

Sustainability Performance of Dutch Stock Listed Companies

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AGM REPORT 2014



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Dutch Association of Investors for Sustainable Development (VBDO)
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Disclaimer

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

FOREWORD



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

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

The VBDO tends to operate within these requirements. We have engaged for over 19 years, and feedback shows our engagement is appreciated because it is fact-based, relevant, brings long-term value, is done from a long-term commitment, and is always done with a smile.

This report contains the results of our engagement with nearly 70 listed companies around their Annual General Meeting. We have asked questions around 3 priority themes: circular economy, human rights and

a responsible tax. We have also looked at integrating externalities, as well as long-standing items such as greenhouse gas emissions, diversity and supply chain issues. On the next pages you will find the results.

For the first time we have categorised the results per sector, enabling both a comparison of company performance within sector as well as a comparison of sustainability performance between sectors.

More detailed results per company and theme can be found on our website: www.duurzaamadeel.nl.

None of this all would have happened without our volunteers. I would like to express my sincere appreciation for all those who did research, drafted questions, visited the AGM's and wrote their reports. Special thanks to Liesbet Hanekroot, who prepared the AGM engagement process in 2014.

This publication was made possible by the financial support of our members. I would like to specifically thank Ingmar Schuurmans and Nihad Avdic for writing this report together with Don Gerritsen.

Giuseppe van der Helm,
Executive Director, VBDO

June 2014

¹ VBDO (2014). Engagement, box-ticking or catalysing sustainability?

MANAGEMENT SUMMARY

About this report: 75 INSTITUTIONAL AND 550 PRIVATE INVESTORS

since 1995, the VBDO actively engages with the Board of Directors of publicly listed companies during Annual General Meetings (AGMs) with constructive, critical questions to improve the company's sustainability performance. The association does this with the support of its members, i.e. 75 institutional and over 550 private investors.

About this report

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

About AGM season 2014: 68 COMPANIES

for the purpose of VBDO's AGM season 2014, the sustainability performance of 68 companies was scrutinised, followed by one or more engagement activities.

Results of selected priority themes

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

37%



CIRCULAR
ECONOMY

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

43%



HUMAN
RIGHTS

Human rights: 43% of the companies have a policy in place setting out standards of human behaviour to which it complies, going beyond national and international regulations. An example of such a policy is assessment of suppliers on potential abuse of human rights.

16%



RESPONSIBLE
TAX

Responsible tax: 16% of the companies have responsible tax principles and/or a responsible tax policy in place to which it complies, going beyond national and international regulations.

Results other selected themes

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

10%

INTEGRATING
EXTERNALITIES

Integrating externalities:

10% of the companies have a policy and/or project in place to calculate the externalities of its business practices, or a part thereof.

52%

GREENHOUSE
GAS EMISSIONS

Greenhouse gas emissions:

52% of the companies have measurable short- and/or long-term targets in place to reduce its greenhouse gas emissions.

52%

DIVERSITY

Diversity:

52% of the companies have a policy in place to diversify its employee base.

65%

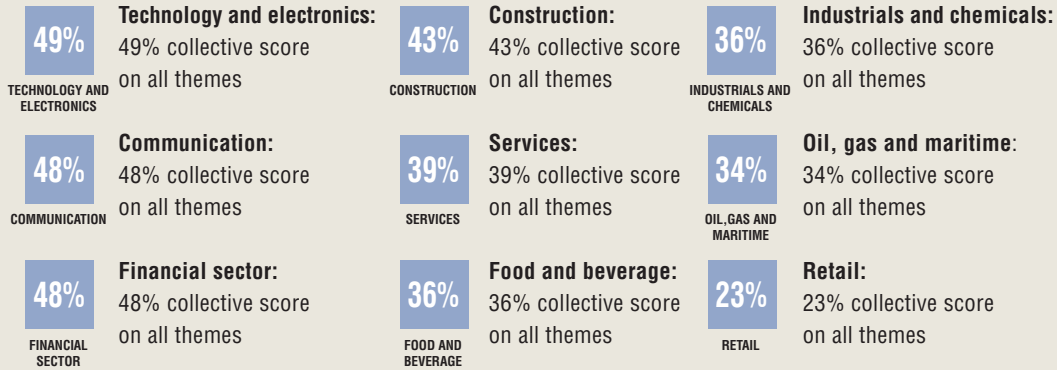
SUPPLY
CHAIN

Supply chain:

65% of the companies work with some or all stakeholders throughout the supply chain to improve the sustainability performance in the value chain.

Results by sector

the following sectors were categorised and scored on all themes:



Commitments to VBDO

the companies in scope made 42 commitments to the VBDO during AGM season 2014.

Conclusions

A number of companies does envision or grasp business opportunities resulting from the selected themes. Nonetheless, with over 60% not performing in line with VBDO's standard on circular economy, nearly 60% not scoring on human rights and over 80% not scoring on responsible tax, there's a long way towards integration of these essential themes into the Dutch corporate sector.

Recommendations



Circular economy: the VBDO encourages the circular economy principles as initiated by the Ellen MacArthur Foundation and the circular economy niche steps as initiated by the Circle Economy foundation.



Human rights: the VBDO encourages companies to develop and implement a sector-specific human rights policy respecting the three pillars of the United Nations Guiding Principles on Business and Human Rights, compliant with relevant international, national, regional and local standards, and execute an extensive due diligence prior to any engagement, followed by regular monitoring and intervention on human rights issues throughout the value chain.



Responsible tax: the VBDO recommends companies to define and communicate a clear strategy on tax governance, align tax with the business and it is not a profit centre by itself, respect the spirit of the law, know and manage tax risks, monitor and test tax controls and provide tax assurance.

OVERALL COMPANY SCORES ON SELECTED THEMES

Figure 1.1: Overall company scores on selected themes.















OVERALL COMPANY SCORES ON SELECTED THEMES											
											
Sector	Company	TOTAL SCORE ON THEMES	CIRCULAR ECONOMY	HUMAN RIGHTS	RESPONSIBLE TAX	GREENHOUSE GAS EMISSIONS	DIVERSITY	SUPPLY CHAIN	INTEGRATING EXTERNALITIES	OTHER COMMITMENTS TO VBDO	TOTAL COMMITMENTS TO VBDO
Communication	KPN	6								0	0
	Reed Elsevier	5								0	0
	PostNL	4			1					1	2
	Wolters Kluwer	4								0	0
	Ziggo	2								0	0
	Telegraaf media group	1					1	1		0	2
Financial sector	ING	6								0	0
	Rabobank	6								0	0
	Van Lanschot	4								0	0
	Delta Lloyd	4								0	0
	Nieuwe Steen Investments *	3								0	0
	Aegon	3								0	0
	KAS Bank	1								0	0
	Binck Bank	0		1						0	1
Technology and electronics	Philips	6		1	1					0	2
	ASML Holding	5								0	0
	Gemalto	3		1				1		0	2
	Imtech	3								0	0
	ASMI	3								0	0
	Nedap *	3								0	0
	EADS	2								0	0
Construction	Arcadis *	5	1							0	1
	Corio	5								0	0
	BAM Groep	4			1				1	1	3
	Ballast Nedam	3				1				0	1
	Grontmij *	3								0	0
	Wereldhave	3								0	0
	TKH Group	3								0	0
	Heijmans	1								0	0
	Brunel *	0								0	0
Services	Air France-KLM	6								0	0
	Randstad	4		1	1		1	1		0	4
	Ordina	3	1		1					1	3
	TNT Express	3								0	0
	USG People	3								0	0
	Exact *	0								0	0
	Unit 4 *	0								0	0

Figure 1.1: Overall company scores on selected themes.

OVERALL COMPANY SCORES ON SELECTED THEMES											
Sector	Company	TOTAL SCORE ON THEMES	CIRCULAR ECONOMY	HUMAN RIGHTS	RESPONSIBLE TAX	GREENHOUSE GAS EMISSIONS	DIVERSITY	SUPPLY CHAIN	INTEGRATING EXTERNALITIES	OTHER COMMITMENTS TO VBDO	TOTAL COMMITMENTS TO VBDO
Food and beverage	Heineken	4	1		1		1			0	3
	Nutreco	3								0	0
	Sligro	3	2							1	3
	Acomo *	2	1							0	1
	CSM/Corbion	2								0	0
	Wessanen	1	2	1	1			1		0	5
Industrials and chemicals	AkzoNobel	7								0	0
	DSM	6								0	0
	Ten Cate	4								0	0
	ArcelorMittal	3								0	0
	Crown van Gelder	3		1						0	1
	Kendrion *	3								0	0
	AMG	2								0	0
	Aperam Luxemburg	1								0	0
	BESI *	1								0	0
	Aalberts Industries	0								0	0
	Holland Colours *	0								0	0
Oil, gas and maritime	Royal Dutch Shell	4								0	0
	Fugro	3								1	1
	Boskalis	2				1				1	2
	Vopak	2				1				0	1
	SBM Offshore	2	1							0	1
Retail	Unilever	6								0	0
	Ahold	4								0	0
	Macintosh retail group	3								0	0
	Accell Group	1	1			1			1	0	3
	Beter Bed *	0								0	0
	Eurocommercial Properties *	0								0	0
	Vastned *	0								0	0
	X5 Retail Group	0								0	0
Other	Ajax *	0								0	0
Absolute score per theme			26	29	11	36	36	46	7		
Commitments per theme			10	6	7	4	3	4	2	6	42

Notes:

1. A coloured box refers to a company scoring in line with VBDO's criteria on the respective theme.
In the entire report 'blue' matches with 'circular economy', 'brown' with 'human rights', 'red' with 'responsible tax', 'green' with 'greenhouse gas emissions', 'purple' with 'diversity', 'orange' with 'supply chain' and 'terracotta' with 'integrating externalities'.
2. A number in a theme box refers to a commitment to VBDO on the respective theme.
3. Companies with an asterisk (*) have only been engaged with in writing.

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CHAPTER I: ABOUT THE VBDO AND THIS REPORT

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

1.1. About the VBDO

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

VBDO's core activities

1) Actively engaging

with the board of directors of publicly listed companies during Annual General Meetings (AGMs) with constructive, critical questions to improve the company's sustainability performance;

2) Initiation and identification

of sustainability and responsible investment trends;

3) Research and reporting

on sustainability and responsible investment themes;

4) Organisation of multi stakeholder dialogues

towards improved sustainability and responsible investment performance;

5) Performing engagement activities

on behalf of institutional investors on the sustainability performance of selected companies;

6) Organisation of sustainability and responsible investment

related conferences.

1.2. About this report

The VBDO is encouraged by the results of last years report “*Duurzaamheid bij Beursgenoteerde Bedrijven in de Versnelling*”, VBDO 2013², and on going requests from the market to continue the constructive dialogue since last years AGM season. It is imperative for the private sector to improve their performance on environment, social and governance (ESG) issues, especially given a number of increasingly evident trends³, amongst which:

- Sustainable investing is ‘mainstreaming’;
- ESG practices, including adhering to the PRI (Principles of Responsible Investing) are significantly increasing;
- Continuing growth and sophistication of sustainable and responsible investment⁴.

Goal of this report

To provide insight into the status quo of sustainability performance of the largest Dutch stock-listed companies, focused on three selected sustainability priority themes:

circular economy, human rights, and responsible tax

and a number of other selected indicators:

emissions, supply chain, diversity and integrating externalities.

Report structure

1) CHAPTER ONE:

introduces the VBDO and the report.

2) IN CHAPTER TWO:

the methodology behind the AGM season will be elaborated, including priority themes and the infrastructure behind the AGM season. The universe of the companies engaged with and VBDO’s voting policy will be presented.

3) IN CHAPTER THREE:

the core performance results on the priority themes and selected other themes will be presented.

4) IN CHAPTER FOUR:

the sustainability performance results are categorised by sector performance.

5) IN CHAPTER FIVE:

conclusions and recommendations are elaborated.



CIRCULAR ECONOMY



HUMAN RIGHTS



RESPONSIBLE TAX



GREENHOUSE GAS EMISSIONS



DIVERSITY



SUPPLY CHAIN



INTEGRATING EXTERNALITIES

² English translation: “sustainability in stock-listed companies in acceleration”.

³ Summary of VBDO’s analyst network meeting: global trends in sustainable investing, via:

<http://www.vbdo.nl/files/download/1342/Summary%20Analyst%20Network%20Meeting%20Rabobank.pdf>

⁴ Cozic, A. Barochez de, A. Dominique Blanc et al (2013): Novethic report: “ESG strategies of European asset owners from theory to practice”.

CHAPTER II: ENGAGEMENT DURING AGM SEASON 2014

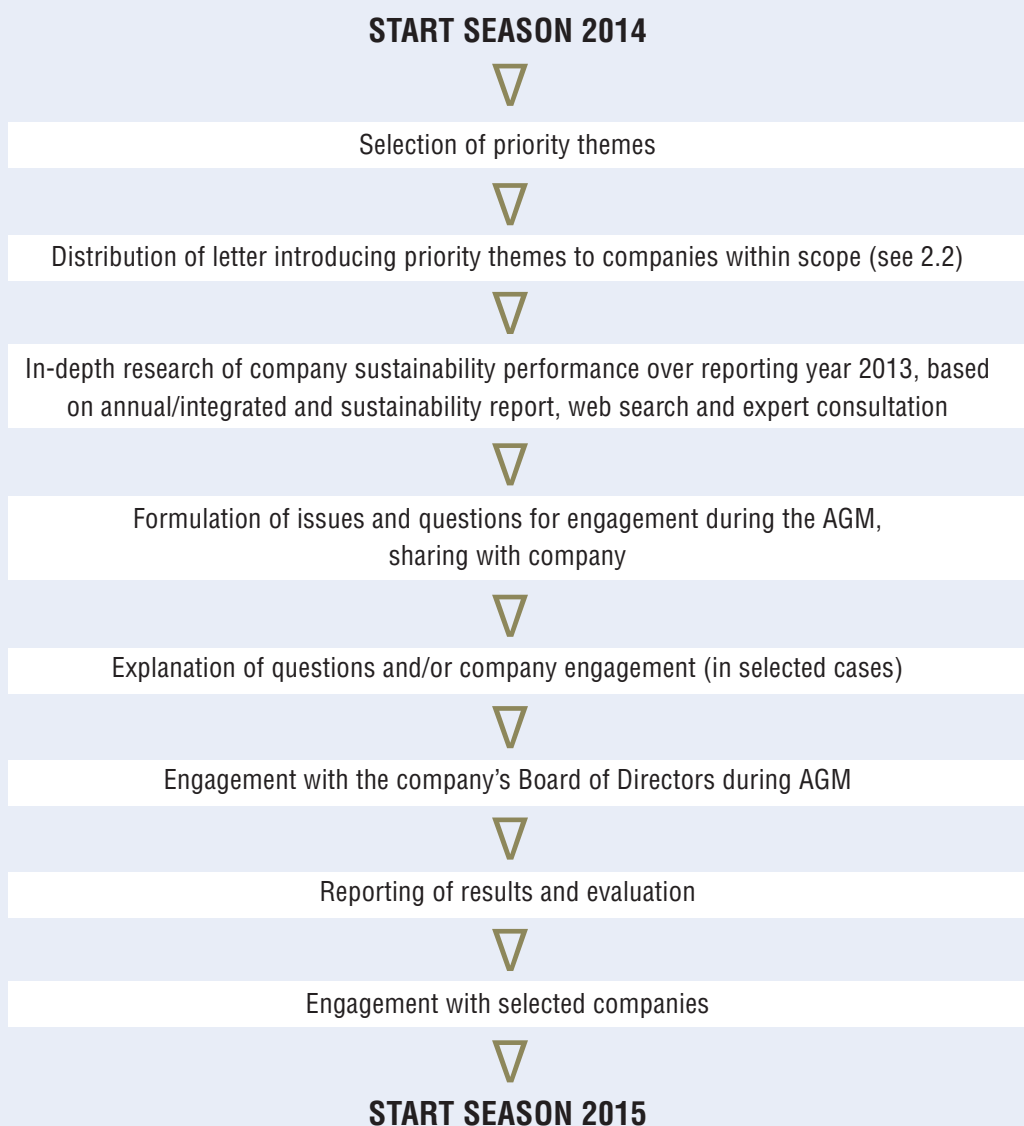
Active company engagement during and around AGMs has always been one of VBDO's core activities in order to improve overall corporate sustainability performance. As such, the VBDO enters into constructive dialogue on material sustainability themes with selected companies during AGMs. In some cases, further engagement activities are executed, e.g. in order to put selected sustainability issues under further scrutiny and development within a particular company. Also, in selected cases, as requested

by companies or in collaboration, VBDO's interventions go further. These activities vary per company.

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

VBDO's engagement flow around AGM season 2014 is shown in figure 2.1.

Figure 2.1: VBDO's engagement flow around AGM season 2014



2.1. Priority sustainability themes

Priority themes for AGM season 2014

Human rights

Responsible tax

Circular economy



The priority themes were selected on the basis of sessions with global accountancy and consultancy firms KPMG, Deloitte, EY and PWC on current international regulations, trends and developments and continuous interaction with VBDO's institutional members and current international regulations, trends and developments as identified by VBDO.

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

2.2. Basis of company selection for engagement during AGM season 2014

For the purpose of VBDO's AGM season 2014, the sustainability performance of 68 companies were scrutinised and engaged with in writing. The full list can be found in figure 1.1.

In 2014 the VBDO entered into direct engagement with the Board of Directors during the AGM of 51 publicly listed companies. The VBDO deliberately decided to visit fewer AGMs in 2014 (2012: 71, 2013: 64), in order to increase effectiveness and impact. For this reason, 15 companies were merely engaged with in writing.

Basis of company selection for engagement

Performance in VBDO's 2013

Benchmark Responsible Supply Chain⁵, and/or

Presence in the AEX, and/or

Companies VBDO deemed necessary to enter into engagement with, based on **sustainability performance related issues over reporting year 2013.**

2.3. Research and questions

The issues raised during the AGMs were based on in-depth research of company sustainability performance over reporting year 2013, based on annual/integrated and sustainability reports, web search and expert consultation. These analyses resulted in materialised questions for the respective companies within scope.

Nature of questions to respective companies

Questions addressing
VBDO's priority themes

Questions addressing
transparency issues

Questions addressing **themes of particular materiality for a respective company**

Questions regarding **commitments made during previous AGM seasons**

Questions arising from **the content of the companies' presentation** or questions of other shareholders during the AGM.

⁵ VBDO (2013). Responsible Supply Chain Benchmark 2013. Consulted via: <http://www.vbdo.nl/files/download/1301/VBDO%20Benchmark%20Verantwoord%20Ketenbeheer%20DEF2.pdf>

2.4. VBDO's sustainable voting policy

The VBDO utilises different directives for the voting on AGMs and publishes its sustainable voting advices before the respective AGM. Herewith the VBDO presents its reasoning behind its voting conduct during the AGMs on the different agenda items.

The VBDO prepares its votes in line with the sustainable voting policy (appendix 2). By publishing the sustainable voting advice before the AGMs, the VBDO enables investors to consider this advice regarding their own voting behaviour.

2.5. Duurzaamadeel.nl

The VBDO produces short reports of all visited AGMs, which can be found on: www.vbdo.nl/aandeelhoudersvergaderingen and www.duurzaamadeel.nl, as well as the voting advice per respective company. On Duurzaamadeel.nl in particular, specific sustainability information about Dutch stock listed companies can be found, e.g. sustainability/annual reports and benchmark studies. The site aims to serve investors with relevant information on responsible investment practices of stock listed companies in order to make better-informed investment decisions.

CHAPTER III: OVERALL RESULTS AGM SEASON 2014

For the purpose of this report, VBDO has analysed the performance of companies within scope of the AGM season 2014 on the priority themes. Also, VBDO has analysed company performance on selected other themes. Companies showing a positive score per theme have, beyond mere transparency, performed explicitly on the respective theme over reporting year 2013. The presented performance scores ⁶ are based on VBDO's company engagement during and around the AGM, publicly available information (including annual-, integrated- and sustainability reports) and a targeted company-specific web search. Explanation of the scoring methodology per respective theme is elaborated in the following paragraphs. The full performance overview is presented in figure 1.1. The scoring methodology can be found in appendix 1.

Priority themes

Circular economy

Human rights

Responsible tax



CIRCULAR
ECONOMY



HUMAN
RIGHTS



RESPONSIBLE
TAX

Other themes

Greenhouse gas emissions

Employee diversity

**Sustainability performance
in the company's value chain**

Integrating externalities

3.1 Results on priority themes

3.1.1 Circular economy

Applying circular principles into business offers innovation opportunities and reduces a company's dependency on limited natural resources. For Europe only, circular business can yield a cost reduction of 500 billion Euros ⁷. In a circular economy, product design has a restorative purpose in which both the biological and technical material flows cause as little waste as possible. Such a process secures a safe re-entering of biological nutrients in the biosphere and a constant circulation of technical nutrients at high quality without entering the biosphere. A (more) circular conduct of business increases a company's business opportunities and viability in the long run. The VBDO regards the circular economy principle as an important driver in good business conduct.

For every company within scope, the VBDO has assessed whether it has a policy and/or programme in place for biological nutrients to re-enter the biosphere safely, and/or technical nutrients to circulate at high quality without entering the biosphere. The companies scoring on this theme meet at least one of the following criteria:

- Production and/or acquisition of cradle-to-cradle products;
- Implementation or pilot of a circular economy business model;
- Zero waste target and transparency on progress towards this target;
- A split between biological and technological materials.

⁶ A full score overview is presented in figure 1.1.

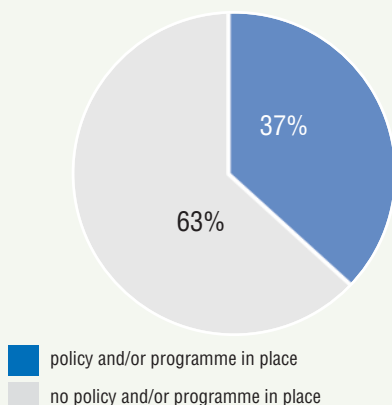
⁷ McKinsey (2014), Towards the Circular Economy. Consulted via:

http://www.mckinsey.com/~/media/mckinsey/dotcom/client_service/sustainability/pdfs/towards_the_circular_economy_emf_report.ashx

As figure 3.1 shows, 37% of the companies within scope have a policy and/or programme in place for biological nutrients to re-enter the biosphere safely, and/or technical nutrients to circulate at high quality without entering the biosphere.

Figure 3.1: Circular Economy

Percentage of companies having a policy and/or programme in place for biological nutrients to re-enter the biosphere safely, and/or technical nutrients to circulate at high quality without entering the biosphere.



3.1.2 Human rights

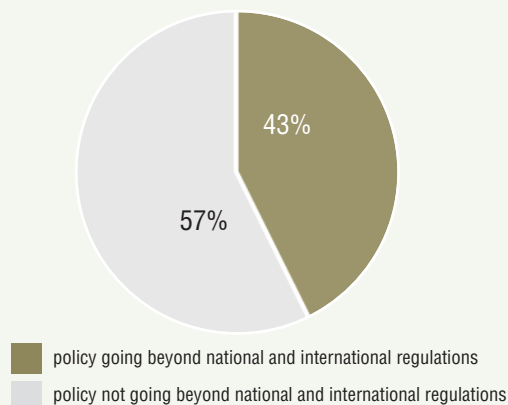
Respecting and promoting human rights through a solid policy is important for companies and investors for several reasons, including reputation and risk management. A solid policy is based on international principles such as the OECD guidelines and the UN Guiding Principles on Business and Human Rights.

These guidelines urge companies for example to assess suppliers on potential abuse of human rights via a so-called human rights 'due diligence'. The Social and Economic Council of the Netherlands and the Dutch trade unions also support such a view and are working towards tougher guidelines and the implementation of the due diligence process⁸. The VBDO encourages companies to actively protect the human rights within their company as well as in their supply chain.

For every company within scope, the VBDO has assessed whether it has a policy in place setting out standards of human behaviour to which it complies, going beyond national and international regulations. As figure 3.2 shows, 43% of the companies within scope have a policy in place setting out standards of human behaviour to which it complies, going beyond national and international regulations. An example of such a policy is assessment of suppliers on potential abuse of human rights.

Figure 3.2: Human rights

Percentage of companies having a policy in place setting out standards of human behaviour to which it complies, going beyond national and international regulations.



3.1.3 Responsible tax

Over years, a number of multinationals have attempted to reduce tax costs by relocating some of their operations to low-tax countries, or by creating company constructions, which avoid duties. Whereas this may yield direct cost reduction, it simultaneously undermines countries' tax regimes. This type of "aggressive tax planning" is put on the agenda by organisations such as the OECD, for example by encouraging country-by-country-reporting: providing transparency about their tax payments in the countries in which they operate. The VBDO encourages companies to develop a responsible tax policy. This also

⁸ SER (2014). International Corporate Social Responsibility Work programme. Consulted via: <http://www.ser.nl/nl/actueel/werkprogramma/imvo.aspx>

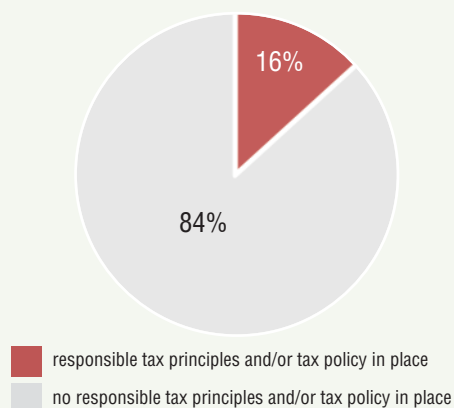
suggests that companies not only comply with the letter of the law, but also actively explain how they engage with the spirit of the law.

For every company within scope, the VBDO has assessed whether it has responsible tax principles and/or a responsible tax policy in place to which it complies, going beyond national and international regulations.

As figure 3.3 shows, 16% of the companies within scope have responsible tax principles and/or a responsible tax policy in place to which it complies, going beyond national and international regulations. Country-by-country reporting may result from a thorough responsible tax policy.

Figure 3.3: Responsible Tax

Percentage of companies having responsible tax principles and/or a responsible tax policy in place to which it complies, going beyond national and international regulations.



3.2 Results on other themes

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

3.2.1 Integrating externalities

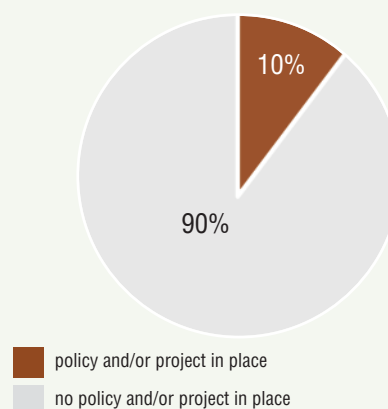
"Hidden" costs, or "negative externalities", such as costs of land use, carbon emissions, underpayment or child labour relating to the value chain of products and services, often remain unpaid for and are invisible to consumers. The "True Price" is the price of a product or service, in which social and environmental externalities are integrated. Providing insight in these externalities enables consumers, investors and producers to make a more balanced choice for a product or service, in which all economic, social and environmental costs are integrated. The VBDO encourages companies to reduce their (social and environmental) externalities.

For every company within scope, the VBDO has assessed whether it has a policy and/or project in place to calculate the externalities of its business practices, or a part thereof.

As figure 3.4 shows, 10% of the companies within scope have a policy and/or project in place to calculate the externalities of its business practices, or a part thereof.

Figure 3.4: Integrating externalities

Percentage of companies having responsible tax principles and/or a responsible tax policy in place to which it complies, going beyond national and international regulations.



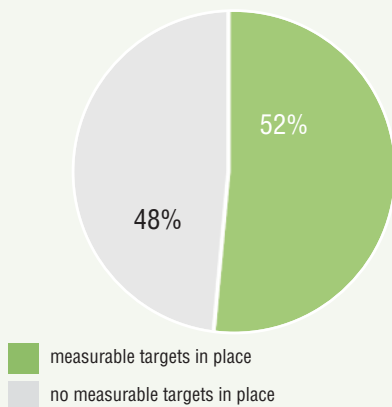
3.2.2 Greenhouse gas emissions

For every company within scope, the VBDO has assessed whether it has measurable short- and/or long-term targets in place to reduce its greenhouse gas emissions.

As figure 3.5 shows, 52% of the companies within scope have measurable short- and/or long-term targets in place to reduce its greenhouse gas emissions.

Figure 3.5: Greenhouse Gas Emissions

Percentage of companies having measurable targets in place to reduce greenhouse gas emissions.



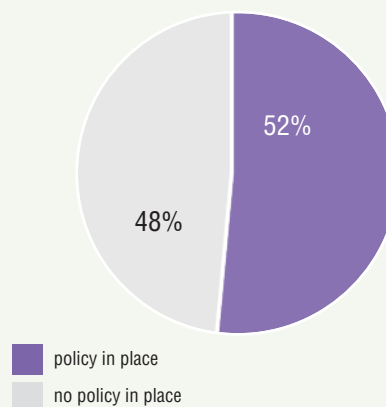
3.2.3 Diversity

For every company within scope, the VBDO has assessed whether it has a policy in place to diversify its employee base.

As figure 3.6 shows, 52% of the companies within scope have a policy in place to diversify its employee base.

Figure 3.6: Diversity

Percentage of companies having a policy in place to diversify its employee base.



3.2.4 Supply chain

For every company within scope, the VBDO has assessed whether it works with some or all stakeholders throughout the supply chain to improve the sustainability performance in the value chain.

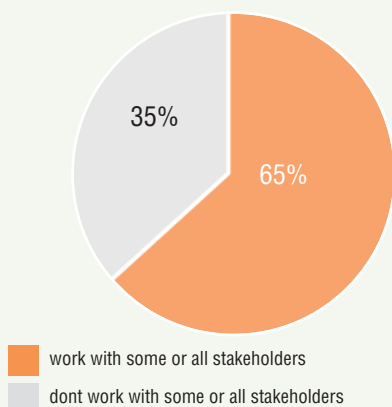
Examples are concrete sustainability standards in the company's supplier code with which suppliers have to comply. A score below 20 on the VBDO Responsible Supply Chain Benchmark⁹ 2013 automatically resulted in a zero-score.

As figure 3.7 shows, 65% of the companies within scope work with some or all stakeholders throughout the supply chain to improve the sustainability performance in the value chain.

⁹ VBDO (2013). Responsible Supply Chain Benchmark 2013. Consulted via: <http://www.vbdo.nl/files/download/1301/VBDO%20Benchmark%20Verantwoord%20Ketenbeheer%20DEF2.pdf>

Figure 3.7: Supply Chain

Percentage of companies working with some or all stakeholders throughout the supply chain to improve the sustainability performance in the value chain.

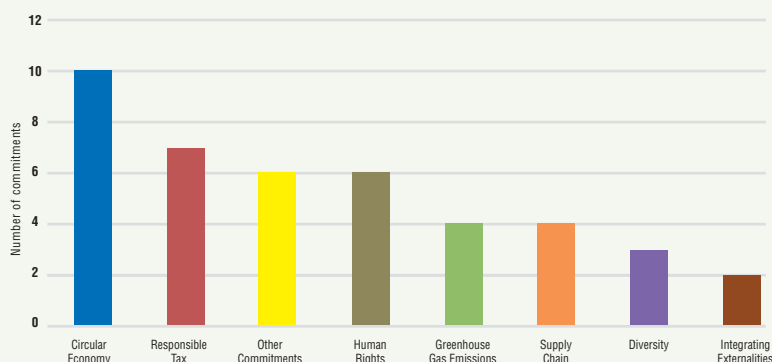


3.3 Commitments on all themes

During AGM season 2014, 42 commitments were made to the VBDO. As figure 3.8 indicates, most of the commitments relate to circular economy and responsible tax. The bar 'other commitments' includes commitments relating to assurance, transparency, integrated reporting and overall sustainability performance improvement.

Figure 3.8: Number of commitments

Overview of amount of commitments from companies to VBDO during AGM season 2014, categorised by theme.



3.4 Conclusions: theme results

2014 was the first year in which the VBDO asked questions about the circular economy and integration of externalities. The VBDO is optimistic to perceive awareness, consideration and even formulation/implementation of policy in particular to the concept of circular economy. 37% of the companies have a policy and/or programme in place. Unfortunately, only 10% of the companies are able to show a policy and/or project in place to calculate the externalities of their business practices, or a part thereof.

This year the VBDO expected a solid human rights policy to be in place in the sustainability frameworks of the companies in scope. However, 43% of the companies commit to VBDO's contemporary standards: setting out standards of human behaviour with which they comply, going beyond national and international regulations.

With regard to the third priority theme of this year, a mere 16% of the companies align with VBDO's criteria. A mere 16% of the company universe has responsible tax principles and/or a responsible tax policy in place which goes beyond national and international regulations.

Nevertheless, a modest 65% of the companies work with some or all stakeholders throughout the supply chain to improve the sustainability performance in the value chain. Hence, reporting year 2013 shows a meaningful regard of Dutch stock listed companies towards their impact(s) on their supply chain(s).

Regarding both greenhouse gas emissions and gender diversity, 52% of the companies in the universe performs on VBDO's standards. For greenhouse gas emissions, scoring companies have measurable short-and/or long-term targets in place to reduce them. For diversity, scoring companies have a policy in place to diversify the employee base.

CHAPTER IV: RESULTS PER SECTOR

VBDO has engaged with companies from a variety of sectors during AGM season 2014.

Selected sectors for the purpose of this report

Communication

Financial sector

Technology and electronics

Construction

Services

Food and beverage

Industrials and chemicals

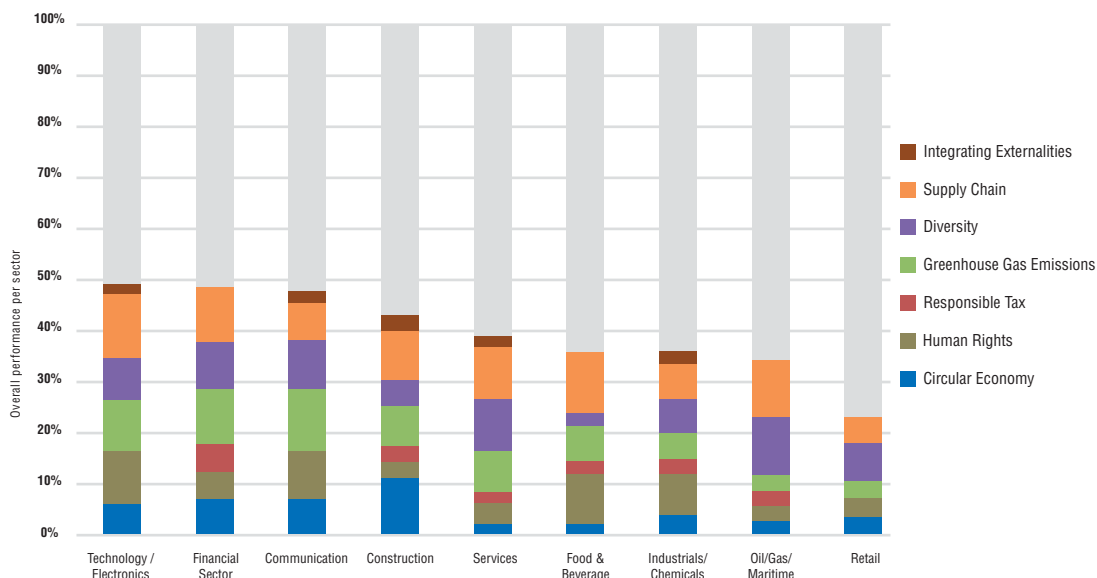
Oil, gas and maritime

Retail

The overall performance on the selected themes is assessed per sector. The full performance overview and scoring methodology by company can be found in figure 1.1. Figure 4.1 provides an overview of sectors scoring on the respective themes. An overall score of 100% would imply that all companies within the sector have a maximum score on all themes. As the figure reveals, the communications sector, financial sector and technology and electronics sectors lead in terms of collective theme scores, closely followed by the construction sector. The retail sector closes the overall score gate, preceded by the oil, gas and maritime sector. Both latter sectors do however score relatively high in terms of diversifying the employee base. The oil, gas and maritime sector has the overall highest score in terms of working with some or all stakeholders throughout the supply chain to improve the sustainability performance in the value chain. The following paragraphs provide more insight into the sector-specific performances on the respective themes.

Figure 4.1: Overall performance per sector

Percentages of companies per sector scoring on respective themes.



4.1 Communication sector

Companies in scope:

KPN

PostNL

Telegraaf Media Group

Ziggo

Reed Elsevier

WoltersKluwer

The main theme for all companies in this sector is emissions reduction and reduction of energy consumption in their operations, both with their suppliers and customers. Opportunities for improving work habits and lifestyles and for influencing innovative solutions that address social and environmental sustainability issues are not yet being picked up optimally. Digital security will require more attention in the future.

All companies in this sector, except for Ziggo, adhere to the United Nations Guiding Principles on Business and Human Rights. Four out of six companies have a policy in place going beyond national and international regulations. KPN is clearly the leader in terms of subscribing to most relevant declarations and guidelines in relation to human rights. Both Reed Elsevier and KPN perform true due diligence in their supply chain.

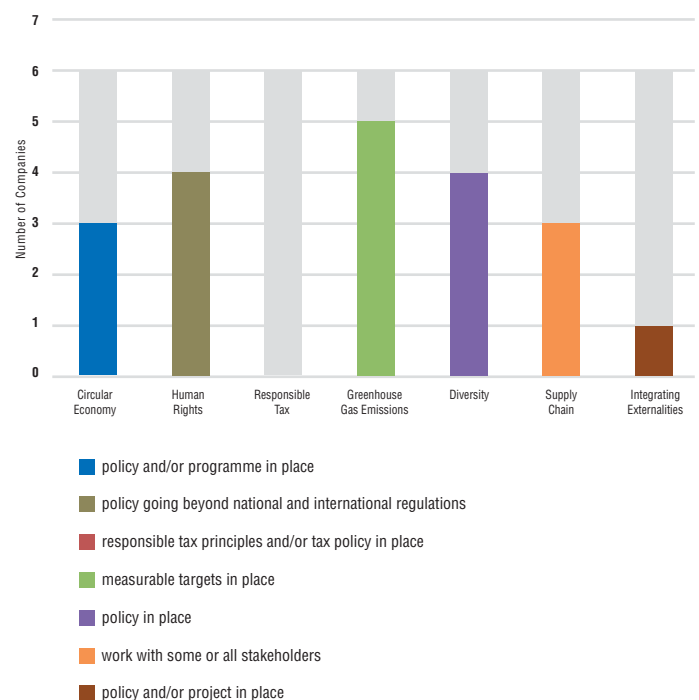
None of the companies in this sector have published a tax policy, and none report on taxes paid on a country-by-country basis. Reed Elsevier has an exceptional position by publishing its taxes paid in the Netherlands, in the UK and in the rest of the world.

Moreover, it refers explicitly to taxes in its sustainability report. TMG declared at its AGM to agree with the principle that paying taxes is a social responsibility of the company. PostNL promised at its AGM to provide more details of its tax burden in 2014. Despite the fact that both companies made tax commitments, no explicit responsible tax policy is yet in place at either of the companies.

With three out of six companies performing on circular economy, the phenomenon is finding its way in the sector. It doesn't seem to be a logic strategy at first, hence, opportunities in this sector are to be discovered and developed. Most activities focus now and in the near future on cutting greenhouse gas emissions and energy use on the one hand and on recycling and re-use of materials (such as paper, water and modems) on the other hand. In 2013 KPN has embraced the principle of CO₂ neutrality.

Figure 4.2: Communication sector

Number of companies in the communication sector performing on the respective themes.



4.2 Financial sector

Companies in scope:

Aegon

Binck Bank

Delta Lloyd

ING Group

Kas Bank

Nieuwe Steen Investments

Rabobank

Van Lanschot

Despite the largely short-termist approach in the sector, interest from mainstream investors in long-term investment opportunities and ESG integration is increasing. Asset owners, having long-term liabilities and a fiduciary duty to their members, are taking first steps towards integrating ESG criteria across their portfolios, thus increasingly look at the ESG performance of investees. Increasing opportunities arise for investees by means of ESG performance and transparency. The financial sector itself is largely engaged with restoring trust in the financial system, focusing on compliance, accountability and transparency in an endeavour to mitigate overall risks.

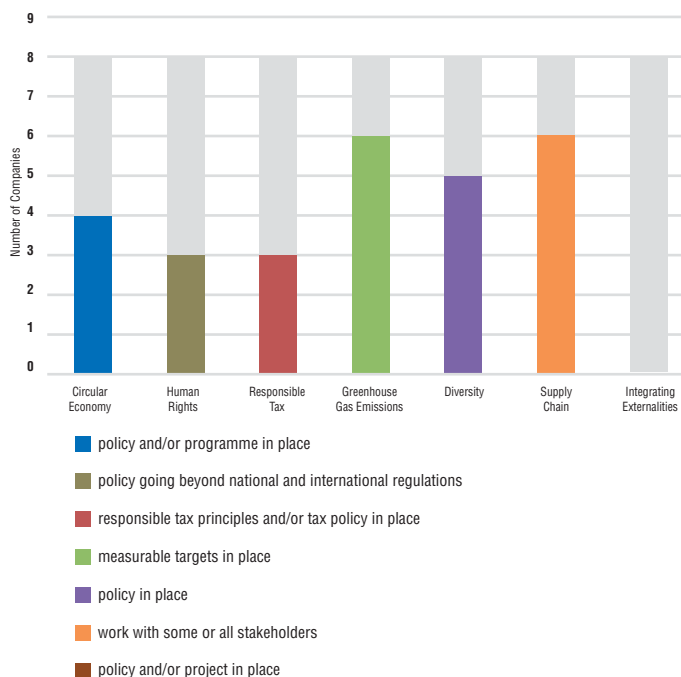
The companies within scope are largely aware of the business relevance of the VBDO priority themes. Integration into strategy and subsequent reporting, however, remains marginal. The sector seems to have given up efforts to lead the way on transparency as in the early 2000's, when financials headed the Netherlands' Transparency Benchmark.

Human Rights, performed on by two of eight companies, is regarded an issue to manage risks upon, and is generally applied as an exclusion criterion, rather than a value driver. With three of 8 companies performing on responsible tax, the sector is generally not transparent on tax payment policy or country-by-country reporting. Four of 8 companies perform on the circular economy; the sector is following circular economy-related trends; particularly given the increasing materiality of performance as basis for increased revenue of its customers.

Rabobank Group is the sectors' best practice. Rabobank Group has an explicit paragraph on its taxation policy in its annual report. Furthermore, the Group has an extensive human rights policy elaborating human rights commitments and conveying Rabobank Group's position to employees, managers, directors, supervisors, customers, business associates and other stakeholders

Figure 4.3: Financial sector

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



4.3 Technology and electronics sector

Companies in scope:

Airbus

Gemalto

Philips

Nedap

Imtech

ASMI

ASML Holding

The technology sector focuses on transfer of technology and skills to promote economic and social development. The attention for integrated reporting and communication about social and environmental factors that impact the long-term financial performance is growing. Important issues include resource efficiency, safety, hazardous content and disposal and recycling options for products that have reached the end of their lifespan. Innovation and the integration of environmental considerations into product development are becoming more important¹⁰.

Most companies in the technology sector are familiar with the term circular economy and see business opportunities. Philips and ASML are already active in refurbishment of systems and re-use of materials. Philips has a light leasing service and management is focusing on re-manufacturing, refurbishment and reuse as a resource efficient and financially attractive business model.

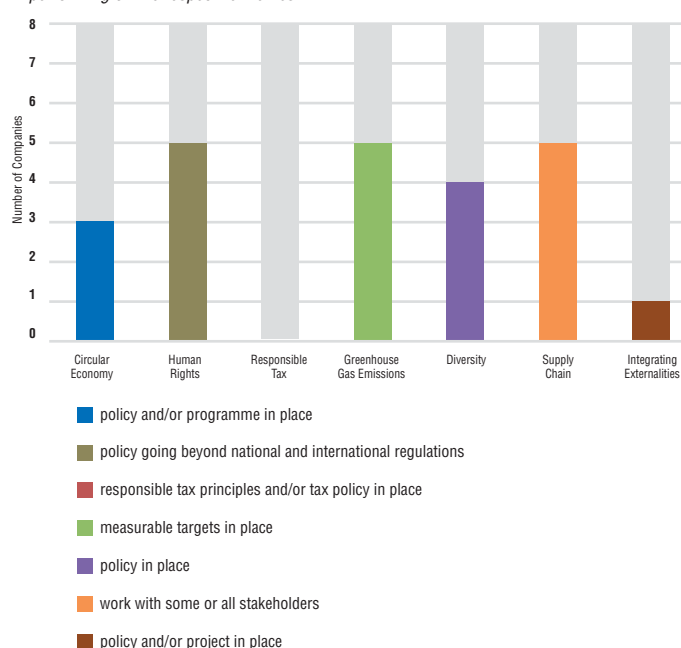
With four of seven companies performing, the importance of responsible supply chain management is growing. The majority of companies have a supply chain policy in place based on EICC Code of Conduct. Human rights issues that do arise in the sector relate to minimal supplier performance auditing.

Despite the fact that Philips and ASML are working internally on a responsible tax policy, the assessed companies in scope do however not yet have a responsible tax policy in place.

Philips is leading on all themes. Philips and ASML did report that a significant number of previous environmental issues in the supply chain were addressed during reporting year 2013. Philips took actively part in the conflict free tin initiative and is working on an industry-wide approach to positively influence the social and environmental conditions in the metals extractives supply chain. Philips will take the initiative to improve labour conditions (related to benzene use) in cooperation with EICC and IDH. It is also praiseworthy that during the AGM of Philips, when the VBDO asked a question about integration of externalities, CEO van Houten first started explaining the concept and relevance of it for Philips to the audience, before answering the question. Gemalto (AGM visited for the first time by the VBDO) promised to update and align their Ethical Practices and CSR' Policy, and Gemalto Code of Ethical Practices.

Figure 4.4: Technology/Electronics sector

Number of companies in the technology/electronics sector performing on the respective themes



10 Robeco Sam (2014). The Sustainability yearbook of 2014. Consulted via: <http://yearbook.robecosam.com>

4.4 Construction sector

Companies in scope:

Arcadis

Ballast Nedam

Brunel

Corio

Grontmij

Heijmans

Bam Groep

TKH Group

Wereldhave

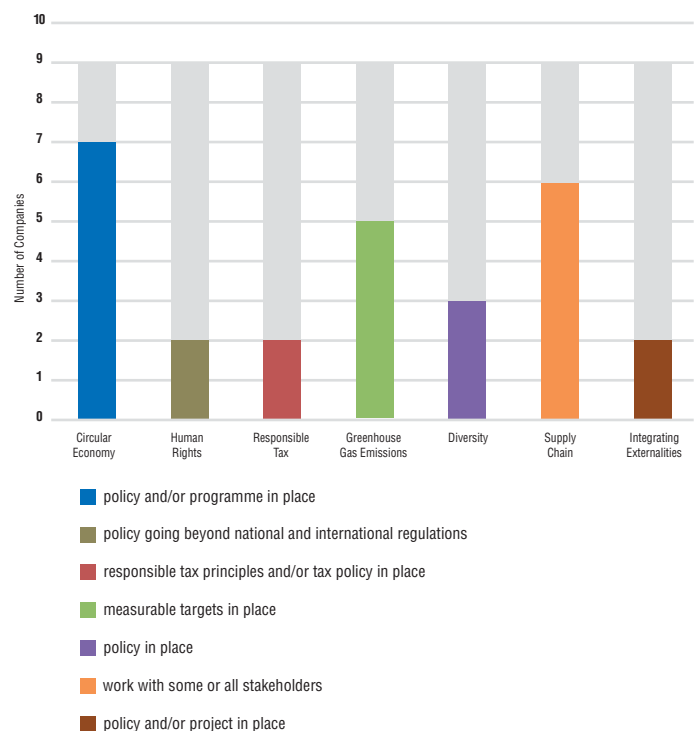
Over last years, companies in the construction sector have increasingly been challenged economically as well as by issues such as responsible use of resources and energy efficiency. The sector is vulnerable, issues on human rights and bribery still exist with resulting reputation issues. Despite a number of crises to be overcome, sustainability has become part of business for companies in this sector. There is a noticeable shift from the more obvious themes as energy reduction and use of materials to issues like human rights, sustainable tax and integrating externalities.

Seven of 9 companies perform on circular economy to which supply chain management is a prerequisite. Both themes are subject to innovative strategies in the sector. Companies and government recognise that these themes are important for long-term sustainable development and are searching for new business models to integrate these themes. A good example is contracts in which maintenance is integrated, which have become common in the sector. With two out of 9 companies performing on responsible tax, the approaches in this sector to a corporate tax policy remain traditional: practical, operational and without evasive tax structures. Hardly any company reports completely on a country-by-country basis, with Corio as an exception.

All companies have policies for human rights based on international principles such as OECD Guidelines and the UN Guiding Principles on Business and Human Rights and have dedicated supplier codes for subcontractors and suppliers. However, only two of nine companies go beyond national and international regulations on human rights.

Figure 4.5: Construction sector

Number of companies in the construction sector performing on the respective themes.



4.5 Services sector

Companies in scope:

Exact

Ordina

Randstad

Unit 4

USG People

Air France KLM

TNT Express

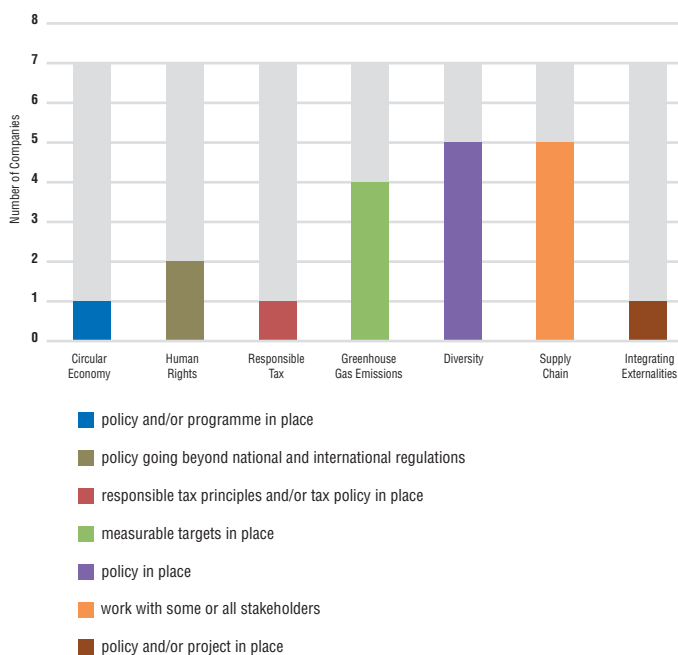
In the heterogeneous services sector, most companies have no circular economy policy or programme in place. Air France-KLM is the only company committing to a circular target, i.e.: the “no waste of resources and materials” target. Despite the fact that other companies in the sector acknowledge the relevance of the concept, it is often questioned whether it is actually material to this particular industry. Often the focus on business continuity prevails the circular economy.

Two of seven companies in the sector have a policy in place setting out standards of human behaviour to which they comply, going beyond national and international regulations. USG people, is the only company with responsible tax principles in place and the inclusion of tax payments on a country-by-country-basis in the annual report.

AirFrance KLM has the overall best score. As an example, KLM provides its clients the opportunity to calculate the environmental externalities related to their flights. Another best practice is Randstad who ranks second best on all themes and intends to expand its supplier code internationally next year. In addition, TNT Express has measurable targets in place to reduce its greenhouse gas emissions. Ordina has a measureable policy in place to diversify its employee base.

Figure 4.6: Services sector

Number of companies in the services sector performing on the respective themes



4.6 Food and beverage sector

Companies in scope:

Acomo

Corbion

Heineken

Wessanen

Nutreco

Sligro

The health and wellness trend in the food sector is obvious. Big challenges in the sector are, amongst others, sourcing and the rise of raw material prices ¹¹. Effective packaging and supply chain management can help reduce costs and ensure food safety, a key concern that highlights the need for quality control and transparency along the supply chain.

Four of 6 companies perform on human rights. However, all companies within scope have developed supplier codes. The human rights articles in these companies request suppliers to sign these codes and perform supplier evaluations. Almost all companies have published their code online.

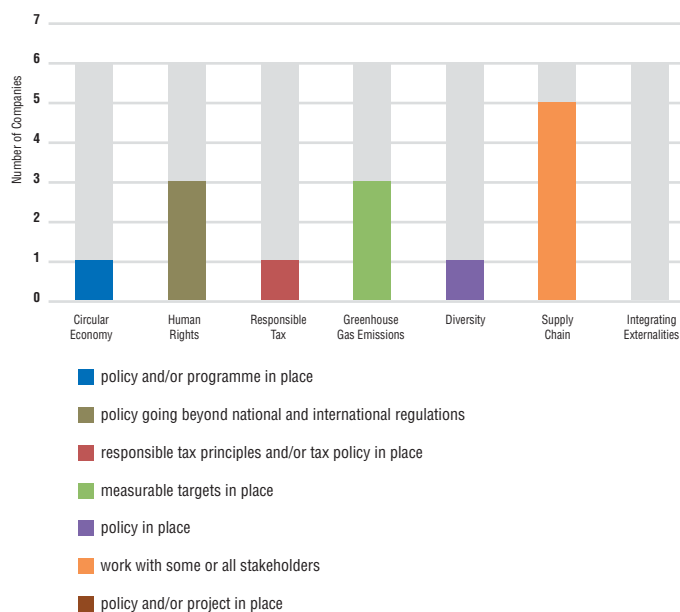
None of the companies have reported their tax payments on a 'country-by-country' basis. While all companies are open about their tax policy, only Heineken performs out of 6 in scope because their tax policy is explicitly linked to CSR.

Traditional food retailers increase their offering of natural and organic products and healthier formulations. Also, organic certified products are on the rise. All companies in the sector have set targets to reduce greenhouse gas emissions, water use and waste. However, only Corbion performs out of 6 on circular economy. The sector focus lies on sustainable packaging. The opinion about the use of GMOs varies in the sector.

Best practices include Nutreco, which is developing an 'unpacked transfer system': ingredients are transferred 'silo to silo'. Also, Wessanen guarantees no use of GMOs and uses 100% certified palm oil.

Figure 4.7: Food and beverage sector

Number of companies in the food and beverage sector performing on the respective themes.



¹¹ Robeco Sam (2014). The Sustainability yearbook of 2014. Consulted via: <http://yearbook.robecosam.com>

4.7 Industrials and chemicals sector

Companies in scope:

Aalberts Industries

AkzoNobel

AMG

Aperam

ArcelorMittal

BESI

Crown van Gelder

DSM

Holland Colours

Kendrion

Ten Cate

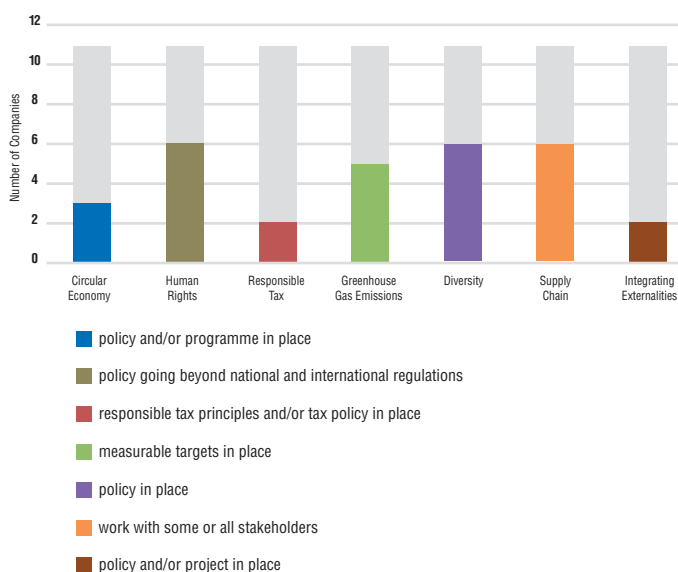
Environmental factors are a key concern for industrial conglomerates. Important issues include resource efficiency, safety, hazardous content and disposal and recycling options for products that have reached the end of their lifespan. Innovation and the integration of environmental considerations into product development are key criteria. In equipment markets, addressing customers' carbon constraints is an important factor in product development. For the paper industry in particular, the main challenge consists of ensuring responsible management of forests and plantations and the responsible sourcing of wood fibers. Climate change risks continue to be an issue for the iron and steel producing industry and basically for all companies in these sectors more (energy) efficient production processes remain a concern.

There is a growing attention for human rights, with a performance of six out of 11 companies in the sector, particularly in the supply chains of companies. The developments are slow and it is not easy (see clothing chain after Rana Plaza in Bangladesh). One trend is that this is jointly taken up, together with several companies in the industry. The chemical initiative 'Together on Sustainability' and the GlobalUnion are examples of this. Two companies have a responsible tax policy in place, but none of the companies have reported tax payments on a country-by-country basis. In their opinion, by being transparent, and by adhering from aggressive tax planning, they meet good tax governance requirements.

The circular economy concept has been mainly taken up by the larger chemical companies, as well as in the metal and steel industry. DSM is clearly ahead in this respect and has several bio based and recyclable materials. Also they are working on the concept of 'leasing of materials'. Establishing the right KPIs on this theme remains an issue. Currently there are hardly any real long-term goals, such as 'percentage of recyclable products in 2020', or 'amount of bio based raw materials or recycled materials' present in the sector.

Figure 4.8: Industrial/Chemical sector

Number of companies in the industrials and chemicals sector performing on the respective themes



4.8 Oil, gas and maritime sector

Companies in scope:

Boskalis

Vopak

Shell

SBM Offshore

Fugro

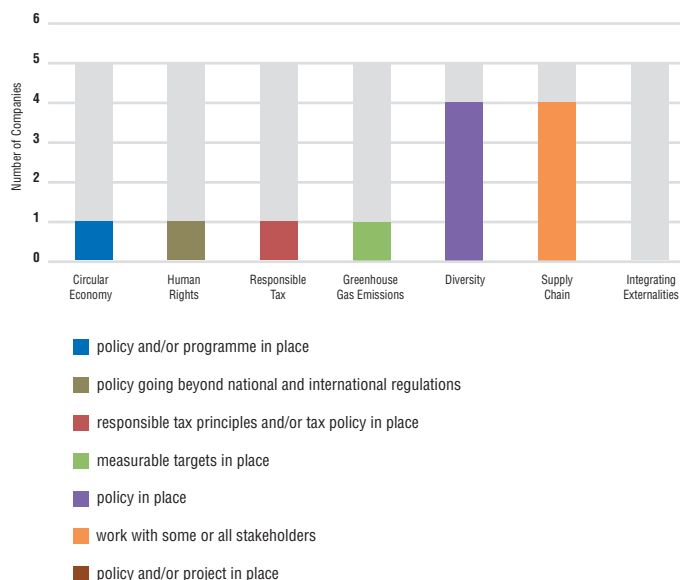
In order to be awarded with contracts, companies in this sector must comply with the strictest environmental, health & safety (EHS) standards. As a result, EHS excellence and the responsible management of social and political issues in highly sensitive areas, represent critical success factors. Technological innovation drives profitability, as advanced seismic and deep-water technologies become the new frontiers against a backdrop of increasingly smaller and less accessible oil fields. Biodiversity and other environmental issues remain important factors when working in vulnerable ecosystems.

Most companies have developed supplier codes in line with International Labour Organisation (ILO) principles. Companies request suppliers to sign these codes and supplier evaluations are performed. However, several bribery scandals have shocked the industry. All companies have thoroughly scrutinised their agents and procedures often advised by external experts and auditors. These investigations were not only driven by ethics but also by the threat of exorbitant fines. Regarding tax policies; there is little incentive to report more than is required by law, thus the low score on responsible tax policy. However, most CEOs confirm that they stay away from tax evasion constructions.

Shell is the first major oil company that is voluntarily reporting tax payments on a country-by-country basis and who has been publishing its payments to the majority of governments it is dealing with (not all yet, due to governmental constraints in some regions) for the last three years. Shell also favours cross-industry initiatives in support of greater transparency for level playing field in tax payment. Shell believes governments and business need to collaborate for a transparent tax system. When asked about their efforts on reducing environmental impact, all these highly innovative companies report to have invented technical solutions to reduce environmental impact. However, they're reluctant to communicate about these inventions, as they fear being accused of 'greenwashing'. These many small technical breakthroughs add to substantial positive impact in the industry.

Figure 4.9: Oil/gas/maritime sector

Number of companies in the oil, gas and maritime sector performing on the respective themes.



4.9 Retail sector

Companies in scope:

Accell Group

Beter Bed

Eurocommercial Properties

Ahold

Macintosh Retail Group

Unilever

Vastned

X5 Retail Group

The overall least performing retail sector continues its activities towards reduced energy consumption and greenhouse gas emissions in both production facilities as well as the logistics system.

Smart strategies are deployed to improve the efficiency of recycling waste. Thus, Unilever is developing strategies to improve water supply, sanitation and hygiene in search of new ways to improve a sustainable agriculture at smallholder farmers.

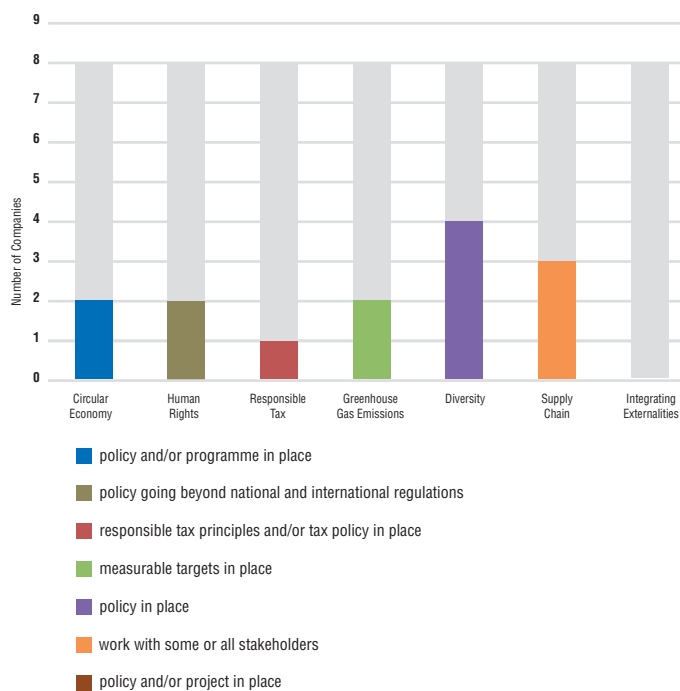
Most companies are aware of the circular economy concept, considering it has a great fit with the above trends pursued. However, only 2 of 8 companies in the sector perform on the theme.

Only two retailers, Unilever and Ahold, have implemented a human rights policy going beyond national and international regulations. Eurocommercial Properties N.V., X5 Retail Group and Vastned have not endorsed the Ruggie Framework and/or the Universal Declaration of Human Rights. However, some players in the sector are willing to improve their laggard position. For example Vastned, not performing on the theme, committed to VBDO to look at the possibility of a human rights due diligence.

Eurocommercial Properties is the only company reporting on a country-by-country basis. However, given the absence of responsible tax principles and/or a responsible tax policy in place to which it complies, going beyond national and international regulations, no score is given. Unilever does comply with VBDO's assessment criteria.

Figure 4.10: Retail sector

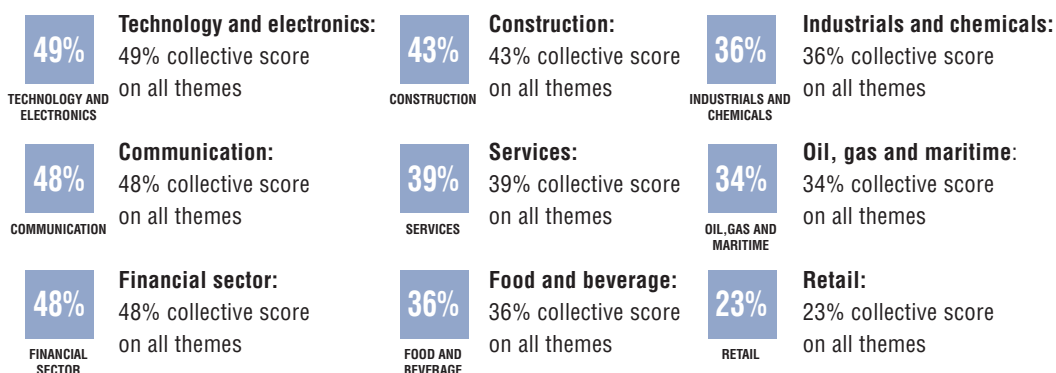
Number of companies in the retail sector performing on the respective themes.



4.10 Conclusions: sector results

The technology sector (49%), the communications sector (48%) and financial sector (48%) respectively score the highest collective score on all themes. Within this set of best performing sectors it is noticeable that supply chain, diversity & greenhouse gas emissions are the topics that are best scored upon. The lowest scores are on integrating externalities and responsible tax. The middle range performing segment consists of the four sectors construction (43%), services (39%), food and beverage (36%) and industrials and chemicals (36%).

The theme on which companies perform overall best is supply chain. The lowest scores are on responsible tax and integrating externalities. The weakest overall sustainability scores are attributable to the retail sector (23%), followed by the oil, gas and maritime sector (34%). In both sectors, diversity is the theme on which is scored highest. The lowest scores are on responsible tax and integrating externalities.



CHAPTER V: OVERALL RESULTS AGM SEASON 2014

5.1 Overall conclusions

Throughout the year, the VBDO is engaged with initiating and identifying topical sustainability and responsible investment trends. Based on interactions with a wide variety of stakeholders in the field, the VBDO expected the companies in scope to perform overall better on each of the respective themes than eventual post-AGM assessment results reveal. A number of companies does envision business opportunities resulting from each of the themes, and a smaller share does grasp some of these. Nonetheless, with over 60% not performing in line with VBDO's standard on circular economy, nearly 60% on human rights and over 80% on responsible tax, there's a long way towards integration of these essential themes into the Dutch corporate sector.

37%



CIRCULAR
ECONOMY

5.1.1 Circular economy

Despite the fact that the overall company performance on circular economy of 37% is relatively low, a significant share of companies in different sectors does consider the opportunities of a more circular business conduct. Whether it is during the AGM in which a Board of Directors addresses the topic, or whether the concept is already integrated in publicly available information, some companies have shown circular progress this year, or have committed to taking action on the theme.

43%



HUMAN
RIGHTS

5.1.2 Human rights

With 43% of companies in scope with a solid human rights policy going beyond national and international regulations, the VBDO sees room for improvement, particularly for those players in the market failing to adhere to the the Universal Declaration of Human Rights. Given the overall business materiality, and possible reputation damage resulting from human rights infringement, the attention of companies in scope for human rights is more in line with VBDO's criteria.

5.1.3 Responsible tax

The VBDO has engaged with companies on the subject of responsible tax since 2013. Despite the public scrutiny over last year, which incentivises responsible tax behaviour, the performance results are highly disappointing. A mere 16% of companies in scope have responsible tax principles and/or a responsible tax policy in place to which it complies, going beyond national and international regulations. In general, the companies in scope are transparent about overall tax payment percentages. However, generally, responsible tax policies related to sustainability policy, or transparency of tax payments on a country-by-country basis are very scarce. Inaction on this theme is commonly substantiated by operation in compliance with (inter)national laws and regulations and no tax evasion: arguments that defer from the essential discussion on tax as a social and economic driving force.

16%



RESPONSIBLE
TAX

5.1.4 Other themes

With 52% of the companies in scope having measurable short- and/or long-term targets in place to reduce greenhouse gas emissions, there is a window of opportunity in terms of concrete efficiency, cost reduction and transition. Still, the results are encouraging: the majority of companies does at least have insight into the greenhouse gas emissions resulting from its own operations. On the topic of diversity the companies score the same 52% and thus, have a policy in place to diversify the employee base. With 65% of the companies in scope performing on the supply chain, this is the topic upon which is performed best during AGM season 2014. Despite the fact that the performance is still unsatisfactory, with ongoing sustainability issues relating to Dutch companies' supply chains, the majority of companies work with some or all stakeholders to improve the sustainability performance throughout the chain. Finally, it is uncommon for the Dutch corporate sector to calculate the externalities of their business conduct. With a mere 10% of companies having a policy and/or project in place to calculate the externalities of their business practices,

52%

GREENHOUSE
GAS EMISSIONS

52%

DIVERSITY

65%

SUPPLY CHAIN

10%

INTEGRATING
EXTERNALITIES

most companies seem to perceive this as a 'nice-to-have'. Still, a large number of companies follows the trend and is interested to perform better over next years: a realistic reason for optimism.

In 2015, the VBDO will wholeheartedly continue the engagement in the ever-evolving endeavour to make the capital market more sustainable.

5.2 Recommendations to business sector

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



Circular Economy:

Applying circular principles into business offers innovation opportunities and reduces a company's dependency on limited natural resources. For Europe only, circular business can yield a cost reduction of 500 billion Euros¹². In a circular economy, product design has a restorative purpose in which both the biological and technical material flows cause as little waste as possible. Such a process secures a safe re-entering of biological nutrients in the biosphere and a constant circulation of technical nutrients at high quality without entering the biosphere. The VBDO strongly encourages the circular economy mainstreaming steps principles as initiated by the Ellen MacArthur Foundation¹³:

- Design out waste: waste does not exist when the

components are designed by intention to fit within a materials cycle, designed for disassembly and re-purposing.

- Think in 'systems': the ability to understand how parts influence one another within a whole, and the relationship of the whole to the parts, is crucial.
- Work towards using energy from renewable sources: systems should ultimately aim to run on renewable sources.
- Think in cascades: for biological materials, the essence of value creation lies in the opportunity to extract additional value from products and materials by cascading them through other applications.

In addition, the VBDO encourages companies to follow the circular economy niche steps as initiated by the 'Circle Economy' foundation¹⁴:

- Set up a simple index for circular performance. Organisations (companies, harbours, governments, investors) can use this to give incentives to their value chain partners encouraging circularity.
- Encourage experimentation, innovation and redesign. In NL, use Green Deals to remove legislative obstacles and support access to finance and a resource passport.
- Gather and spread successful business examples.
- Integrate circular economy principles in education and training programmes (leadership, in-company, MBA, economics, engineering, design and policy sciences).
- Develop a long-term company vision identifying linear risks and circular economy opportunities.
- Search for material pooling opportunities.
- Promote circular products using modern marketing techniques and social media.
- Prepare roadmaps for established economic sectors.
- Initiate and stimulate stakeholder forums about the circular economy.

¹² McKinsey (2014), Towards the Circular Economy. . Consulted via: http://www.mckinsey.com/~media/mckinsey/dotcom/client_service/sustainability/pdfs/towards_the_circular_economy_emf_report.ashx

¹³ Ellen Macarthur Foundation (2014), The Circular Model – an overview. Consulted via: <http://www.ellenmacarthurfoundation.org/circular-economy/circular-economy/the-circular-model-an-overview>

¹⁴ The Circle Economy (2013), Unleashing the Power of the Circular Economy. Consulted via http://www.circle-economy.com/sites/default/files/full%20report_Unleashing%20the%20Power%20of%20the%20Circular%20Economy_Circle%20Economy_IMSA_0.pdf



HUMAN
RIGHTS

Human Rights:

Respecting and promoting human rights through a solid policy is important for companies and investors for several reasons. These include reputation and risk management. Most regulators on human rights draw on international standards such as the Human Rights Declaration and the ILO standards. However, these broad guidelines provide limited guidance given their lack of detail and legal consequences. The principles developed under the mandate of John Ruggie, for example, provide extensive insight into the human rights responsibilities of companies. The VBDO encourages companies to develop and implement a sector-specific human rights policy respecting the three pillars of the United Nations Guiding Principles on Business and Human Rights, particularly the second pillar (responsibility to respect). The policy should be compliant with relevant international, national, regional and local standards. Also, companies should execute an extensive due diligence prior to any engagement, followed by regular monitoring and intervention on human rights issues throughout the value chain.



RESPONSIBLE
TAX

Responsible Tax:

Sustainability is about creating shared value. Tax should be seen as an instrument to create shared value and not just as a cost. For 84% of the assessed Dutch companies, a general cohesive approach on good tax governance from a strategic, risk management and CSR perspective is lacking. We believe that the discussion about good tax governance is one that should benefit all and could also help as a yardstick for acting in an ever more transparent fiscal world. With understanding each stakeholder position we hope to help to create a common language on what good tax governance could be and to create more understanding between multinational operating companies, tax administrations, advisors and the public. The VBDO therefore developed six principle-based guidelines on what good tax governance could be. These are:

- Companies should define and communicate a clear strategy on tax governance
- Tax must be aligned with the business and it is not a profit centre by itself
- Respect the spirit of the law. Tax compliant behaviour is the norm
- Know and manage tax risks
- Monitor and test tax controls
- Provide tax assurance

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APPENDIX 1: SCREENING AND SCORING METHODOLOGY

Theme	Scoring methodology	Score	
Circular Economy	Does the company have a policy and/or programme in place for biological nutrients to re-enter the biosphere safely, and/or technical nutrients to circulate at high quality without entering the biosphere, based on publicly available information, websearch and VBDO's AGM report? To score on this theme the company should have performed on the mentioned theme in 2013. Mere transparency is insufficient. A company must meet at least one of the following criteria for scoring on circular economy: - Production and/or acquisition of cradle-to-cradle products - Implementation or pilot of CE Business Model - Zero waste target and progress towards this target - Split between biological and technological materials made possible	Yes	No
Human Rights	Does the company have a policy in place setting out standards of human behaviour to which it complies, going beyond national and international regulations, based on publicly available information, websearch and VBDO's AGM report? To score on this theme the company should have performed on the mentioned theme in 2013. Mere transparency is insufficient.	Yes	No
Responsible Tax	Does the company have responsible tax principles and/or a responsible tax policy in place to which it complies, going beyond national and international regulations, based on publicly available information, websearch and VBDO's AGM report? To score on this theme the company should have performed on the mentioned theme in 2013. Mere transparency is insufficient.	Yes	No
Emissions	Does the company have measurable short and/or long term targets in place to reduce its greenhouse gas emissions, based on publicly available information, websearch and VBDO's AGM report? To score on this theme the company should have performed on the mentioned theme in 2013. Mere transparency is insufficient.	Yes	No
Diversity	Does the company have a policy in place to diversify its employee base, based on publicly available information, websearch and VBDO's AGM report? To score on this theme the company should have performed on the mentioned theme in 2013. Mere transparency is insufficient.	Yes	No
Supply Chain	Does the company work with some or all stakeholders throughout the supply chain to improve the sustainability performance in the value chain, based on publicly available information, websearch and VBDO's AGM report? To score on this theme the company should have performed on the mentioned theme in 2013. Mere transparency is insufficient.	Yes	No
Integrating Externalities	Does the company have a policy and/or project to calculate the externalities of its business practices, or a part thereof, based on publicly available information, websearch and VBDO's AGM report? To score on this theme the company should have performed on the mentioned theme in 2013. Mere transparency is insufficient.	Yes	No
Commitments to VBDO	How many commitments did the company make to VBDO on the respective themes during the AGM in 2014?	Amount	
Other commitments	How many other commitments did the company make to VBDO on other subjects than the aforementioned themes during the AGM in 2014?	Amount	

APPENDIX 2: SUSTAINABLE VOTING POLICY

Resolution	Vote	Explanation
Reception of annual report	In favour	<ul style="list-style-type: none"> - If the company scores ≥ 75 in the Transparency Benchmark.¹⁵ - Or if sustainability is mentioned and described in the annual report / the presentation.
	Withhold vote	<ul style="list-style-type: none"> - If the company scores between 50 and 75 in the Transparency Benchmark. - Or if the annual report is published later than the financial report.
	Against	<ul style="list-style-type: none"> - If the company scores ≤ 50 in the Transparency Benchmark. - Or if sustainability is not mentioned in the annual report / the presentation.
Declaration of dividend	In favour	Unless: see below.
	Against:	<ul style="list-style-type: none"> - If the dividend deviates from the dividend policy without sufficient explanation. - If the company does not invest in improving its sustainability performance.
Discharge of directors	In favour	Unless: see below.
	Withhold vote	If the directors provide no insight whatsoever in the sustainability performance of the company in the annual report. There needs to be transparency regarding the impacts of the company in order to prevent large risks and incidents.
	Against	<ul style="list-style-type: none"> - If the VBDO Responsible Supply Chain Benchmark shows that the company has no Supply Chain Policy. Such a policy is necessary in order to prevent large social and/or environmental risks and incidents.¹⁶ - If there are running legal proceedings against one or more directors. - Relevant rules or requirements regarding financial reporting are not met. - Serious social, environmental or governance breaches have been proven and the company has taken no action towards improvement.
Election of executive directors	In favour	In case of a board of more than four people, the VBDO votes in favour if $\geq 40\%$ is female after election of new directors ¹⁷ and there is sufficient knowledge about sustainability.
	Withhold vote	In case of a board of more than four people, the VBDO withholds its vote if 20-40% is female after election of new directors and if knowledge about sustainability is insufficient - even if $\geq 40\%$ of the board is female.
	Against	<ul style="list-style-type: none"> - In case of a board of more than four people, the VBDO votes against if $\leq 20\%$ is female after election of new directors or if 20-40% is female after election of new directors but knowledge about sustainability is insufficient.
Election of non-executive directors	In favour	Unless: see below.
	Against	<ul style="list-style-type: none"> - If after election of directors, knowledge about sustainability is insufficient in the board, and the board does not contain at least one financial expert (code). - If the board is insufficiently diverse for a representative and transparent nomination. (See also EU jurisdiction in construction.) - If the board contains more than five non-executive directors after election. - If the candidate does not meet the criteria of independence in the Corporate Governance Code. - If the candidate has neglected their tasks and responsibilities.
Remuneration policy	In favour	If $>10\%$ of the bonus is determined by social and environmental indicators and at least one third of the company's goals are set on the long term (> 3 years).
	Withhold vote	<ul style="list-style-type: none"> - If $> 0\%$ and $\leq 10\%$ of the bonus is determined by social and environmental indicators and at least one third of the company's goals are set on the long term (> 3 years).
	Against	<ul style="list-style-type: none"> - If the remuneration policy deviates from the Corporate Governance Code or the recommendations of the SCGOP regarding directors' remuneration. - If 100% of the bonus is determined by solely financial indicators.

¹⁵ Ministry of Economic Affairs 2013. Transparency Benchmarks. Consulted via: <http://www.transparantiebenchmark.nl/bedrijven>

¹⁶ VBDO (2011). Responsible Supply Chain of Listed Companies. Consulted via: <http://www.vbdo.nl/nl/pers/persberichten/685/vbdo-onderzoek-naar-verantwoord-ketenbeheer-beursgenoteerde-ondernemingen%3A-bouwsector-timmert-aan-de-weg-op-terrein-van-duurzaamheid-in-de-productieketen>

¹⁷ Based on motion European parliament: <http://www.europarl.europa.eu/news/en/pressroom/content/20120313IPR40566/html/Call-for-quotas-to-step-up-women%27s-participation-in-politics-and-business>

Sustainability Performance of Dutch Stock Listed Companies



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