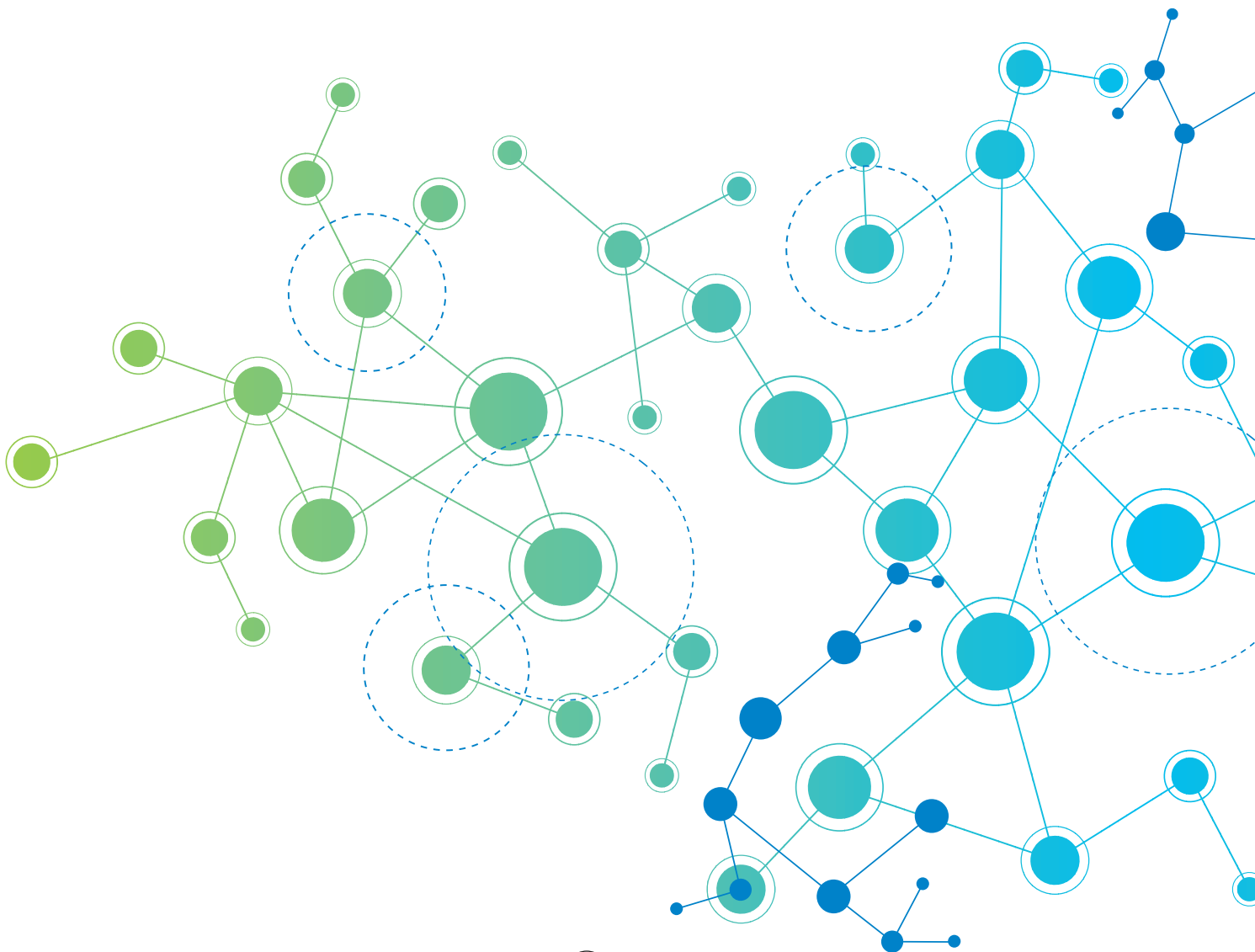
TKH Group

TKH Group has a policy on energy, raw materials, waste and recycling, as well as noise and smell pollution. The Group has implemented the LEAN method at its manufacturing factories to prevent all waste from the production process by incorporating the actual customer demand and added value of the production process. For the second consecutive year, the targets in terms of total waste and recycling of raw materials have been met. VBDO would like to see a longer-term ambition of TKH Group and also recommends the Group to look into the calculation of external costs.

TKH Group has indicated that living wage has become an important topic after the AGM of 2018. Next year VBDO expects the company to publish its supplier code of conduct, which includes a reference to living wage and a qualitative description of the concept.

TKH Group shows excellent performance in terms of the SDGs. Not only has it identified the most relevant Goals and outlined its contribution, it also has set concrete, measurable and time-bound targets and is collaborating with peers and suppliers to achieve the Goals. Only concrete additional initiatives have not yet been identified. VBDO therefore recommends the company to consider what measures can be taken to enhance the contribution to the SDGs.

Eight companies have made formal commitments to apply living wages in their own operations.



4. Commitments made to VBDO

When VBDO engages with companies, there is the intention to receive commitments to enhance the sustainability performance next year. These can be given during an AGM, in written answers to our questions or in public information.

This chapter discusses both the follow-up from commitments made last year and the new commitments made this year. A full list of commitments can be found in Appendix 4.

Commitments made in 2017

This year, 27 out of 37 commitments made in 2017 were followed-up, as shown in Figure 20. The text brackets show some notable follow-ups made by companies.

10 commitments were not followed-up by companies. Reasons for not following up commitments can include, that the company decided to extend their commitment by a year, use another strategy or simply does not agree with the commitment anymore. In any case, companies have been asked to provide an explanation to VBDO when commitments were not followed-up.

Highlighted follow-up

Ahold Delhaize initiated a research project with UTZ on the effects of paying a living wage in Kenya.

Highlighted follow-up

9 companies have followed-up their commitments on enhanced reporting on the SDGs.

Highlighted follow-up

NN Group extended its natural capital criteria selection with the publication of an ESG perspective on palm oil.

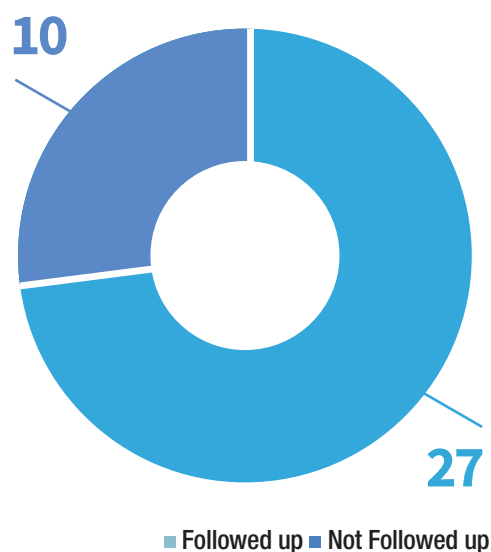


Figure 20: Follow-up of commitments made in 2017

New commitments made in 2018

In 2018, 39 commitments have been made to VBDO during engagement efforts. Not all companies have made commitments, whereas some companies made multiple. A positive trend can be witnessed when it comes to setting targets. Figure 21 shows that at least 14 companies are considering to or will set targets in 2019. Figure 22 on the other hand shows that the commitments are evenly distributed among VBDO's priority themes. It seems that more and more, environmental, social and governance criteria are considered equally important by companies. The text brackets show some highlighted commitments. It can be expected that companies will improve their sustainability performance again next year.

Highlighted commitment
Fugro will pick up living wages.

Highlighted commitment
Randstad will set targets on its contribution to the SDGs.

Highlighted commitment
ASML will set new (environmental) targets in-line with the SDGs for the period 2020-2025.

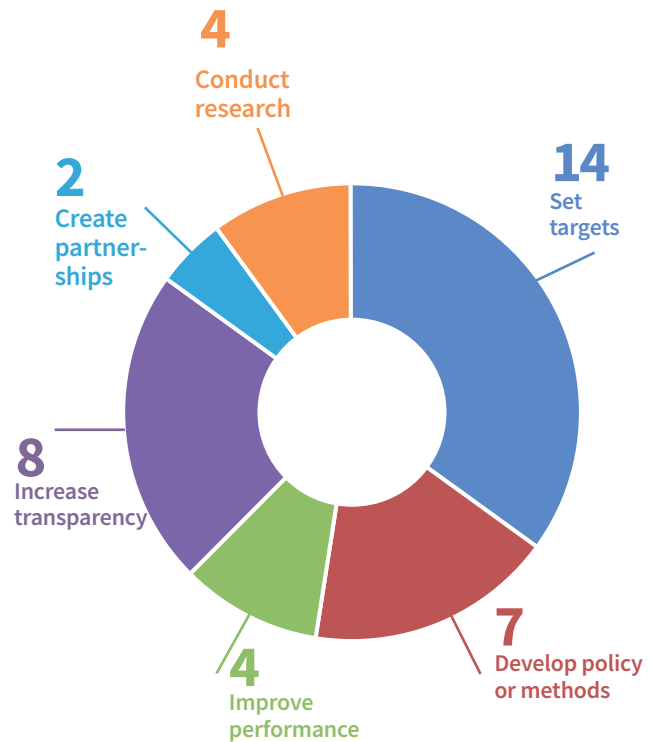


Figure 21: Commitments 2018 per type

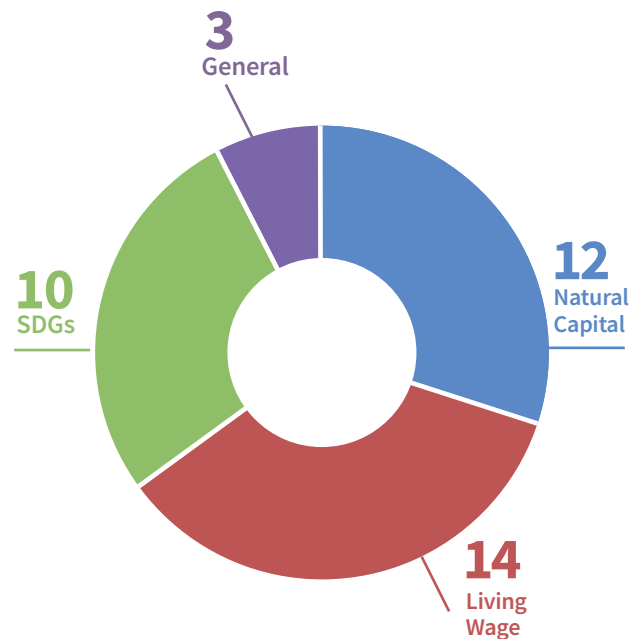


Figure 22: Commitments 2018 per theme

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Appendix 1: VBDO's engagement process

Since the founding of VBDO 23 years ago, active company engagement around and during the AGMs has been one of VBDO's core activities. With this, the aim of VBDO is to improve corporate sustainability performance.

VBDO pursues constructive dialogues with the selected companies on material sustainability themes. Engagement during the Annual General Meetings (AGM) is preceded by in-depth research of the companies' sustainability performance over the reporting year 2017, based on - among others - the Annual Report, sustainability reports, web research and consultation with experts. Based on this research, relevant issues are selected for which questions are formulated. These questions are then shared with the selected companies and VBDO takes the initiative to conduct pre-AGM meetings and calls to enhance the understanding of the questions.

Based on such conversations VBDO selects the most material questions to ask at the AGM to the companies' Board of Directors.

In total, 31 out of 35 companies participated in pre-engagement meetings or calls with the VBDO. All of VBDO's engagement activities have a positive character and the questions are aimed to be critical and most of all, constructive.

VBDO attempts to create an open exchange of ideas around the companies' sustainability policy in order to improve the overall sustainability performance. In Figure 23, the flow of engagement around the AGMs is shown.

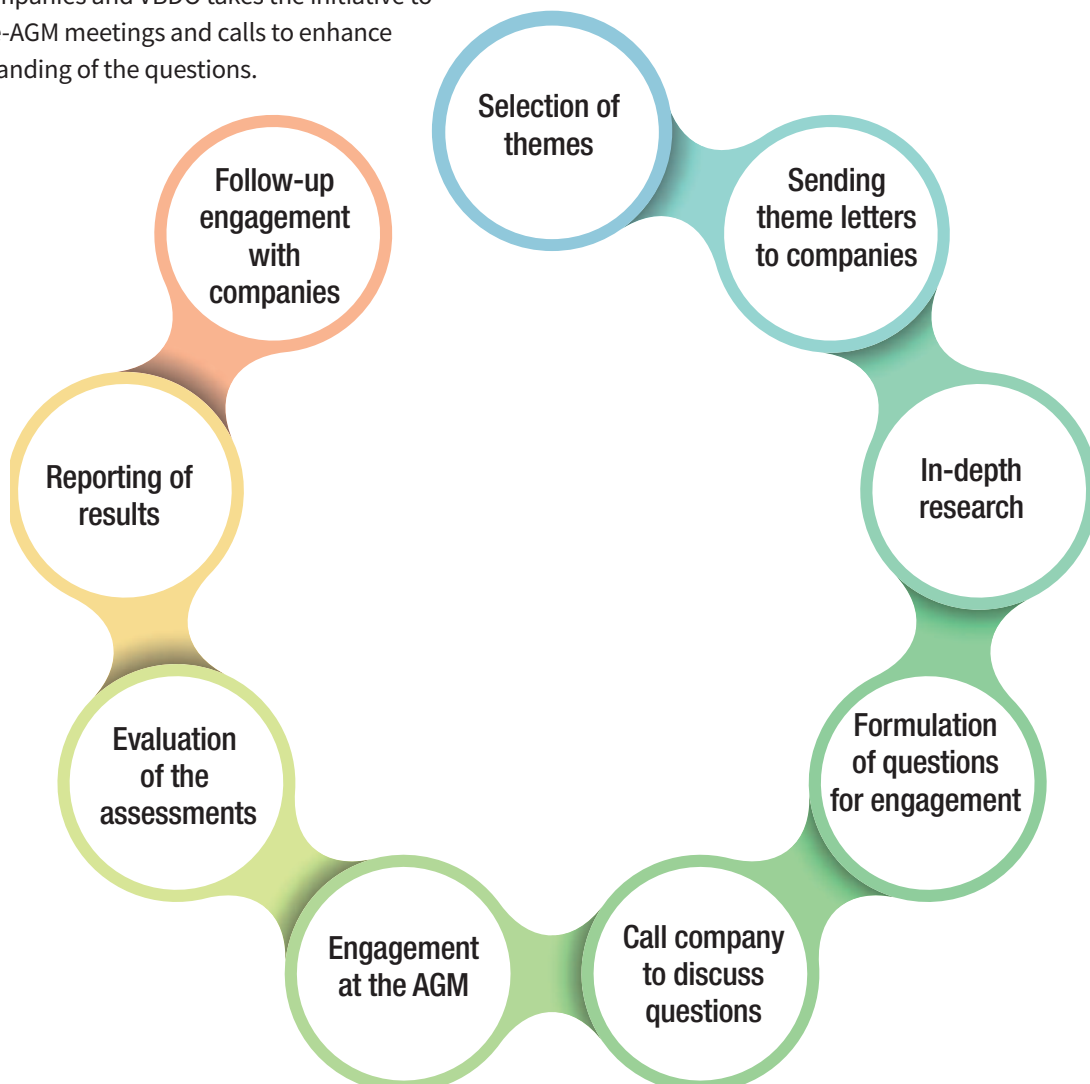


Figure 23: VBDO's engagement process around the AGM season 2018

Selected sustainability themes

Selected themes for AGM season 2018

- **Natural Capital**
 - **Living Wage**
 - **Sustainable Development Goals**
-

The three 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 as well as VBDO's own analysis and interaction with its institutional members. For impactful engagement purposes during the AGM, the most relevant issues per respective company were assessed. VBDO engages on the selected themes for three consecutive years, to measure progress.

Basis of company selection for engagement during AGM season 2018

For the purpose of VBDO's AGM season 2018, the sustainability performance of 35 companies was studied, which was followed by written engagement on the initial results. In 2018 the VBDO entered into direct engagement with the Board of Directors during the AGM of 33 publicly listed companies. ArcelorMittal and Unibail-Rodamco were engaged in writing.

Basis of company selection for engagement

- Presence in the AEX index;
- At least one peer from different indices (AMX, AScX), if no peer included in the AEX index;
and/or
- Companies VBDO deemed necessary to enter into engagement with based on sustainability performance related issues.

Research and questions

The issues raised during the AGMs were based on in-depth research of company sustainability performance over reporting year 2017, based on annual/integrated and sustainability reports, web search and expert consultation. These analyses resulted in materialised questions for the respective companies.

Nature of questions to respective companies

- Questions addressing VBDO's selected themes;
- Questions addressing transparency issues;
- Questions addressing themes of particular relevance 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.

List of pre-AGM engagement

Prior to the AGM, VBDO engages with companies concerning the selected themes and the questions drafted through a call or meeting. This year VBDO was able to engage with 31 companies before their AGMs. The VBDO corresponded with all 35 companies on their assessment results and provided sufficient response time.

Table 1:
List of Pre-AGM Meetings

Company	Pre-AGM Meeting
Financial sector	
ING group	Yes
Aegon	Yes
ABN Amro	Yes
a.s.r.	Yes
NN group	Yes
Industries	
Heijmans	Yes
Aalberts Industries	Yes
Royal BAM Group	Yes
Vopak	Yes
AkzoNobel	Yes
ArcelorMittal	Yes
Boskalis	No
DSM	Yes
Shell	No
Corbion	Yes
Technology and electronics	
ASML	Yes
Philips	Yes
TKH Group	Yes
Signify	Yes
ASM International	No
Food, beverage and retail	
Sligro	Yes
Ahold-Delhaize	Yes
Heineken	Yes
Wereldhave	Yes
Unibail-Rodamco	Yes
Unilever	Yes
Services	
Randstad	Yes
SBM Offshore	Yes
PostNL	Yes
KPN	Yes
RELX N.V.	Yes
Wolters Kluwer	Yes
Arcadis	Yes
Fugro	Yes
Altice	No
Total	31

Appendix 2: Scoring methodology

Each company was assessed on the criteria in Table 2 below. For specific sectors we made additional considerations (see Appendix 3).

The total score per theme has been calculated based

on the following rules:

- Scoring on all criteria within a theme leads to a scoring percentage of 100%;
- Every criterion within its own theme is equally weighted.

Table 2 Scoring methodology

Theme	Criterion	Score
Natural Capital	Strategy and Governance	
	The company makes reference to natural capital issues within the company and the company specifies why natural capital is important for its business.	1
	Policy	
	The company has a policy on natural capital in place.	1
	Management system	
	The company has identified its key risks and dependencies with regard to natural capital for its own operations.	1
	The company has identified its key risks and dependencies with regard to natural capital in its supply chain.	1
	The company has identified its key impacts with regard to natural capital for its own operations.	1
	The company has identified its key impacts with regard to natural capital in its supply chain.	1
	Implementation	
	The company has taken specific action to reduce impact on, or enhance, natural capital for its own operations or in its supply chain.	1
	Outcomes	
Living Wage	The company has developed Key Performance Indicators (KPIs) and SMART targets on natural capital and explains why it has established these targets.	1
	The company is actively looking into calculating the externalities of its activities.	1
	The company has established an EP&L account.	1
	Strategy and Governance	
	The company makes reference to the concept of living wage in its strategy.	1
	Policy	
	The company has made a formal commitment to apply living wage in its own operations.	1
	The company has developed a Supplier Code of Conduct that makes reference to living wage.	1
	Management system	
	The company has identified its key risks with regard to living wage.	1
	Implementation	
	The company pays its employees a living wage.	1
	The company's key suppliers have signed the Supplier Code of Conduct which also contains a reference to living wage.	1
	Living wage is a criterion in the company's due diligence approach for its suppliers.	1
	Outcomes	
	The company has set relevant targets on living wage.	1
	The company has partnered with multiple suppliers or other external stakeholders to improve living wage in its supply chain.	1

Theme	Criterion	Score
Sustainable Development Goals	Strategy and Governance	
	The company makes reference to the SDGs in its strategy.	1
	Policy	
	The company has identified the most relevant SDGs to contribute to and provides an explanation for this focus.	1
	Implementation	
	The company has specified concrete actions related to its core business that contribute to reaching the selected SDGs.	1
	The company has started additional initiatives to contribute to a specific goal.	1
	Outcomes	
	The company has set relevant and SMART targets regarding contributing to reaching all material SDGs.	1
	The company has created partnerships (SDG17) to contribute to reaching (one of) the material SDGs.	1

Appendix 3: Criteria considerations

Criteria considerations per theme

In order to score companies on an equal and consistent basis we have made criteria considerations for each theme. These are depicted below.

Table 3 Criteria consideration per theme

Natural Capital	<ul style="list-style-type: none"> For every sector, we have identified material natural capital themes, which have been crafted based on the input received from our sector committees, consisting of sustainability professionals that are or have been active in this specific sector. To score on natural capital criteria, companies were required to address at least a part of these material themes. This explains why companies can score or not score based on addressing different natural capital themes. An overview of material topics per sector is provided in the chapter on sector results. Differing per sector, CO₂ emissions and energy use have not been included in the scope of natural capital themes. Within the ‘management system’ criteria, significant changes were made compared to previous years. For companies to score on these criteria, they had to explain both the key dependencies and the key risks with regards to natural capital. Material risks have been defined per sector, they include among others: resource scarcity, biodiversity loss and soil degradation. Key dependencies for companies are ecosystem services that companies freely gain from the natural environment. They include among others: water and air purification, climate regulation and waste decomposition. One point less (total of 10 points opposed to 11) can be obtained this year. We have merged two criteria on the existence of SMART targets. The companies should provide an explanation, in addition to having SMART targets. As a result, one less point is awarded.
Living Wage	<ul style="list-style-type: none"> Companies are not scored on living wage when living wage is not a material topic for both its own operations and for its supply chain. Materiality is mainly assessed due to the geographical scope of its operations (eg. only in Western Europe). If living wage is material for the supply chain, companies are scored on this theme. However, two sub criteria are subsequently deemed ‘not applicable’ due to the reference to the companies’ own operations. Characteristics of the workforce have not been taken into account when scoring companies on living wage. This means all companies – including companies with a predominantly high-skilled and high paid workforce – were required to explicitly confirm a living wage standard to score on these criteria. Reference to the ILO guidelines only is not approved for scoring on living wage criteria, since these guidelines do not specifically imply a living wage standard. To score on criteria for living wage, also other terminologies than ‘living wage’ are approved, e.g. ‘fair wage’. We focus on the qualitative explanation companies attached to the concept and these should be in-line with the living wage concept as accepted by VBDO (see chapter 5).
Sustainable Development Goals	<ul style="list-style-type: none"> As opposed to last year, the ‘management system’ criterion: ‘the company has identified the key risks with regard to not reaching the SDGs’ was removed from the assessment. This year, the companies had to specify concrete actions and explanations for every selected SDG. This is done to check whether companies were not merely using the SDGs for the UN stamp, so-called ‘blue-washing’ their SDG performance. Initiatives that were started have to be initiated after 2015 (when the SDGs were announced). Additionally, means an initiative that is additional to existing business activities prior to the SDGs, that contribute to the SDGs directly. Existing initiatives / targets that are linked to the SDGs afterwards are not approved for scoring on these criteria. SMART targets have to be formed for every selected SDG.

Criteria considerations per sector

In order to score companies on an equal and consistent basis we have made criteria considerations for each sector. These are depicted below.

Table 4 Criteria considerations per sector

Financial sector

Natural Capital	<ul style="list-style-type: none"> Focus on portfolio companies rather than supply chain. The financial institutions were not scored on the following criteria: key risks own operations, impacts own operations, impact of its suppliers, and explanation why it has established specific targets. The key risks in the supply chain were replaced by the key risks in the portfolio companies. For the application of natural capital in their value chain the criterion 'the company has identified its key risks with regard to natural capital for its clients/portfolio companies' includes an assessment on the investment strategy and ESG criteria applied, containing a strong focus on reducing (potential) environmental damage.
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Living Wage	<ul style="list-style-type: none"> Focus on value chain rather than supply chain. Criteria 'commitment to apply living wage in own operations', 'pays living wage to own employees', 'the majority of suppliers has signed the Supplier Code of Conduct that makes a reference to living wages' and 'living wage is a criterion in the due diligence approach' were not scored. Criterion 'Supplier Code of Conduct makes a reference to living wages' was transformed in 'Responsible Investment/Finance Policy makes a reference to living wages'. Criterion 'the institution has taken action to improve performance of its clients/portfolio companies regarding paying a living wage in their operations and in the supply chain' was added.
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Food, Beverage and Retail sector

Living Wage	<ul style="list-style-type: none"> Unibail-Rodamco and Wereldhave are not scored for the themes living wage, due to the low relevance for their core business activities. Unibail-Rodamco and Wereldhave can be considered as a 'subsector' that is concerned with real estate, within the food, beverage and retail sector, Unibail-Rodamco and Wereldhave are not scored for the theme living wage due to the low materiality for their core business activities.
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Industries sector	<i>No additional considerations applied.</i>
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Services sector

Natural Capital	<ul style="list-style-type: none"> Focus on value chain rather than supply chain. Due to the core business activities of most services companies, the definition of natural capital has been adjusted according to the relevant risks of these companies. Therefore, company's incentives that aim to minimise CO₂ emissions, energy- water- and paper use, and waste production, are found sufficient to score on natural capital.
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Living Wage	<ul style="list-style-type: none"> PostNL was not scored on the theme living wage, due to the low materiality regarding their core business.
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Technology and Electronics sector	<i>No additional considerations applied.</i>
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Appendix 4: Commitments

Ahold Delhaize (food, beverage and retail):

- The company will undertake a pilot with calculating externalities with regard to natural capital in 2018.
- The company will assess potential actions based on the results on the collaboration with UTZ on living wage, which they expect later this year.
- The company will assess how to share the outcomes of the Human Rights Due Diligence in 2018.

AkzoNobel (industries)

- AkzoNobel will continue to set targets on the sales of eco-premium products after 2020.

Altice (services)

- The company will report on the materiality analysis it has conducted.

Arcadis (services)

- The company will publish local supplier code of conducts.
- The company expects to translate local environmental targets to the global level.
- The company will report on the percentage of revenues contributing to a specific SDG.
- The company will gather information internally to make the contribution of substantial projects to the SDGs more concrete.

ASM International (technology and electronics)

- The company will broach living wages at the Responsible Business Alliance. If no progress is made within the foreseeable future, the company will adapt the own Supplier Code of Conduct.
- The company will set SMART targets on their contribution to SDG 8 and 9.

ASML (technology and electronics)

- The company will set new (environmental) targets in-line with the SDGs for the period 2020-2025.

a.s.r. (financials)

- The company will consider science based climate targets analysis next year.

BAM Group (industries)

- The company will report on the sourcing of timber for the entire Group.
- The company will consider the reporting of targets on its contribution to the SDGs.

Fugro (services)

- The company will pick up living wages.
- The company will improve the quality of reporting on the contribution to the SDGs.

Heineken (food, beverage and retail)

- The company will include a reference to the topic of living wage in the new Supplier code of Conduct, which will be published this year.

KPN (services)

- The company will consider to refer explicitly to living wage or the definition of the concept.

NN Group (financials)

- The company will include a reference to living wages in their Investor Guidance Paper on Labour Rights, which will be published in 2018.

Philips (technology and electronics)

- The company will increase salaries to meet the living wage standard if necessary.
- The company will investigate to what extent living wages are paid in the supply chain.

PostNL (services)

- The company's new environmental target will focus on CO₂
- The company will consider targets on nitrous oxides and particulate matter.
- The company will publish its targets with respect to the SDGs in the near future.

Randstad (services)

- The company will set targets on its contribution to the SDGs.
- The company will consider to provide insight in the Human Rights Impact Assessment and Global Key Control Framework.

RELX Group (services)

- The company will continue to follow the developments in terms of EP&L-accounts.
- The company will explore setting targets to align with specific SDGs

Signify (technology and electronics)

- The company will investigate to what extent living wages are paid in the supply chain.

Sligro (food, beverage and retail)

- The company considers actions for Sligro that contribute to reach the Sustainable Development Goals.

TKH Group (technology and electronics)

- The company will disclose more details on the 2030 roadmap during 2018.
- The company will try to contact peers regarding living wages.

Vopak (industries)

- The company will investigate whether living wage can be included in the Supplier Code of Conduct.
- The company will consider to stimulate payment of a living wage in the chain, by using their anonymous whistleblower policy for its contractors.

Wereldhave (food, beverage and retail)

- Wereldhave will set a target on carbon, seeing the Paris Agreement .
- Wereldhave will consider quantifying the amount of 'green roofs' in the future.

Wolters Kluwer (services)

- The company will look into SMART targets with respect to the use of energy and water, as well as the production of waste.
- The company will reconsider potential partnerships in the light of the SDGs.

Appendix 5: Explanation of selected themes

Natural Capital

The term ‘natural capital’ describes the earth’s finite stock of natural assets. Natural capital includes renewable resources (e.g. plants, animals), and non-renewable resources (e.g. fossil fuels, metals, minerals). Biodiversity and ecosystem services are key parts of natural capital (VBDO, 2015).

Examples of ecosystem services are the provisioning of oxygen, food, fresh water, raw materials; supporting water cycling and purification; and recreation in nature.

Impacts of companies on natural capital may be direct by a company’s operations (e.g. emissions affect soil quality around the company’s production area) or indirect through the use of natural resources produced by others (e.g. wood used by a furniture company that has been sourced from a timber manufacturer in another country).

For financial institutions and service-oriented companies it is evident that their reliance and their impact on natural capital mostly occurs indirectly. Developing a comprehensive natural capital approach starts with assessing the direct and indirect impacts on natural capital, including related risks and dependencies. This results in a coherent set of environmental policies based on the most relevant aspects of natural capital for the company, rather than, for example, a collection of independent KPIs and targets.

Living Wage

The Universal Declaration of Human Rights recognizes the right of every worker to “just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity” (Article 23) (United Nations, 2015b). Living wage is a wage which provides employees with the necessary income to maintain a decent standard of living based on geographical location and cost of living (local context) (ISEAL Alliance Living Wage Working Group, 2013). In many countries, wages earned during normal working hours are often too low to meet the basic needs – including food, housing, clothing, education and healthcare of the workers and their families. In order to sustain their livelihoods, workers have to work overtime, exceeding the norm of a maximum of 48 hours per week (excluding up to 12 hours per week overtime on a non M regular basis), as set by the ILO. (Berenschot, 2012; International Labour Organisation, 2018). These work patterns may have adverse impact on the workers’ physical and mental well-being, as well as wider implications for social development at the national/regional level. In addition, poverty wages may lead to other human rights violations, most notably child labour.

Note: *Living wage is not to be confused with the legal minimum wage, as the latter is set by government mandate (law) and, in most cases, it is lower than the former. Minimum wage has failed to protect workers sufficiently: in many developing countries, if a minimum wage exists, it equals the UN-defined poverty line of US\$2/day (World Bank, 2015). Important indicators can be found with the WageIndicator, Living Wage Lab and the Living Wage Benchmarks (Wage Indicator Foundation, 2018; Fairfood & Hivos, 2018; Global Living Wage Coalition, 2018).*

VBDO believes that companies should publicly commit to paying workers a living wage across their operations and supply chains and establish long-term targets. Companies should incorporate living wage in their sourcing policies and supplier agreements, and continuously assess the performance of their supply chains. These practices are consistent with a long-term corporate vision aimed at achieving non-financial objectives and ensuring sustainable business.

Sustainable Development Goals

On September 25th 2015, all member states of the United Nations adopted the Sustainable Development Goals which define the global sustainable development priorities and aspirations for 2030 (United Nations, 2015a). The new sustainable development agenda contains 17 Goals with specific targets and commit countries to address the root causes of poverty, increase economic growth and prosperity for all, within the boundaries of the planet (Global Reporting Initiative, United Nations Global Compact & World Business Council for Sustainable Development, 2015). All 17 Goals interconnect, meaning success in one affects success for others.

VBDO sees the SDGs as a framework, a common language that can help to connect business strategies with global priorities. Companies can use the SDGs as an overarching framework to shape, steer, communicate and report their strategies, Goals and activities, allowing them to capitalize on a range of benefits.

While the Sustainable Development Goals have been agreed upon by all governments, their success relies heavily on action and collaboration by all actors; governments, businesses and civil society. Therefore, the SDGs explicitly call on all businesses to apply their creativity and innovation to solve sustainable development challenges.



Figure 24: Sustainable Development Goals
(United Nations, 2015c)

In conclusion, all 35 companies in the scope of this report have made important steps towards implementation of the selected themes this year. Concerning Natural Capital and Living Wage, incremental progress can be reported. Most notably, this report shows the inclusion of the Sustainable Development Goals (SDGs) in corporate public information.



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