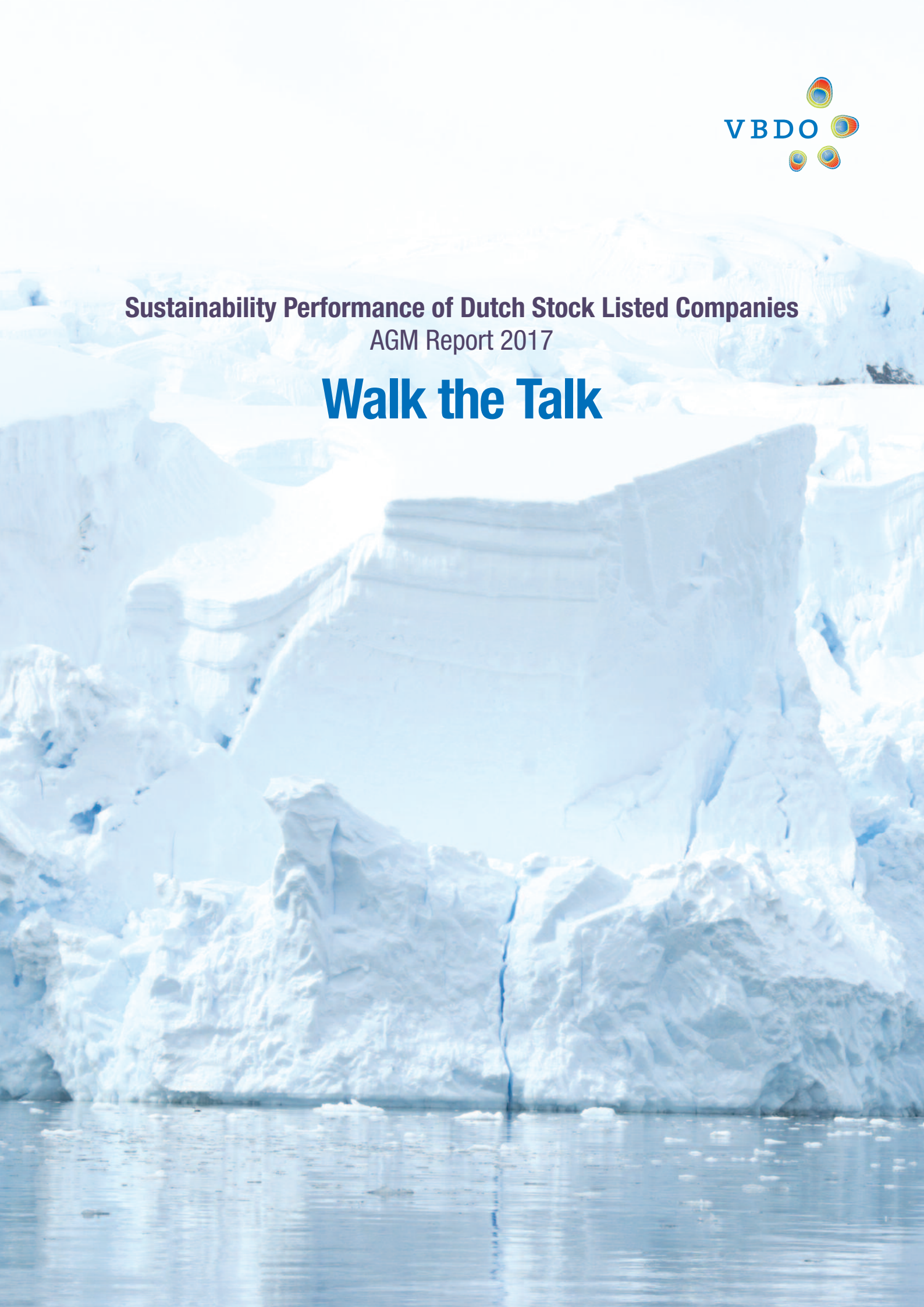


**Sustainability Performance of Dutch Stock Listed Companies**  
AGM Report 2017

# **Walk the Talk**







## Sustainability Performance of Dutch Stock Listed Companies

AGM Report 2017

# Walk the Talk

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Utrecht, Nederland

July 2017

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

# Foreword



Angélique Laskewitz

VBDO engages with companies to express and discuss sustainability concerns and priorities.

We stimulate companies to act responsibly and with integrity. It is important to initiate a dialogue, which is relevant and focused on long-term value creation. For over 20 years this has been our goal, and feedback shows our engagement has been invaluable to companies in achieving their goals as well.

This report contains the results of our engagement with 38 Dutch stock-listed companies around their Annual General Meeting. This year we focused on three themes; natural capital, paying a living wage, and the embracement of the Sustainable Development Goals by companies. With regard to our three selected themes we have garnered remarkable conclusions from our shareholder engagement. We see an increase in performance in general on the themes natural capital and living wage compared to last year, though both themes are still neglected by many companies and it is time now to walk the talk.

For the first year, VBDO encouraged companies to embrace the Sustainable Development Goals. This year's results show a wide variety amongst the companies in this area. Many companies started researching where their contributions to the SDGs lie. The future agenda needs to be focused on setting concrete and measurable targets and reporting on the progress of these targets. VBDO expects companies to start new initiatives specifically designed to support the SDGs.

I would like to express my sincere appreciation for all those who conducted research, drafted questions, visited the AGMs and wrote reports. Specifically, I thank our volunteers, without whose efforts the engagement process would not have been possible.

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

Angélique Laskewitz,  
Executive Director, VBDO  
July 2017

# 1. Management Summary

## Conclusion

**On overall, 38 companies in scope have made significant progress on the themes selected by VBDO (natural capital, living wage, Sustainable Development Goals) in the last year.**

Encouraging progress is shown on natural capital, a theme that VBDO addresses for the second consecutive year. Almost all companies demonstrate a general awareness on natural capital related issues and how they affect these these issues. They mention several risks, related to their operations and have a policy in which natural capital indicators are included. VBDO is pleased to see that many companies have started to set concrete targets on this topic. Nevertheless, relevant issues such as a loss of biodiversity, water management and soil depletion are poorly addressed. Companies could still make progress on indicating and managing risks and impacts in their supply chain and calculating externalities. Greenhouse gas emissions are not included in the natural capital theme this year. This decision has caused many companies to receive lower scores than the previous year.

VBDO addressed paying a living wage for the second consecutive year. Last year only a few companies addressed living wages. The ongoing effort in this field has paid off. This year's results show significantly more companies mention the importance of paying a living wage in their policies. However, three challenges remain. Firstly, many companies do not consider the risk of underpayment to be relevant for their business, since their workforce is mostly high-skilled. Underpayment is a relevant risk however in emerging markets and the supply chain of companies. Secondly, companies find it challenging that internationally accepted definitions are still missing. Lastly, the lack of common standards and methods increases the difficulty for companies to implement living wage rates. Awareness as well as knowledge needs to be built on these topics. Combining efforts to make a change to the whole supply chain is essential. VBDO encourages pioneers to explore this topic further and to share their experiences.

This was the first year the VBDO encouraged companies to embrace the Sustainable Development Goals in their CSR strategies. Results differ widely amongst the companies but are encouraging. Many companies have conducted a materiality analysis to select relevant SDGs and link these goals to their existing CSR strategy. There are some encouraging examples on starting partnerships to achieve the goals. Next steps need to concentrate on setting concrete and measurable ambitions in line with targets, and measure progress accordingly.

## Recommendations



### Natural capital

- Assess impacts, risks and dependencies of natural capital for your company, including topics such as water biodiversity, land use and soil depletion; (e.g., water, biodiversity, land use, soil depletion);
- Identify impact, risks and dependencies on natural capital for your supply chain;
- Set concrete, measurable and time-bound targets to track progress on natural capital indicators;
- Start including the environmental externalities of your business activities in your project accounts.



### Living wage

- Work together with other organisations to share existing methods and learn from best practices;
- Identify key risks regarding paying a living wage, both in your own operations as well as across the supply chain;
- Formally commit to paying a living wage rate, in your own operations: (e.g. in your Code of Conduct);
- Integrate paying a living wage into the purchasing decisions of the procurement department;
- Perform due diligence on suppliers to assess if they pay a living wage;
- Set a relevant time-bound ambition to paying a living wage in (parts of) your supply chain.



## Sustainable Development Goals

- Conduct a materiality analysis to identify which SDGs are most relevant for your company;
- Create new business opportunities, which have a positive impact on the identified SDGs;
- Set measurable, time-bound targets;
- Report on progress to make the goals concrete;
- Form partnerships with other companies, governments and NGOs to increase impact.

## Commitments

The 38 companies in scope made 46 commitments to VBDO to improve sustainability performances next year.

## About this report

This report provides insight into the status quo of sustainability performance of the largest Dutch stock-listed companies, focussing on VBDO's selected themes. In total 38 companies were assessed on three selected ESG themes, followed by engagement questions prior and during their Annual General Meeting (AGM). The criteria and scoring methodology (with a comparison to last year) are explained respectively in the appendices 2 and 3.

## About VBDO

Since 1995, the VBDO actively engages with the Board of Directors of publicly listed companies during AGMs with constructive, critical questions to improve sustainability performance. The association does this with the financial support of its members, i.e. 70 institutional investors and over 550 private investors.



## Company scores on selected themes 2017

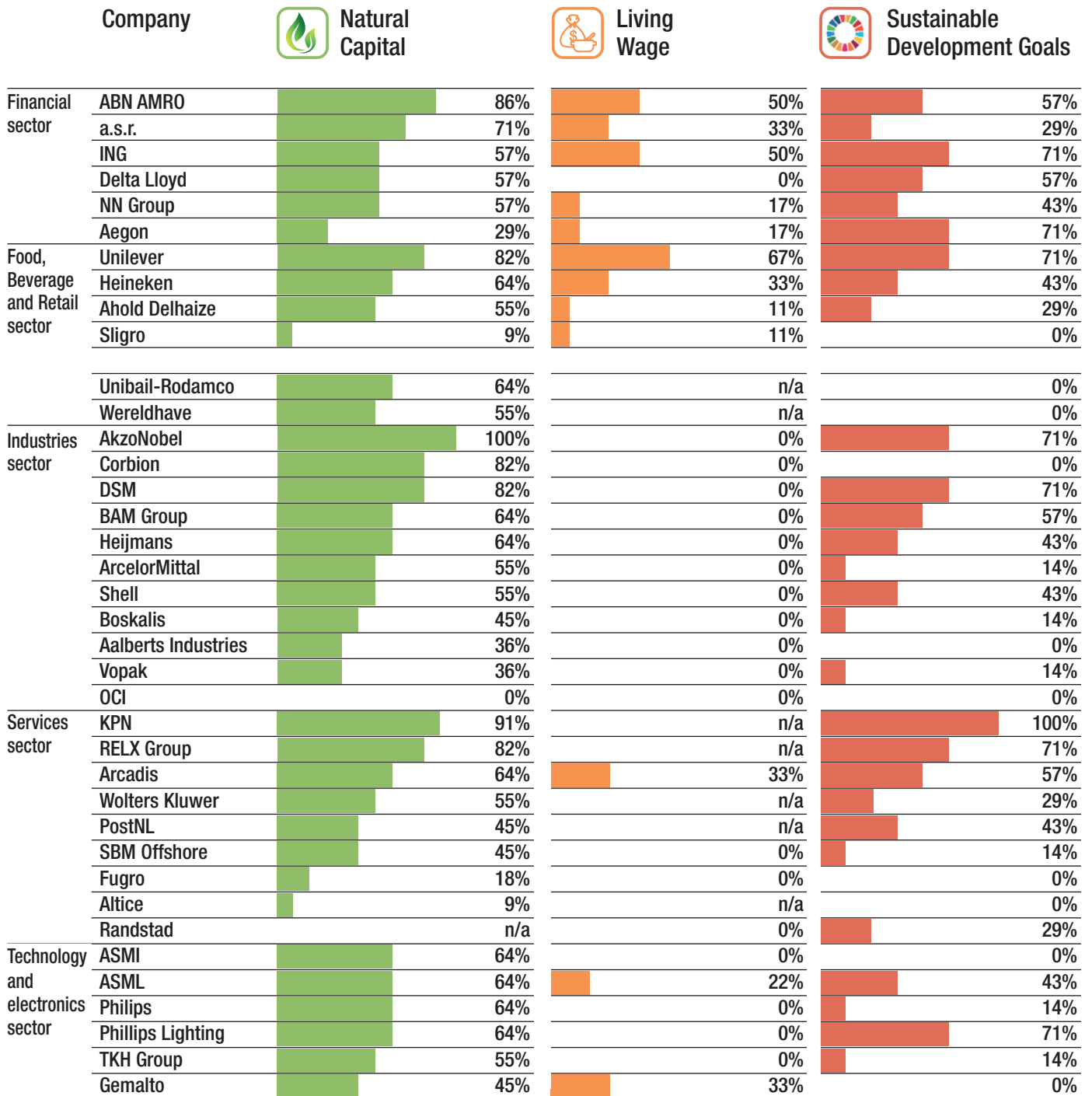


Figure 1.1 Company scores on selected themes 2017\*

\* Each theme is covered by a set of scoring criteria, and scoring on all criteria results in a total theme score by a total theme score of 100%. The number of criteria, as well as certain specific criteria, have changed, which influenced the scores and makes one-on-one comparability with last year for the themes natural capital and living wage difficult. The scoring methodology and considerations by the criteria are explained respectively in the appendices 2 and 3.

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Although more and more companies make a reference to living wage, this is still a neglected topic within human rights

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Table of content

<b>Foreword</b>	4
<b>1. Management Summary</b>	5
<b>2. Theme introduction</b>	10
<b>3. Results per sector and per company</b>	14
3.1 Financial sector	14
3.2 Food, beverage and retail sector (FBR)	16
3.3 Industry sector	19
3.4 Services sector	23
3.5 Technology and electronics sector	27
<b>4. Recommendations and next steps</b>	31
4.1 Natural capital	31
4.2 Living wage	34
4.3 Sustainable Development Goals	35
<b>List of references</b>	36
<b>Appendix 1 VBDO's engagement process during AGM season 2017</b>	37
<b>Appendix 2 List of assessment criteria and scoring methodology</b>	40
<b>Appendix 3 Additional considerations regarding assessment criteria</b>	42
3.1 Criteria considerations per theme	42
3.2 Criteria considerations per sector	43
<b>Appendix 4 Commitments per company</b>	44
<b>Appendix 5 Explanation of selected themes</b>	46
5.1 Natural capital	46
5.2 Living wage	46
5.3 Sustainable Development Goals	47

## 2. Theme introduction

### Selected themes

- Natural capital
- Living wage
- Sustainable Development Goals

VBDO has analysed the performance of 38 Dutch stock listed companies on three selected themes; natural capital, living wage and the Sustainable Development Goals (SDGs). This chapter focusses on the overall results per theme. The list of assessment criteria and scoring methodology can be found in appendices 2 and 3.

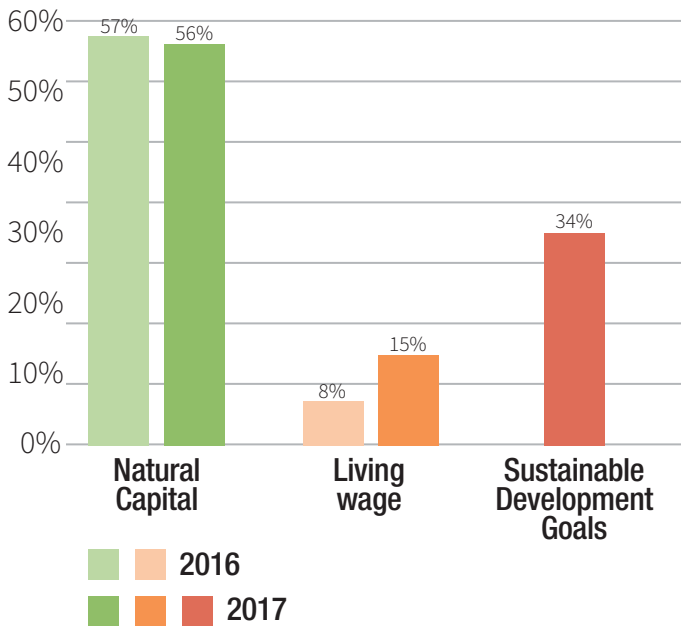


Figure 2.1 Results of selected themes in 2016 and 2017



### Key findings natural capital

**95%**

The company mentions natural capital related issues in public information

**84%**

The company has a policy on natural capital in place

**61%**

The company has developed Key Performance Indicators (KPIs) and SMART targets on natural capital

Figure 2.2 Key findings natural capital 2017

Natural capital includes renewable resources, e.g., plants, animals, and non-renewable resources, e.g., fossil fuels, metals, minerals (for more information on this theme see appendix 5.1). The companies in the scope of this research have achieved an average score of 56% on the natural capital criteria this year. This is a 1% decrease compared to last year. The reason for an overall lower score is that VBDO did not include greenhouse gas emissions in the scoring criteria this year unless it was deemed highly relevant. Almost all companies address climate change to some degree; but within the theme of natural capital other issues, such as a loss of biodiversity and scarcity of resources, are also extremely relevant for many companies.

Almost all companies mention some aspects of natural capital in their strategy and policies. They have taken several actions to enhance conservation of natural capital and have identified some risks, impacts or dependencies in their own operations. Few companies identified and addressed risks and impacts in the supply chain, which will need more attention in the future. Calculating externalities will also need more attention. Some companies are now taking first steps; however, it is challenging to go from a project, or pilot-based approach, towards a fully integrated profit and loss account. Many companies find it difficult to take the first step since available methods for calculating externalities are still immature.



## Key findings living wage

**28%**  
The company mentions living wages in public information

**9%**  
The company has developed a policy for suppliers or portfolio companies that makes reference to living wage

**9%**  
The company has partnered with multiple suppliers or other external stakeholders to improve living wage in its supply chain

**Figure 2.3 Key findings living wage 2017**

Living wage is a wage that provides employees with the necessary income to maintain a decent standard of living, for themselves and their dependents, based on geographical location and cost of living (for more information on this theme see appendix 5.2). It is encouraging that awareness of paying a living wage is gradually increasing and several companies have set good examples. The importance of paying living wages was recognised by 12 out of 38 companies. This is a huge improvement compared to last year when only 3 out of 37 companies made reference to this topic. A few companies actually commit to paying a living wage in their own operations.

However, living wage is still a neglected topic. Most companies make some reference to wage rate requirements for suppliers, but these are not living wage rates. Many companies find compliance to legal requirements sufficient and therefore see no need to address this issue further. Some companies indicate they miss a clear definition of this theme and international standards. Implementation remains challenging therefor, especially in the supply chain.



## Key findings Sustainable Development Goals

**74%**  
The company mentions SDGs in public information

**55%**  
The company has identified the most relevant SDGs to contribute to and provides an explanation for this focus

**8%**  
The company has set relevant and SMART targets regarding contributing to reaching (one of) the SDGs

**Figure 2.4 Key findings Sustainable Development Goals 2017**

The UN Sustainable Development agenda contains 17 goals for 2030 and their success relies heavily on action and collaboration by all actors; governments, businesses and civil society (for more information in this theme see appendix 5.3). The updated Dutch governance code stresses the importance of long-term value creation. Embracing the SDGs connects perfectly to this goal. However, translating the SDG framework into meaningful and efficient action will be a challenge, and will need guidance from the government and organizations. This is the first year VBDO scores companies on several criteria for the SDGs and the results are overall encouraging. Only 10 of the 38 companies have not shown any efforts regarding the SDGs. Most of the companies have included the SDGs in their CSR strategy and linked their existing strategy or targets to the goals. Several companies have conducted a materiality assessment to identify most relevant SDGs in which to contribute. Companies which have selected some SDGs do not always explain clearly how these goals link with their core business. Selections are not always obvious or understandable. There are some good examples on starting partnerships with other organisations for achieving a specific SDG. Mapping the SDGs to existing efforts is a good start; however, most companies are still underperforming when it comes to starting new initiatives that contribute to SDGs. Only a few companies set concrete, measurable and time-bound targets in line with the UN targets.



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## Commitments

The 38 companies in scope made 46 commitments to VBDO to improve sustainability performances in 2018.

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## 3. Sector and company results

### 3.1 Financial sector

#### Relevant sustainability themes

##### Natural capital

- Biodiversity and ecosystems
- Sustainable financing

##### Living wage

- Wage rates in portfolio companies

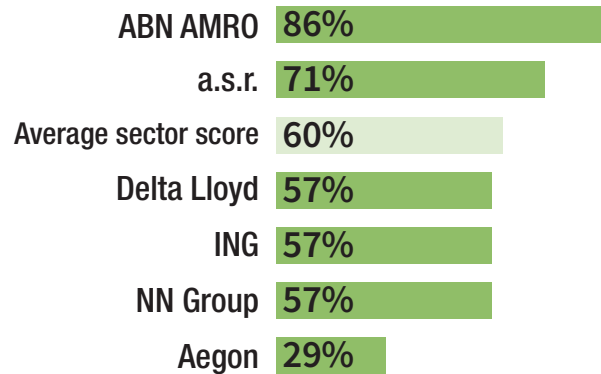
##### Sustainable Development Goals

- SDGs relevant to core business<sup>1</sup>

#### Key findings per theme



#### Natural capital



**Figure 3.1** Scores on natural capital in the financial sector

The financial institutions have improved on several aspects regarding natural capital compared to last year. Climate change was not taken into consideration which resulted in lower scores than last year. Five out of six financial institutions have published sector specific policies or position papers on themes such as agriculture, forestry and biodiversity. Some natural capital related themes are still missing in most financing and investment policies, such as water scarcity. The financial institutions are becoming more transparent about their investment and financing criteria.

However, the sector still struggles to clarify and quantify how their lending or investments impacts natural capital related themes. Ambitious targets on sustainable financing and impact investments are missing within four out of six companies in the scope of this research. ABN AMRO has set targets to increase its sustainable loan books by 15% compared to 2015 and a.s.r. has set targets in making their real estate portfolio more sustainable. These criteria are however very general. VBDO encourages institutions to include specific natural capital criteria on e.g. water, soil depletion, land use, deforestation and biodiversity. Lastly, financial institutions should start quantifying the environmental (and social) impacts of their lending and investments..

<sup>1</sup> Use of the SDG Industry Matrix of the UN Global Compact is recommended: United Nations Global Compact (2015): *SDG Industry Matrix*. <https://www.unglobalcompact.org/library/3111>

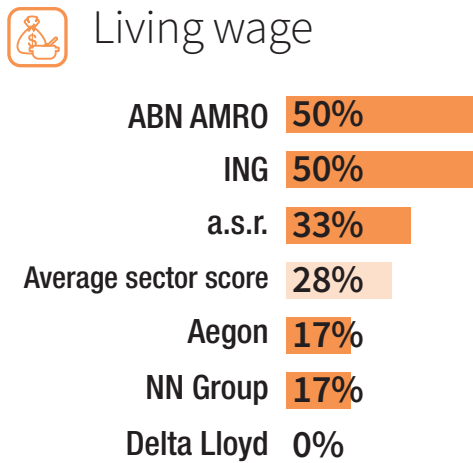


Figure 3.2 Scores on living wage in the financial sector

Last year none of the companies in the financial sector mentioned ‘living wages’ in their public reporting; however, during the course of 2016 major improvements were made on this theme. Five out of six companies in the financial sector addressed living wages in their policies. In particular, ABN AMRO has set the example by providing more transparency on risks and actions regarding human rights: the institution has published a Human Rights Report, being the first bank to do so. The report includes a commitment to paying living wages to all workers producing products or services for the institution and states the ambition to include living wages as a requirement for their clients. Almost all financial institutions mention living wages and regard low wages as a risk in several sectors of their portfolio. However, only ABN AMRO and ING are already taking action to improve living wages in their portfolio companies. None of the institutions has actively looked into measuring payment of living wages, or working together with NGO’s; which would be a strong step towards enhancing payment of living wages in their portfolio.

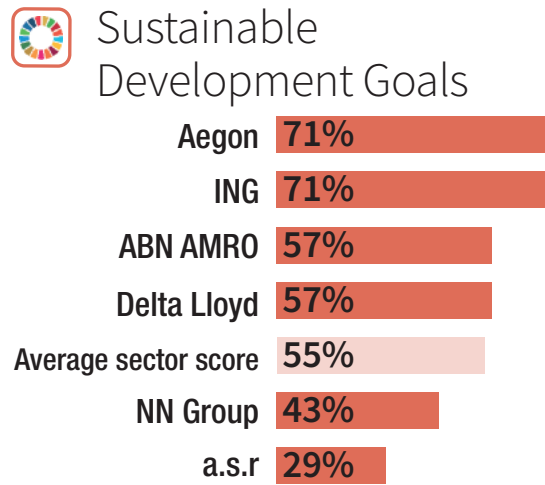


Figure 3.3 Scores on the SDGs in the financial sector

All financial institutions within the scope of VBDO’s AGM research address the Sustainable Development Goals, making the financial sector the highest scoring sector on this theme. Each institution has contributed to the report, ‘Building Highways to SDG Investing’. This report contains a first attempt at describing what a national SDG Investing Agenda could look like. All institutions in scope have identified the most relevant SDGs for their operations. However, the SDGs, which have been chosen as most relevant by each financial institution differ widely. Also, the sector should start developing new initiatives regarding the SDGs.

## Key findings per company

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



## ABN AMRO

ABN AMRO is a frontrunner within its sector in measuring and reporting on environmental impact. ABN AMRO is the only institution that has actively explored the possibilities of measuring environmental and social impacts in a specific value chain/asset class. This year no additional steps have been made. We encourage the institution to step-up and apply this pilot. ABN AMRO has already established extensive sector policies for financing, containing relevant natural capital related issues. Although ABN AMRO manages its risks regarding natural capital, the institution does not clarify what its actual impact is on natural capital through its financing and investments.

In its Human Rights Report, ABN AMRO commits to paying a living wage to all workers producing products or services for the institution. ABN AMRO also states that it will encourage portfolio companies to do so as well. A next step would be to address living wages in the lending policies per sector and to report on compliance with living wages by clients. ABN AMRO has conducted a survey among its employees to identify the most relevant SDGs. A valuable next step would be to set up a strategy and targets regarding their SDGs in order to make a positive contribution to realization of the SDGs.

## Aegon

Aegon states in its Responsible Investment Report the institution is taking several natural capital issues into consideration in real estate investments. When the institution identifies risks, Aegon encourages and monitors environmental clean-up actions such as treating contaminated groundwater. This is the only reference Aegon makes to natural capital related issues in VBDO's research. Themes such as biodiversity and ecosystems are not mentioned, which makes Aegon the only institution within the scope of this research does not have a policy or risk framework on the conservation of natural capital. Aegon is publishing a revised Responsible Investment Policy later this year and VBDO encourages Aegon to take these issues into consideration.

Aegon mentions living wages in its sustainable procurement policy, but not in its responsible investment policy. VBDO encourages Aegon to do so.

Aegon has already identified relevant SDGs and mentions concrete actions, which contribute to realizing the SDGs. A next step would be to set relevant, measurable targets for realizing the SDGs.

## a.s.r.

a.s.r. is stock-listed since 2016, therefore this is the first year a.s.r. is in the scope of VBDO's AGM research. a.s.r. has an extensive positive screening for investments in place, including topics like biodiversity and water management. While VBDO is positive about a.s.r. having policies in place for minimizing its portfolio's impact on natural capital related issues, a.s.r. does not publicly report on the impact the institution has through its portfolio on natural capital. This could be realized by exploring the possibilities of setting up a concrete measurement.

a.s.r. already mentions 'decent wages', for which the company uses the same definition as 'living wages', as part of their responsible investment policy and states the institution is actively working on this theme. A step forward would be to improve transparency about the actions being taken. This step would help to assess and promote applying 'decent wages' to portfolio companies.

a.s.r. has made reference to the SDGs but has not yet identified relevant SDGs in the institution's public reporting. This would be a step forward for next year.

## Delta Lloyd

Delta Lloyd has an extensive policy for the following natural capital areas: Fishery, Forestry and Dams. This policy includes additional criteria for positive screening of these sectors. Also, Delta Lloyd adheres to many certifications. VBDO encourages Delta Lloyd and NN Group, which are merging this year, to not only keep these policies in place, but to implement these additional criteria for NN Groups' investments as well.

## ING

ING has an extensive Environmental and Social Risk (ESR) Framework in place, which describes the risks and strategies regarding natural capital per sector in detail. While ING does report on the risks that are associated with its financing activities, ING does not indicate the impact the institution has on natural capital. This could be realized by setting up a concrete measurement for the impact in the institutions' portfolio on themes such as deforestation and biodiversity. ING regards non-living wages a risk in two sectors, namely the Forestry and Agrocommodities sector and the Manufacturing sector. However, the consequences of paying non-living wages by portfolio companies are not clear. A next step would be to mention living wages in the human rights policy of the ESR Framework and to extend due diligence on whether living wages are being paid by clients. ING is addressing the SDGs and focuses on two specific SDGs (SDG 8 and SDG 11) to contribute to. Most of these contributions to the SDGs are limited to ING's own activities, which have far less impact than the institution's financing activities. A next step would be to involve their clients in reaching the SDGs.

## NN Group

In 2016 NN Group published an 'Investment Guidance Paper on the Environment' including numerous natural capital related issues. This is a significant step forward in responsible investing. A next step would be to extend the responsible investment policy and include natural capital topics in engagement reporting.

This year NN Group has also published a first paper on 'Human Rights' which addresses the risk of low wages in several sectors. VBDO encourages NN Group to add living wages as part of the standard screening of portfolio companies, especially in high risk sectors.

While NN Group has identified its most relevant SDGs as the result of an internal mapping exercise and stakeholder dialogue, specific concrete actions and targets are missing. This would be an important improvement for next year.

## 3.2 Food, beverage and retail sector (FBR)

### Relevant sustainability themes

#### Natural capital

- Land degradation
- Efficient use of raw materials
- Biodiversity
- Water use and scarcity
- Packaging and waste

#### Living wage

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

#### Sustainable Development Goals

- SDGs relevant to core business<sup>2</sup>

### Key findings per theme



#### Natural capital

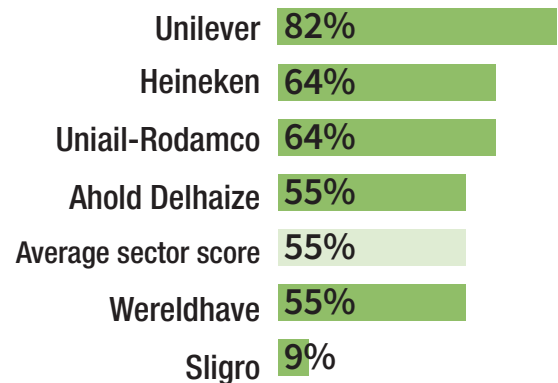
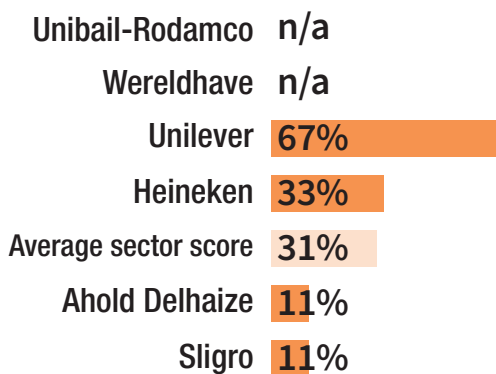


Figure 3.4 Scores on natural capital in the FBR sector

<sup>2</sup> Use of the SDG Industry Matrix of the UN Global Compact is recommended: United Nations Global Compact (2015): *SDG Industry Matrix*. <https://www.unglobalcompact.org/library/3111>

All companies in the food, beverage and retail sector mention natural capital related themes in their policies and understand the risks of their activities for issues such as biodiversity loss and land degradation. Some companies have identified many relevant topics, while others only mention a few. Five out of six companies have identified some impacts and risks of their own operations on natural capital and act to decrease their direct impact. However, most companies in the food, beverage and retail sector have a more substantial impact on natural capital through their supply chain. The sector could still make considerable progress in addressing this issue. Only one company, Unilever, has shown a real effort in identifying impact on natural capital of the company's supply chain.

### Living wage

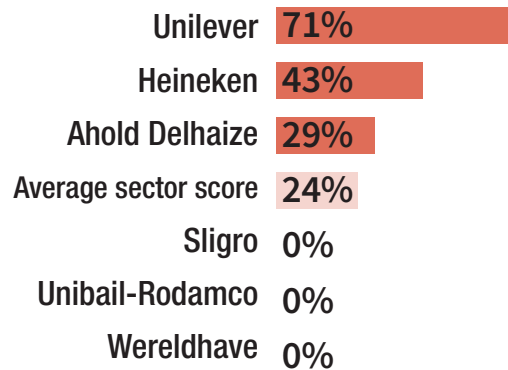


**Figure 3.5** Scores on living wage in the FBR sector

Last year only one out of six studied companies in the food, beverage and retail sector mentioned living wages in their public reporting. This year all of the companies for which living wage is a relevant theme, scored on this theme. The significant improvement in mentioning living wage in public reporting makes the food, beverage and retail sector a frontrunner on living wages as compared to other sectors. Unilever has taken a big step forward this year by committing to provide living wages to all its employees by 2020 and has developed an extensive framework for paying living wages. Both Ahold Delhaize and Sligro have joined the Business Social Compliance Initiative for their supply chain policies.

This initiative is actively exploring the implementation of living wages and has published a position paper on this issue. Implementing a requirement of paying living wages in the supply chain remains a challenge. None of the studied companies have made such a requirement. Instead, they make use of national minimum wage rules. The payment of a living wage is still considered too complex because the whole value chain needs to cooperate.

### Sustainable Development Goals



**Figure 3.6** Scores on the SDGs in the FBR sector

Performances on the SDGs differ widely within the food, beverage and retail sector, ranging from no reference at all to an extensive policy. Only half of the studied companies mention the SDGs. These companies have identified the most relevant SDGs to contribute to and provide an explanation. Yet only Unilever shows a more mature approach regarding the SDGs; it has already started new initiatives and partnerships to contribute to realizing the SDGs. None of the studied companies have set concrete targets in realizing the SDGs. The sector can make considerable progress by setting targets, in-line with the UN targets on the SDGs.

### Key findings per company

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



## Ahold Delhaize

Since this is the first year after the merger between Ahold and Delhaize, it is understandable some data, figures and targets on sustainable themes were not yet established. Ahold Delhaize has already committed to sustainably sourcing seven commodities. A next step would be to identify other relevant natural capital related themes in Ahold Delhaize's own operations as well as in the supply chain, such as land degradation and biodiversity.

While Ahold Delhaize applies the BSCI supplier code, which makes reference to living wages, Ahold Delhaize has not yet formally committed to paying all its direct employees a living wage. This could be a next step for the coming year.

Ahold Delhaize states the company has based its newly combined sustainability strategy on the SDGs, but this is not reflected in the reporting. Ahold Delhaize could formulate clear, time-bound ambitions and concrete actions, which are specifically aimed at improvement of the SDGs.

## Heineken

Heineken has a comprehensive policy on water use, which is one of the most relevant natural capital themes for the company. In 2016, a water risk assessment carried out by the company resulted in 13 breweries being added to the Heineken global water stewardship programme. The company pays less attention to other natural capital related themes, such as land degradation and biodiversity. A next step would be to implement policies on these relevant natural capital themes.

Heineken already strives for paying all employees living wages; an improvement for the next year would be to focus on paying living wages in the supply chain as well. Exploring the possibilities and reporting on this would be a major first step.

Heineken states it will build its 2030 strategy on the SDGs; the VBDO wants to encourage Heineken to also set relevant targets in this strategy in order to realize the SDGs.

## Sligro

Sligro acknowledges that their activities have an impact on the environment and there is a loss in biodiversity. However, Sligro does not concretely explain what kind of impact this is, or what the company is doing to decrease this impact. In order to take next steps, Sligro could combine this acknowledgement with concrete actions; and report on how Sligro is contributing to decreasing its direct and indirect impact on biodiversity and ecosystems.

Just like Ahold Delhaize, Sligro applies the BSCI supplier code. In order to make living wages a requirement in the BSCI supplier code, Sligro could have more intensive contact with the BSCI in order to promote living wages.

Sligro is not yet convinced of the importance and relevance of the SDGs. A next step could be to look, in detail, into the SDGs and decide how the company could best contribute to the realization of the SDGs.

## Unibail-Rodamco

Unibail-Rodamco mentions many relevant natural capital related issues and reports extensively on the company's impact on these issues. In addition, Unibail-Rodamco also pays attention to the environmental impact of visitors by promoting sustainable transport and setting targets on this. A next, ambitious step for Unibail-Rodamco is to look into the possibilities of creating an Environmental Profit and Loss Account. By expressing its environmental impacts in monetary terms, the company would be able to consider previously 'hidden' costs alongside conventional business costs; and, make business decisions, which enhance both financial and natural capital.

Another next step for Unibail-Rodamco would be to start reporting on the way in which the company can contribute to realization of the SDGs.

## Unilever

Unilever has already achieved considerable progress upon the ambitious targets in its Unilever Sustainable Living Plan (USLP). However, improvement is still necessary. Especially regarding the target on water use, which is a highly relevant natural capital theme for the company; Unilever is not on track in reaching this target.

The company has formally committed to pay living wages to all employees by 2020 and has developed a framework for the global wage rates of living wages. A next step would be to commit to paying living wages in the supply chain and to set timeframes for achieving this commitment.

The SDGs are in numerous ways similar to the USLP. Unilever is already undertaking a lot of actions that contribute to reaching both the USLP and SDGs. A next step would be to more explicitly link the SDGs to the USLP and to set long-term targets on the SDGs that are in line with the targets the UN has set for 2030.

## Wereldhave

This year Wereldhave has made significant improvements in the company's corporate responsibility policy and reporting on this subject. An example is the company's revised materiality analysis, which includes natural capital related topics such as sustainable sourcing and green leases. However, the impact and relevance of green leases for tenants is still not evident. A next step would be to increase the positive impact of 'green leases' and to be more transparent about these contracts.

Wereldhave has not yet looked into the possibilities of contributing to the realization of SDGs. A good first step for Wereldhave would be to identify relevant goals and to report on its current and planned contributions to these goals.

## 3.3 Industry sector

### Relevant sustainability themes

#### Natural capital

- Use of scarce and finite natural resources (e.g., raw materials, fossil fuels)
- Circular economy
- Environmental profit and loss account
- Supply chain responsibility

#### Living wage

- Wage rates in the supply chain

#### Sustainable Development Goals

- SDGs relevant to core business<sup>3</sup>

### Key findings per theme



#### Natural capital

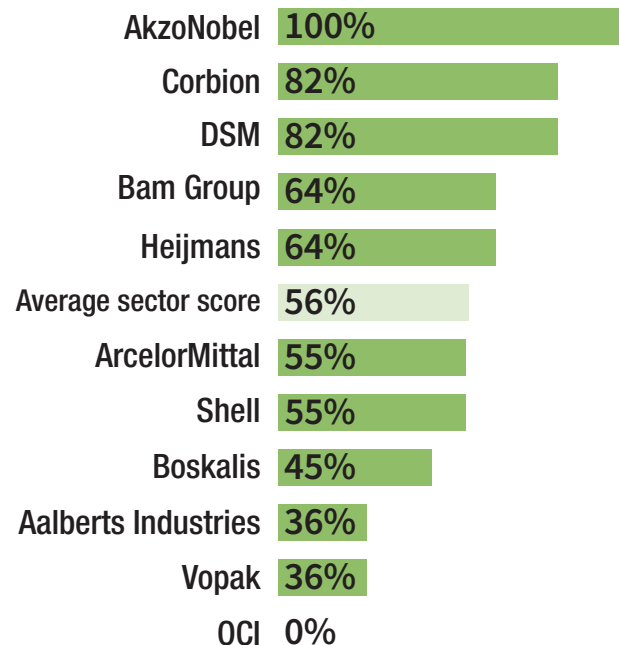


Figure 3.7 Scores on natural capital in the industry sector

Many companies in the sector scored lower on natural capital than in the previous year. The reason for a lower score this

<sup>3</sup> Use of the SDG Industry Matrix of the UN Global Compact is recommended: United Nations Global Compact (2015): *SDG Industry Matrix*. <https://www.unglobalcompact.org/library/3111>

year is VBDO did not include greenhouse gas emissions and resulting climate change, which was included last year, in the scope of natural capital themes. Natural capital topics identified as most relevant for the sector, e.g., scarcity of resources, water use and quality, impact on natural habitat, were only addressed by a few companies. Very few of the companies have identified risks, impacts or dependencies related to natural capital in the supply chain. AkzoNobel is the only company in the scope of this research to conduct a full profit and loss assessment. Most of the other companies in the industry sector are working towards such an assessment by putting effort into calculating externalities. Many companies have improved their score on this criterion compared to the previous year.



### Living wage

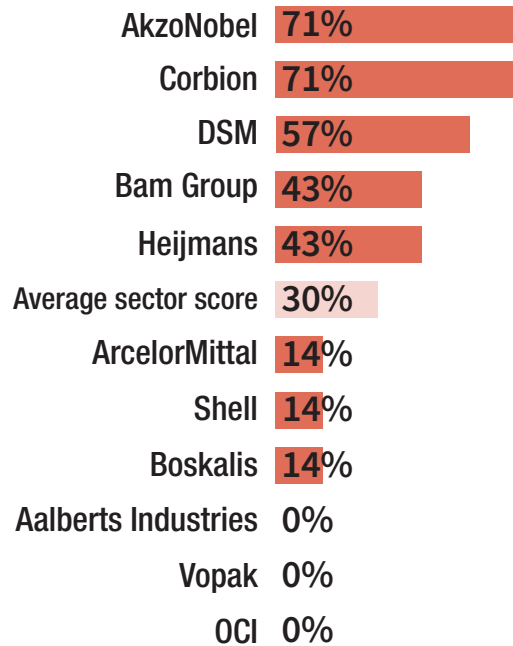
Aalberts Industries	0%
AkoNobel	0%
ArcelorMittal	0%
Average sector score	0%
Bam Group	0%
Boskalis	0%
Corbion	0%
DSM	0%
Heijmans	0%
OCI	0%
Shell	0%
Vopak	0%

**Figure 3.8** Scores on living wage in the industry sector

None of the companies in the industry sector scored on living wage. Most companies make some reference to wages, e.g., in their supplier code of conduct, confirming to adherence to laws, the OECD standards, the International Labour Organisation, or the Universal Declaration of Human Rights. However, these standards do not require paying living wage rates; they only make a recommendation. Wage rates within a company's own operations are rarely mentioned. This is mostly because companies do not experience the issue of underpayment as relevant; since the workforce in the industry sectors is generally highly skilled and well paid.



### Sustainable Development Goals



**Figure 3.9** Scores on the SDGs in the industry sector

Performances on SDGs differ widely amongst the industry sector, ranging from a single reference to extended reporting to a mature approach. The top scoring companies, AkzoNobel and DSM, demonstrated an integrated approach to the SDGs; they linked the goals with their actions and ambitions throughout their whole annual report. Most of the companies make reference to the SDGs, select relevant goals, and make concrete efforts to contribute to the goals. None of the companies identified risks related to reaching the SDGs. Instead of starting new initiatives, companies tend to link already existing targets and actions to the SDGs. Only AkzoNobel and DSM joined partnerships that aim at reaching the SDGs.

### Key findings per company

This section provides a recapitulation of each company in the industry sector regarding their current position on the three selected themes, as well as the next steps to be made on the themes. Note, the company's current position and recommendations regarding living wage are all the same since none of the companies scored points on this theme. All companies should improve performance on living wage as explained in the recommendations (chapter 4).



## Aalberts Industries

Aalberts Industries has an environmental strategy based on some relevant themes, e.g., energy efficiency, water use and lifecycle improvement. For its relevant themes, Aalberts Industries has only indicated general ambitions. A next step for the company would be to improve its performance regarding natural capital by formulating KPIs and setting SMART targets.

Aalberts Industries does not yet make any reference to the SDGs. Exploring and reporting on the concept of the SDGs and which role the goals could play in Aalberts' CSR strategy would be a valuable first step.

## AkzoNobel

AkzoNobel already has a mature approach towards natural capital. The company has demonstrated a laudable achievement this year by conducting a company-wide profit and loss assessment. By actively sharing its methods and experiences AkzoNobel could give less performing companies extra guidance to realize full profit and loss accounts.

AkzoNobel demonstrates good performances regarding the integration of the SDGs in its strategy. The company is actively engaged in partnerships for the goals and is especially contributing to SDG 11 (sustainable cities and communities) through its 'Human Cities Initiative'. AkzoNobel relates ambitions to relevant SDGs already. A next step would be to explicitly link concrete, time-bound targets to these SDGs.

## ArcelorMittal

ArcelorMittal has made major progress in corporate sustainability this year. The company developed a 'Sustainable Innovations Program' and committed itself to publish a fully integrated report in 2017. Next to this, ArcelorMittal made progress in sustainable sourcing by laying foundations for two new multi-stakeholder standards, ResponsibleSteel™, and the Initiative for Responsible Mining Assurance. Targets on natural capital related issues are still missing in ArcelorMittal's environmental strategy. The company has only set targets on energy reduction, while highly relevant natural capital related topics (e.g., scarcity of resources, water consumption and management) are not covered.

ArcelorMittal recognizes the importance of the SDGs and refers to general contributions to the goals. A next step would be to report more clearly, and in a structured way, on the SDGs. This should include an explanation of the selection of relevant SDGs and an overview of concrete contributions with related targets.

## BAM Group

BAM has a clear environmental strategy, striving to become climate and resource positive. The company shows good practice in calculating externalities. A next step for BAM would be to improve its environmental performances by expanding its efforts on natural capital management to the supply chain. This should include reporting and management of risks, dependencies and impacts regarding natural capital for their supply chain.

BAM has aligned its new CSR strategy with the SDGs, using the goals as guidance for its CSR efforts. The company has selected relevant SDGs and has linked targets to these goals. A next step could be made by creating partnerships with other stakeholders to cooperatively contribute to the SDGs.

## Boskalis

Boskalis shows good progress in protecting biodiversity and preserving the natural environment through its 'Building with Nature' programme. The company is also active in calculating externalities. An important future focus point for Boskalis would be to explore the possibilities for a more structured approach on natural capital. Concrete and time-bound targets on natural capital themes should be part of this. Since Boskalis mostly works on project base and is only temporary present at project locations, this is challenging. The company should focus on developing a framework on natural capital that allows a specialized, flexible approach for different projects, yet being consistent and transparent.

Boskalis links some SDGs to its relevant themes in the company's CSR report. A next step would be to elaborate on the role of the SDG framework in general and on the purpose of the selected SDGs.

## Corbion

Corbion has made significant progress in sustainable sourcing this year. The company has introduced a Cane Sugar Code to advance more economically, environmentally, and socially responsible sugar production; which is one of the company's primary materials. The Cane Sugar Code contains requirements and best practices for suppliers regarding specific natural capital themes, e.g., cultivation in areas of high biodiversity value, use of agrochemicals, water quality impacts and soil conservation. A next step would be to develop a monitoring and compliance system and to develop similar systems for other primary resources.

Corbion has yet to make any reference to the SDGs. For Corbion, it would be an important first step to start exploring and reporting on the concept of the SDGs and which role the goals could play in the company's CSR strategy.

## DSM

DSM's environmental strategy addresses highly relevant natural capital themes, e.g., resource scarcity, water security, sustainable food systems, and biodiversity. The company shows good practices in calculating externalities. To improve environmental performances further, the focus should be on natural capital management in the supply chain. Indicating and reporting on risks and dependencies regarding natural capital in the supply chain are important next steps to make for DSM. Also, further progress can be made by mapping and reporting on the environmental impact through the supply chain and the way the company manages this impact.

DSM has an integrated approach towards the SDGs, reporting throughout its annual report on its contribution to the goals. The company has already formulated ambitions related to the SDGs. A next step would be to explicitly link clear, time-bound targets to the SDGs.

## Heijmans

Heijmans performs well on natural capital. The company only sources sustainable wood and concrete. Also, this year the company focused on making progress in calculating externalities. Heijmans partnered with Sustainalize to develop a module for monetizing the social value of sustainable construction. A next step would be to further develop this method so it can be used on a company-wide base. Heijmans could especially improve its performances by mapping and reporting on risks, impacts and dependencies regarding natural capital in the supply chain.

This year, Heijmans started reporting on its contribution to the SDGs, providing an overview of activities that contribute to realizing certain SDGs. A next step would be to formulate clear, time-bound targets and ambitions specifically aimed at contributing to the SDGs.

## OCI

Unfortunately, OCI did not score any points on the three selected themes this year. OCI could make a start by conducting a materiality assessment to improve its natural capital related performance.

Regarding the SDGs, OCI could start to explore and report on the concept of the SDGs and which role the goals could play in OCI's CSR strategy.

## Shell

Shell has recognized the importance of a sustainable energy transition. The company has outlined different scenarios for this process. Next to this, Shell is actively calculating its externalities. Important improvement could be made by setting concrete, time-bound targets for relevant natural capital themes, e.g., Biodiversity and Ecosystem Services (BES) impact management, and by reporting on progress via KPIs. Also, targets need to be set for the role of the company in the energy transition.

Shell has selected relevant SDGs and outlines how it contributes to these goals in general. Next steps would be to formulate clear, time-bound targets and ambitions specifically aimed at contributing to the SDGs.

## Vopak

Vopak recognizes the importance of a sustainable energy transition and the role the company can play in achieving this transition. The company aims to be a proactive player in stimulating this shift on the market by offering more facilities for sustainable energy sources. A next step would be to improve the environmental performance by setting clear, time-bound targets. Specifically, targets to guide the energy transition would be laudable. Vopak has announced the company will conduct a materiality assessment on the SDGs in 2017 to identify the most relevant goals. Setting concrete, time-bound targets for selected SDGs would also benefit this initial effort.

## 3.4 Services sector

### Relevant sustainability themes

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#### Natural capital

- Paper consumption (applicable for RELX Group and Wolters Kluwer)
  - Biodiversity and ecosystem protection (applicable for Arcadis, Fugro and SBM Offshore)
  - Knowledge sharing on natural capital related themes (applicable for Arcadis, Fugro, RELX Group and Wolters Kluwer)
  - Energy efficiency (in data centres) and reducing CO<sub>2</sub> emissions (applicable for KPN and PostNL)
  - Reusable and non-toxic material use (applicable for KPN and Altice)
- 

#### Living wage

- Wage rates in supply chain (not applicable for KPN, Wolters Kluwer, RELX Group and PostNL)
- 

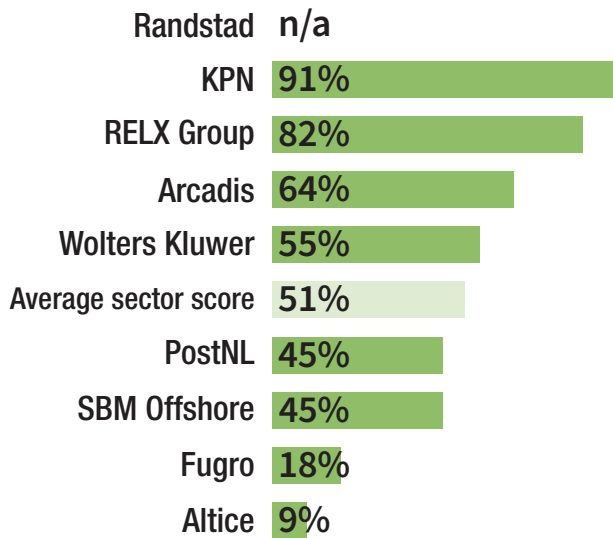
#### Sustainable Development Goals

- SDGs relevant to core business<sup>4</sup>
- 

<sup>4</sup> Use of the SDG Industry Matrix of the UN Global Compact is recommended: United Nations Global Compact (2015): *SDG Industry Matrix*. <https://www.unglobalcompact.org/library/3111>

## Key findings per theme

### Natural capital



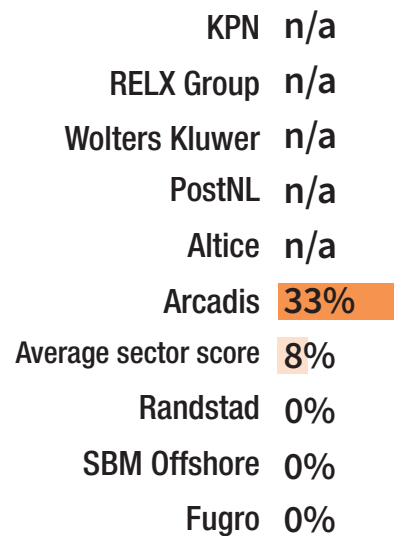
**Figure 3.10** Scores on natural capital in the services sector

The services sector is a very heterogeneous sector, which results in diverse relevant natural capital related issues for each individual company. Most companies in the services sector do not prioritize on minimisation of their negative impact on natural capital due to the relatively low ecological footprint.

While other sectors mostly have a negative impact on natural capital through their operations, the services sector could have a positive impact on natural capital by innovating and sharing knowledge. Some companies in the services sector have already embraced this idea and are frontrunners in achieving a positive impact on natural capital.

Arcadis has developed a 'Biodiversity Tool' for companies and KPN has run some pilots in making cities more sustainable through technology, e.g., smart parking, smart buildings and smart street lights. Yet, only three out of eight studied companies have found ways to make a positive contribution. More progress is still necessary.

### Living wage



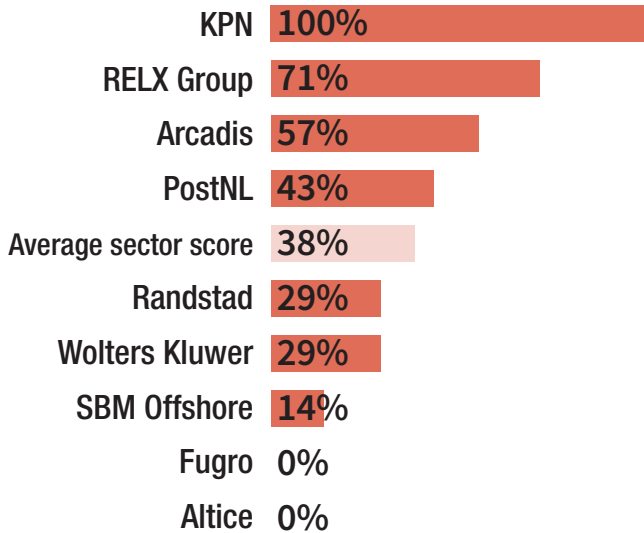
**Figure 3.11** Scores on living wage in the services sector

Most companies in the services sector only operate in Europe or in the higher segment of the market, thereby identifying living wage as a less relevant subject. The living wage theme is not applicable for five of the companies within the sector. Only one out of four studied companies have committed to paying a living wage in their own operations. None of the companies have committed to paying a living wage in the supply chain. The companies are therefore encouraged to start exploring the concept of 'living wages' and investigate how they can contribute to paying living wages in their own sector, as well as in their supply chain.





## Sustainable Development Goals



**Figure 3.12** Scores on the SDGs in the services sector

Since the SDGs are still relatively new, not all companies have included the SDGs in their strategies. A good example of a frontrunner in contributing to the SDGs is KPN, which has already established targets and partnerships in order to reach the SDGs. RELX Group has announced the company will launch a free SDG Resource Centre in 2017. This Centre will benefit other companies. Fugro and Altice have not yet mentioned the SDGs and are encouraged to devote more effort into implementing a strategy concerning the SDGs.

## Key findings per company

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

### Altice

Altice has taken steps in 2016 towards more extensive reporting on the company's environmental performance. A next step would be to conduct a materiality analysis for environmental issues and to start setting targets on reducing the company's impact on issues, which are found to be relevant. Altice does not yet take the SDGs into consideration and a next step for 2017 would be to start exploring the concepts of these goals and in what ways they could be implemented in the company's policies.

### Arcadis

Arcadis is a frontrunner in sharing its knowledge on natural capital related issues and has conducted several projects in 2016 that provide sustainable outcomes for natural capital related issues. A good example is the development of a "Biodiversity Tool". In 2017, Arcadis could focus more on reporting on the company's own impact on natural capital related issues and setting global targets. Arcadis has already committed to paying a living wage to the company's employees. In 2017 a Global Supplier Code will be launched and this will contain a reference to living wages as well. Arcadis is encouraged to make living wages a formal requirement for suppliers. Arcadis has identified relevant SDGs and a next step in 2017 would be to set ambitious targets to realize the SDGs.

### Fugro

Fugro is already one of the frontrunners in the field of offshore wind markets. Fugro could improve its environmental performance by focussing on more sustainable alternative businesses than the oil and gas industry. The company does not yet mention paying living wages to its own employees or its supply chain. Although Fugro operates in the higher segment of the market, Fugro is encouraged to formally commit to paying all its employees a living wage next year.

Fugro is taking actions to improve the company's CR reporting and has taken a major step in 2016 by conducting its first materiality analysis. While the SDGs might not be at the top of company's upcoming priority list, it could be helpful to start exploring the role the SDGs could play within the company's strategy and to identify opportunities.

## KPN

KPN is a frontrunner in making a positive impact on natural capital related issues by designing innovative developments, such as motion-sensed lighting and smart underground bins. A One Planet Thinking Study showed that the positive impact KPN has on the environment outweighs e.g. fossil depletion by 280 times. A next step in KPN's environmental performance would be to extend their True Value and Ecofys studies and to explore the possibilities of implementing an Environmental Profit and Loss account.

Regarding the SDGs, KPN scores the highest possible score this year and is therefore the frontrunner on SDGs in the reporting scope. KPN achieved this position by creating targets that are directly related to the SDGs and starting new initiatives. A next step could be to share KPN's knowledge and metrics on the SDGs with other companies and to set targets for 2030 that are in-line with the targets the UN has set in order to reach the SDGs.

## PostNL

PostNL is especially committed to energy and emissions in its environmental strategy. The company shows good practice with sustainable transport, renewable energy and efficiency. PostNL has set a target for its own 'CO<sub>2</sub> efficiency index' already, but setting more targets on natural capital themes would further improve the company's environmental approach. Another important step that is still to be made is to start calculating externalities.

The SDGs are part of PostNL's five-step analysis to define the company's relevant themes. Five SDGs are selected, for which PostNL outlines its contribution. The next step would be to set targets for these most material SDGs. The company is also encouraged to join partnerships for the SDGs.

## Randstad

Although Randstad mainly operates in the higher segment of the market, Randstad has not yet formally committed to paying a living wage to all its employees and candidates (employees hired through their temporary employment agency). Since Randstad's business is all about people, Randstad has a responsibility to continuously improve its social performance. This could be a next step for 2017.

While natural capital is not a relevant theme for Randstad, 'inclusion' is a very relevant topic and the company shows a mature approach in addressing inclusion for its employee base as well as for its candidates. For example, Randstad ran a pilot in 2016 to help 95 refugees find a job in the Netherlands.

Randstad is starting other such initiatives like this, and a next step would be to be more transparent about the company's activities on inclusion.

Regarding the SDGs, Randstad has identified the most relevant SDGs but has not yet integrated the SDGs within the company's strategy. In 2017, Randstad could start looking at concrete actions and ambitious targets, which contribute that contribute to realizing the SDGs.

## RELX Group

RELX Group provides a good example of a company that is positively impacting natural capital through sharing knowledge. Natural capital related issues are not necessarily a large risk for the company, but are seen as an opportunity. This year, RELX Group has started several new platforms, such as the journal Green Energy & Environment and the freely available SDG Resource Centre. A next step would be to increase the company's positive impact by focussing on more natural capital related issues in journals. On the other hand, RELX Group could also further minimize its negative impact on natural capital by measuring customers' use of paper and electronic devices.

RELX Group is already extensively reporting on the SDGs and could improve this by setting concrete, long-term targets for contributing to the SDGs.

## SBM Offshore

SBM Offshore is demonstrating a good practice in developing renewable energy solutions. This year the company announced it will expand its efforts in this field. SBM Offshore could further improve its performances on natural capital by making its ambitions on renewable energy solutions more concrete. The company should formulate a clear strategy and set concrete, time-bound targets. SBM Offshore does not yet address living wage. The company is encouraged to start exploring and reporting on this concept.

SBM Offshore has recognized the added value of the SDGs and makes an initial reference to the goals. The company aims at setting targets for the SDGs next year, which is certainly an important next step. Also, SBM Offshore would improve its reporting by conducting a materiality assessment and reporting on a selection of SDGs most relevant to the company.

## Wolters Kluwer

Wolters Kluwer has been actively decreasing its paper use in 2016 and increased the percentage of responsible paper used. Wolters Kluwer could advance the company's environmental performance one step further by taking its whole value chain into consideration. Wolters Kluwer is mainly focussing on the company's own impact, and less on the supply chain and customer use of products.

Wolters Kluwer has identified the most relevant SDGs for the company's operations. A next step would be to integrate the SDGs more in the company's strategy and to connect the SDGs with concrete actions and relevant targets.

## 3.5 Technology and electronics sector

### Relevant sustainability themes

#### Natural capital

- Pollution and waste
- Water use
- Overexploitation, especially regarding precious metals
- Supply chain responsibility

#### Living wage

- Wage rates in supply chain

#### Sustainable Development Goals

- SDGs relevant to core business <sup>5</sup>

### Key findings per theme



#### Natural capital

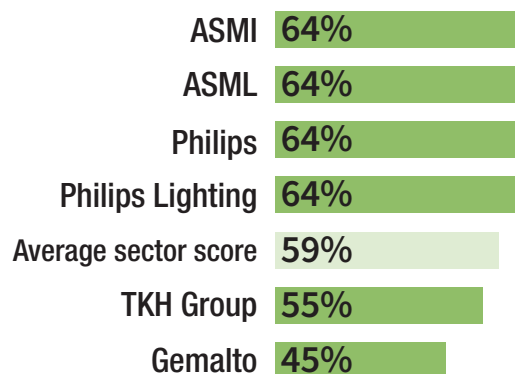


Figure 3.13 Scores on natural capital in the technology and electronics sector

<sup>5</sup> Use of the SDG Industry Matrix of the UN Global Compact is recommended: United Nations Global Compact (2015): *SDG Industry Matrix*. <https://www.unglobalcompact.org/library/3111>

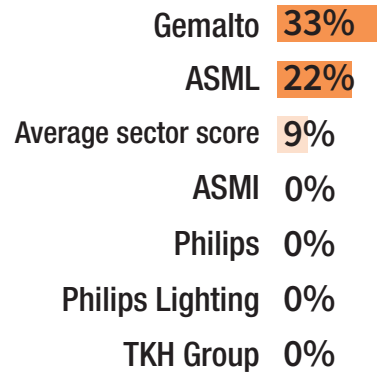
The companies in the technology and electronics sector perform quite similarly on natural capital management; all demonstrate modest scores. All companies have increased their scores slightly compared to last year between a 1% increase (Philips) and 14% increase (ASML). ASM International has improved significantly on natural capital management, which is reflected by an increase in the company's score of 38% previous year to 64% this year. In 2016 the company conducted a team risk assessment with key stakeholders to evaluate environmental impact at all sites. 2016 was the first year for Philips Lighting to be included within the scope of the VBDO AGM Research. The company achieved the same score as its prior parent company Royal Philips.

Almost all companies score points in the areas of addressing natural capital: indicating risks, impacts and dependencies in their own operations, taking actions, and setting targets. All companies have KPI's in place to reduce their CO<sub>2</sub> footprint, water and energy use, and waste production. However, these targets are, in general, easily met and companies do not seem to challenge themselves. Addressing natural capital in the supply chain is a topic that needs more attention in the technology and electronics sector.

The environmental impact of these companies tends to be especially high in the supply chain compared to their own operations. Only Philips and Philips Lighting show good practices in calculating externalities, while others are still behind on this criterion. Companies do follow developments closely and wait until additional, mature, and accepted methods become available. Biodiversity is a topic that companies barely address, because it would be too far down the supply chain. Also, companies face difficulties higher in the value chain, e.g., customer's reluctance to use refurbished and recycled products hinders the shift towards circular production systems. Much remains to be gained in this area.



## Living wage



**Figure 3.14** Scores on living wage in the technology and electronics sector

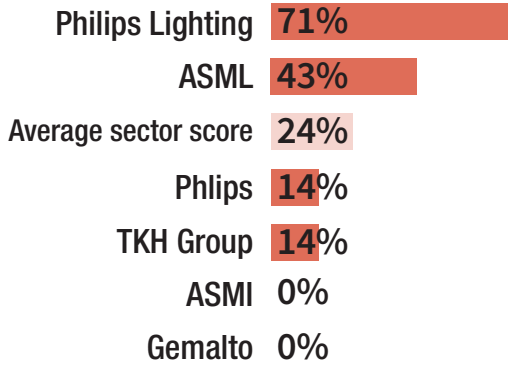
Four out of six companies scored no points on living wage criteria. Only ASML and Gemalto show some initial performances on living wage. ASML has committed itself to pay its employees a living wage and Gemalto addresses living wage in its supplier code. The current results are worrying; living wage is highly relevant for companies in the electronics and technology sector, especially regarding their supply chains. Most companies do refer to some wage standards in their supplier code. However, since these standards do not require living wage rates, this does not help companies to score on living wage criteria. Companies cannot handle this challenge alone because suppliers are often rejecting more demanding supplier codes.

Therefore, sector business initiatives like the Electronic Industry Citizenship Coalition (EICC) should be pressed to start using 'living wage'. Then companies will benefit from the power of this large organization; united they have more influence and control on the suppliers.





## Sustainable Development Goals



**Figure 3.15** Scores on the SDGs in the technology and electronics sector

Performances differ widely amongst the technology and electronics companies regarding the SDGs. Performances range from a single reference to an integrated approach with a materiality assessment and target setting. Philips Lighting stands out, for taking new initiatives and joining partnerships. The company is part of the UN's Sustainable Energy for All program, a public/private partnership that aims to accelerate a global market transformation toward environmentally sustainable and energy efficient lighting technologies.

Companies that selected relevant SDGs all confirmed the high relevance of SDG 12 (responsible consumption and production) for this industry. SDG 17 (partnerships for the goals) is not high on the agenda in this sector. Some of the companies argued that the existing tools are insufficiently developed to be implemented.

### Key findings per company

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

### ASM International

ASM International has made progress in indicating environmental risks and impacts this year. The company has a clear environmental strategy based on relevant themes. In addition, ASM International shows good practice in reporting through KPIs and targets and meeting these targets. Calculating externalities would be a future point of progress for the company. ASM International does not yet address the concept of living wages. The company could make initial progress by starting to explore and report on the concept of living wage.

ASM International does not mention the SDGs. A first step would be to explore and report on the concept of the SDGs and which role the goals could play in the CSR strategy would be a great first step.

### ASML

ASML shows good performances in pursuing corporate responsibility in the supply chain. The company is active in responsible sourcing and has put efforts into addressing the risks of possible conflict minerals in the supply chain. The company is also enhancing circular practices in the value chain. ASML is already exploring the concept of calculating externalities and the next step for the company is to shift from exploring to starting the calculations.

ASML is the only company in its sector that confirms paying its employees a living wage. The company can make significant progress by including a reference to living wage in its code of conduct.

ASML has selected relevant SDGs and outlines its contribution to these goals in general. Formulating clear, time-bound targets and ambitions specifically aimed at these SDGs would be the next step.

## Gemalto

Gemalto has programs in place to reduce its environmental footprint by reducing energy and water consumption and waste production. The company reports on its progress through KPIs with combined targets. However, current performances are insufficient to meet these targets and more effort needs to be made to obtain better results. Gemalto is the only company that has living wage rates included in its requirements for suppliers. Last year Gemalto scored a full 100% on living wage. It should be noted that the significant decrease (67%) in the company's score is a result of the criteria added by VBDO on living wage this year. Gemalto shows the same performances against the existing criteria but did not score on new criteria, which leads to a relatively lower score. A next step would be to increase transparency on this topic, by reporting on monitoring and compliance towards this specific requirement. Transparency would also improve by explicitly confirming that the company pays living wages to its own employees.

Gemalto has yet to address the SDGs. A first step would be to explore and report on the concept of the SDGs, and which role the goals could play in Gemalto's CSR strategy would be a great first step.

## Royal Philips

Philips is one of the two companies in its sector that is active in calculating externalities. This year the company continued an activity started in 2015, volunteering as a pilot company for the natural capital Protocol. In 2016 Philips launched two new initiatives: a five-year sustainability program and a new five-step Supplier Sustainability Strategy. Pursuing sustainability practices in the supply chain remains a future focus point. Important next steps to be taken are indicating and reporting on risks and dependencies regarding: natural capital and environmental impact through the supply chain and the management are important next steps to be taken.

Philips has yet to address living wage. The company could make initial steps by starting to explore and report on the concept of living wage. Philips aims to be a major contributor to the SDGs and has identified two goals relevant to the company. Further progress here can be made by elaborating on the reason for this selection, and by setting concrete, time-bound targets for the relevant goals.

## Philips Lighting

Philips Lighting performed well in its first year as a stand-alone company, particularly in pursuing responsible practice throughout the value chain. In 2016, Philips Lighting partnered with Trucost to analyse its exposure to water risks and to indicate the societal costs of its water intake. In order for Philips Lighting to further improve its performances, its focus also needs to remain on the supplier practices and sourcing. Important next steps to be taken include indicating and reporting on risks and dependencies regarding Natural capital, as well as environmental impact through supply chain management.

Philips Lighting has yet to address living wage. The first steps would be to explore and report on the concept of living wage. Philips Lighting is a frontrunner in its sector regarding the SDGs. The company has selected relevant SDGs and outlines its contribution to these goals. Further progress can be made by formulating clear, time-bound targets specifically aimed at the selected SDGs.

## TKH Group

TKH Group has committed itself to be 100% circular in relevant use by 2040 via partnerships with companies in its value chain. Next to this, in 2016 TKH Group has implemented many improvements in waste and recycling. TKH Group has shown considerable progress on the targets the company has set, and the VBDO encourages TKH Group to be even more ambitious in its target setting and CSR policies.

TKH Group does not yet mention living wages. A valuable step for next year would be to start exploring this concept. Further exploration of the SDGs will also be important in 2017. TKH Group is already looking into its contribution to the SDGs, but has not yet reported on relevant goals, concrete actions or targets. This could be achieved next year.

## 4. Commitments made to VBDO

During each AGM engagement the VBDO asks companies to make commitments to increase sustainability performance on specific themes and topics in the next year. This chapter discusses the follow-up of the company's commitments made previous year and the new commitments made this year. A full list of this year's commitments can be found in appendix 4.

### Commitments made in 2016

Previous year the companies made 77 commitments to VBDO in total. 11 of these commitments were found to be not applicable. This was due to the fact these commitments can only be realized in two or three years and cannot be checked at this point. Of the other commitments, more than half has been followed up by the companies. The graphs below indicate that whether a commitment has been followed up, does not depend on the type of commitment or theme. The results of follow-ups do not differ between types and themes. Overall, this is an encouraging result, but companies are expected to follow-up on more commitments for next year.

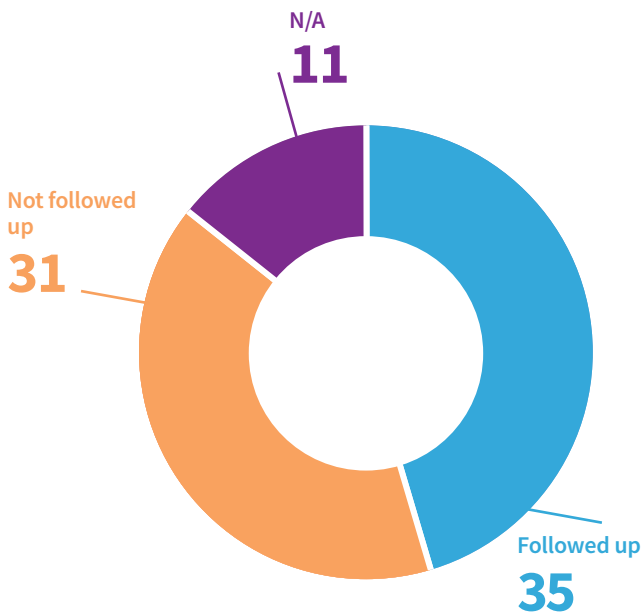


Figure 4.1 Follow-up of commitments 2016

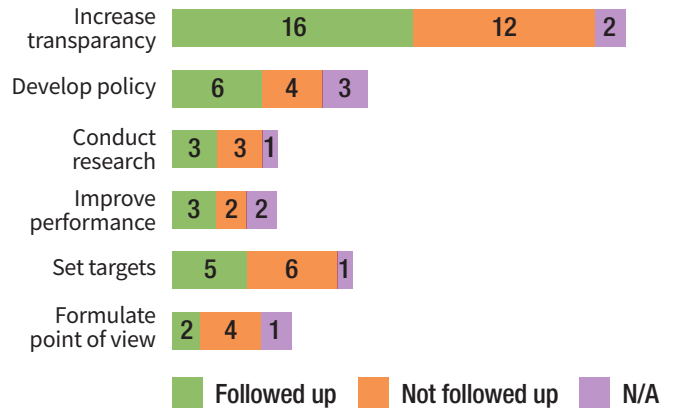


Figure 4.2 Follow-up of commitments 2016 per type

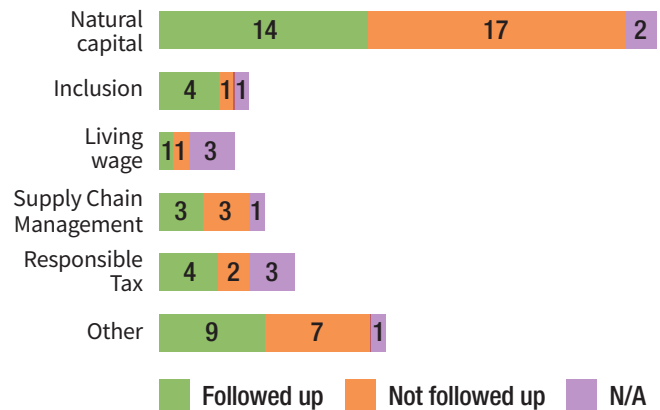


Figure 4.3 Follow-up of commitments 2016 per theme

### Commitments made in 2017

During this year's AGM season, 46 commitments were made to the VBDO. This year, VBDO focused on commitments can be followed up in one-year time, which means all of these commitments can be reviewed next year. Next to this we applied more strict criteria in defining commitments. Therefore, fewer commitments were counted than previous year. Not all companies have made commitments, while others made more than one.

The figure below shows the types of commitments made this year. Most commitments are made on increasing transparency by reporting and setting targets. Many companies committed to start reporting on the SDGs or to set ambitious targets in order to contribute to the realization of the SDGs.

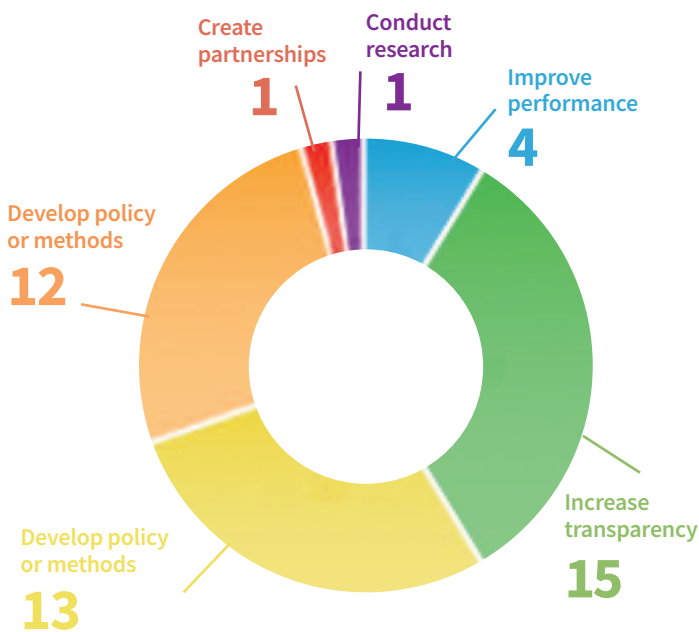


Figure 4.4 Commitments 2017 per type

Equal to previous year, most commitments were made on the natural capital theme. This theme covers more than half of the commitments and the types of commitments differ widely amongst the companies. Our research shows numerous commitments were made on increasing performance on the SDGs. This is encouraging since this is the first year for the VBDO to address this theme. The commitments reflect the fact many companies are already aware of, or take action, to contribute to the SDGs. The small amount of commitments on living wage reflects the relatively low scores of the companies on this theme. Living wages are still perceived as a more intangible and indirect theme, companies rather focus on human rights in general. Acceptance of definition and methodology are still lacking.

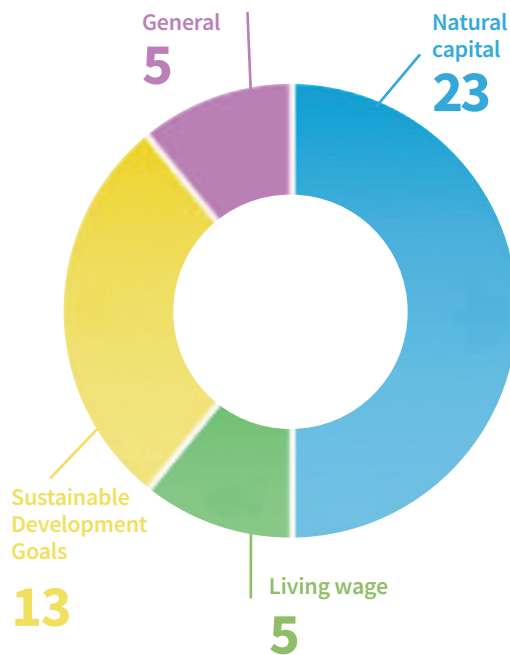


Figure 4.5 Commitments 2017 per theme



## 5. Recommendations and next steps

### 4.1 Natural capital

VBDO encourages companies to:

- Assess impacts, risks and dependencies of your company on natural capital; including a wide range of topics (e.g., water, biodiversity, land use, soil depletion);
- Identify those impacts, risks and dependencies for your supply chain as well.  
*For example, through requirements for key suppliers to carry out such an assessment;*
- Develop a holistic and integrated policy on all natural capital themes that are relevant to your core business and that of suppliers.  
*Make sure not to miss out on themes that are not commonly addressed, and set a road map for researching and addressing these themes in the future;*
- Set concrete, measurable, time-bound targets to track progress on natural capital indicators;
- Start including the environmental externalities of your business activities in your project accounts and work towards a company-wide environmental profit and loss account.

## Good practices



### Good practice in conducting social and environmental profit and loss assessment

After years of piloting in calculating externalities, AkzoNobel conducted a company-wide three-dimensional profit and loss assessment in 2016. This means AkzoNobel has monetized the economic, social and environmental externalities of its business activities. The assessment creates full insight in the company's impact in all three dimensions throughout the value chain. By expressing these impacts in monetary value, AkzoNobel has made its externalities more visible and comparable. Monetizing externalities also helps AkzoNobel to identify which levers effect the biggest outcomes - in terms of minimizing negative impact and scaling-up positive impact. Their profit and loss assessment can guide investment decisions to generate more value in all three dimensions. AkzoNobel plans to roll-out this process across the company to enable better management decisions.



### Good practice in responsible sourcing

Corbion aims to enhance sustainable practices in the supply chain through responsible sourcing. In 2016, Corbion introduced a Cane Sugar Code as an extension of its regular supplier code. By means of this code, the company aims to advance more economically, environmentally, and socially responsible sugar production; one of its prime sourced raw materials. The Cane Sugar Code contains additional principles and criteria that address the conservation and enhancement of natural capital. Rather than a general reference to environmental management, the code addresses many specific, relevant topics in detail. Suppliers are required to apply good agricultural practices and to minimize negative impacts. Specific criteria are set for topics such as cultivation in areas with high biodiversity value, use of agrochemicals, water quality impacts and soil conservation. Through the Cane Sugar Code, Corbion has made good progress in ensuring natural capital responsible management in its supply chain.

## Good practices

### 4.2 Living wage

#### VBDO encourages companies to:

- Work together with other organisations to share existing methods and learn from best practices;
- Identify key risks regarding paying a living wage, both in their own operations as well as across the supply chain.  
*Especially in the supply chain (first and second tier), low wages can form a risk for companies. But low wages in the own operations may be a risk for those companies that operate in countries and regions where minimum wages do not suffice.*
- Formally commit to paying a living wage rate in your own operations in your Code of Conduct;
- Integrate paying a living wage into the purchasing decisions of the procurement department;
- Perform due diligence on suppliers to assess if they pay a living wage;
- Set a relevant, time-framed ambition to paying a living wage in your supply chain.



Unilever

#### Good practice in establishing a living wage framework

In 2014 Unilever set itself a target to create a structured way to define and assess how the elements of compensation packages deliver a fair compensation as part of the Unilever Sustainable Living Plan (USLP). In the past few years, Unilever has worked together with the Fair Wage Network (FWN) to create such a framework. FWN provides access to a global living wage database which offers an objective view on living wage amounts for each country in which Unilever operates. This partnership resulted in a 'Framework for Fair Compensation' that was rolled out in 2016. In 2016 Unilever made a formal commitment to pay every employee in the company's own businesses a living wage by 2020. The company is exploring the possibilities of applying this framework to its suppliers as well. During the AGM, Unilever shared its ambition for the framework to become a world-wide standard for providing living wages.



ABN·AMRO

#### Good practice in publishing a first Human Rights Report

In 2016 ABN AMRO was the first bank to publish a 'Human Rights Report'. It is based on the UN Guiding Principles (UNGP) Reporting Framework. The report is a first-step towards demonstrating how ABN AMRO manages its human rights impact and applies the UNGP Reporting Framework. The report is framed around the four main roles of ABN AMRO: as a(n) (1) service provider, (2) employer, (3) lender, and (4) investment services provider. ABN AMRO acknowledges in its report that, while the bank is committed to respecting human rights, the bank may also be connected to practices that harm human rights. Therefore, the report shows where ABN AMRO stands in 2016 and the steps it intends to take.

For example, the report contains a reference to living wages: already a requirement in ABN AMRO's International Framework Agreement (IFA) for their own employees, and a recommendation for portfolio companies to adopt IFA. ABN AMRO encourages other banks to follow their lead; financial institutions should further clarify the responsibility of banks across their different roles.

## Good practices

### 4.3 Sustainable Development Goals

VBDO encourages companies to:

- Conduct a materiality analysis to identify which SDGs are relevant for your company.  
*Relevant SDGs are those, which are closely linked to the company's core activities and areas where the company can make a large positive impact or reduce negative impact. VBDO recommends performing a materiality analysis and using stakeholder consultations;*
- Use the SDGs to create new business opportunities that have a positive impact on the identified SDGs.  
*By identifying relevant SDGs, companies can create new business opportunities and lower their risk profiles. The SDGs define growing markets where companies can offer innovative solutions<sup>6</sup>;*
- Set measurable, time-bound targets, in-line with UN targets and report on progress to make the ambition towards contributing to the goals concrete;
- Form partnerships with other companies, governments and NGOs to increase impact of the SDGs.  
*This can be realized by shared research, signing the SDG Charter NL, open resources or shared projects.*



#### Good practice in integrating the SDGs in its Annual Report

DSM sets an excellent example of integrating the Sustainable Development Goals (SDGs) into its business. Rather than just including a separate overview in its report, DSM makes its alignment with the SDGs clear throughout its whole annual report of 2016. DSM recognizes the opportunities and responsibilities the SDGs represent for its business. The company has mapped its engagement with all 17 SDGs and has selected five SDGs on which DSM believes its business can be most influential. These are the SDGs 2 (zero hunger); 3 (good health and well-being); 7 (affordable and clean energy); 13 (climate action); and 12 (responsible production and consumption). Throughout its 2016 annual report, DSM links its activities and ambitions to these SDGs. DSM is also collaborating with multiple partners and stakeholders to achieve impact at scale, and accelerate progress. DSM is engaged with the Dutch SDG Charter as co-initiator of the Charter, encouraging more Dutch companies to joint action on SDGs of national priority. This underlines DSM's contribution to the realization of SDG 17 (partnership for the goals) as well.



#### Good practice in taking action on the SDGs

KPN is already showing a mature approach to integrating the SDGs within the company's strategy. KPN has extended its existing environmental performance targets until 2030; an action in-line with the Paris Agreement and the United Nations' Sustainable Development Goals. KPN focusses on five SDGs where the company can have most impact through its products and services. For each SDG, KPN describes why this goal is relevant for KPN; what KPN is doing in order to contribute to this specific goal; which new initiatives and collaborations KPN has started, and what plans and targets KPN has set for the future. To gain better insight into the effects of KPNs products and services, KPN initiated a 'True Value' study into the broader contributions of the SDGs. This study identifies, measures and monetizes the wider environmental, social and economic impacts of KPNs products and services.

<sup>6</sup> [http://sdgcompass.org/wpcontent/uploads/2015/12/019104\\_SDG\\_Compass\\_Guide\\_2015.pdf](http://sdgcompass.org/wpcontent/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf)

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## Appendix 1: VBDO's engagement process during AGM season 2017

### Engagement activities

In order to improve overall corporate sustainability performance, active company engagement during and around AGMs has been one of VBDO's core activities since the founding 22 years ago. For this reason, the VBDO pursues constructive dialogues on material sustainability themes with selected companies during AGMs. Engagement during AGMs is frequently preceded and followed-up by in-depth bilateral dialogues on specific sustainability policies. This can happen at either the request of the company, a third party, or on VBDO's own initiative, and will focus on sustainability issues where significant improvement might be realised.

The VBDO takes the initiative to conduct pre-AGM engagement meetings and calls to enhance the understanding of our questions, the quality of the answers and select the most material questions to ask at the AGM. In total, 34 of the 38 companies participated in pre-engagement meetings or calls with the VBDO. All of 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 2017 is shown in figure 5.1.

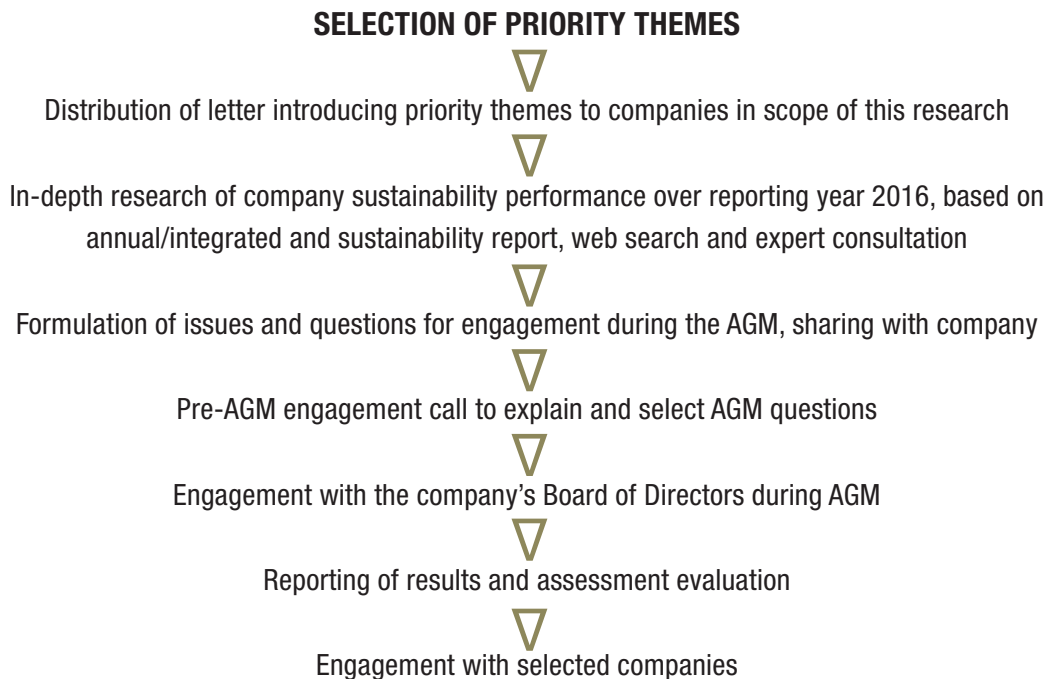


Figure 5.1 VBDO's engagement flow around AGM season 2017

## Selected sustainability themes

### Selected themes for AGM season 2017

- **Natural capital**
- **Living wage**
- **Sustainable Development Goals**

The three themes were selected on the basis of international sustainability trends, regulations and developments. These were identified through consultation sessions with global accountancy and consultancy firms KPMG, Deloitte, EY and PWC, as well as VBDO's own analysis and interaction with its institutional members. For impactful engagement purposes during the AGM, the most relevant issues per respective company were assessed.

### Basis of company selection for engagement

For the purpose of VBDO's AGM season 2017, the sustainability performance of 38 companies was studied, which was followed by written engagement on the initial results. In 2017 the VBDO entered into direct engagement with the Board of Directors during the AGM of 35 publicly listed companies. ArcelorMittal, Delta Lloyd and Unibail-Rodamco were engaged in writing.

### Basis of company selection for engagement

- Presence in the AEX index;
- At least one peer from different indices (AMX, AScX), if no peer included in the AEX index; and/or
- Companies VBDO deemed necessary to enter into engagement with based on sustainability performance related issues over reporting year 2015.

## Research and questions

The issues raised during the AGMs were based on in depth research of company sustainability performance over reporting year 2016, based on annual/integrated and sustainability reports, web search and expert consultation. VBDO's analysis is further substantiated by data from global business intelligence on ESG-performance by RepRisk ([www.reprisk.com](http://www.reprisk.com)). These analyses resulted in materialised questions for the respective companies.

### Nature of questions to respective companies

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

### List of pre-AGM engagement

Previous to the AGM VBDO engages with companies concerning the selected themes and the questions drafted through a call or meeting. This year VBDO was able to engage with 34 companies prior to their AGMs.

The VBDO received feedback of 16 companies on the scores of their assessment. In two cases this resulted in extra points.

Company	Sector	Pre-AGM meeting	Reply on assessment
<b>Aalberts Industries</b>	Industries	Yes	Yes
<b>ABN AMRO</b>	Financial sector	Yes	No
<b>Aegon</b>	Financial sector	Yes	No
<b>Ahold Delhaize</b>	Food, beverage and retail	Yes	No
<b>AkzoNobel</b>	Industries	Yes	Yes
<b>Altice</b>	Services	No	No
<b>ASM International</b>	Technology and electronics	Yes	No
<b>ASML</b>	Technology and electronics	Yes	No
<b>Arcadis</b>	Services	Yes	Yes
<b>ArcelorMittal</b>	Industries	Yes	Yes
<b>a.s.r.</b>	Financial sector	Yes	Yes
<b>BAM Group</b>	Industries	Yes	Yes
<b>Boskalis</b>	Industries	Yes	Yes
<b>Corbion</b>	Industries	Yes	Yes
<b>Delta Lloyd Group</b>	Financial sector	Yes	No
<b>DSM</b>	Industries	Yes	Yes
<b>Fugro</b>	Services	Yes	No
<b>Gemalto</b>	Technology and electronics	No	No
<b>Heijmans</b>	Industries	Yes	No
<b>Heineken</b>	Food, beverage and retail	Yes	No
<b>ING Group</b>	Financial sector	Yes	Yes
<b>KPN</b>	Services	Yes	Yes
<b>NN Group</b>	Financial sector	Yes	No
<b>OCI</b>	Industries	Yes	Yes
<b>Philips</b>	Industries	Yes	No
<b>Philips Lighting</b>	Industries	Yes	Yes
<b>PostNL</b>	Technology and electronics	Yes	Yes
<b>Randstad</b>	Services	Yes	Yes
<b>RELX Group</b>	Services	Yes	No
<b>SBM Offshore</b>	Services	Yes	No
<b>Sligro</b>	Food, beverage and retail	Yes	No
<b>Shell</b>	Industries	No	No
<b>TKH Group</b>	Industries	Yes	No
<b>Unibail-Rodamco</b>	Food, beverage and retail	Yes	No
<b>Unilever</b>	Food, beverage and retail	Yes	Yes
<b>Vopak</b>	Industries	No	No
<b>Wereldhave</b>	Food, beverage and retail	Yes	No
<b>Wolters Kluwer</b>	Services	Yes	Yes

Table 1 List of pre-AGM engagement and replies on assessment

## Appendix 2: List of assessment criteria and scoring methodology

Each company was assessed on the criteria in table 2 below. For specific sectors, we made additional considerations (see Appendix 3). The total score per theme has been calculated based on the following rules:

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

Theme	Criterion	Score
<b>Natural capital</b>	<b>Strategy and Governance</b>	
	There is a general awareness of natural capital issues within the company and the company specifies why natural capital is important for its business	1
	<b>Policy</b>	
	The company has a policy on natural capital in place	1
	The company has a policy on natural capital in place	1
	<b>Management system</b>	
	The company has identified its key risks with regard to natural capital for its own operations	1
	The company has identified its key risks with regard to natural capital in its supply chain	1
	The company has identified its key impacts or dependencies with regard to natural capital for its own operations	1
	The company has identified its key impacts or dependencies with regard to natural capital in its supply chain	1
	<b>Implementation</b>	
	The company has taken mitigating actions with a positive impact on natural capital	1
	<b>Outcomes</b>	
	The company has developed Key Performance Indicators (KPIs) and SMART targets on natural capital	1
	The company explains why it has established these specific targets on natural capital	1
The company is actively looking into calculating the externalities of its activities	1	
The company has established an EP&L account	1	
<b>Living wage</b>	<b>Strategy and Governance</b>	
	There is a general awareness of the concept of living wage within the company	1
	<b>Policy</b>	
	The company has made a formal commitment to apply living wage in its own operations	1
	The company has developed a Supplier Code of Conduct that makes reference to living wage	1
	<b>Management system</b>	
	The company has identified its key risks with regard to living wage	1
	<b>Implementation</b>	
	The company pays its employees a living wage	1
	The company's key suppliers have signed the Supplier Code of Conduct which contains a reference to living wage	1
Living wage is a criterion in the company's due diligence approach for its suppliers	1	



Theme	Criterion	Score
<b>Living wage</b>	<b>Outcomes</b>	
	The company has set relevant targets on living wage	1
	The company has partnered with multiple suppliers or other external stakeholders to pursue living wage rates in its supply chain	1
<b>Sustainable Development Goals</b>	<b>Strategy and Governance</b>	
	There is a general awareness of the SDGs	1
	<b>Policy</b>	
	The company has identified the most relevant SDGs to contribute to and provides an explanation for this focus	1
	<b>Management system</b>	
	The company has identified at least one key risk with regard to reaching the SDGs	1
	<b>Implementation</b>	
	The company has specified at least two concrete actions related to its core business that contribute to reaching the (selected) SDGs	1
	The company has started new initiatives to contribute to a specific goal	1
	<b>Outcomes</b>	
The company has set relevant and SMART targets regarding contributing to reaching (one of) the SDGs	1	
The company has created partnerships (SDG17) to contribute to a specific goal	1	

Table 2 Scoring methodology

## Appendix 3: Additional considerations regarding assessment criteria

### 3.1 Criteria considerations per theme

In order to score companies on an equal and consistent basis we have made several remarks at the assessment criteria for each theme. These are depicted below.

---

**Natural capital**

- In contrast to previous year CO<sub>2</sub> emissions and energy use have not been included in the scope of natural capital themes. This explains why some companies have lower scores than previous year, when their score was purely based on their efforts on the mentioned themes.
- There were more criteria relating to natural capital compared to previous year. This led to a lower total percentage when scoring on the same number of criteria. This also explains companies scoring lower than previous year.
- For every sector, we have identified relevant natural capital themes, which have been crafted based on the input received from our sector committees, consisting of sustainability professionals that are or have been active in this specific sector. To score on natural capital criteria, companies were required to address at least a part of these relevant themes. This explains why companies can score or not score based on addressing different natural capital themes. An overview of relevant topics per sector is provided in the chapter on sector results.

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**Living wage**

- Companies were not scored on living wage when the theme was not considered relevant within the company's own operations as well as in the company's supply chain. When living wage is not a relevant theme within the company's own activities, but it is in the supply chain, the company is scored on this theme.
- There were significantly more criteria relating to living wage compared to previous year. This led to a lower total percentage when scoring on the same number of criteria. This also explains companies scoring lower than previous year.
- Geographical scope of business activities has not been taken into account when scoring the companies on living wage. This means all companies – including those only operating in Western countries/ Europe/the Netherlands were required to explicitly confirm a living wage standard to score on this criterion.
- Characteristics of the workforce have not been taken into account when scoring companies on living wage. This means all companies – including companies with a predominantly high-skilled and high paid workforce – were required to explicitly confirm a living wage standard to score on this criterion.
- Many companies state their adherences to certain wage standards, e.g. (local) laws, OECD standards, the Electronic Industry Citizenship Coalition, the International Labour Organisation, or the Universal Declaration of Human Rights. Since these standards do not require living wage rates (but mostly minimum wage rates), and (in some cases) only recommend living wage rates, adherence to these standards only is not approved for scoring on living wage criteria.
- To score on criteria for living wage, also other terminologies than 'living wage' have been approved, e.g. 'fair wage'. We have focused on the explanation companies attached to the concept and these should be in line with the living wage concept as accepted by VBDO (see appendix 5.2).

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**Sustainable Development Goals**

- To score on SDGs criteria about new initiatives and targets only initiatives targets that were specifically designed to contribute to the realization of the SDGs were approved. Existing initiatives / targets that were linked to the SDGs afterwards have not been approved for scoring on these criteria.

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**Table 3** Criteria consideration per theme

## 3.2 Criteria considerations per sector

In order to make the theme assessment relevant to the core business of different sectors, we have made additional criteria considerations per sector, which are depicted below.

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### Financial sector

#### Natural capital

- Focus on portfolio companies rather than supply chain.
- The financial institutions were not scored on the following criteria: key risks own operations, impacts own operations, impact of its suppliers, and explanation why it has established specific targets. The key risks in the supply chain were replaced by the key risks in the portfolio companies.
- For the application of natural capital in their value chain the criterion 'the company has identified its key risks with regard to natural capital for its clients/portfolio companies' includes an assessment on the investment strategy and ESG criteria applied, containing a strong focus on reducing (potential) environmental damage.

#### Living wage

- Focus on value chain rather than supply chain.
- Criteria 'commitment to apply living wage in own operations', 'pays living wage to own employees', 'the majority of suppliers has signed the Supplier Code of Conduct that makes a reference to living wages' and 'living wage is a criterion in the due diligence approach' were not scored
- Criterion 'Supplier Code of Conduct makes a reference to living wages' was transformed in 'Responsible Investment/Finance Policy makes a reference to living wages'
- Criterion 'the institution has taken action to improve performance of its clients/portfolio companies regarding paying a living wage in their operations and in the supply chain' was added.

---

### Food, Beverage and Retail sector

#### Living wage

- Unibail-Rodamco and Wereldhave are not scored for the themes living wage, due to the low relevance for their core business activities. Unibail-Rodamco and Wereldhave can be considered as a 'subsector' that is concerned with real estate, within the food, beverage and retail sector,

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### Industries sector

*No additional considerations applied.*

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### Services sector

#### Natural capital

- Focus on value chain rather than supply chain.
- Due to the core business activities of most services companies, the definition of natural capital has been adjusted according to the relevant risks of these companies. Therefore, company's incentives that aim to minimise CO<sub>2</sub> emissions, energy- water- and paper use, and waste production, are found sufficient to score on natural capital.

#### Living wage

- KPN, PostNL, RELX, and Wolters Kluwer are not scored on the theme living wage, due to the low relevance regarding their core business.

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### Technology and electronics sector

*No additional considerations applied.*

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**Table 4** Criteria considerations per sector

## Appendix 4: Commitments per company

### **Aalberts Industries** (industries)

- Aalberts Industries will conduct a pilot on making KPIs measurable and will report on the results next year.

### **ABN AMRO** (financials)

- ABN AMRO will consider setting a target on raising 'sustainable client assets'.

### **Aegon** (financials)

- Aegon will look into and solve issues related to investments of AEGON Polish pension fund in Polish state-owned companies (PGE and ENEA) that are building new coal-fired power plants and planning to build even more new ones.
- Aegon considers including sector-specific policies in its new responsible investment policy.
- Aegon will publish concrete targets regarding a reaching the (material) SDGs.

### **a.s.r.** (financials)

- a.s.r. will report on relevant SDGs next year.
- a.s.r. will try to report more extensively on the company's impact through portfolio on climate change.

### **Ahold Delhaize** (food, beverage, retail)

- Ahold Delhaize considers setting targets on the impact of its own operations and its supply chain regarding the conservation of natural capital (e.g. biodiversity, water, land use).
- Ahold Delhaize will enhance its reporting about its strategy regarding SDGs in line with the VBDO criteria.
- Ahold Delhaize will look actively into the living wage theme and will report about progress next year.

### **AkzoNobel** (industries)

- AkzoNobel will consider to further develop its methods for a SEP&L account.
- AkzoNobel will consider setting concrete goals and targets that contribute to the SDGs.

### **Arcadis** (services)

- Arcadis will include living wage as a criterion in its Supplier Code of Conduct (to be published in 2017).
- Arcadis will consider setting new concrete targets on reaching the SDGs.
- Arcadis will include reporting on the SDGs in their GRI report.

### **BAM Group** (industries)

- BAM considers setting more ambitious target regarding environmental criteria.
- BAM will report about certified timber use in all its home markets.

### **Corbion** (industries)

- Corbion will report about SDGs that are relevant for them next year.
- Corbion will consider verifying its LCAs (life cycle assessments, assessing the total impact of products) and implement this in 1-2 year for their product PLA.
- Corbion will consider checking compliance with its Sugar cane code by self-assessments of suppliers and external audits.

### **DSM** (industries)

- DSM will consider calculating its externalities.
- DSM will consider integrating natural capital risks in its risk management framework.

### **Fugro** (services)

- Fugro is and will stay market leader on offshore wind energy.

### **Heijmans** (industries)

- Heijmans will publish its energy management plan with concrete goals/targets after the AGM in 2017.

### **Heineken** (food, beverage, retail)

- Heineken will consider including living wage as a criterion in its Supplier Code of Conduct.

### **KPN (services)**

- KPN will look into the SDG Charter and will consider joining this initiative.
- KPN will reach the target of taking back 80% of used modems this year.
- KPN will set a target that all materials of modems will be recycled or be recyclable in 2025.

### **NN Group**

- NN Group will publish a guidance paper on labour rights that will include a reference to living wages.
- NN Group will extend its reporting on ESG criteria in investing and publish an analysis about this.

### **Philips Lighting (technology and electronics)**

- Philips Lighting will consider adding one or two sustainability goals to its strategic goals.
- Philips Lighting will consider reporting about the relevance of the SDGs for its operations.

### **PostNL (services)**

- PostNL will include 'local initiatives' in its annual report to give insight into current and new pilots regarding sustainability.
- PostNL will report adequately about the link between their sustainability strategy and its contribution to the SDGs throughout its annual report next year.

### **Randstad (services)**

- Randstad will report adequately about the link between their sustainability strategy and its contribution to the SDGs throughout its annual report next year.
- Randstad will consider including its vision on paying a living wage in its annual report

### **RELX Group (services)**

- RELX Group will consider reporting on the outcomes of the tool PIPS (next to PREPS), about which chemicals are used in its processes.
- RELX Group will report about its progress on the SDGs and will consider setting targets on the SDGs.

### **SBM Offshore (services)**

- SBM Offshore will consider looking into integrating the SDGs into their strategy and actions.

### **Vopak (industries)**

- Vopak will consider setting goals or targets for reducing emissions from hydrocarbons.
- Vopak will look externally for a valuation system regarding emissions from hydrocarbons.
- Vopak will include more information about emissions to soil and surface water and will set targets for these topics.

### **Wereldhave (food, beverage, retail)**

- Wereldhave will report about what 'green leasing' contains and will qualify results on this topic.
- Wereldhave will publish the figures about its waste in France.

### **Wolters Kluwer (services)**

- Wolters Kluwer will consider looking into the possibilities of using the Bookchain project for better reporting purposes.
- Wolters Kluwer will develop a new initiative for contributing to the SDGs.



## Appendix 5: Explanation of selected themes

### 5.1 Natural capital

The term ‘natural capital’ describes the earth’s finite stock of natural assets. Natural capital includes renewable resources (e.g. plants, animals), and non-renewable resources (e.g. fossil fuels, metals, minerals). Biodiversity and ecosystem services are key parts of natural capital.<sup>7</sup> Examples of ecosystem services are the provisioning of oxygen, food, fresh water, raw materials; supporting water cycling and purification; and recreation in nature.

Impacts of companies on natural capital may be direct by a company’s operations (e.g. emissions affect soil quality around the company’s production area) or indirect through the use of natural resources produced by others (e.g. wood used by a furniture company that has been sourced from a timber manufacturer in another country). For financial institutions and service-oriented companies it is evident that their reliance and their impact on natural capital mostly occurs indirectly. Developing a comprehensive natural capital approach starts with assessing the direct and indirect impacts on natural capital, including related risks. This results in a coherent set of environmental policies based on the most relevant aspects of natural capital for the company, rather than, for example, a collection of independent KPIs and targets.

### 5.2 Living wage

The Universal Declaration of Human Rights recognizes the right of every worker to “just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity” (Article 23).<sup>8</sup> Living wage is a wage that provides employees with the necessary income to maintain a decent standard of living based on geographical location and cost of living (local context).<sup>9</sup> In many countries, wages earned during normal working hours are too low to meet the basic needs – including food, housing, clothing, education and healthcare of the workers and their families. In order to sustain their livelihoods, workers have to work overtime, exceeding the norm of a maximum of 48 hours per week (excluding up to 12 hours per week overtime on a non-regular basis), as set by the ILO.<sup>10</sup> These work patterns may have adverse impact on the workers’ physical and mental wellbeing, as well as wider implications for social development at the national/regional level. In addition, poverty wages may lead to other human rights violations, most notably child labour.

Living wage is not to be confused with the legal minimum wage, as the latter is set by government mandate (law) and, in most cases, it is lower than the former. Minimum wage has failed to protect workers sufficiently: in many developing countries, if a minimum wage exists, it equals the World Bank-defined poverty line of US\$1,90/day.<sup>11</sup>

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

<sup>7</sup> VBDO (2015). Natural capital and Financial Institutions. <http://www.vbdo.nl/files/news/VBDOCREMNaturalCapitalGuide.pdf>

<sup>8</sup> United Nations (2015). Universal Declaration of Human Rights. <http://www.un.org/en/universal5declaration5human5rights/>

<sup>9</sup> ISEAL Alliance Living Wage Working Group. (2013). A Shared Approach to Estimating Living Wages Short description of the agreed methodology. <https://www.isealalliance.org/sites/default/files/Descripton%20of%20Living%20Wage%20Methodology%2020131124.pdf>

<sup>10</sup> Berenschot (2012). Living wage in international supply chains: an inventory report. And: International Labour Organisation. International Labour Standards on Working time <http://www.ilo.org/global/standards/subjects-covered-by-international-labour-standards/working-time/lang--en/index.htm>

<sup>11</sup> World Bank (2015). <http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq>

## 5.3 Sustainable Development Goals

On September 25th 2015, all member states of the United Nations adopted the Sustainable Development Goals which define the global sustainable development priorities and aspirations for 2030.<sup>12</sup> The new sustainable development agenda contains 17 goals with specific targets and commit countries to address the root causes of poverty, increase economic growth and prosperity for all, within the boundaries of the planet.<sup>13</sup>

The Sustainable Development Goals seek to continue and expand on the Millennium Development Goals and to tackle more of the pressing challenges the world faces today. New areas include topics such as climate change, economic inequality, innovation, sustainable consumption, and peace and justice. All 17 Goals interconnect, meaning success in one affects success for others.

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

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

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



Figure 5.2 Sustainable Development Goals<sup>14</sup>

<sup>12</sup> United Nations (2015). <http://www.un.org/sustainabledevelopment/blog/2015/09/historic-new-sustainable-development-agenda-unanimously-adopted-by-193-un-members/>  
<sup>13</sup> Global Reporting Initiative, United Nations Global Compact & World Business Council for Sustainable Development (2015). *SDG compass: the guide for business action on the SDGs.* [http://sdgcompass.org/wp-content/uploads/2015/12/019104\\_SDG\\_Compass\\_Guide\\_2015.pdf](http://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf)  
<sup>14</sup> United Nations (2015). *Sustainable Development Goals kick off with start of new year.* <http://www.un.org/sustainabledevelopment/blog/2015/12/sustainable-development-goals-kick-off-with-start-of-new-year/#prettyPhoto>



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