



## **VBDO ACTIVE OWNERSHIP**

Report 2015



# VBDO ACTIVE OWNERSHIP Report 2015

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Dutch Association of Investors for Sustainable Development (VBDO)  
Utrecht, the Netherlands

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Disclaimer

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

# FOREWORD



This report describes VBDO's active ownership activities from 2014 up until the 2015 AGMs. Active ownership, or entering into 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, especially when the issues brought forward are relevant. This means engagement should be sector specific, based on facts and creating long-term value. Long-term oriented engagement should be done by loyal shareholders<sup>1</sup>.

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 sustainable value, is done from a long-term commitment, and is always done with a smile.

This report contains the quantitative results of our engagement with over 80 listed companies around their Annual General Meeting (AGM). We have asked questions around 3 priority themes: circularity, human rights with specific focus on grievance mechanisms and good tax governance.

We have also looked at integrating externalities as well as adherence to the OECD Guidelines. Later in 2015 we will publish a comparative framework of the results in 2015.

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 AGMs and wrote reports.

This publication was made possible by the financial support of our members. I would like to specifically thank Eirini Ioannou, Lelde Caune and Maria Nikolaidou for the research and Ingmar Schuurmans for writing this report together with Don Gerritsen.

Giuseppe van der Helm,  
Executive Director, VBDO

September 2015

<sup>1</sup> VBDO (2014). Engagement, box-ticking or catalysing sustainability?

# MANAGEMENT SUMMARY

## About VBDO

Since 1995, the VBDO has worked with parties on the supply and demand side of the capital market to make capital markets more sustainable. The association does this with the support of its members, i.e. 75 institutional and over 550 private investors.

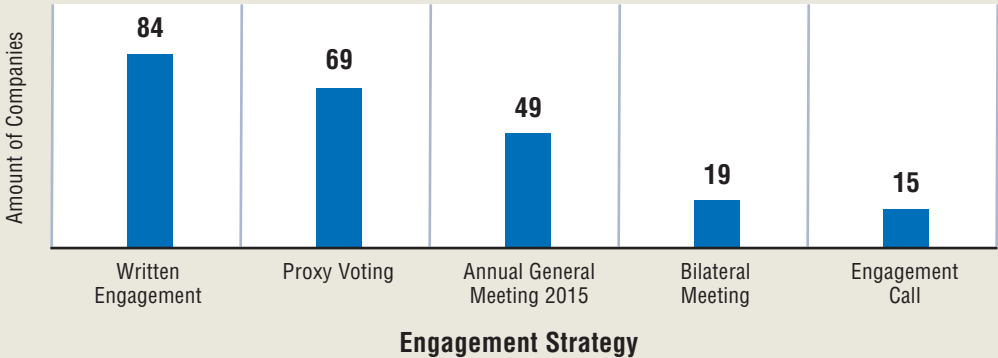
## About this report

The objective of this report is to provide insight into VBDO's active ownership process and impact. This report covers all active ownership activities and the quantitative engagement results with regard to VBDO's proprietary assets and third party assets for which VBDO leads the active ownership activities. This report covers reporting year 2014 of VBDO's investees, including the 2015 AGM season.

## VBDO's active ownership activities

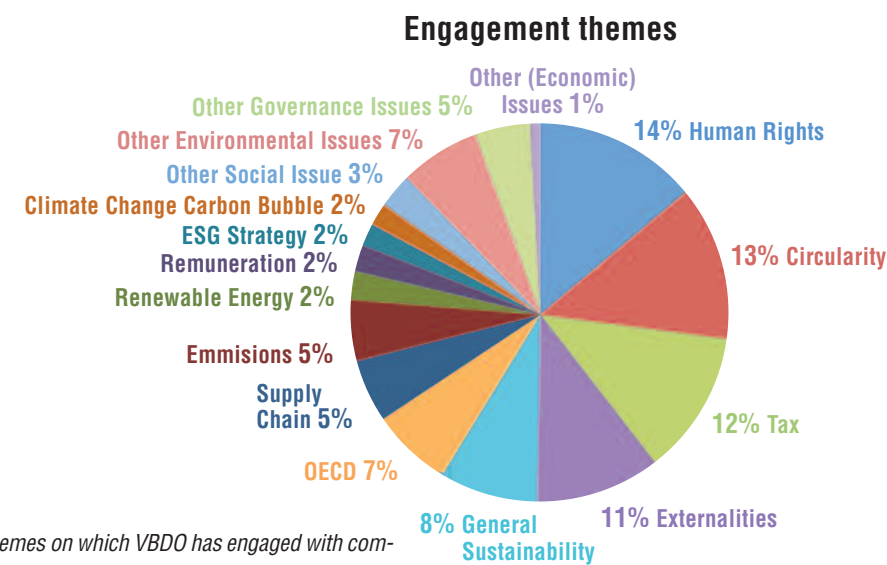
Within the timeframe covered by this report, VBDO has engaged 236 times in different ways. More specifically, the VBDO carried out the following active ownership strategies:

**Figure 1:** VBDO's five active ownership strategies deployed by amount of companies in 2014 & AGM season 2015



## Engagement themes

VBDO's company engagement is based on materiality as defined by VBDO's engagement team, which is backed by 3 researchers and 7 sector commissions consisting of 30 members. VBDO has engaged with the companies in scope on the issues presented in figure 2.



**Figure 2:** Themes on which VBDO has engaged with companies over reporting year 2014, including AGMs 2015.

In figure 2, the issues engaged upon are quantified. Circularity, good tax governance, human rights with specific focus on grievance mechanisms and externalities were engaged on mostly. Other examples of important but less frequent indicators were performance in supply chain, general sustainability strategy, or ESG strategy.

### Active ownership impact

A large number of commitments were made to VBDO in both 2014 and 2015. A significant number of commitments made in 2014 were followed up in 2015.

**2014 Figure 3:** Commitments made to VBDO by the companies in VBDO's investment universe in 2014 and followed up in 2015.

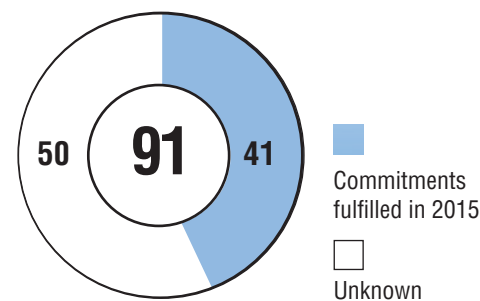


Figure 3 illustrates the total amount of commitments made in 2014 (91) and how many were actually followed up in 2015 (41).

**2015 Figure 4:** Commitments made to VBDO by the companies in VBDO's investment universe in 2015.

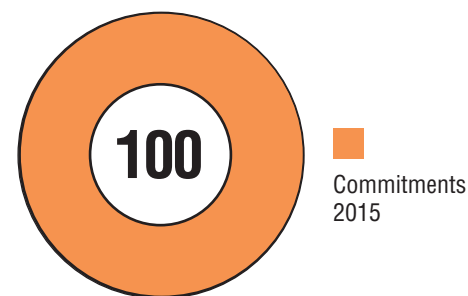


Figure 4 illustrates the amount of commitments made to VBDO during the AGMs in 2015. VBDO will assess which commitments made in 2015 by the companies in scope will be followed up in 2016.

Most of the commitments made in both 2014 and 2015 relate to issues other than VBDO's priority themes. These issues include a wide variety of commitments amongst which: setting new sustainability goals, targets, ambitions or the publication of certain strategic documents.

**Figure 5:** The total amount of commitments made to VBDO by the companies in VBDO's investment universe in 2014 & and AGM season 2015.

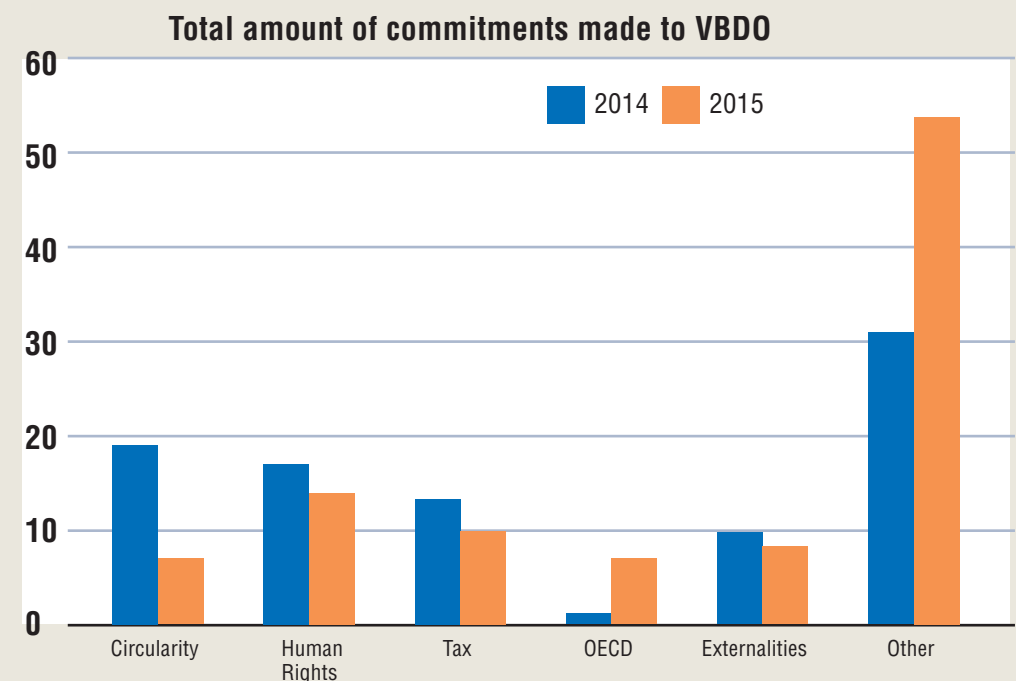


Figure 5 illustrates the cumulative amount of commitments made in 2014 and 2015 categorised by issue.

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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. Those parties are stock-listed companies, but also pension funds and insurance companies, to which VBDO assesses their sustainability performance.

The institutional VBDO-members consist of most 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 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. Such as the 2015 Corporate Human Rights and 2015 Tax Transparency Benchmark.
- 4) Organisation of multi stakeholder dialogues** with listed companies towards improved sustainability and responsible investment performance;
- 5) Performing (inter)national engagement activities** on behalf of institutional investors on the sustainability performance of selected companies;
- 6) Organisation of sustainability and responsible investment related conferences.** Such as the HUMAN 2015 Conference on Human Rights and Business and the Dutch SRI Week

## 1.2. About this report

To provide insight into VBDO's active ownership process and impact. This report primarily focuses on the most material issues on which VBDO has engaged with companies, including three selected sustainability priority themes: circularity, human rights, and good tax governance. This is complemented by two other selected themes: adherence to the OECD Guidelines for Multinational Enterprises and integrating externalities.

### Objective of this report

To provide insight into VBDO's active ownership process and impact. This report primarily focuses on the most material issues on which VBDO has engaged with companies, including three selected sustainability priority themes: CIRCULARITY, HUMAN RIGHTS, and GOOD TAX GOVERNANCE.

This is complemented by two other selected themes: adherence to the OECD GUIDELINES for Multinational Enterprises and INTEGRATING EXTERNALITIES.

### Report structure

- 1) Chapter I:**  
introduces the VBDO and the report.
- 2) In chapter II:**  
an overview of all VBDO's active ownership activities is presented. This regards reporting year 2014 of VBDO's investees, up until the 2015 AGM.
- 3) In chapter III:**  
VBDO's materiality approach, the three priority sustainability themes and selected other sustainability indicators will be presented.
- 4) In chapter IV:**  
the amount of companies engaged with in writing and in dialogue, and on which theme, is presented.
- 5) In chapter V:**  
conclusions are presented.

## CHAPTER II: ACTIVE OWNERSHIP APPROACH 2014 & 2015

VBDO is an active shareholder and executes continuous impact-focused active ownership activities. Active ownership has several opportunities for investors, such as:

- 1) Reducing risk** (e.g. raising company standards on material ESG-issues) or reputational risk for the investor.
- 2) Accelerating innovation** (e.g. boosting innovative practices of investees by deploying investor's power)
- 3) Meeting, or exceeding stakeholder expectations** (e.g. by managing the increasing stakeholder demand for responsible and ethical investment practices)
- 4) Exerting influence** instead of excluding a company and losing influence (e.g. engaging with investees on a one-on-one basis or in sector- or market-oriented initiatives)
- 5) Exerting the fiduciary duty** (as a tool to generate maximum positive economic, social, environmental and governance impact for direct and indirect beneficiaries)
- 6) Complying with international guidelines** such as OECD, PRI or the UN Global Compact to which significant amounts of investors have committed.

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.

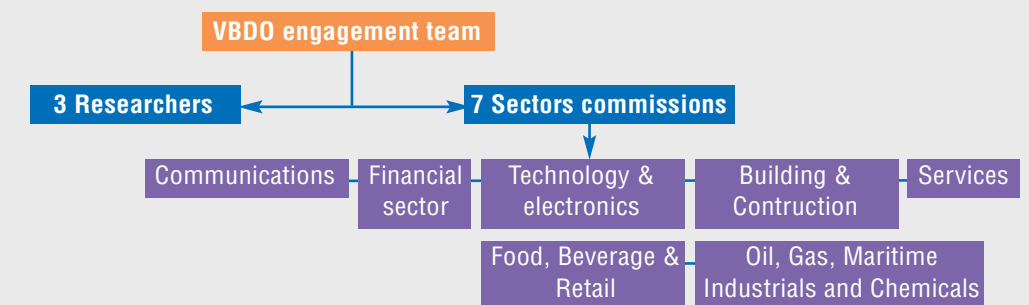
In some cases, further engagement activities are executed, e.g. in order to put selected sustainability issues under further scrutiny and development within a particular company. Also, in selected cases, as requested by companies or in collaboration, VBDO's interventions go further. These activities 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 active ownership governance structure is shown in figure 2.1 and an overview of all active ownership activities is presented in figure 2.2.

VBDO has an experienced team to execute its active ownership activities. Aside from VBDO's internal engagement team consisting of experienced sustainability professionals, the governance structure is complimented by VBDO's team of researchers and experts.

Figure 2.1: VBDO's active ownership governance structure



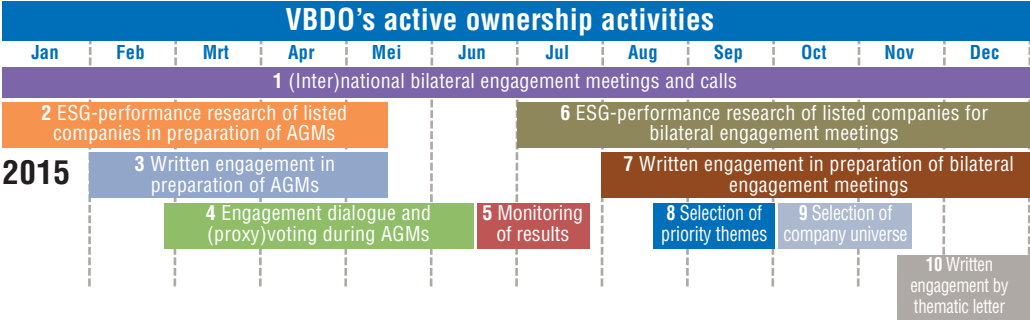


Researchers & experts

VBDO's research team of 3 full-time analysts executes thorough sector- and company-specific analysis of approximately 100 global multinationals annually.

Figure 2.2 displays the structure of VBDO's active ownership activities. For a description of the different stages (1-10), please read below.

Figure 2.2: The ten steps of VBDO's active ownership activities in 2014 and 2015.



1 (Inter)national bilateral engagement meetings and calls

During the whole year VBDO enters into bilateral engagement meetings and conference calls with multinationals on behalf of proprietary and third party assets. The most material sustainability issues for each respective company are discussed, varying from core strategic considerations to material sustainability issues such as responsible tax, human rights or circularity.

2 ESG-performance research of listed companies in preparation of AGMs

VBDO dedicates the first four to five months of the year for ESG-performance analysis. During this phase VBDO's in-house sustainability analysts assess the ESG-performance of listed companies in preparation to the AGMs. Basis for analysis are materiality by sector and company, as well as in-depth methodologies for priority themes, developed by a multistakeholder consultation.

Sector commissions

VBDO's sector commissions with senior sector-experts provide VBDO with subject-matter expertise:

- Communication sector: 3 experts
- Financial sector: 7 experts
- Technology & electronics sector: 4 experts
- Building & construction sector: 4 experts
- Services sector: 3 experts
- Food, beverage & retail sector: 9 experts
- Oil, gas, maritime & industrials and chemicals sector: 5 experts

3 Written engagement in preparation of AGMs

After completion of a study and verification of it by different bodies (e.g. VBDO's seven sector commissions and external consultancy firms) the results are shared. By firstly engaging in writing with a company, prior to the AGM, VBDO gives companies the opportunity to liaise internally in preparation to the AGM.

4 Annual General Meetings: engagement dialogue

On average 50 AGMs are visited by a representative of VBDO, this group consists of approximately 30 sustainability professionals. The representatives constructively challenge the company's board regarding its sustainability performance by publicly raising questions during the discussion of agenda items.

4 Annual General Meetings: (proxy) voting

VBDO representatives also exercise their right to vote on different agenda items during the AGM. By means of VBDO's own sustainable voting policy representatives vote on subjects such as: the annual report, discharge of directors or the remuneration policy.

5 Monitoring of results

After all AGMs are visited and answers to the questions are received VBDO monitors the results quantitatively and qualitatively. By benchmarking all the results in a publication VBDO provides companies and investors with a comparative framework indicating a company's sustainability performance (individually or on sector level).

6 ESG-performance research of listed companies for bilateral engagement meetings

In preparation of bilateral engagement, VBDO conducts ESG-performance research of listed companies. These analyses are carried out for the engagement trajectory VBDO executes on behalf of institutional investors.

7 Written engagement in preparation of bilateral engagement meetings

VBDO engages in writing with the companies in scope. Engagement meetings are set up with the investees and members of VBDO's engagement team visit the companies to engage in bilateral meetings (inter)-nationally. The performance results are reported and an advisory report is presented to the investor.

8 Selection of priority themes

VBDO's priority themes are re-assessed and updated every year, however, the minimum duration of a priority theme is three years. The themes are 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.

9 Selection of company universe

The companies in VBDO's engagement universe are selected on a set of different criteria, amongst which the two most important ones:

- 1) Companies where, according to VBDO, the VBDO has the most impactful engagement.
- 2 The longstanding professional relationship VBDO holds with companies showing constructive reciprocity.

Other criteria are:

- Performance in VBDO's 2014 Benchmark Responsible Supply Chain
- Presence in the AEX, and/or
- Companies VBDO deemed necessary to enter into engagement with based on sustainability performance related issues over reporting year 2014/2015.

10 Written engagement by thematic letter

VBDO shares a letter with all companies in scope. The letter contains VBDO's new focal points for the next year.

## CHAPTER III: ENGAGEMENT THEMES

VBDO's company engagement is focused on materiality at sector- and company level. It is complemented by a set of defined sustainability priority themes and other indicators. A company's performance screening is based on publicly available information (including annual, integrated and sustainability reports), VBDO's previous engagements with the organisation, and targeted company-specific web search. This chapter describes VBDO's materiality approach and the re-spective priority themes and other indicators that companies were assessed on within scope of this report.

It covers the following items:

- Materiality (3.1)
- Circularity (3.2)
- Human Rights with a focus on Grievance Mechanisms & Mechanisms of Remedy (3.3)
- Good Tax Governance (3.4)
- Integrating Externalities/SEP&L (3.5)
- OECD Guidelines (3.6)

### 3.1 Materiality

Key in VBDO's engagement trajectory is the identification of the most material sustainability issues at sector- and company level. Prior to any company ESG-performance assessment, VBDO determines the most relevant sustainability indicators for the sector in which the company operates, as well as for the company itself.

VBDO's seven sector commissions, as presented in chapter 2<sup>2</sup>, play a pivotal role in assessing materiality by delivering a materiality index, including trends & developments for the sector and respective companies. The materiality assessments serve as the basis for the ESG-performance assessment of VBDO's sustainability analysts, and, most importantly, all VBDO's active ownership activities. For an overview of how VBDO warrants materiality in its governance structure, please consult figure 2.1.

2 1) Communication 2) Financial sector 3) Technology & electronics 4) Building & construction 5) Services 6) Food, beverage & retail

7) Oil, gas, maritime & industrials and chemicals

3 Ellen Macarthur Foundation. Consulted via: <http://www.ellenmacarthurfoundation.org/circular-economy/circular-economy/towards-the-circular-economy>

### 3.2. Circularity (2015 priority theme)

Applying circular principles into business offers innovation opportunities and reduces a company's dependency on limited natural resources. It is argued that the manufacturing-sector in the EU could realise net cost savings worth up to \$ 630 billion per annum by 2025, stimulating economic activity in the areas of product development, remanufacturing and refurbishment<sup>3</sup>. Circularity stimulates companies to redesign their material flow(s) so as to secure a safe re-entering of biological and technical nutrients in the biosphere.

VBDO's analysts screened companies' circular performance based on an extensive list of criteria. Examples of those criteria and resulting questions are:

- **Strategy & governance**, e.g.: does the corporate or CSR strategy contain explicit reference to circular economy or related concepts like bio-based economy, cradle-to-cradle, cycling of materials, zero waste and CO<sub>2</sub>/ energy/emissions neutrality?
- **Procurement**, e.g.: has the company formulated expectations regarding the circular performance for suppliers?
- **Strategic partnerships**, e.g.: has the company engaged in one or more supply chain partnerships aimed at realizing a circular supply chain or improving the circular performance of its products?

During the 2015 AGM season VBDO has assessed 65 companies in total on their circularity performance. Later in 2015 VBDO will publish a circular assessment of all results.

### 3.3. Human Rights with a focus on Grievance Mechanisms & Mechanisms of Remedy (2015 Priority theme)

Companies bear the responsibility to respect human rights throughout their supply chain as it is described in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The Guiding Principles on Business and Human Rights state that a company is responsible to prevent and mitigate potential adverse human rights impacts in its business operations. In case a company causes such an impact, it is responsible for effective remediation. "Where businesses identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes"<sup>4</sup>. This year specific attention has been paid by VBDO to grievance mechanisms and access to remedy: complaint and remedy processes which can be used by individuals, workers, communities and/or civil society organisations that may be adversely impacted by a business' operations.

VBDO's analysts screened companies' human rights performance based on an extensive list of criteria. Examples of those criteria and related questions are:

- **Human rights endorsements**, e.g: does the company have a clear human rights due diligence approach, including human rights risks & impacts in the supply chain?
- **Grievance mechanisms and access to remedy**, e.g: is the grievance mechanism openly accessible (e.g. via the company website) and other barriers to access are reduced (e.g. language, costs)?
- **Public communication**, e.g: what is the number of filed grievances? (through a whistle-blowing procedure or grievance mechanism)

4 Guiding Principles on Business and Human Rights, Principle 22.

5 VBDO (2015) 2015 Tax Transparency Benchmark. Available at: [http://www.vbdo.nl/files/report/VBDO\\_TaxTransparencyBenchmark2015.pdf](http://www.vbdo.nl/files/report/VBDO_TaxTransparencyBenchmark2015.pdf)

### 3.4. Good Tax Governance (2015 priority theme)

Over years a number of multinationals have attempted to reduce tax costs by engaging in tax avoidance structures such as offshore financial centres or tax havens. 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, which encourage 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 and be transparent about tax payments. This also suggests that companies not only comply with the letter of the law, but also actively explain how they comply with the spirit of the law. For every company within scope, the VBDO has assessed whether it has responsible tax principles and/or responsible tax policy in place and how transparent the company is about its taxed paid.

VBDO's analysts screened companies' tax governance performance based on an extensive list of criteria. Examples of those criteria and resulting questions are:

- **Tax performance**, e.g.: does the company communicate its tax strategy? (e.g. in the annual report / CSR report/ website / other)
- **Country-by-country reporting**, e.g: does this company report on corporate income tax on a country by country basis? Region basis or segment basis?
- **Respect the spirit of the law**, e.g: does the company explicitly communicate that its tax planning strategy is based on the spirit of the law?

This year VBDO presented its new tax transparency benchmark 2015: a comparative study of 64 Dutch listed companies<sup>5</sup>.



### 3.5. Integrating Externalities/Social and Environmental Profit & Loss Account

“Hidden costs” or “externalities”, such as costs of land use, carbon emissions, or underpayment relating to the value chain of products and services, are risks that often remain unaccounted for and are invisible to consumers. However, a Social and Environmental Profit & Loss Account (SEP&L) provides stakeholders, next to financial profit and loss, with a coherent overview of the hidden social and environmental profit and loss of a company. Gaining insight into the positive and negative social and environmental externalities, and subsequently making those transparent through a SEP&L, provides companies the opportunity to reduce social and environmental impacts while simultaneously remaining profitable and competitive.

VBDO's analysts screened companies' externalities performance, the core criterion for this indicator was:

- Does the company have a policy/project to calculate the externalities of its business practices?

### 3.6. OECD Guidelines

The activities of multinational enterprises (MNEs) span multiple countries and many cultural, legal and regulatory environments. This complexity, coupled with the competitive nature of international business, presents MNEs and their stakeholders with unique and specific challenges.<sup>6</sup> The OECD Guidelines for Multinational Enterprises (“the Guidelines”) are a comprehensive set of recommendations addressed by governments to MNEs that operate in or from adhering countries. The Guidelines provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation.<sup>7</sup>

The Guidelines have been developed and are updated in close consultation with various stakeholders. By effectively implementing the Guidelines, MNEs reduce ESG risks, increase transparency and demonstrate corporate social responsibility. To date, 42 OECD and non-OECD countries have committed to promoting the Guidelines, thus creating a compelling business case for adherence.

VBDO's analysts screened companies' performance on the OECD Guidelines, the core criterion for this indicator was:

- Does the company explicitly adhere to the OECD Guidelines in its publicly available documentation? (E.g: annual report or sustainability report).

In 2015 VBDO has assessed to what extent the Dutch listed companies in scope adhere to the OECD Guidelines. With company-specific questions VBDO also addressed company's adherence to the Guidelines during the AGMs. VBDO will publish the results in 2016.

## CHAPTER IV: VBDO'S ACTIVE OWNERSHIP IMPACT



### 4.1. Active Ownership strategies

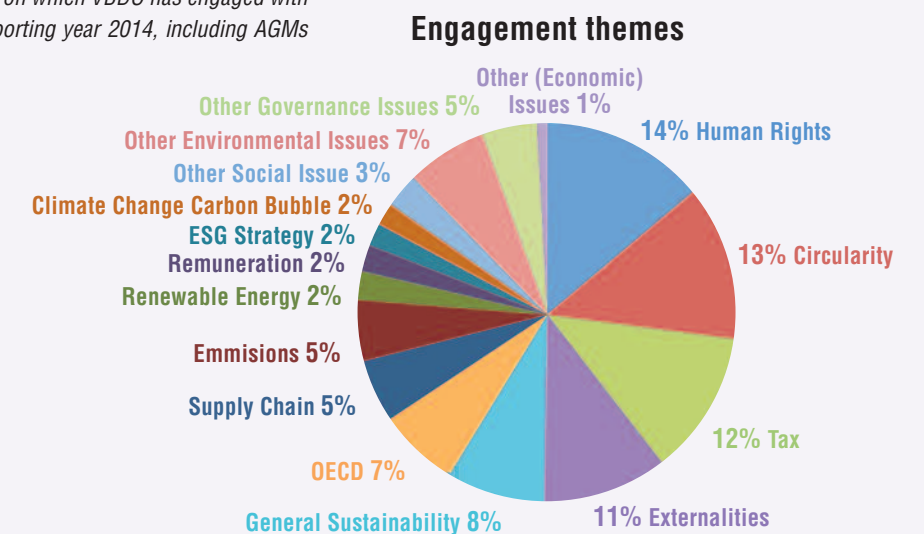
In 2014 & 2015 (up until the AGMs) VBDO has engaged with more than 80 different companies. Engagement can take place in:

- 1) The AGM
- 2) A bilateral meeting
- 3) A bilateral call
- 4) Writing
- 5) Proxy voting

VBDO's company engagement is based on, amongst other themes, circularity, human rights with a focus on grievance mechanisms & mechanisms of remedy, good tax governance, integrating externalities and OECD Guidelines (see also chapter 3). This chapter provides insight into the themes companies were engaged upon and the amount of engagement strategies deployed.

Figure 4.1 displays in percentages the quantification of the themes engaged upon. Circularity, good tax governance, human rights with a focus on grievance mechanisms & mechanisms of remedy and externalities were engaged on mostly. Other important but less frequent indicators were performance in supply chain, general sustainability strategy, ESG strategy, OECD Guidelines, remuneration, emissions, climate change/ carbon bubble, renewable energy and other environmental/ social or governance issues.

**Figure 4.1** Themes on which VBDO has engaged with companies over reporting year 2014, including AGMs 2015.



<sup>6</sup> OECD (2013), OECD Guidelines for Multinational Enterprises - Responsible Business Conduct Matters. Available at: <http://mneguidelines.oecd.org/responsible-business-conduct-matters.htm>

<sup>7</sup> <http://www.oecdguidelines.nl/oecd-guidelines/a/all-about-the-oecd-general-information>

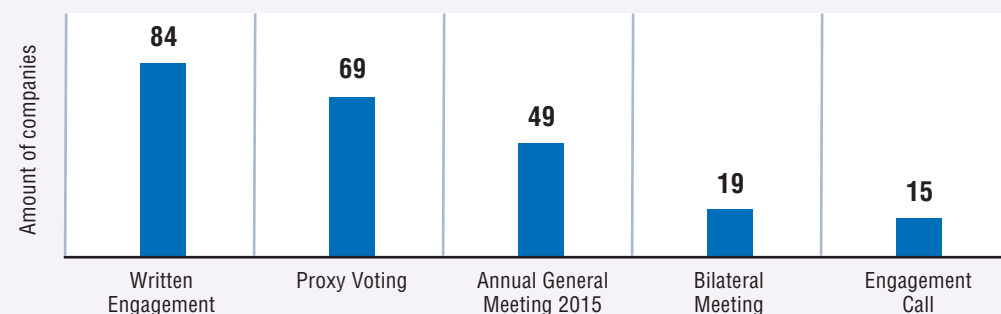
### Example: circularity

Philips performs well in terms of the implementation of a circular business model. The company has achieved to substitute non-sustainable input materials for recycled materials and extended its green product life span in the sectors healthcare, consumer lifestyle and lighting. Philips has estimated that approximately 13,000 tonnes of recycled material are used in its products in 2014. Over 625 tons of recycled plastics were used in vacuum cleaners, irons and coffee machines. Moreover, Philips continues to use more sustainable input materials in its operations, such as energy from renewable sources, with the ultimate aim of having CO<sub>2</sub>-neutral production sites. Philips' sales from green products, increased to EUR 11.1 billion in 2014, or 52% of sales (50% in 2013), thereby reaching a record level for Philips.

### Example: good tax governance

Companies such as Unilever, Wessanen, Randstad and Kendrion have shown transparency regarding their tax strategy and communicated the taxes that have been paid publicly. The constructive feedback that VBDO provided during last year's AGM season proved to have an impact on the tax strategies of different companies in scope. ASML, for example, has implemented VBDO's feedback regarding its tax strategy. Indicatively, ASML through its 2014 Corporate Responsibility Report, now describes its tax strategy including its vision on the company's relationship with tax authorities, and its commitment to comply with both the letter and the spirit of the tax law in the jurisdictions in which it operates.

### Engagement Strategy



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### Example: integrating externalities

The international construction company Royal BAM Group, which also offers services for the production, placement and end-of-life treatment of asphalt, ranks as one of the leaders in terms of calculating its externalities. BAM strives to achieve circular mobility by focusing its innovations on achieving lower CO<sub>2</sub> emissions and more efficient use of energy and materials. In 1998 BAM started with the development of LEAB (Low Energy Asphalt Concrete), an innovative type of asphalt produced at lower temperatures and it contains a higher percentage of reclaimed materials. Resulting in lower energy use, less use of scarce natural resources and has lower CO<sub>2</sub> emissions than conventional asphalt.

The study indicated that placing LEAB instead of STAB (conventional Asphalt Concrete) creates a positive impact of €257.000 on the environment per kilometre of highway. This equals the environmental cost of energy use of about 120 Dutch households per year. To calculate the externalities, the main environmental impacts of asphalt production were measured and translated into societal costs. The results show that the production, use and end-of-life treatment of LEAB asphalt is associated with 30% lower environmental costs than conventional asphalt.

Figure 4.2 displays the quantity of companies engaged with based on which engagement strategy was deployed. For some companies multiple engagement strategies were executed, e.g. by firstly engaging in letter (sharing the research and questions), secondly, visiting the AGM and proxy voting and thirdly a bilateral meeting to go into more detail regarding the themes addressed.

**Figure 4.2** VBDO's five active ownership strategies deployed by amount of companies in 2014 & AGM season 2015

For a full overview of how VBDO engaged, on which theme and with which company, please consult the appendix.

## 4.2. Commitments in 2014 and 2015

When VBDO engages with companies the questions are structured as to invoke specific commitments. If a company expresses a commitment it creates a concrete lead to follow up a certain sustainability theme by the next moment of engagement. Moreover, progress related to the specific commitment can be monitored. VBDO reports all commitments made during the execution of all engagement strategies and follows up during the next engagement phase.

**Figure 4.3** Commitments made to VBDO by the companies in VBDO's investment universe in 2014 and followed up in 2015.

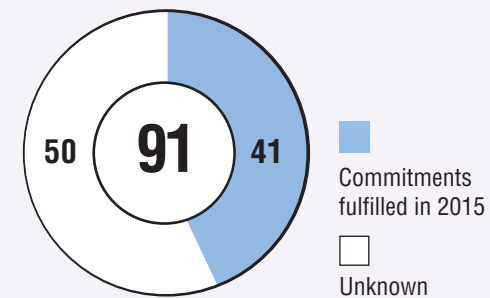


Figure 3 illustrates the total amount of commitments made in 2014 (91) and how many were actually followed up in 2015 (41).

**Figure 4.4** Commitments made to VBDO by the companies in VBDO's investment universe in 2015.

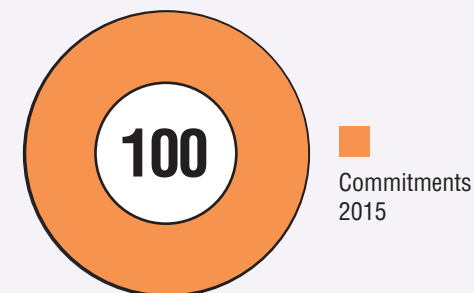


Figure 4.4 describes the cumulative amount of commitments made in 2015 during the AGMs. By next year (2016) it will be assessed which ones the companies in scope follow up. In 2015 a significant amount of 100 commitments were made.

**Figure 4.5** The total amount of commitments made to VBDO by the companies in VBDO's investment universe in 2014 & AGM season 2015.

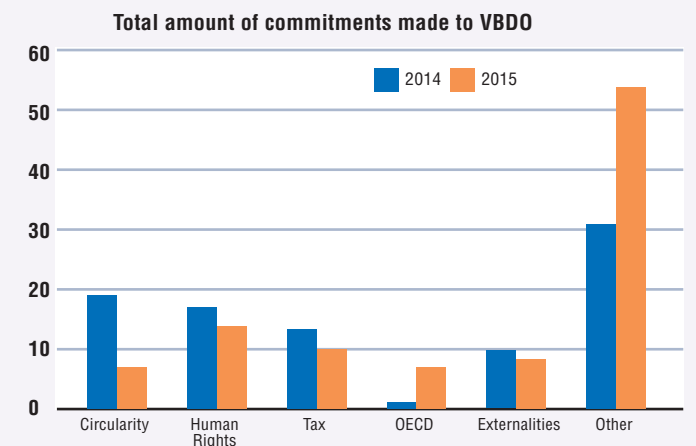


Figure 4.5 describes the cumulative amount of commitments made in 2014 and 2015 categorised by theme. The results on the priority themes have decreased since 2014, i.e.: circularity (2014: 19, 2015: 7), human rights (2014: 17, 2015: 14) and good tax governance (2014: 13, 2015: 10). However, commitments related to the OECD Guidelines and the commitments on other indicators have substantially increased (respectively 2014: 1, 2015: 7 and 2014: 31, 2015: 54).

For more information on commitments per company in 2014 and 2015, please consult the appendix.

VBDO ACTIVE OWNERSHIP REPORT 2015

# CHAPTER V: CONCLUSIONS

By means of this report VBDO has tried to provide the results of its active ownership activities. By providing insights into VBDO's active ownership governance structure, the engagement strategies deployed and quantitative results of the active ownership activities, VBDO stresses the potential and necessity of active ownership as a means to increase the sustainability performance of multinationals. Moreover, there are different opportunities attached to active ownership.

## Rationale for investors to be an active owner

- 1) Reducing risk** (e.g. raising company standards on material ESG-issues) or reputational risk for the investor.
- 2) Accelerating innovation** (e.g. boosting innovative practices of investees by deploying investor's power)
- 3) Meeting, or exceeding stakeholder expectations** (e.g. by managing the increasing stakeholder demand for responsible and ethical investment practices)
- 4) Exerting influence** instead of excluding a company and losing influence (e.g. engaging with investees on a one-on-one basis or in sector- or market-oriented initiatives)
- 5) Exerting the fiduciary duty** (as a tool to generate maximum positive economic, social, environmental and governance impact for direct and indirect beneficiaries)
- 6) Complying to international guidelines** such as OECD, PRI or the UN Global Compact to which increasing amount of investors adhere to.

## VBDO's active ownership activities

VBDO has engaged 236 times throughout the time-frame covered by this report. Active ownership activities were deployed by means of written engagement, proxy voting, AGM visits, bilateral meetings and engagement calls. The most common form of engagement is by letter (84 companies) followed by proxy voting (69 companies), AGM visits (49 companies), bilateral meetings (19 companies) and engagement calls (15 companies).

## Engagement themes

VBDO has engaged on an extensive range of themes, including:

- Human rights
- Circularity
- Good tax governance
- Integrating externalities
- General sustainability strategy
- OECD Guidelines for Mutinational Enterprises
- Responsible supply chain management
- Emissions
- Renewable energy
- Sustainable remuneration
- ESG strategy
- Climate change/carbon bubble

And a number of other social, environmental and other governance issues. The most extensively addressed issues were VBDO's priority themes (14% human rights, 13% circularity, 13% good tax governance), followed by externalities (11%), general sustainability strategy (9%), OECD Guidelines for Multinational Enterprises & other environmental issues (7%). The remaining themes have a minor representation of 5% and lower.

## Active ownership impact

A large number of commitments were made to VBDO in both 2014 and 2015, respectively 91 and 100. 40 commitments made in 2014 were followed up in 2015. This shows evidence that VBDO has made an impact during its active ownership activities.

Based on the solely quantitative results of this report it is not yet possible to assess and compare companies' or sectors' individual performance(s) on individual themes. However, as a preliminary result of different engagement strategies deployed, a number of companies already mentioned to envision business opportunities resulting from different themes, and a smaller share does already grasp some of these.

Later in 2015, after the post-AGM in-depth assessments of the results are made, in-depth conclusions can be formulated and information will be available for benchmarking.

Throughout the year, the VBDO will continue with initiating and identifying topical sustainability and responsible investment trends. In 2016, the VBDO will wholeheartedly continue the engagement in the ever-evolving endeavour to make the capital market more sustainable.

## Next steps in 2015

- VBDO will enter into constructive engagement dialogues with more than 100 companies on a national and international level.
- VBDO will publish its new Circularity Assessments and Human Right Benchmark.
- VBDO will identify a new priority sustainability theme with the help of relevant expert and VBDO's members.

## VBDO's perspective on effective engagement

VBDO's engagement is always based on direct contacts of high quality, a focus on material issues, long termism, done from a business perspective and fact-based and in a constructive way. Above all, VBDO maintains personal contact with investees and acts as a loyal shareholder.

# REFERENCES

McKinsey (2014), Towards the Circular Economy. Consulted on June 5th 2014 via:  
[http://www.mckinsey.com/~media/mckinsey/dotcom/client\\_service/sustainability/pdfs/towards\\_the\\_circular\\_economy\\_emf\\_report.ashx](http://www.mckinsey.com/~media/mckinsey/dotcom/client_service/sustainability/pdfs/towards_the_circular_economy_emf_report.ashx)

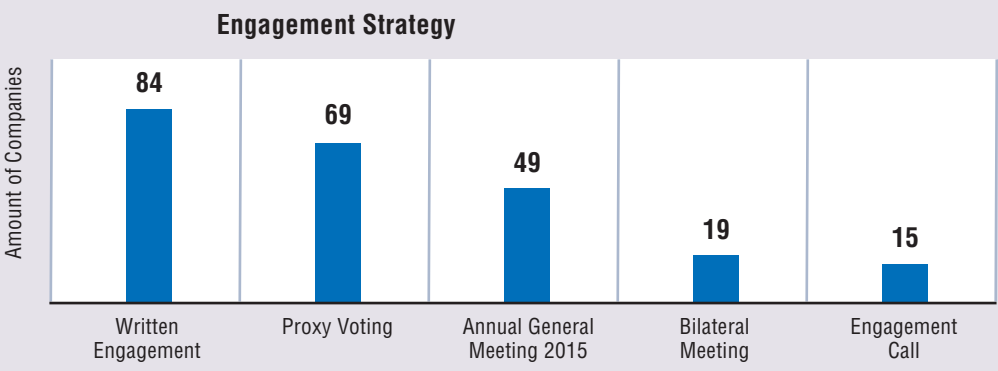
OECD (2013), OECD Guidelines for Multinational Enterprises - Responsible Business Conduct Matters.  
Available at: <http://mneguidelines.oecd.org/responsible-business-conduct-matters.htm>

VBDO (2014). Engagement, box-ticking or catalysing sustainability? Consulted on June 5th 2015 via:  
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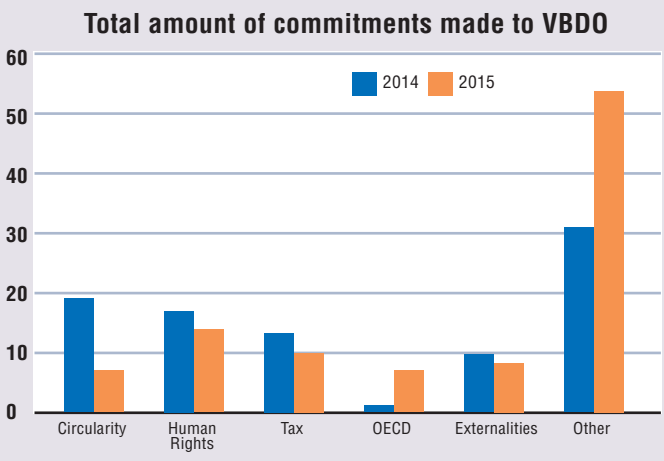
VBDO (2014). Sustainability performance of Dutch Stock Listed Companies. Consulted on June 5th 2015 via:  
<http://www.vbdo.nl/files/report/SustainabilityPerformanceofDutchStockListedCompanies.pdf>

# APPENDICES








## Engagement strategies per company



## VBDO's Active Ownership Impact










# 1) Overview engagement themes (a)

	 HUMAN RIGHTS	 CIRCULAR ECONOMY	 RESPONSIBLE TAX	 EXTERNALITIES	 COMPANY SUSTAINABILITY STRATEGY	 OECD	 RESPONSIBLE SUPPLY CHAIN	EMISSIONS	RENEWABLE ENERGY	SUSTAINABLE REMUNERATION	ESG INVESTMENT STRATEGY	CLIMATE CHANGE/CARBON BUBBLE	OTHER ISSUES ON WHICH VBDO HAS ENGAGED
Company													
Aalberts Industries													• Energy use & efficiency
Accell Group													• Environmental Targets, Participation, Ranking in Sustainability-related Benchmarks/Indices
Acomo													• Environmental Targets, Financial & Material Donations
Adidas													
Aegon													• Environmental Targets
Ahold													• Animal Welfare, Fuel Consumption, Environmental Standards for Suppliers, Healthy Products, GMOs
Air France-KLM													• Responsibly Produced Inflight Products
Airbus Group													• Environmental Standards for Suppliers, HQ's location
AkzoNobel													• Eco-premium Solutions
Allianz													• Soft Commodities Speculation
AMG													• ISO Certification, Environmental Targets, Water Consumption, Biodiversity
Anglo American													
Aperam													• Energy Intensity, Fresh Water Extraction
Arcadis													• Biodiversity & Ecosystem Services, Environmental KPIs, Reporting Framework, Participation/Ranking in Sustainability-related Benchmarks/Indices
ArcelorMittal													• Reporting Framework
ASM International													
ASML													• Participation/Ranking in Sustainability-related Benchmarks/Indices
AstraZeneca													• Access to Healthcare/Medicines, R&D Priorities, Sales & Marketing Practices, Reputation of the Sector and the Company
BAE Systems													
Ballast Nedam													• Participation/Ranking in Sustainability-related Benchmarks/Indices
BAM Group													• Certified Timber
Barclays													• Variable Remuneration Policy, Dark Pool Trading Probe
BASF													• Transparency and GMO Labelling Policy
BE Semiconductor Industries													• EICC Membership
Beter Bed													
BG Group													• Leadership Diversity
BHP Billiton													
BinckBank													
BMW													• Conflict Materials
Boskalis													• Anti-Bribery Conventions
British American Tobacco													• Lobbying & Marketing
Brunel													• Inclusive Employment
BT Group													
Corbion													• Energy Use, Water Use, Responsible Sourcing
Crown van Gelder													
Delta Lloyd													
Deutsche Bank													
DSM													
E.on													• Shale Gas, Leadership Diversity
Eurocommercial Properties													• Environmental Targets, Workforce Diversity, Participation/Ranking in Sustainability-related Benchmarks/Indices
Fugro													• Hazardous Substances, Environmental Standards for Suppliers
Gemalto													• Benchmarking of (Social) Policies, Review of 'Code of Ethics' and 'Ethical Practices and CSR' Policy
Glencore Xtrata													

= VBDO engaged with this company on this topic in 2014-2015.








# 1) Overview engagement themes (b)






	 HUMAN RIGHTS	 CIRCULAR ECONOMY	 RESPONSIBLE TAX	 EXTERNALITIES	 COMPANY SUSTAINABILITY STRATEGY	 OECD	 RESPONSIBLE SUPPLY CHAIN	EMISSIONS	RENEWABLE ENERGY	SUSTAINABLE REMUNERATION	ESG INVESTMENT STRATEGY	CLIMATE CHANGE/CARBON BUBBLE	OTHER ISSUES ON WHICH VBDO HAS ENGAGED
Company													
Grontmij													• Environmental Targets, Reporting Framework, Scope of Reporting, Participation/Ranking in Sustainability-related Benchmarks/Indices, Sustainable Purchasing
Heijmans													• Participation/Ranking in Sustainability-related Benchmarks/Indices
Heineken													• Water Consumption, Partnerships, Packaging
Holland Colours													
Imtech													
ING Group													
KAS BANK													• Data on Environmental Performance
Kendrion													
KPN													• Environmental Impact in the Supply Chain, Energy-saving Potential of ICT, Partnership with Fairphone, Net Neutrality Regulations
Linde													
Macintosh Retail Group													• Environmental Targets
NN Group													• Environmental Standards for Suppliers
Nedap													• Environmental KPIs
Nieuwe Steen Investments													• Environmental KPIs, Workforce Diversity, Participation/Ranking in Sustainability-related Benchmarks/Indices
Nutreco													• Environmental Targets
OCI													• Environmental Performance Data
Ordina													
Philips													• "EcoClassic" Bulbs
PostNL													• Social Hiring Programme
Rabobank													
Randstad													• Employment, Leadership Diversity
Reed Elsevier													
SBM Offshore													• Biodiversity
Shell													• Clean-up Activities, Biodiversity, Water Consumption, Oil Spills & Leaks Prevention
RWE													• Shale Gas, Leadership Diversity
SAP													
Siemens													• Shale Gas, Leadership Diversity
Sligro													• Environmental KPIs & Targets, Healthy Products in Schools, Workforce Diversity
Standard Chartered													• Variable Remuneration Policy, Leadership Diversity
Telegraaf Media Group													• Accessibility for People with Disabilities, Participation/Ranking in Sustainability-related Benchmarks/Indices
Ten Cate													• Hazardous Waste, Water Consumption
TKH Group													
TNT Express													• Environmental KPIs, Participation/Ranking in Sustainability-related Benchmarks/Indices
Unilever													• Pesticides Use in China, Hygiene
USG People													
Van Lanschot													• Diversity Policy
Vastned													• Environmental Performance of Buildings, LEED Certification, Participation/Ranking in Sustainability-related Benchmarks/Indices
Vopak													• Energy Efficiency, Environmental Standards for Suppliers
Wereldhave													• Sustainable Sourcing
Wessanen													• Environmental Targets, Environmental Standards for Suppliers, Water Use KPI
Wolters Kluwer													• Sustainable Offices

= VBDO engaged with this company on this topic in 2014-2015.

## 2) Overview engagement strategies deployed

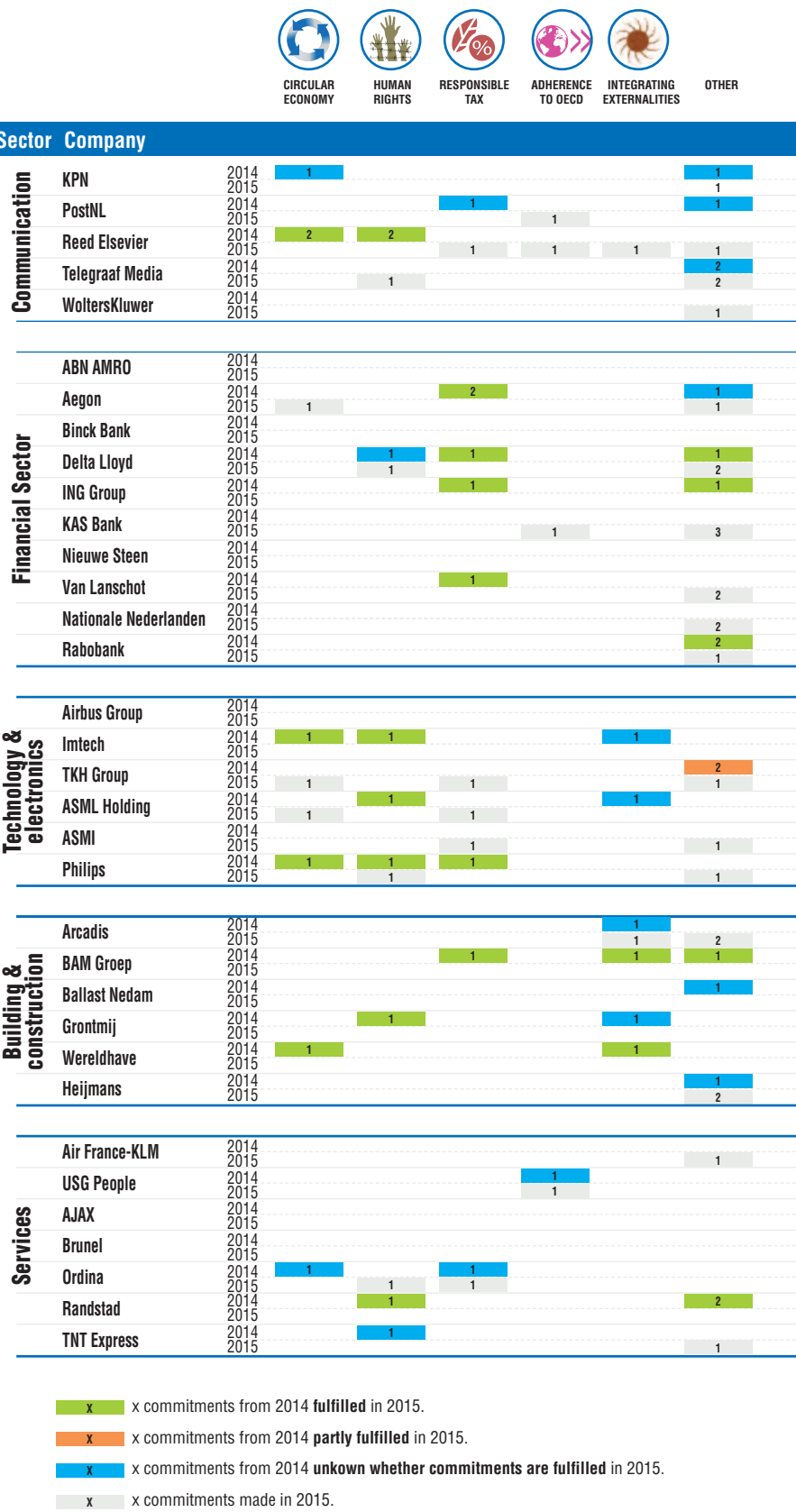
					
	WRITTEN ENGAGEMENT	PROXY VOTING	ANNUAL GENERAL MEETING 2015	BILATERAL MEETING	ENGAGEMENT CALL
Company					
Aalberts Industries					
Accell Group					
Acomo					
Adidas					
Aegon					
Ahold					
Air France-KLM					
Airbus Group					
AkzoNobel					
Allianz					
AMG					
Anglo American					
Aperam					
Arcadis					
ArcelorMittal					
ASM International					
ASML					
AstraZeneca					
BAE Systems					
Ballast Nedam					
BAM Group					
Barclays					
BASF					
BE Semiconductor Industries					
Beter Bed					
BG Group					
BHP Billiton					
BinckBank					
BMW					
Boskalis					
British American Tobacco					
Brunel					
BT Group					
Corbion					
Crown van Gelder					
Delta Lloyd					
Deutsche Bank					
DSM					
E.on					
Eurocommercial Properties					
Fugro					
Gemalto					
Glencore Xtrata					

= VBDO used this engagement strategy with this company in 2014-2015.

					
	WRITTEN ENGAGEMENT	PROXY VOTING	ANNUAL GENERAL MEETING 2015	BILATERAL MEETING	ENGAGEMENT CALL
Company					
Grontmij					
Heijmans					
Heineken					
Holland Colours					
Imtech					
ING Group					
KAS BANK					
Kendrion					
KPN					
Linde					
Macintosh Retail Group					
NN Group					
Nedap					
Nieuwe Steen Investments					
Nutreco					
OCI					
Ordina					
Philips					
PostNL					
Rabobank					
Randstad					
Reed Elsevier					
SBM Offshore					
Shell					
RWE					
SAP					
Siemens					
Sligro					
Standard Chartered					
Telegraaf Media Group					
Ten Cate					
TKH Group					
TNT Express					
Unilever					
USG People					
Van Lanschot					
Vastned					
Vopak					
Wereldhave					
Wessanen					
Wolters Kluwer					

= VBDO used this engagement strategy with this company in 2014-2015.

### 3) Commitments 2014/2015



# 4) VBDO’s (proxy) voting policy for AGMs sustainable voting advice

Resolution	Vote	Explanation
Annual accounts / annual report	In favour	• If the company scores $\geq 100$ points in the Transparency Benchmark. <sup>9</sup>
	Withhold	• If the company scores between 50 and 100 in the Transparency Benchmark.
	Against	• If the company scores $\leq 50$ in the Transparency Benchmark.
Declaration of dividend	For	Unless: see below.
	Against	• If the company does invest insufficiently in improving its sustainability performance, based on VBDO's company assessment and engagement trajectory. For more information, contact VBDO.
Discharge of directors	For	Unless: see below.
	Against	• If there are current legal procedures against one or more directors in relation to the company's performance. • Serious social-, environmental- or governance breaches have been proven and the company has taken no action towards improvement.
Election of executive directors	For	• In case of a board of more than four people, the VBDO votes 'for' if in the proposed board composition $\geq 40\%$ of new directors is female. <sup>9</sup> • And there is proven sustainability knowledge in the board.
	Withhold	• In case of a board of more than four people, the VBDO withholds its vote if 20-40% is female after election of new directors. • Or if knowledge about sustainability is insufficient – even if $\geq 40\%$ of the board is female.
	Against	• 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	For	Unless: see below.
	Against	• If after election of directors, knowledge about sustainability is insufficient in the board, and the board does not contain at least one financial expert. • Or if the board is insufficiently diverse for a representative and transparent nomination. • Or if the board contains more than five non-executive directors after election. • Or if the candidate does not meet the criteria of independence in the Corporate Governance Code. <sup>10</sup> • Or if the candidate has seriously neglected their tasks and responsibilities in a previous role in any way.
Remuneration policy	For	• If $>10\%$ of the executives' bonus is determined by social, environmental and governance indicators • And at least one third of the company's goals are set for the long term ( $> 5$ years).
	Withhold	• If $> 0\%$ and $\leq 10\%$ of the executives' bonus is determined by social and environmental indicators • And at least one third of the company's goals are set on the long term ( $> 5$ years).
	Against	• If the remuneration policy deviates from the Corporate Governance Code. <sup>11</sup> • Or if the recommendations deviate from the SCGOP regarding directors' remuneration. <sup>12</sup> • Or if 100% of the bonus is determined by solely financial indicators.
Other non-sustainability related	For	• For, if not sustainability-related. For more information, contact VBDO.
Other sustainability-related		• Contact VBDO.

9
<http://www.transparantiebenchmark.nl/en>

10
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>

11
<http://commissiecorporategovernance.nl/information-in-english>

12
<http://commissiecorporategovernance.nl/information-in-english>

13
[http://www.ecgi.org/codes/documents/scgop\\_handbook\\_2004\\_en.pdf](http://www.ecgi.org/codes/documents/scgop_handbook_2004_en.pdf)



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