

# Sustainability performance of Dutch companies

*A comparative report of large AEX-listed companies  
2006 Global Edition*



Dutch Sustainability Research

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*June 2006*

*A report prepared by Dutch Sustainability Research  
Zeist, The Netherlands, June 2006*

**Dutch Sustainability Research**



# Executive Summary

For the fourth consecutive year, Dutch Sustainability Research (DSR) has analysed the corporate sustainability performance of large Dutch AEX-listed companies. The research involves assessing the performance of the individual AEX-listed companies, as well as their performance compared to each other. In our analysis we use seven key stakeholder themes of Business Ethics, Community, Corporate Governance, Customers, Employees, Environment, and Contractors. Because Dutch AEX-listed companies operate in very different industries and they provide a wide range of products and services, each company was compared to its international industry group peers. It should be noted that the environmental and social impact of the products and services

provided by the companies plays a secondary role in this analysis.

To compare AEX companies, our methodology compares the performance of each AEX company to those of its industry peers. The rankings therefore show how strongly a company out- or underperforms its respective peers. It should be kept in mind that these rankings are influenced by the actual sustainability performance of a company and the average performance of its industry peers. If a company's industry peers show overall weak sustainability performance (e.g. in the financials industry), then it is relatively easy for a company to achieve a good ranking according to this methodology with limited efforts.

**Figure 1: Sustainability performance of AEX-listed companies versus their international industry group peers**

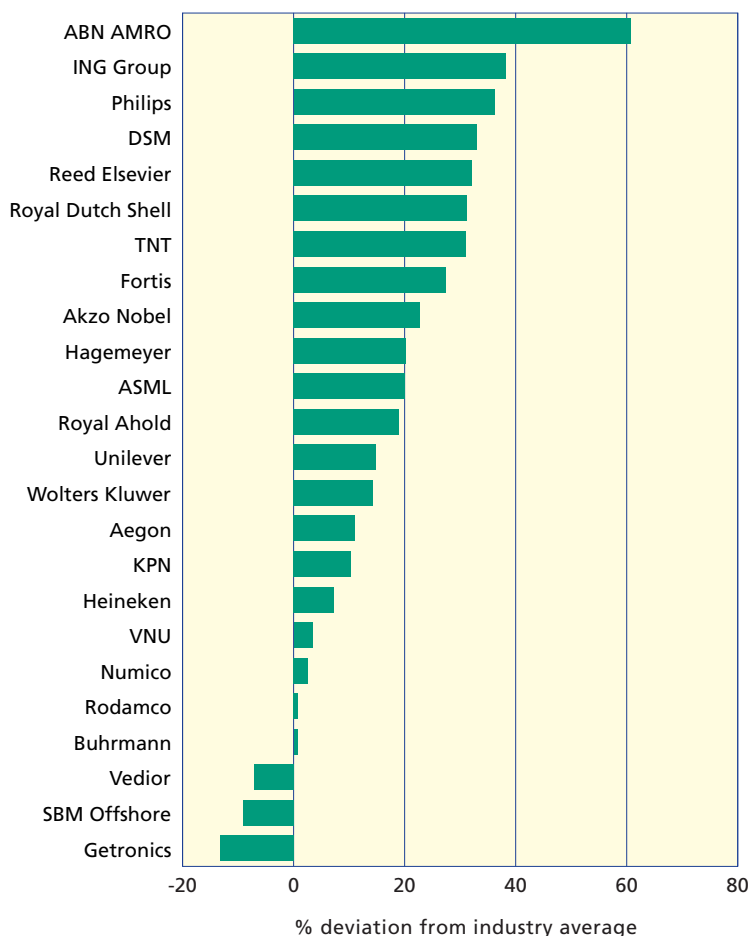


Figure 1 below shows that most Dutch companies perform very well compared to their international peers. Of the 24 major Dutch companies reviewed, 21 have a sustainability score above the average industry score of those of their international peers. Of these 21 companies, 16 have a score that is at least 10% higher than the industry average.

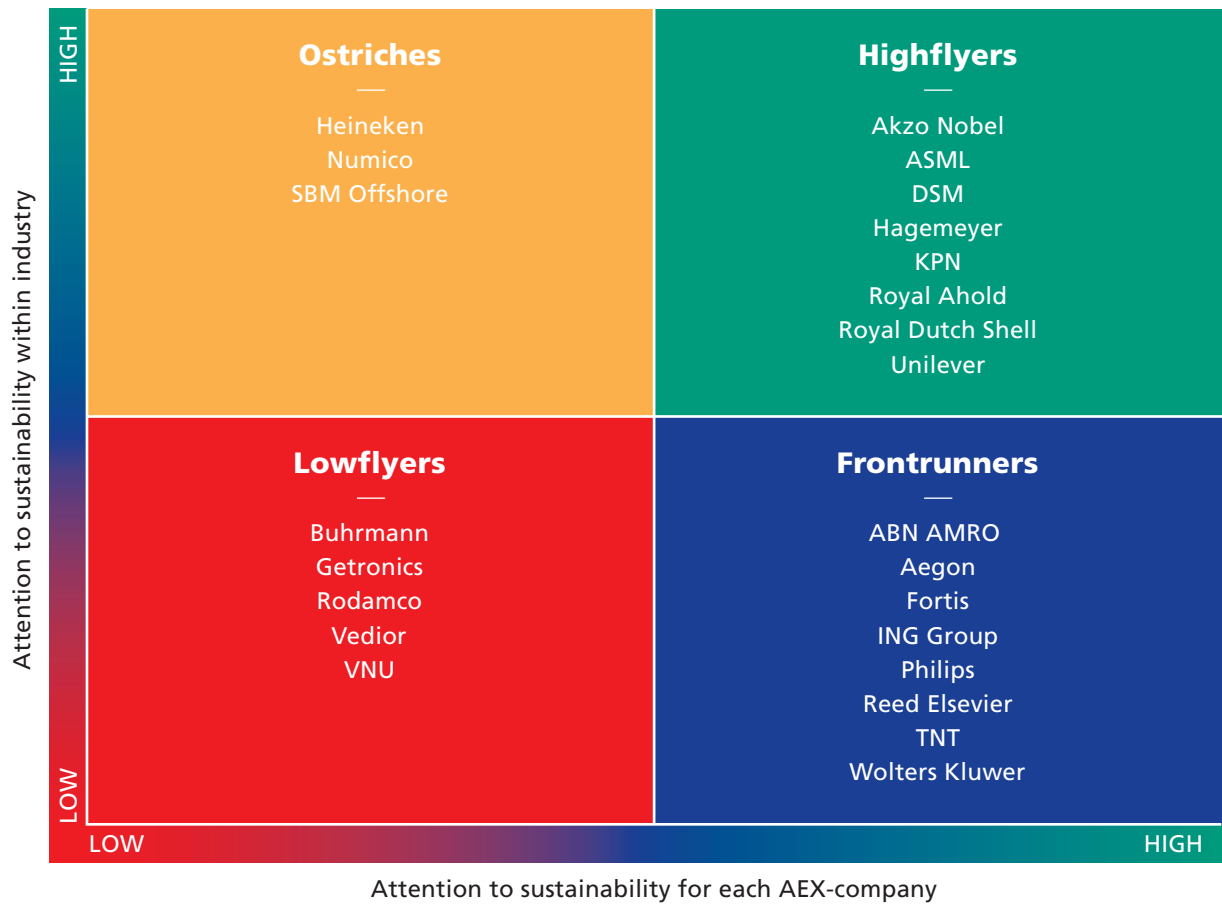
ABN AMRO is the best performer amongst AEX-listed companies with a sustainability score of 61% above the global industry average in the financials industry. The company replaces Philips, which ranked first in the 2004 and 2005 reports<sup>1</sup>. Other high-performers include ING Group, Philips (ranking third), DSM, Reed Elsevier, Royal Dutch Shell, and TNT. Getronics receives the lowest rating and is underperforming in its industry.

There is a big difference among the Dutch companies operating in the media industry. As highlighted below, Reed Elsevier scores some 32% above the industry group average and ranks fifth. Its competitor Wolters Kluwer scores lower with 14% and ranks in 14th place. VNU scores more or less in line with its industry group average (+3%) and ends up at the lower end of the table in position 18.

It is also interesting to highlight the performances of SBM Offshore and Royal Dutch Shell.

<sup>1</sup> In the 2004 and the 2005 editions of this report, AEX companies were compared to European industry averages and not to global industry averages as it is done in this year's report.

## A typology of sustainability performance



Both companies operate in the energy sector, which is generally more aware of environmental and social impacts. However, the sustainability performance of these two companies shows that there can be significant differences – Royal Dutch Shell ranks 6th and scores some 30% above the industry group average whereas SBM Offshore ranks 23rd, almost 10% below its peers. These findings are particularly striking, given the fact that both companies have their origin (at least partly) in the same country and both companies have in recent years seen vigorous criticisms of their activities from non-governmental organisations.

A similar classification was also prepared for the constituents of the Dow Jones stxxx 50<sup>2</sup> which is detailed in Chapter II.

The AEX companies can also be grouped based on their own level of commitment to sustainability and on the level of commitment within their

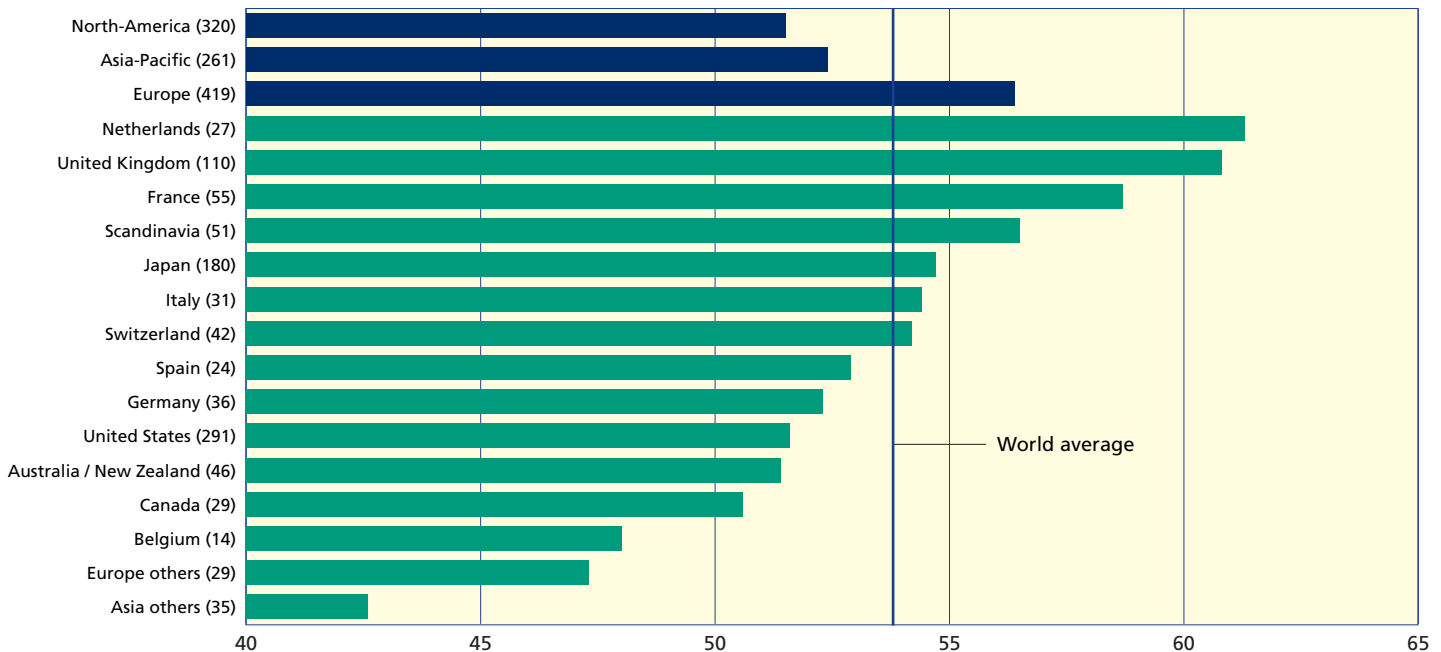
industry. The above figure groups companies into one of four categories – Ostriches, Low-flyers, Front-runners, and High-flyers: Ostriches are AEX-listed companies with a low sustainability score in an industry where there is a relatively high level of commitment to sustainability. International competitors in the industry consider sustainability to be very relevant, while the Dutch AEX-companies appear not to.

Low-flyers are AEX-listed companies that have a low score, but operate within an industry in which, generally speaking, sustainability is not perceived to be very relevant.

Front-runners are AEX-listed companies that operate in the same industry as low-flyers but believe sustainability to be relevant. These companies set new standards and are therefore pioneers in their industry. Front-runners tend to find it easier to be included in sustainable investment funds for investors that have a best-in-class

<sup>2</sup> Dow Jones stxxx 50<sup>®</sup> is the registered trademark of stxxx Limited. The Dow Jones Stxxx 50<sup>®</sup> is a blue-chip market index comprising the 50 top European sector leaders by free float market capitalisation. For details see [www.stxxx.com](http://www.stxxx.com)

### Average score per country or region



approach as it is relatively easy for these companies to distinguish themselves positively (except if they are excluded based on exclusionary screens). On the other hand, they are also special because they are unconventional and committed to sustainability in an industry where relatively little currently happens.

High-flyers are AEX-listed companies that are front-runners but also operate in industries in which a lot of attention is given to sustainability. High-flyers must perform very well to be included in sustainable investment funds.

In order to classify as a Frontrunner or a High-flyer, a company needed to score at least 10% above its industry average. The 10% threshold was chosen in order to identify companies that significantly distinguish themselves from the average sustainability performance of their peers<sup>3</sup>.

Finally, in order to put the sustainability performance of Dutch companies in a broader international perspective, the average sustainability scores of 1000 major international companies were compared by country. This year Dutch companies rank first, having improved their performance from third position in both the 2004 and 2005 reports. Generally speaking, Dutch companies score above average on most of

the seven stakeholder themes. They are closely followed by companies from the United Kingdom, France and Scandinavia. The weakest rankings worldwide are those of companies based in Hong Kong and Singapore which are grouped under 'Other Asia' as well Portugal and Greece which are clustered under 'Other Europe'. If one looks at major regional economic blocks, it becomes apparent that European companies tend to score better than their North American and Asian counterparts. However, the differences are not very significant given that these average scores are all within +/-5% of the global average.

*Dutch Sustainability Research (DSR) is a sustainability research and rating organisation based in the Netherlands. It was set up by Fortis MeesPierson, PGGM and Triodos Bank in 2002. DSR is a founding member and shareholder of Sustainable Investment Research International, known as SiRi Company (www.siricompany.com), the leading independent provider of socially responsible investment research and analysis for institutional investors and financial professionals. SiRi Company comprises a worldwide network of independent research organisations that specialise in sustainable investment research in their own local financial markets. Via the research conducted by SiRi Company and its partners, DSR has access to sustainability research and ratings of companies worldwide.*

<sup>3</sup> The following companies scored above their industry average but below the 10% threshold: Buhmann, Heineken, Numico, Rodamco, and vnu. As such, these companies are classified as Ostriches or Low-flyers. It must be stated, however, that these companies are well underway to become High-flyers or Frontrunners as well.



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# 1. Introduction

Worldwide an increasing number of companies have corporate sustainability on their agenda. Dutch Sustainability Research (DSR) has reviewed the sustainability performance of major Dutch AEX-listed corporations in order to gain a better understanding of how they perform compared to each other and their international peers<sup>4</sup>. For four consecutive years, DSR has analysed the degree to which sustainability has been incorporated in the daily business activities of these Dutch companies.

This report was prepared making use of SiRi Pro, the web-based corporate sustainability rating tool and database of SiRi Company. SiRi Pro was developed by DSR on behalf of SiRi Company in 2003. SiRi Pro provides customised corporate sustainability ratings that quantify the sustainability performance of a company and enable inter-company comparisons. These ratings are in turn based on SiRi company profiles. Each profile includes detailed corporate information on seven stakeholder themes, which together determine the overall sustainability performance of a company. The seven themes include the following (see also Graphic 1):

1. Business Ethics
2. Community
3. Corporate Governance
4. Customers
5. Employees
6. Environment
7. Contractors.

For each theme, four dimensions are analysed:

- Transparency – how complete, accurate and timely the company publishes information
- Policies – how sustainability objectives have been translated into corporate strategies and policies
- Management systems – what mechanisms and programmes have been set up to benchmark,

- monitor, and implement policy objectives
- Performance – what the actual performance of the company is.

In total, the company profiles and ratings include between 110 and 140 individual indicators that are more or less evenly distributed over the seven stakeholder themes. The indicators include about 100 standard indicators and between 10 and 30 industry specific indicators that focus on the sustainability issues that are particular to each industry<sup>5</sup>. In our assessment, the actual impacts of products and services that companies provide play a secondary role. As a consequence, the sustainability rating of a company cannot be seen as an absolute indication for the degree to which a company contributes to sustainable development. Rather, it should be interpreted as a measure of the extent to which companies have integrated sustainability considerations in their day-to-day business and started to reduce their corporate footprint. The ratings also reflect corporate transparency as well as the quality of stakeholder relations. For the latter, extended use is made of information on regulatory actions as well as information from non-governmental and civil society organisations<sup>6</sup>. The information and data on which the results of this report are based refer to the year 2005 and include both 2005 and 2004 data.

The SiRi Pro rating tool was developed in order to provide high quality investment services to sustainable investors such as asset managers, pension funds and other institutional clients. Within the world of sustainable investing four core strategies can be distinguished:

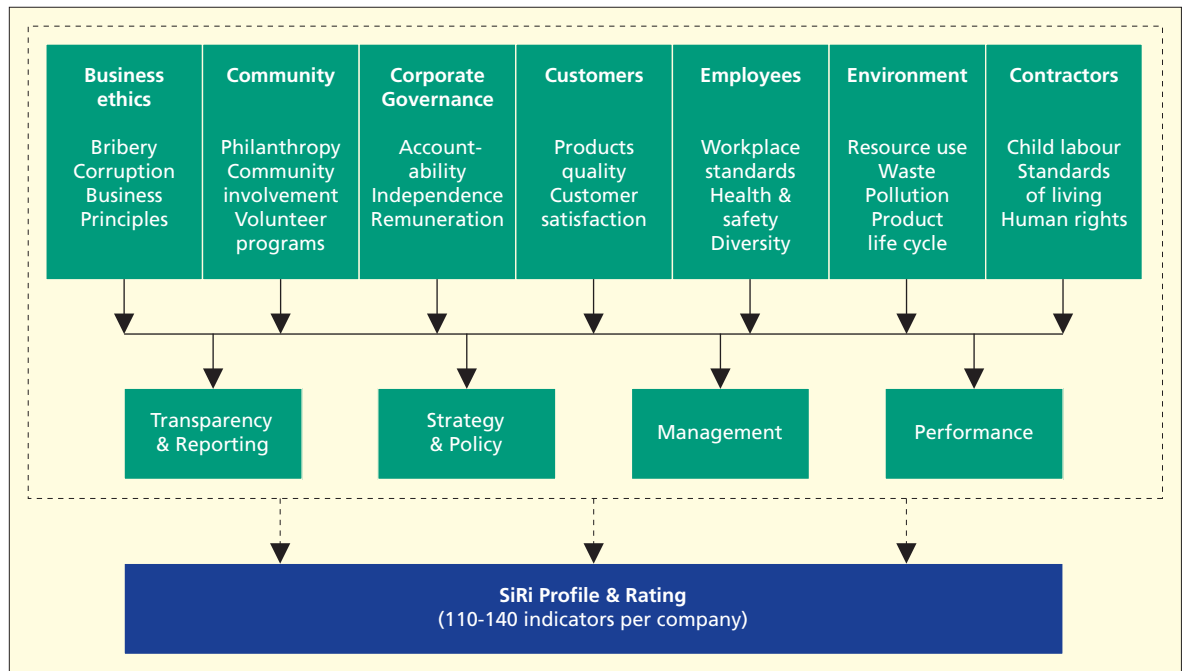
1. Negative/Exclusionary screening (for example, no investment in tobacco companies)
2. Positive screening (for example, investing only in renewable energy companies)

<sup>4</sup> The report covers 24 companies of the Dutch AEX index, the main market index in the Netherlands. At the time of writing, the AEX had 25 constituents. TomTom was included in the AEX on 2 March 2006. At the time of writing this report no sustainability profile of TomTom was available.

<sup>5</sup> Industry specific research indicators were included in SiRi Pro as of 2005 to strengthen the quality and focus of sustainability ratings and company research.

<sup>6</sup> The information used for profiles and ratings originates from a diverse range of sources, including company interviews, company reports and websites, non-governmental and civil society organisations (NGOs), as well as specialised and general news media and databases. Appendix B provides more details on the research methodology of DSR/SiRi Company and SiRi Pro.

**Graphic 1: SiRi Company Research Framework**



3. Relative/Best-in-class analysis (for example, investing only in the 50% best sustainability performers within an industry)
4. Engagement (for example, active dialogue with companies to address issues of concern to sustainable investors).

For all these core strategies, the approaches actually taken can be more or less strict. In practice, sustainable investors apply a combination of several of the above core strategies. Most sustainable investment funds in the Netherlands apply a combination of exclusionary screening and best-in-class analysis. DSR provides advice on all these strategies and supplies investors with relevant research data and analysis.

This report makes a comparison of companies within their industries and therefore makes use of the so-called 'best-in-class' approach. Companies were compared with each other within their own industry group on aforesaid stakeholder themes. It is important to note that the weights assigned to the various themes as well as the weights assigned to individual indicators differ between industry groups. For example, the theme

'Environment' weighs more heavily for energy companies than for companies operating in the financial services industry. In this and the following chapters, a graphical figure is presented in which the sustainability score of a company is placed in relation to the average sustainability score of its industry peers worldwide<sup>7</sup>. In this way, it is possible to compare AEX-listed companies as to how well they address sustainability issues relative to their industry peers. In other words: The performance of an AEX-listed company in industry A relative to its industry A peers is compared to the sustainability performance of another AEX company operating in industry B relative to its industry B peers. More details on the sustainability performance of companies is provided in Appendix A, where the top 10 best performing companies per industry group are listed together with the rank of the Dutch industry peer (if applicable). Given this methodology, one should keep in mind that a company can devote much effort to sustainability issues but 'only' rank 6 in our analysis, if the attention paid to sustainability issues in an industry is generally high (for example, Royal Dutch Shell in the energy industry). Similarly, a

<sup>7</sup> The ratings of the major 1000 exchange-listed multinationals from Europe, North America and the Asia-Pacific region have been included in the analysis. The research universe is currently being expanded, and by the end of 2006, SiRi Pro will include ratings of the top 1800 international companies by market-capitalisation. Exclusionary screening data and controversy ratings are already available for over up to 2000 companies globally.

company can perform relatively well in our analysis even though the attention paid to sustainability is more limited if its industry peers pay generally very little attention to sustainability issues (for example, Hagemeyer in the capital goods industry).

Even though it is possible that individual investors, institutional investors or sustainable investment funds base their sustainable investment policy on a best-in-class analysis only, in practice, such an approach is in most cases complemented by certain exclusionary or minimum performance criteria. Often such minimum requirements take into account certain controversial company practices or products. For example, many sustainability investors exclude companies if they produce weapons, operate nuclear power facilities, are complicit in human rights abuses or have been involved in important stakeholder controversies. These exclusionary criteria are in essence customer-specific which is the reason why no such criteria were taken into account in our analysis<sup>8</sup>. In consequence, a high-performer in this report can very well be excluded from a number of sustainable investment funds due to the involvement in certain issues that are of concern to the typical sustainable investor.

In the following chapters the sustainability performance of Dutch companies are reviewed in more detail. Chapter 2 analyses the overall sustainability scores of AEX-listed companies. In Chapters 3 through 9, the sustainability performance is reviewed for each of the seven stakeholder themes. Chapter 10 compares the overall sustainability scores of Dutch companies with the performance of companies from other countries and economic blocks. Chapter 11 analyses the Dow Jones stxx 50<sup>®9</sup> companies in a similar manner to that of the AEX-listed companies analysed in Chapter 2. Chapter 12 concludes the report.

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<sup>8</sup> It should be noted that controversial business practices and related stakeholder controversies are taken into account in the company ratings but only in a relative manner. That is, such indicators are amongst the 110-140 indicators used. A weak performance on some of these can be counter-balanced by good performance on other indicators.

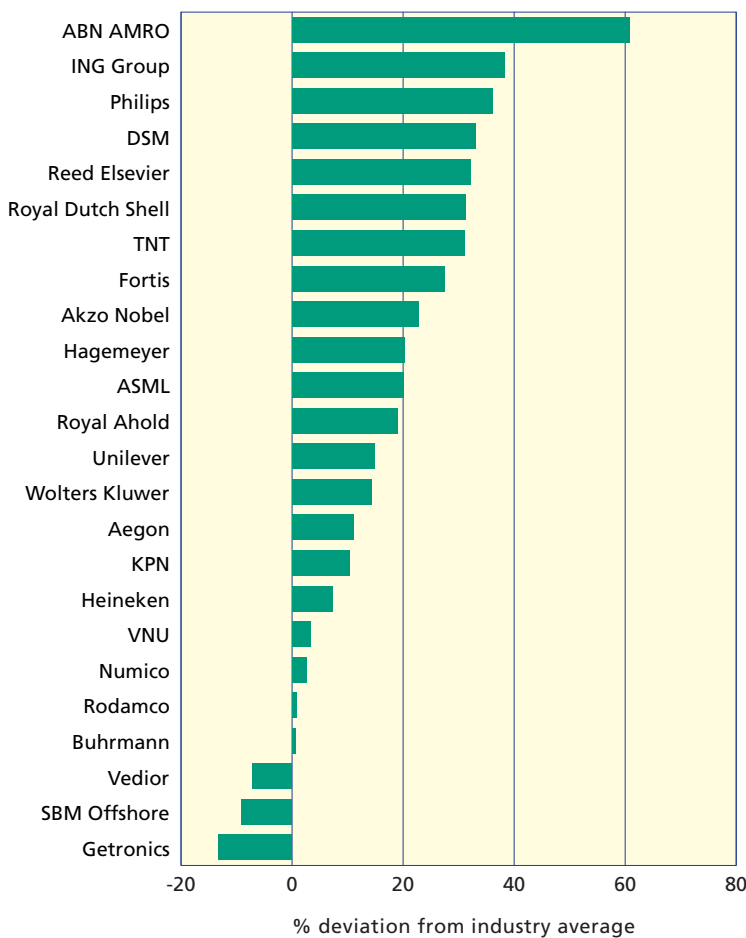
<sup>9</sup> Dow Jones stxx 50<sup>®</sup> is the registered trademark of stxx Limited.

## 2. Overall Sustainability Performance

In Figure 1 below, the sustainability performance of AEX-listed companies is shown in relation to the average performance of their international industry group peers<sup>10</sup>. The horizontal axis indicates for each AEX-listed company the performance relative to the respective industry average.

To compare AEX companies, our methodology compares the performance of each AEX company to those of its industry peers. The rankings therefore show how strongly a company out- or under performs its respective peers. It should be kept in mind that these rankings are influenced by the

**Figure 1: Sustainability performance of AEX-listed companies versus their international industry group peers**



actual sustainability performance of a company and the average performance of its industry peers. If a company's industry peers show overall weak sustainability performance, then it is relatively easy for a company to achieve a good ranking according to this methodology with limited efforts. The methodology is explained in more detail in Box 1.

ABN AMRO is the best performer amongst AEX-listed companies with a sustainability score of 61% above the global industry average in the financials industry. It should be noted that, generally speaking, the financial services sector still pays relatively little attention to sustainability issues. Therefore, ABN AMRO, but also its Dutch sector peers such as ING Group (+38%) and Belgian-Dutch Fortis (+27%) are positive exceptions and good scores allow these companies to distinguish themselves clearly from the peer group average. Other high-performers include Philips, DSM, Royal Dutch Shell, and TNT. All of these companies are strong leaders in their industry group with overall well-developed policies and management systems for the majority of the stakeholder themes. Reed Elsevier also performs well, however is in an industry (Media) where attention to sustainability is still weak.

At the bottom of the table sit Getronics (-13%), SBM Offshore (-9%), Vedior (-7%). All three companies score below their own industry group average. Except for SBM Offshore, these companies also belong to industry groups where, so far, relatively little attention has been paid to sustainability issues. Interestingly, SBM Offshore and Royal Dutch Shell both operate in the energy industry, where awareness of environmental and social impacts of companies is generally high. The two companies show that there can be significant differences in sustainability performance within one industry. This is despite the fact that both companies have their origin (at least partly) in the same country and both companies have in recent years seen vigorous

<sup>10</sup> For the purpose of this report, the performance of companies is compared to those of its international industry group peers following the classification of the Global Industry Classification System (GICS 2 - Industry Groups). One exception was made for companies active in the financial services industry. To better compare these companies that are strongly represented in the AEX index we included all companies in the industry groups Banks, Insurances, Diversified Financials, and Real Estate in one sector called 'Financials' (GICS 1 level).

### Box 1: Research Methodology

In Figure 1 the sustainability performance of AEX-listed companies is shown in relation to the average performance of their international industry group peers. The international averages were calculated on the basis of the ratings of 1000 major international exchange-listed companies. The horizontal axis indicates for each AEX-listed company the sustainability performance relative to the industry group average. The vertical 0%-line represents the sustainability score of the relevant international peer group.

The methodology can be illustrated by the following example: Three AEX-listed companies operate in the Media industry. Figure 1 shows that Reed Elsevier scores 32% better than the industry average. Its competitors Wolters Kluwer and VNU score 14% and 3% respectively, above the industry average. The sustainability performance of all AEX-listed companies is presented in this manner, that is, always as a percentage deviation from the respective industry average. Based on this methodology, it is possible to compare companies from different industries with each other, even though they may provide completely different products and services. For example, DSM ended up higher in the ranking than Reed Elsevier, because DSM outperforms its competitors in the materials industry group by more than how much Reed Elsevier outperforms its competitors in the media industry group. In Appendix A both the total sustainability scores of companies in absolute terms and their industry group averages are presented separately.

criticisms of their activities from non-governmental organisations.

Companies that perform broadly in line with their industry peers are Heineken (+7%), VNU (+3%), Numico (+3%), Buhrmann (+1%), and Rodamco (+1%). Although these companies pay some attention to sustainability issues they do not distinguish themselves in any meaningful manner from their peers.

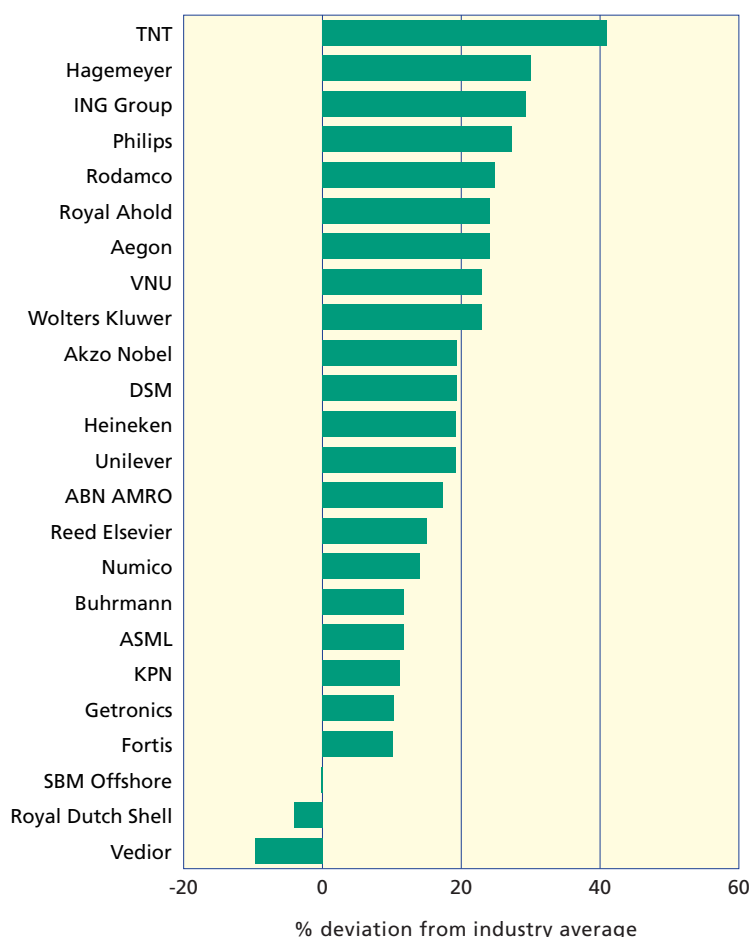
When looking at absolute sustainability scores (see Appendix A for details), ABN AMRO (82%), Philips (76%), DSM (71%), and ING Group (70%) are clear leaders. The ranking is the same as that in Figure 1 above. This absolute ranking is also similar for weak performers where one can find SBM Offshore (45%), Getronics (46%), and Rodamco (52%). It is noteworthy that for these latter three companies, theme scores for Business Ethics and Corporate Governance are relatively good, but all three companies provide little if any evidence of integrating social or environmental objectives into their operations.

### 3. Business Ethics

#### Performance in relation to industry peers

The theme Business Ethics looks at the presence and implementation of general as well as specific business ethics principles within a company such as combating bribery and corruption. Involvement in related controversies in the last three years, for example with respect to tax issues or corruption is also analysed. In Figure 2, the performance of AEX-listed companies on Business Ethics is presented relative to their international industry average. The latter is represented by the zero-line on the horizontal axis.

**Figure 2: Performance on Business Ethics of AEX listed companies compared to their international industry group averages**



Of the Dutch companies, the transport and logistics company TNT scores very high (41%), in spite of some ongoing controversy surrounding tax investigations. Hagemeyer, from the capital goods industry, follows with a close 30%. TNT performs relatively well because it has a well-developed and detailed whistle blower policy and programme. The policy is comprehensive and it describes in detail what is meant by (combating) bribery. Furthermore, the whistle blower programme is anonymous, accessible to internal and external staff, and for those reporting incidents, there is a guarantee of no retaliation.

There are only three of the 24 AEX-listed companies that score below their own international industry averages. These are SBM Offshore (-1%), Royal Dutch Shell (-4%), and Vedior (-10%). Their scores reflect either limited efforts to address or be transparent about business ethics issues, or they indicate the presence of recent controversies such as the restatement of oil reserves by Royal Dutch Shell. SBM Offshore has a relatively vague policy statement on bribery and corruption, and Vedior fails to provide important details on its whistle blower programme, for example whether reporting on violations of its code of conduct is anonymous, or whether the programme is accessible to non-employees.

Generally speaking, it is worth noting that when looking at global averages, the food, beverage and tobacco industry (Numico, Heineken, Unilever) as well as household and personal products industry (none in the AEX) perform best on business ethics issues with absolute scores above 80%. Companies in the transportation industry (TNT) and financials industry (ABN AMRO, Aegon, ING Group, Fortis, Rodamco) perform relatively weak, with scores below 70%. Also, relative to other stakeholder themes, companies score relatively well on Business Ethics given that many companies have recently established core policies and set up specific programmes to address business ethics issues.

<sup>11</sup> The Wolfsberg Anti-Money Laundering Principles for Private Banking were published in October 2000 and revised in May 2002. They provide a set of global anti-money-laundering guidelines for international private banks. The Wolfsberg Group is an association of twelve global banks, which aims to develop financial services industry standards, and related products, for Know Your Customer, Anti-Money Laundering and Counter Terrorist Financing policies ([www.wolfsberg-principles.com](http://www.wolfsberg-principles.com)). ABN AMRO is the only Dutch financial institution member of the Wolfsberg Group.

### Transparency & Policy

All AEX-listed companies report on business ethics issues usually through their annual report or website. Except for SBM Offshore, all companies had a formal and clear statement on bribery and corruption. All Dutch financial companies also had a formal policy statement on money laundering although often these policy statements provide insufficient details as to whether key Wolfsberg Principles<sup>11</sup> have been addressed, which are used as the reference framework in the research conducted by DSR/SiRi Company.

### Management Systems & Performance

The large majority of AEX-listed companies have a bribery and anti-corruption programme in place. Except for KPN and Vedior, all companies have a well-developed and transparent whistle-blower programme available for its own employees, which is a definite improvement compared to our assessments of previous years, and at least in part triggered by the influence of the relatively new Dutch Corporate Governance Code. Both KPN and Vedior have such programmes, but the companies provide little details on their content and scope. A general area for improvement is the current lack of availability of whistle blower programmes to non-employees such as contractors or customers.

So far, companies provide little information on their experiences with and the effectiveness of such policies and programmes. More transparency by Dutch companies would be welcomed given that there have been controversies over business ethics issues in the last three years. Royal Dutch Shell was involved in minor controversies over lobbying activities in the United States but has reportedly taken effective steps to prevent similar incidences. ABN AMRO has received several fines by financial authorities in the United States and the United Kingdom due to weaknesses in the internal compliance policies and systems. The company is also being sued by Parmalat and contributed USD 279 million to a settlement with purchasers of securities in WorldCom, Inc. Reportedly ABN AMRO has upgraded its internal compliance system since. Nevertheless, both companies (as well as others) are downgraded in part due to these controversies.

### Box 2: Wolters Kluwer

Comparing the 2005 and 2006 AEX reports, Wolters Kluwer has significantly improved its overall performance on the theme Business Ethics. The company climbed in the ranking from position 24 to position 6. This was the strongest improvement of all companies for Business Ethics.

We note that when the 2005 AEX report was prepared, Wolters Kluwer did not provide any reporting on business ethics related issues. When DSR discussed this issue with the company at the time, it stated that it would establish relevant policies and programmes. One year later, the company has well-developed policies on bribery and corruption in place and its whistle-blower programme fulfils all requirements set by DSR/SiRi Company. Both of these significantly improved the company's ranking.

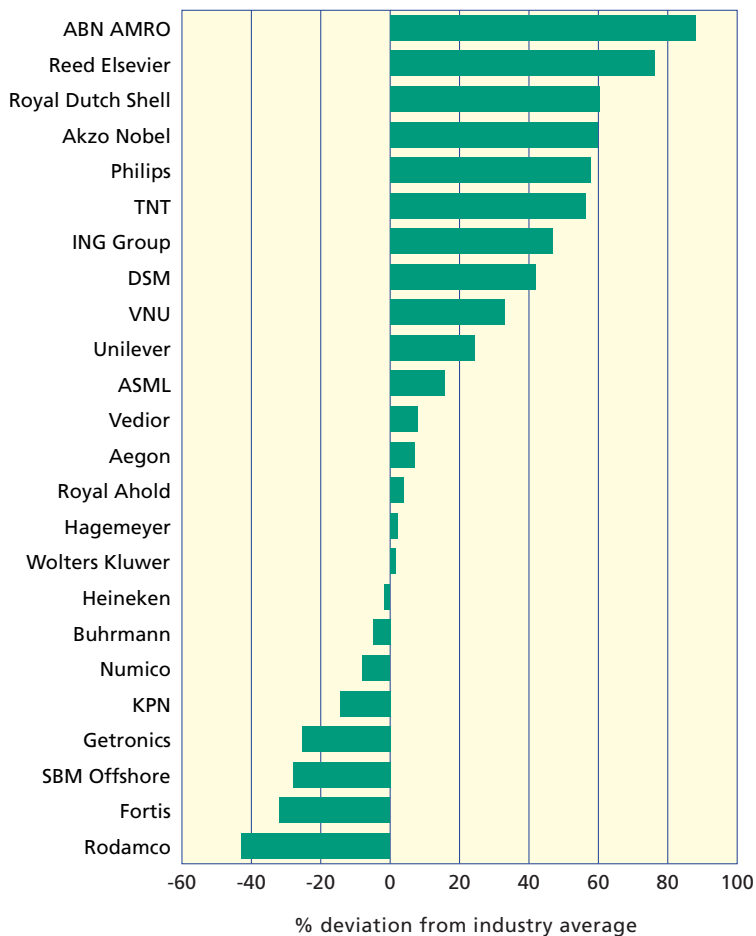
## 4. Community

### Performance in relation to industry peers

The theme Community focuses on policies and programmes to manage community relations as well as philanthropic activities including volunteer work. As appropriate, the theme pays particular attention to community relations in sensitive countries including human rights related issues. In Figure 3 below, the performance of AEX-listed companies regarding community issues is presented relative to those of their international industry peers. The peer group average is represented by the zero-line on the horizontal axis.

For this theme, two industry groups achieve the best scores, namely household and personal products (68%) and food, beverage and tobacco (65%). Financials and consumer services lag behind with 49% and 48% respectively. For the

**Figure 3: Performance on Community involvement of AEX-listed companies compared to their international industry group averages**



Dutch financial companies the scores differ significantly: ABN AMRO is a high scorer with 88% above its industry group average, but Rodamco (-43%) and Fortis (-32%) perform relatively weaker in this theme. ABN AMRO is not only the leader in its own sector but also outperforms the other Dutch companies. Its absolute score of 92% is very close to Reed Elsevier's 91%. TNT, Akzo Nobel (both 86%), Royal Dutch Shell (82%), Philips and Unilever (both 81%) also show strong performances. The companies that perform weakest in this theme by absolute scores include Fortis (34%), SBM Offshore (37%) and Getronics (39%).

### Transparency & Policy

All AEX-listed companies publish information on their involvement with communities, with the exception of Rodamco, Getronics and Hagemeyer whose reporting is very limited and does not satisfy the criteria of DSR/SiRi Company. The UN Global Compact was signed by seven AEX-listed companies including ABN AMRO, Akzo Nobel, Reed Elsevier, Royal Dutch Shell, TNT, Unilever and Vedior. The UN Global Compact promotes ten business principles addressing human rights, labour, the environment as well as bribery and corruption and is emerging as an international norm for the business conduct for multi-national enterprises.

Except for three AEX-listed companies, all companies have adopted specific guidelines for their philanthropic activities. However, the quality of the guidelines can be improved in several cases. Ahold, for example, makes a very general statement: 'Ahold supports projects and organisations that best address the needs of local communities and, where possible, leverage the strengths of the company itself'. A good example for community involvement and charitable donations is Hagemeyer. The company has a comprehensive policy and supports mainly programmes whose primary goal is to satisfy basic needs, such as education, health care and children. This focus on basic needs provide a relatively direct link to the Millennium Development Goals of the United Nations<sup>12</sup>.

### Management Systems & Performance

Most companies report the percentage of their donations relative to net earnings and disclose the details of their primary areas of support. On the



basis of 2004 company data, only Akzo Nobel, Hagemeyer, and Unilever donate at least 1% of their net income before tax to community and philanthropic issues and as such satisfy DSR/SiRi Company requirements to receive maximum scores on this issue. For companies whose operations may often cause controversies at the local level (for example, companies in the telecommunications or oil and gas industry), it was reviewed whether formal programmes for engagement with communities exist. Of the seven relevant AEX-listed companies, the programmes of DSM and Royal Dutch Shell fully satisfied the criteria of DSR/SiRi Company including third party verifications. Three companies had programmes but these did not fully satisfy relevant criteria and two companies, KPN and SBM Offshore, have so far failed to establish such programmes.

Several AEX-listed companies have been involved in controversies over local communities in the recent past, for example Royal Dutch Shell in Nigeria and SBM Offshore's presence in Burma. Both companies have however taken steps to discuss issues with stakeholders and to address specific concerns. Notably, SBM Offshore was praised by Dutch union FNV for agreeing to implement the OECD's Code of Conduct for Multinational Enterprises following pressure over its activities in Burma. The scores of three banks, ABN AMRO, Fortis and ING Group, are also lowered due to their involvement in controversial projects. As one illustrative example, Fortis participated in 2003 (together with 19 other financial institutions) in the financing of the Karahnjukar hydropower project in Iceland. This project has received much criticism from non-governmental organisations (NGOs) due to the risk of negative impacts on sensitive ecosystems, its threat to endemic species (such as the Icelandic reindeer) and the allegations that the project is violating the Equator Principles<sup>13</sup>. Another example is the Maggi Soybean expansion project in Brazil, where back in 2004, Fortis and ING Group participated in an international banking syndicate of 11 banks for a USD 230 million working capital facility arranged by Rabobank. The project is controversial because

### Box 3: Sensitive Countries

Sensitive countries are countries with weak democratic institutions, including countries where there are cases of repeated human rights violations. In its research, DSR/SiRi Company make use of the assessments of Freedom House, a non-profit organisation that makes an annual comparative assessment of the state of political rights and civil liberties in countries and disputed territories around the world ([www.freedomhouse.org](http://www.freedomhouse.org)). For companies that are active in sensitive countries, there is a risk that local subsidiaries take short cuts on basic labour rights and/or environmental and health and safety standards. Companies may also stand accused of being complicit in human rights abuses. For companies where the risk of becoming involved in these issues is considered high, we analyse whether companies have adequate policies and programmes to address these concerns. For Royal Dutch Shell and SBM Offshore this is considered important. Both companies have a policy for operating in sensitive countries. Royal Dutch Shell has also established a formal policy on human rights and security forces. Moreover, the Shell's community involvement projects in developing countries are independently assessed. SBM Offshore lacks such additional policies or programmes. Activities in sensitive countries with weak institutions carry inherent operational and reputation risks. Based on the research findings of DSR/SiRi Company, Royal Dutch Shell has put in place much stronger measures to manage these risks than SBM Offshore.

of possible negative social and environmental impacts on local communities. The project is allegedly an important factor for the deforestation of the Amazon and its monocultures are disrupting the hydrological balance of the area. Moreover, it is threatening local biodiversity and causing social unrest. In recent years, the number of NGOs scrutinising activities of financial institutions has risen and Dutch banks, including the four mentioned above, have taken important steps to avoid financing of projects that do not meet minimum standards. Whether these steps are sufficient to avoid criticism by NGOs in the future remains to be seen.

<sup>12</sup> For details on the UN Millennium Development Goals see [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals) as well as the report 'Measuring the contribution of civil society and the private sector to achieving the Millennium Development Goals', Dutch Sustainability Research, Zeist, November 2005 ([www.dsresearch.nl/dsr/nieuws](http://www.dsresearch.nl/dsr/nieuws))

<sup>13</sup> The Equator Principles provide a benchmark for the financial industry for determining, assessing and managing environmental & social risk in project financing. The Equator Principles have been adopted by leading financial institutions (including ABN AMRO, ING Group, and Fortis) in order to ensure that the projects financed are developed in a manner that is socially responsible and reflect sound environmental management practices. For details see [www.equator-principles.com](http://www.equator-principles.com).

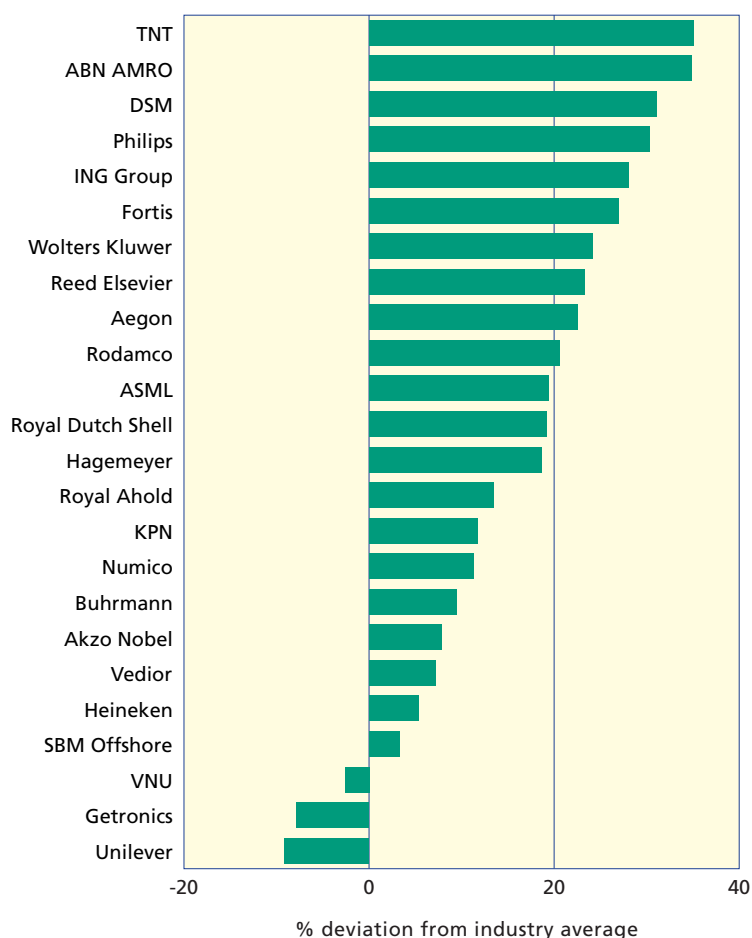
## 5. Corporate Governance

### Performance in relation to industry peers

This chapter on Corporate Governance focuses on the key elements of good corporate governance including board structure, director independence, remuneration and related transparency. In Figure 4 below, the performance of AEX-listed companies are compared to the average scores of their international industry peers. The zero-line on the horizontal axis represents the relevant peer group average.

When comparing the performance of the different industry groups, it becomes apparent that the average performance on this theme is very similar across all industries and scores range between 63% and 72%. This is what one should expect given that the corporate governance performance of a company is to date mainly influenced by local (that is, national) standards

**Figure 4: Performance on Corporate Governance of AEX-listed companies compared to their international industry group averages**



and regulation and only to a very limited degree by industry factors. It is worth noting that since the entering into force of the Dutch Corporate Governance Code (Tabaksblat Code) in 2004, the corporate governance performance of Dutch companies has improved significantly in comparison to their international peers, and overall Dutch companies score relatively well on this theme.

Figure 4 indicates that TNT of the transportation industry out-performs its international peers by 35%. The same is true for ABN AMRO for the financial sector. Both companies belong to industries where average corporate governance scores are slightly weaker. In contrast, the two other companies that score above 30% compared to their industry peers are DSM (32%) and Philips (31%), both of which belong to the better performing industry groups on this theme. There are only three AEX-listed companies that score below their peer group average. These are Unilever (-9%), Getronics (-8%), and VNU (-3%).

### Transparency & Policy

All AEX-listed companies provide good information about director biographies and compensation of directors and Chief Executive Officers (CEOs). In general, transparency of Dutch companies on these issues as well as corporate governance in general is very good if compared to their international peers. Remuneration policies are also very detailed. However, when it comes to incorporating sustainability issues at board level, the situation is different. For example, only 13 companies make use of the reporting framework of the Global Reporting Initiative (GRI), which is also an indicator grouped under this theme. In order to assess and benchmark sustainability performance, standardised reporting is a must. To date, many Dutch company boards have not considered it necessary that their companies adopt such reporting standards and they therefore fail to provide proper accountability towards shareholders and other stakeholders on their performance.

### Management Systems & Performance

For all AEX-listed companies whether they operate under a one-tier or two-tier structure, the position of Chairman of the Board and CEO was

**Erratum:** In the 2005 version of the AEX report, the corporate governance rating of DSM was in part based on outdated information. For the period under consideration, DSM had adopted a formal policy statement on executive remuneration, insider trading and conflicts of interest. The rating score did not reflect the presence of these policies. We apologise for this error.

separated. When looking at the independence of members of the Supervisory Board (or non-executive directors) most Dutch boards have strong representation of independent members, however, all in all the performance of AEX-listed companies is in line with those of its international peers. One exception is Heineken NV (see Box 4 below) where many directors have links to the Heineken family, who are the majority shareholder. We also note that in most cases all members of the Audit, Remuneration and Nomination committees were independent. With respect to executive remuneration, it is amongst other things, analysed whether variable executive remuneration is (partially) linked to the sustainability performance of the company (for example, health and safety targets, and environmental performance). So far, there are only three AEX-listed companies that make explicit reference to sustainability related performance targets for their executives. These include DSM, Royal Dutch Shell, and TNT. Pursuing sustainability goals will mainly result in medium or long-term benefits and may therefore often conflict with short-term profit maximising objectives. To credibly pursue sustainability strategies, the (Supervisory) Board should ensure that sustainability objectives are incorporated at the level of company boards. Sustainability related performance targets are one example of how this could be done. However, both in the Netherlands and internationally there is still considerable room for improvement in this respect.

More and more Dutch companies now embrace the 'one share, one vote' principle but some 30% do not, such as, for example, Aegon, Akzo Nobel, TNT, Unilever, and vnu. These companies have different types of preferred or priority shares with special rights. Furthermore, the scores of several companies is downgraded because of major corporate governance controversies in the last three years such as those of Ahold (executive remuneration and accounting irregularities) and Royal Dutch Shell (restatement of annual accounts).

#### **Box 4: Heineken NV**

One of the subjects reviewed in the theme Corporate Governance is the independence of (Supervisory) Board Members. Heineken NV is the only AEX-listed company to score below the industry average on this indicator. This contributed to the weaker performance of Heineken NV for this stakeholder theme.

Heineken NV has a two-tier board structure. In 2005, the Board of Management consisted of five members and the Supervisory Board consisted of six members. Based on the guidelines applied by DSR, only three of the six members of the Supervisory Board were considered independent. One commissioner was a former member of the Executive Board of Heineken Holding, which is directly controlled by the Heineken family. Another member is at the same time President of the Executive Board of the Heineken Holding and one member has family links with a delegate member of the Management Board of Heineken Holding. This situation at Heineken is not in line with Dutch best practice guidelines (Two new independent board members were elected at the general shareholder meeting in 2006 raising the number of independent board members to five). However, unlike other AEX-listed companies, Heineken NV still has strong ownership ties to the founding family and may therefore not be fully representative. Whereas these ties may undermine independence of some board members, we note that this lack of independence does not necessarily mean lack of oversight. We note for example that in spite of an increase in remuneration in 2005, overall remuneration levels at Heineken remain at the lower end of the AEX. Furthermore, no share options vest for company performance below the peer group average. Most AEX companies hand out considerable share (options) awards even if the company performs, in terms of Total Shareholder Return (TSR), below those of its industry peers.

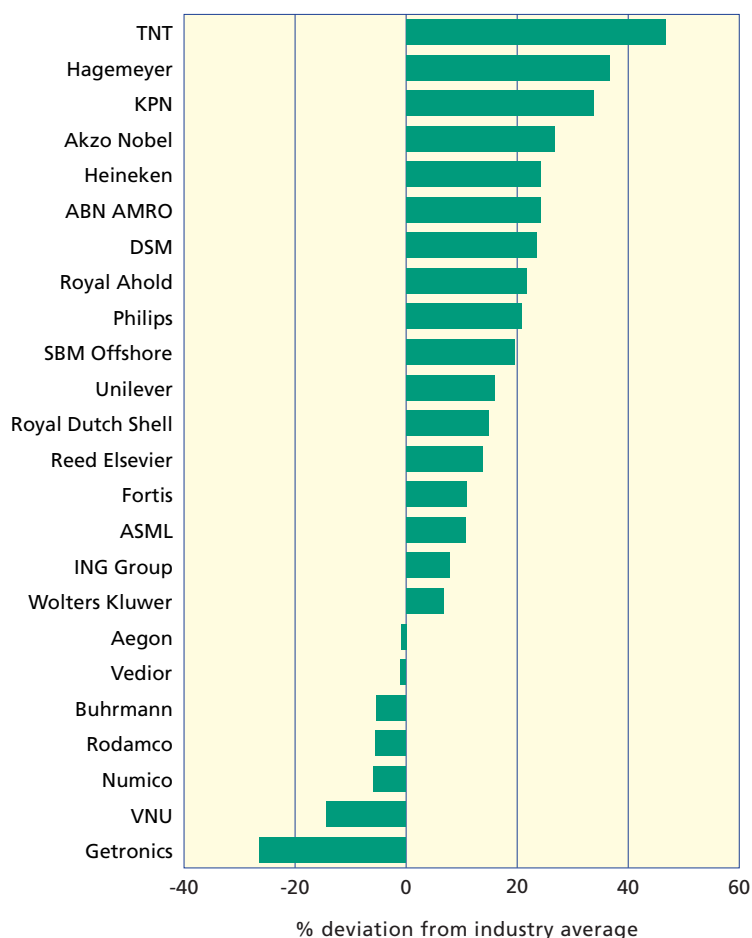
## 6. Customers

### Performance in relation to industry peers

The theme Customers covers reporting, policies and programmes addressing product quality, product safety, and customer satisfaction. Related controversies such as anti-trust proceedings and fines are also captured in the rating. Figure 5 below presents the relative performance of AEX-listed companies compared to their international industry peers. The zero-line on the horizontal axis represents the peer group average.

Just as for the themes Business Ethics and Corporate Governance, TNT outperforms the other AEX-listed companies and is the top scorer. TNT scores 47% above its peer group average, followed by Hagemeyer with 37% and KPN with 34%. Akzo Nobel, Heineken and ABN AMRO follow thereafter with 27%, 24% and 24%, respectively.

**Figure 5: Performance on Customers issues of AEX-listed companies compared to their international industry group averages**



At the other end, we find Getronics (-26%), VNU (-14%), Numico (-6%) and Rodamco (-6%). Getronics and VNU are the major laggards for customer issues. It is in this context interesting to demonstrate the influence that industry averages have on the ranking of companies. Fortis and ING are reaching in absolute terms 70% and 68% for their efforts on customer issues. In contrast, Reed Elsevier scores only 65%. Still Reed Elsevier ranks higher than the two banks, only because the average in the financial sector (63%) is higher than for the media industry group (57%).

### Transparency & Policy

All companies have a good reporting on customer issues. The only exceptions are Getronics, Rodamco and VNU. These companies could provide more detailed reporting to satisfy the criteria applied by DSR/SiRi Company. Most companies have a formal policy statement on quality or customer satisfaction. It is interesting to note that Reed Elsevier has an editorial policy and a formal policy statement on advertising ethics. In the food products industry, a positive highlight is that all relevant companies (that is, Heineken, Numico, Ahold and Unilever) formulated a position statement on the use of genetically modified organisms (GMOs). Moreover, all companies except Numico have also a position statement on health consequences of food. With rising obesity levels in particular child obesity in countries around the world and questions about the role and responsibilities of companies, there is an increasing urgency for companies to address this issue proactively.

### Management Systems & Performance

To assess quality management systems, DSR/SiRi Company review the percentage of ISO 9001 certified sites. Leaders amongst the assessed AEX-listed companies are Akzo Nobel, ASML and TNT. Akzo Nobel reports that at least 90% of its sites are ISO 9001 certified, and all ASML sites have received ISO 9001 certification. TNT provides very detailed information on the number of certified sites and the number of full time equivalents (FTEs) working in these sites. It also reports by country for each division (Mail, Express and Logistics). On an aggregated basis, 67% of total FTEs are working at certified sites. At a divisional

level the figures are: Mail 83%, Express 69% and Logistics 53%.

For food products companies, a sensitive topic for customers and the public in most European countries is the use of GMOS and/or the proper labelling of such products. Implementation of corporate policies at a global level is not straightforward for this industry. Heineken states that its policy on GMOS, which prohibits the use of genetically modified raw materials, is strictly monitored. Heineken also conducts audits of its suppliers to identify and minimise related risks. Numico declares that the company would label their end products if GMO ingredients were used in the future. Unilever supports initiatives such as appropriate labelling of products. However, it is not clear whether the company systematically labels its products if they contain genetically modified ingredients. Ahold supports labelling of products that contain GMOS and states that it 'believes that consumers have a right to know where their food comes from and how it is made, and that they should be offered a free choice in what they buy'.

When it comes to customer related controversies, two of the AEX-listed companies, namely Akzo Nobel (see Box 5) and KPN, have been involved in several major controversies over anti-competitive practices. KPN was fined on repeated occasions by regulators in the Netherlands including a recent fine of EUR 450,000 by the Dutch telecom watchdog OPTA for illegal discounts to business customers, the size of the fine being not insignificant by Dutch standards.

One other interesting case involves Numico. For years, the company stands accused of violating the International World Health Organisation's (WHO) Code of Marketing of Breastmilk Substitutes, which was adopted in 1981 as a minimum requirement to protect infant health. In April 2003, Numico was charged in the Netherlands for violating this WHO Code. According to the Dutch Food and Drug Administration, the company was marketing baby food to mothers of newly born babies. At the time, Numico admitted that its advertisements were in contradiction to its internal guidelines and corrective measures were taken. Nevertheless, in 2004, the International Baby Food Action Network (IBFAN) published a report (*Breaking the Rules, Stretching the Rules*) which contains 22 cases

#### Box 5: Akzo Nobel

In the last years, Akzo Nobel has been subject to a number of major controversies relating to anti-competitive behaviour including several fines for participating in cartels in the late nineties. In January 2005, the European Commission imposed a fine totalling EUR 217 million on Akzo Nobel, Hoechst and Arkema (formerly Atofina) for operating a cartel in the chemicals market. The companies allegedly operated a cartel from 1984-1999 in the market for monochloroacetic acid. Akzo Nobel was fined some EUR 84 million. Akzo Nobel had already admitted to price-fixing agreements on monochloroacetic acid in the United States (fine of EUR 10 million) and was similarly fined in Canada (EUR 1.5 million). In a separate case in 2005, the European Commission charged 18 chemical companies with operating a hydrogen peroxide cartel. The companies charged include Total of France, Degussa of Germany, Akzo Nobel of the Netherlands, Solvay of Belgium and Kemira of Finland. The allegations were that the companies agreed on prices and on the reduction of production capacity, exchanged information on products and sales volumes, and monitored each other's implementation of the agreement. Although many of these cases date back to the nineties, there appears to be a pattern of violations of anti-trust law to the detriment of clients and end-consumers.

describing violations of the Code by Numico, including examples of the company's marketing materials. According to IBFAN, Numico responded to this report by stating that the company abides by the Code. However, the principles of Numico only take into account starter infant formula, which according to IBFAN is in contradiction to the scope of the Code, which encompasses all breastmilk substitutes.

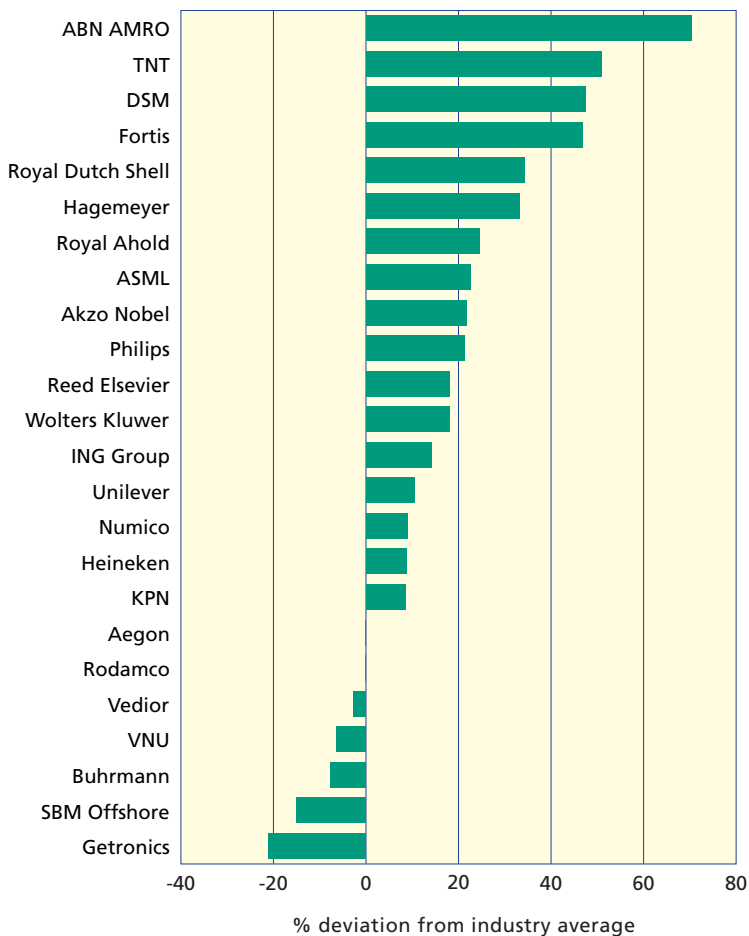
## 7. Employees

### Performance in relation to industry peers

The theme Employees focuses on policies and management systems related to basic rights of employees such as freedom of association, non-discrimination, health and safety issues. The relative performances of AEX-listed companies in relation to their international industry peers regarding employee issues are presented in Figure 6 below. The peer group average is indicated by the zero-line on the horizontal axis.

ABN AMRO is again a strong performer. The company performs 70% better than its sector average and manages to receive 83% in absolute terms. There is a considerable gap between ABN AMRO and TNT which ranks second (51% better than sector average) with an absolute score of 61%. Although Philips scores second best in absolute terms (80%), it just reaches 10th posi-

**Figure 6: Performance on Employees of AEX-listed companies compared to their international industry group averages**



tion (21% above average) because its industry peers perform relatively well for employee issues.

Based on collected data, Getronics makes relatively little efforts to address employee issues in a systematic manner (-21%) followed by SBM Offshore (-15%). This is true not only in relative terms compared to their industry group peers, but also in absolute terms. The absolute scores of these companies on this theme are 39% and 41% respectively.

### Transparency & Policy

The public reporting on employee issues is generally relatively good even if high quality quantitative data is often lacking. Only Getronics and SBM Offshore do not satisfy the reporting criteria set by DSR/SiRi Company.

We note that formal policies on freedom of association and the right to collective bargaining receive a very different attention from companies. ABN AMRO, ASML, Ahold, Royal Dutch Shell and Unilever fulfill the highest standards, whereas eight companies fail to formulate any such public policy statement at all. These companies are Aegon, Buhrmann, Getronics, Hagemeyer, ING, KPN, Numico and VNU. All AEX-listed companies, except for Getronics and SBM Offshore, also provide a comprehensive policy statement on the elimination of discrimination. Although one may question the relevance of these policy statements in countries where high standards are set by law, for multinational companies operating in countries with very different legal environments, such statements provide a safeguard that the company strives to adhere to minimum standards no matter where the company operates.

### Management Systems & Performance

About half of the AEX-listed companies have targets and programmes in place to increase diversity in their workforce. For five of these companies, these programmes and targets are very detailed and comprehensive. The companies that score particularly well are ABN AMRO, DSM, Fortis, Philips and Royal Dutch Shell. For the industries where worker health and safety is important, all Dutch companies have set targets and programmes to reduce health and safety

incidents for their workforce. The best assessments are those obtained by Akzo Nobel, DSM and Royal Dutch Shell.

Generally speaking, little information is disclosed regarding lay offs, job cuts, lost-time illness rate, lost-time incident rate and total number of fatalities. This means that in spite of increasing volume of reporting, there is a continued lack of disclosure of valuable quantitative data that allows for straightforward benchmarking of actual corporate performance. Companies that provide relatively good data include ABN AMRO, Akzo Nobel, ASML, DSM, KPN, Royal Dutch Shell and TNT.

In 2005, none of the Dutch companies were involved in any major employee related controversies. Several minor controversies resulted in slight downgrades however, notably with respect to controversies concerning employment conditions (Unilever), corporate restructuring (ASML, DSM, Shell and Unilever), freedom of association (Royal Dutch Shell), and health and safety (Royal Dutch Shell).

#### **Box 6: ABN AMRO**

Like other companies, ABN AMRO believes that all its clients must receive excellent service from highly-motivated staff. In this context it is considered particularly important for the company to stay engaged and up-to-date with employees on important areas such as the company's Corporate Values and Business Principles, client service, sustainability and compliance. In a continuously changing environment, with almost 100,000 employees working in 58 countries, this brings particular challenges that are familiar to most multinational enterprises.

In order to better measure the level of awareness and engagement among its employees, ABN AMRO launched its first Group-wide Employee Engagement Survey (EES) in 2005. While these surveys were previously conducted in a limited number of countries only, the questionnaire was in 2005 sent for the first time to employees worldwide. The company received more than 70,000 individual responses – a record response rate of almost 75%. Using a combination of questions from the EES, the company created a Sustainability Index to benchmark its performance against previous years as well as against those of its competitors. Several significant findings were made:

- Based on its internal Sustainability Index, ABN AMRO showed a better performance than in previous years and a better performance than its peers in the financial services sector.
- Younger staff (those between 25 and 34 years old) are generally more favourable towards sustainability than their older colleagues between 35 and 54.
- The research also confirmed that there is a strong correlation between being favourable towards sustainability and feeling engaged with ABN AMRO.

The findings of the survey highlight the link between employee satisfaction, corporate sustainability and corporate values.

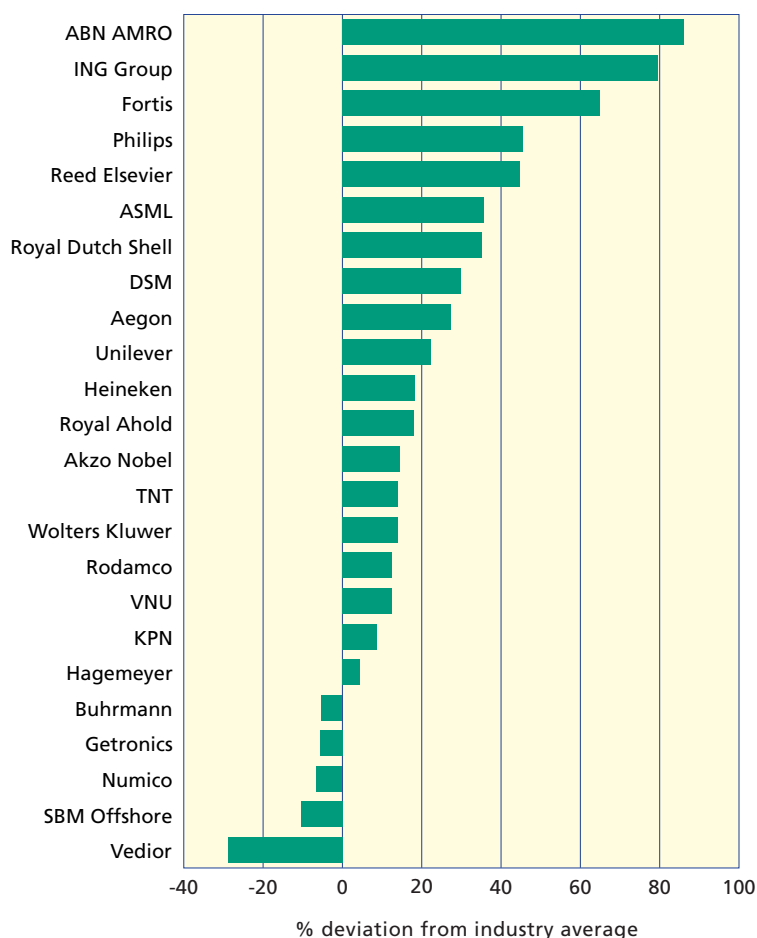
## 8. Environment

### Performance in relation to industry peers

The theme Environment addresses policies and programmes that reduce the environmental impact from operations as well as the environmental impact of products and services. Depending on the industry, specific attention is paid to energy and water use, consumption of raw materials, production of waste, and emissions. To assess performance, we look at the quantitative performance data as well as environmental controversies such as pollution incidents, concerns about the environmental impact of products, and regulatory actions including fines. Figure 7 below, shows the relative performance of the AEX-listed companies on the theme Environment in relation to their industry peers.

ABN AMRO is a clear environmental leader in the AEX. The company outperforms its peers by 86%.

**Figure 7: Performance on Environmental issues of AEX-listed companies compared to their international industry group averages**



and is closely followed by ING (80%) and Fortis (65%). Philips and Reed Elsevier also show good performances with a score of 45% above their industry group average. ABN AMRO, ING and Philips are top scorers in absolute terms as well. They score 75%, 72% and 68% respectively. Reed Elsevier, however, scores only 51% and reaches the fourth position in Figure 7 only due to the general weak environmental performance in the media industry. At the bottom of the ranking we find Vedior (-29%) and SBM Offshore (-10%). The following companies also perform below their own industry group average: Numico (-7%), Getronics (-6%) and Buhrmann (-5%).

### Transparency & Policy

All companies report on environmental issues. The information provided is in most cases good, although the quality of quantitative data is generally poor. Some of the reports are externally verified such as those of ABN AMRO, Akzo Nobel, DSM, Heineken, Philips, TNT and Unilever. In contrast, the reporting of Buhrmann, Getronics and Vedior is relatively weak, below average, and not verified by external parties. All AEX-listed companies have environmental policies and these satisfy, at least partially, the standards applied by DSR/SiRi Company. The best environmental policy statements include those of Ahold, ASML and DSM as they are relatively detailed and they are broad in scope (e.g. covering suppliers). Formal policy statements on green procurement are also being adopted by leaders such as ABN AMRO and to a limited degree by Fortis, Unilever or Numico. In contrast, Aegon, Buhrmann, Getronics, Philips, Royal Dutch Shell, SBM Offshore and Vedior have to date not adopted a procurement policy that requires their suppliers to adhere to environmental standards that go beyond legal requirements.

### Management Systems & Performance

ISO 14001 is a globally recognised certification system for environmental management systems (EMS). More and more companies use an EMS based on ISO 14001 to monitor and continually improve their environmental performance. Of the AEX-listed companies, several have most of their sites certified to ISO 14001 or equivalent, including companies from very different indus-



### Box 7: Dutch Banks and Climate Change

Climate change is probably the biggest environmental challenge to the international community in the 21st century. A few banks have become aware of their special role and responsibilities with regard to climate change issues and have introduced a formal climate change policy. For the financial sector it is useful to distinguish between direct CO<sub>2</sub> emissions, i.e. CO<sub>2</sub> emissions from their own operations, and indirect CO<sub>2</sub> emissions, i.e. the CO<sub>2</sub> emissions of their clients that receive financing and related services.

The Dutch Triodos Bank can be considered a pioneer when it comes to reducing direct and indirect CO<sub>2</sub> emissions. The bank invests in the energy sector only in renewable energy projects. It reduces its direct CO<sub>2</sub> emissions by using electricity from renewable energy sources and by reducing energy consumption as far as possible. Its remaining CO<sub>2</sub> emissions from gas consumption, paper consumption, business travel and commuting are compensated, by buying CO<sub>2</sub> credits from KlimaatNeutraal Groep, which sequesters CO<sub>2</sub> by planting trees in the Czech Republic, Uganda, The Netherlands, Malaysia and Ecuador. As a result, Triodos Bank's activities are fully carbon neutral. So far, no major Dutch bank is carbon neutral.

When it comes to practice and reporting on indirect emissions of major Dutch banks, there is still much room for improvement. According to some estimates, the indirect CO<sub>2</sub> emissions of the four major Dutch banks ABN AMRO, ING Group, Fortis and Rabobank represent 750 Mt. This equals about 2.8% of worldwide CO<sub>2</sub> emissions or 3.4 times the estimated total CO<sub>2</sub> emissions of the Dutch society of 218 Mt in 2005. Exposure to energy-intensive industries or the share of products/services that have an explicit climate-change related dimension can currently not be estimated from these companies' public reporting. Only for commercial loans a sector breakdown of the client portfolio is provided by ABN AMRO and Fortis. From this it becomes clear that energy intensive sectors form an important part of their portfolio (between 20 and 50%). ING has the largest loan portfolio of these banks, but does not provide a sector breakdown.

To make further progress, DSR recommends that Dutch banks as well as their international peers adopt climate change best practice standards including establishing a comprehensive climate change policy as a framework for action; setting clear reduction targets for both direct and indirect CO<sub>2</sub> emissions; laying out a public policy position; and reporting annually on direct and indirect CO<sub>2</sub> emissions and progress towards targets.

For further details on climate change best-practice amongst financial institutions see, 'Climate change and the role of banks: A best practice study of selected international and Dutch banks', Dutch Sustainability Research, Zeist, June 2006.

tries such as Akzo Nobel (more than 80% certified), ASML (100%), Philips (more than 92%), and Royal Dutch Shell (more than 90%). Nevertheless, there are thirteen AEX-listed companies that do not appear to have their EMS externally certified to this standard.

Most companies have established programmes and targets to reduce their environmental footprint, however targets often remain vague or are not disclosed. Performance data is also often of poor quality making it difficult to assess actual progress and to benchmark companies. This is one reason why the Environment theme scores the lowest of all themes. This is consistent with our findings in the 2004 and 2005 reports where a similar analysis was conducted by DSR. This year, for Environment, companies score only 53% on average compared with 89% for Business Ethics, which was the highest scoring theme.

An interesting highlight is that seventeen companies have formulated targets and programmes to reduce greenhouse gas emissions and/or to reduce energy consumption. ABN AMRO shows the highest ambitions and describes related programmes that fully satisfy the criteria of DSR/SiRi Company. ABN AMRO sets targets at group level and at division level with a clear deadline for reaching the targets. The company is also investigating possibilities for reducing its carbon dioxide (CO<sub>2</sub>) emissions and/or partially offsetting the CO<sub>2</sub> emission by investment in renewable energy or other carbon reduction instruments. To this end it is conducting a carbon neutral feasibility study.

Targets and programmes to increase the use of renewable energy are not very common amongst AEX-listed companies and not very ambitious either. Again ABN AMRO is at the forefront. The

company aimed to reduce CO<sub>2</sub> emission by 5-10%, and energy consumption by 2-3% by 2005, and it has divisional targets for energy and water consumption for the Netherlands, Brazil and some for the United States. Furthermore, for its three main buildings, it targets a reduction in energy consumption of 10% in the period 2005 - 2008. AEX-listed companies that have neither targets and programmes for CO<sub>2</sub> emission reduction and/or energy consumption reduction nor targets and programmes to increase the use of renewable energy are Buhrmann, Hagemeyer, Rodamco, SBM Offshore, Vedior and VNU. We finally note that both Philips and Unilever have developed relatively strong programmes and targets to improve the environmental performance of their suppliers.

With respect to environmental pollution incidents, we note that Royal Dutch Shell is involved in several controversies, one of them concerns damage to ecosystems in Nigeria. In 2004, an oil spill and fire occurred that affected several villages in the Niger delta. According to media reports in 2005, angry Nigerian villagers forced the closure of an oil-pumping facility of Royal Dutch Shell, following a breakdown in talks over compensation between representatives of Shell and five of the villages affected by this incident. The villagers said that the payment proposed by Shell for damages to farmland, fishponds and local shrines were inadequate whereas Royal Dutch Shell stated that the offer reflected relevant oil industry standards. Although DSR does not make any ultimate judgement of whether the company responded adequately in individual cases, the fact that there are numerous allegations of environmental shortcomings in this region and relations with local communities have been difficult for many years is taken into account in our analysis.

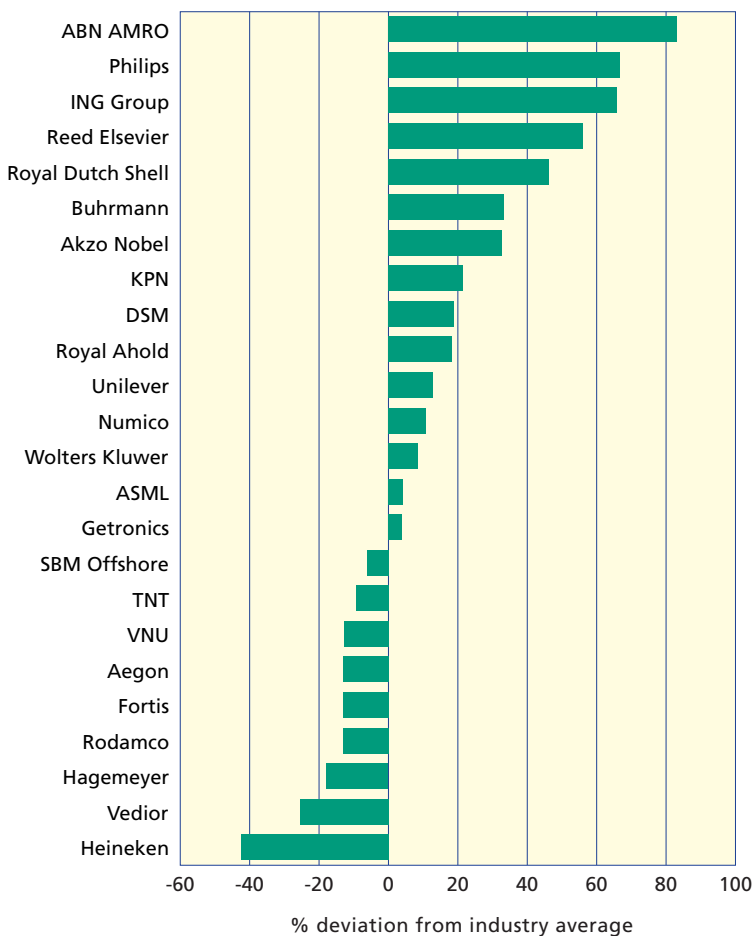
## 9. Contractors

### Performance in relation to industry peers

The theme Contractors focuses on policies and management systems that companies have set up to monitor and enforce minimum standards at contractor level. Figure 8 below, shows the relative performance of supplier issues of AEX-listed companies compared to their international industry peers. The zero-line on the horizontal axis represents the peer group average.

ABN AMRO is the leader on supplier related issues in 2005 and the company is 83% ahead of its industry average. Philips and ING Group follow with scores of 67% and 66% above their respective industry averages. Reed Elsevier (56%) and Shell (46%) also perform well. In absolute terms, Royal Dutch Shell achieves 89%, even more than Philips (85%) and ING group (86%), while Reed Elsevier achieves 72%. ASML and Getronics (both

**Figure 8: Performance on Contractor issues of AEX-listed companies compared to their international industry group averages**



4%) show a slightly better performance than their international peer group. Heineken is a notable laggard in its industry group, at 43% below its industry average, closely followed by Vedior (-25%) and Hagemeyer (-18%). None of these three companies show much leadership within their industry when addressing sustainability related issues at the level of their suppliers.

### Transparency & Policy

The theme Contractors separates AEX-listed companies into two groups. The first includes those companies that perform rather well, are relatively transparent, and have well developed policies and management systems on this issue. The second group of companies show little or no evidence of action at all. As an example, 10 companies have some public reporting on supplier issues and have adopted a formal policy statement on contractors. In contrast, seven companies show no evidence of addressing this issue at all.

### Management Systems & Performance

Of the companies that report on contractor issues, unfortunately only a small group has a satisfactory monitoring system in place to ensure compliance. ABN AMRO and Royal Dutch Shell have made the effort to implement such a system. As have, to a more limited degree, ING Group, Philips and Unilever. For three companies, labour issues form a clause in standard procurement contracts. Unilever also uses such clauses, but not yet on a fully uniform basis, as their procurement contracts are managed at the local (national) level.

**Box 8: Philips**

As Philips states, the company strives to maintain good relationships with its contractors leading to mutual benefits. It aims to do business with suppliers that commit themselves to honesty and integrity towards their business partners and to compliance with laws and regulations of countries they operate in. Whereas such statements are not unique to Philips, the company goes further to ensure that its standards are adhered to in its supply chain.

Generally, Philips expects its contractors to sign the 'Supplier Declaration on Sustainability' that addresses topics such as forced, bonded or child labour, worker health and safety, the right to organise and the right to collective bargaining and discrimination. To ensure adherence to the declaration and gradually increase supply chain standards, back in 2003, Philips rolled out the Supplier Sustainability Involvement Programme. The programme comprises three steps: The first step aims at creating awareness amongst its suppliers about Philips' standards. To this end, the Supplier Declaration on Sustainability was sent to 2,800 key suppliers. All these suppliers agreed to adhere to the principles. The second step aims at increasing awareness through self-assessment and sustainability workshops. Contractors could complete an electronic questionnaire to get insight into their social and environmental performance or they could conduct a self-assessment during sustainability workshops. The third step consists of on-site visits and audits performed by Philips qualified assessors or third-party auditors, where necessary.

In 2005, the focus was put on the assessment of contractors. A contractor rating system was rolled out and will be used, in a first phase, to monitor the sustainability performance with 'critical contractors'. Contractors will get access to the system, enabling them to get continuous feedback on their performance.

Compared to other companies in its industry, Philips stands out as the company is very transparent about the standards applied in its supply chain and these standards address issues such as collective bargaining that many companies do not explicitly defend. Promoting such workers' rights is seen by many NGOs as addressing the root cause of weak social standards amongst suppliers. Furthermore, the company takes systematic action to gradually roll out and promote such standards in close cooperation with suppliers.

## 10. Performance of Dutch companies in international perspective

In this chapter, exchange-listed companies are compared according to their sustainability performance by country of origin<sup>14</sup>. The country score being the average sustainability performance of companies that are based in the respective country. For ease of presentation, several smaller countries were grouped within larger regional clusters<sup>15</sup>.

### Total Score by Country

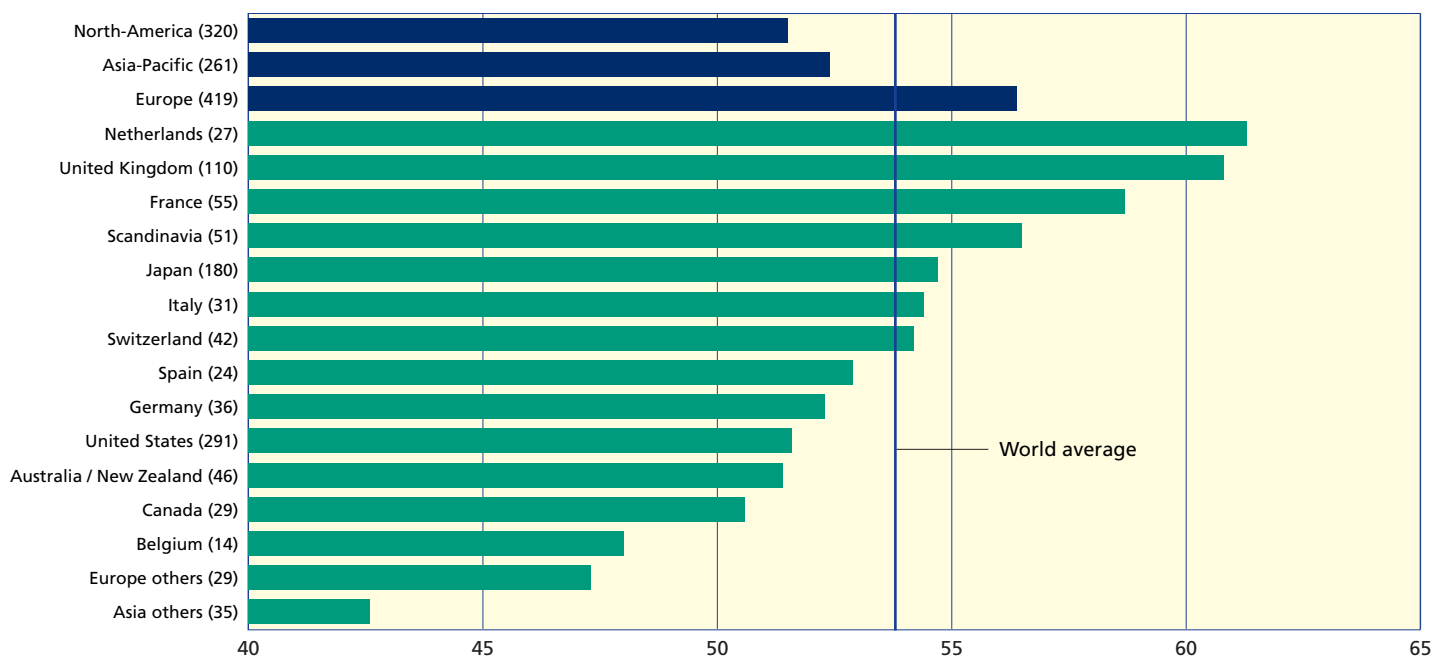
The average sustainability scores by country are shown in Figure 9 below. The number of companies rated per country is shown in parentheses after the country name.

The global average of 53.8% is calculated based on the results of 1000 companies. There are seven countries or country groupings that score above this average, and eight that perform below. The Netherlands and the United Kingdom have the highest average scores with 61.3% and 60.8% respectively. France and Scandinavia also

perform well, scoring approximately 59% and 57% respectively. The performances of Swiss and Italian companies are more or less in line with the global average. The cluster 'Other Asia' comprising companies from Hong Kong and Singapore, has by far the lowest performance for sustainability issues. It scores 11% below the global average and about 5% less than the cluster 'Other Europe' (47%) and Belgium (48%).

European companies on average have a sustainability score of 56.4%, which is 2.6% higher than the score of the global average of 53.8%. This reveals that in general terms European companies have a slightly better performance for sustainability than their international peers. The average score for North-American companies is 51.5% and for companies from the Asia-Pacific region it is 52.5%. Generally, these differences do not appear to be significant as they are in the +/-5% range of the global average.

Figure 9: Average total score per country or regional cluster



<sup>14</sup> Fortis, Reed Elsevier, Royal Dutch Shell and Unilever are for the purpose of this publication categorised as Dutch companies.

<sup>15</sup> 'Scandinavia' includes companies from Denmark, Finland, Norway and Sweden. Companies from Austria, Greece, Ireland and Portugal are grouped under 'Other Europe', while 'Other Asia' comprises companies from Hong Kong and Singapore.

## II. Dow Jones STOXX 50<sup>®</sup> companies<sup>16</sup>

The Dow Jones STOXX 50<sup>®</sup> is a blue-chip market index comprising the top 50 European sector leaders by free float market capitalisation. This chapter describes the overall sustainability performance of the constituent companies of the STOXX 50 in the same manner as was done for the AEX-listed companies in Chapter 2.

In Figure 10 below, the sustainability performance of STOXX50-companies is shown in relation to the average performance of their international industry peers<sup>17</sup>. The peer group is the same as that in Chapter 2, and is based on 1000 major multinational corporations. The horizontal axis again indicates the sustainability performance of each company relative to its own industry group average.

As can be seen, HBOS of the United Kingdom performs 67% better than the international peer group in the financial sector and is therefore the leader of the STOXX50-company ranking. ABN AMRO ranks second with 61% better than the financial sector average. In absolute terms, both companies are also the best in the STOXX 50-universe with HBOS and ABN AMRO achieving 85% and 82% respectively. Credit Suisse Group and HSBC, both again from the financial sector, occupy the third and fourth positions. In absolute terms they only score fifth (73%) and seventh (72%) respectively. Although British Telecom and Philips score higher in absolute terms (80% and 76%), their position in relative terms is lower than those of the two banks. This is due to the better average performance on sustainability issues within the industry groups consumer durables and apparel, and telecommunication services. Therefore it is more difficult for British Telecom and Philips to outperform their own peers. The industry groups with the lowest average scores are utilities (52%), software and services (55%), energy (59%) and capital goods (60%).

Overall the STOXX 50 constituents are leading their international peers on sustainability. We

note in this context however, that the various industry groups are not equally represented in the index. For example, the financial sector is represented by nineteen companies, while in contrast, telecommunication services is represented by six companies, and pharmaceuticals and energy companies by four companies each. Nevertheless, most industries are represented by at least one or two companies.

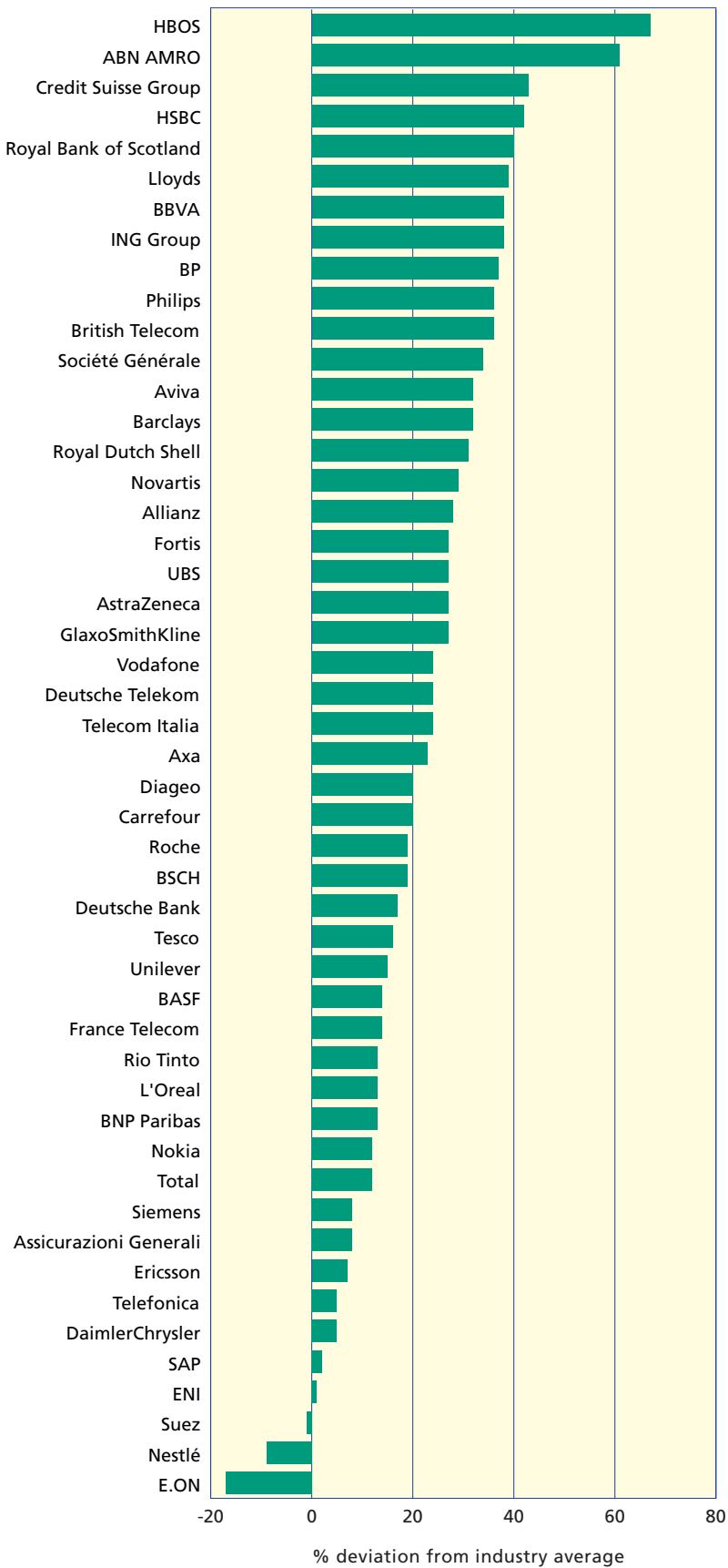
What is remarkable is not only the high number of financial companies in the STOXX 50 index, but also their performance on sustainability issues. Eight of the top 10 companies in Figure 10 are financial institutions. These companies stand out in part because of the generally limited attention paid to sustainability issues by financial institutions globally. There are only three representatives in the lower half which are Banco Santander Central Hispano (+19%), Deutsche Bank (+17%) and BNP Paribas (+13%).

There are three STOXX50-companies that score below their industry group averages. These companies are E.ON, Nestlé, and Suez. Their performances are -17%, -9% and -1% below their international peer group average, respectively. E.ON and Suez are from the utilities industry group where sustainability risks are potentially very high which is similar for the food, beverage and tobacco industry. Nestlé and Unilever belong to the latter, however Unilever scores 13% more than Nestlé and outperforms its peer group by 15%. When looking at the Dutch AEX-listed companies listed in the STOXX50-index, all except Unilever belong to the best 25 companies.

<sup>16</sup> Dow Jones STOXX 50<sup>®</sup> is the registered trademark of STOXX Limited. The Dow Jones STOXX 50<sup>®</sup> is a blue-chip market index comprising the 50 top European sector leaders by free float market capitalisation. For details see [www.stoxx.com](http://www.stoxx.com)

<sup>17</sup> As of the writing of this report, no rating was available for Anglo American. Therefore, only 49 companies were included in the STOXX 50 screening.

**Figure 10: Sustainability performance of Dow Jones STOXX 50® companies versus their international industry group peers**



## 12. Conclusion

The analysis conducted in this report is a relative assessment of the sustainability performance of companies within their industry. The individual performances of 1000 major international companies have been assessed and compared with each other to place the sustainability performance of the Dutch AEX-listed companies in a broader perspective. The Dutch companies scored best, but were followed closely by British ones. Both countries score above the European and the World average. Companies from Singapore and Hong Kong, comprised in the cluster 'Other Asia' show on average the weakest performance on sustainability. For most stakeholder themes, the Dutch companies score on average above their peer group average and even above the European average. Only the performance concerning Contractors issues is below the European average, and Dutch companies also have a relatively low performance on environmental aspects. On the Themes Business Ethics and Corporate Governance the scores of AEX-listed companies are very high.

Comparing the Dutch companies with each other, the research shows that ABN AMRO scores best and that Getronics the worst. ABN AMRO outperforms its own peer group on sustainability issues with 61% above average. This is 23% better than the second best company, ING Group, also a member of the financial sector. Philips, DSM, Royal Dutch Shell and TNT show a high involvement in sustainability in their industry groups. Just as in last year's report, Dutch companies in the media industry show quite different performances. Reed Elsevier is a leader, Wolters Kluwer is a good average but VNU performs relatively poor. The same is true for the energy industry group, where Royal Dutch Shell is a leader, while SBM Offshore scores clearly below the international industry group average.

The AEX-listed companies can be distinguished both by their level of commitment to sustainability and the level of commitment within their industry. Figure 11 below shows the companies classified in four different categories – ostriches,

low-flyers, front-runners and high-flyers.

1. Ostriches are AEX-listed companies with a low absolute score in an industry where there is a relatively high level of commitment to sustainability. International competitors in the industry obviously consider sustainability as very relevant, while the Dutch AEX-companies seem to think that this is not the case.
2. Low-flyers are AEX-listed companies that have a low score, but operate within an industry in which sustainability is not perceived as relevant and all companies behave in a similar way.
3. Front-runners are AEX-listed companies that operate in the same industry as low-flyers but believe sustainability to be relevant. These companies set new standards and are therefore pioneers in their industry. Front-runners tend to find it easier to be included in sustainable investment funds for investors who have a best-in-class approach. On the other hand, they are also special because they are unconventional and committed to sustainability in an industry where relatively little currently happens.
4. High-flyers are AEX-listed companies that are front-runners but also operate in industries in which a lot of attention is given to sustainability. High-flyers must perform very well to be included in sustainable investment funds.

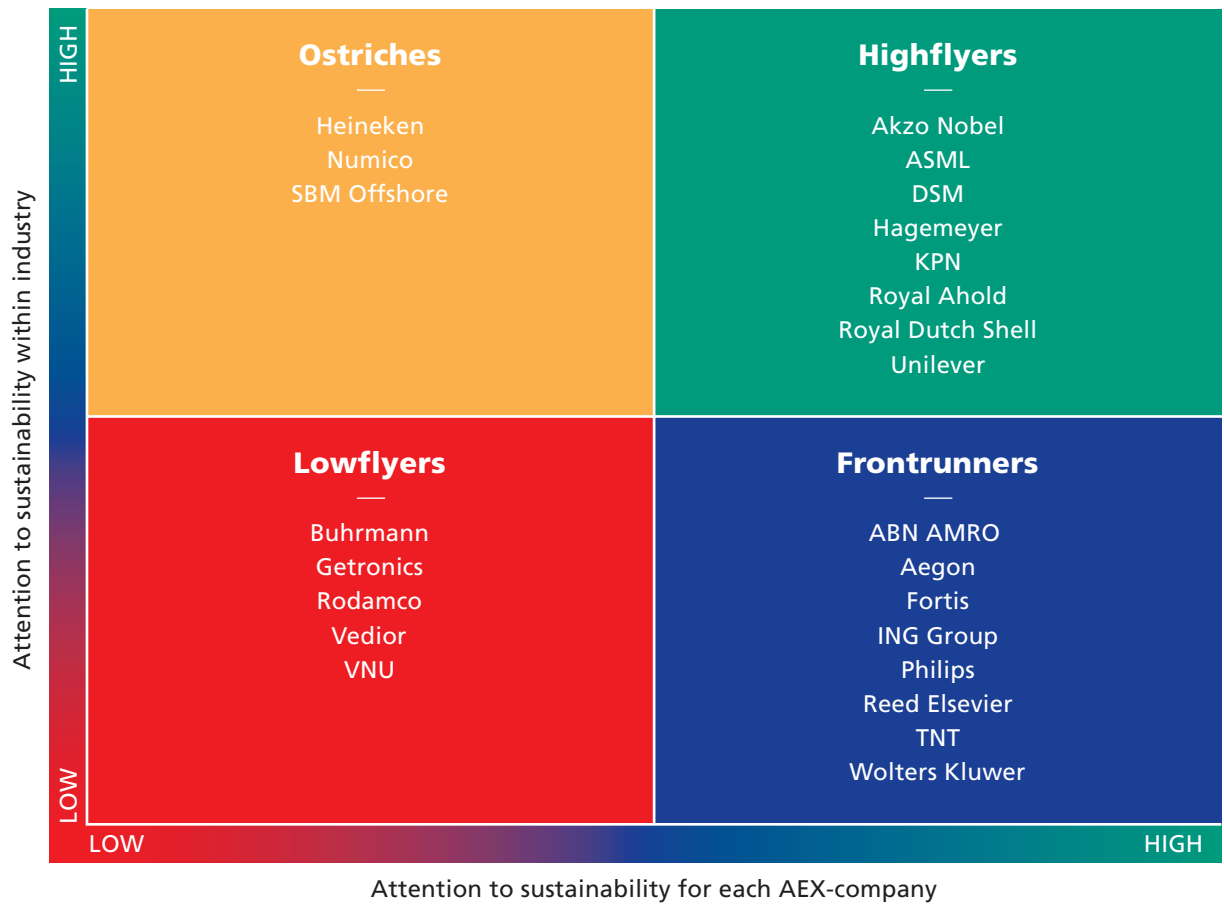
In order to classify as a Frontrunner or a High-flyer, a company needed to score at least 10% above its industry average. The 10% threshold was chosen in order to identify companies that significantly distinguish themselves from the average sustainability performance of their peers<sup>18</sup>. For details on companies' absolute and relative sustainability scores, we refer to Appendix A.

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<sup>18</sup> The following companies scored above their industry average but below the 10% threshold: Buhrmann, Heineken, Numico, Rodamco, and VNU. As such, these companies are classified as Ostriches or Low-flyers. It must be stated, however, that these companies are well underway to become High-flyers or Frontrunners as well.



Figure 11: A typology of sustainability performance



## Appendix A: Sustainability Performance AEX Companies and Global Industry Leaders

Table A1 below provides additional details on the absolute and relative sustainability scores of Dutch AEX-listed companies relative to their international peers. For each company, the table provides information on the industry to which the company belongs, the number of companies

in the industry, the average score of companies in this industry, the absolute sustainability score of the company and % deviation from the industry average. Finally, the table includes the rank of the company based on the % deviation from the industry average.

**Table A1: Sustainability Ratings of Dutch AEX Companies**

Company Names	Industry	Companies per Industry	Industry Average	Absolute Rating Score*	Deviation from Industry Average (%)	Ranking**
ABN AMRO	Financials	210	51,1	82,2	60,8	1
ING Group	Financials	210	51,1	70,6	38,2	2
Philips	Consumer Durables & Apparel	47	55,6	75,8	36,2	3
DSM	Materials	85	53,4	71,0	33,0	4
Reed Elsevier	Media	37	50,4	66,6	32,2	5
Royal Dutch Shell	Energy	37	49,3	64,7	31,3	6
TNT	Transportation	41	52,4	68,7	31,0	7
Fortis	Financials	210	51,1	65,1	27,4	8
Akzo Nobel	Materials	85	53,4	65,6	22,7	9
Hagemeyer	Capital Goods	86	55,5	66,7	20,3	10
ASML	Semiconductors & Semiconductor Equipment	19	55,1	66,3	20,1	11
Royal Ahold	Food & Staples Retailing	19	53,3	63,5	19,0	12
Unilever	Food, Beverage & Tobacco	37	57,6	66,1	14,8	13
Wolters Kluwer	Media	37	50,4	57,6	14,3	14
Aegon	Financials	210	51,1	56,8	11,1	15
KPN	Telecommunication Services	30	58,8	64,8	10,3	16
Heineken	Food, Beverage & Tobacco	37	57,6	61,8	7,3	17
VNU	Media	37	50,4	52,1	3,4	18
Numico	Food, Beverage & Tobacco	37	57,6	59,1	2,6	19
Rodamco	Financials	210	51,1	51,5	0,8	20
Buhrmann	Commercial Services & Supplies	28	58,4	58,8	0,7	21
Vedior	Commercial Services & Supplies	28	58,4	54,3	-7,1	22
SBM Offshore	Energy	37	49,3	44,8	-9,1	23
Getronics	Software & Services	31	53,4	46,3	-13,3	24

\* Rating scores are scaled between 0 and 100

\*\* Ranking is based on the rating score according to the deviation from the industry average

Table A2 below provides additional details on international leaders per industry. For each of the 21 industries we reviewed in this report, we

list the top 10 best performing companies globally together with their Dutch counterparts.

**Table A2: International Sustainability Leaders by Industry**

Industry	Number of companies	International Top-10	Ranking of Dutch companies in their Industry
Automobiles & components	28	Denso, General Motors, Honda Motors, Johnsons Control, Michelin, Nissan Motor, PSA Peugeot Citroën, Renault, Toyota Industries, Volkswagen	(none)
Capital goods	86	Asahi Glass, Bunzl, Hagemeyer, Mitsubishi Heavy Industries, Mitsui, Pirelli, Rolls Royce, SKF, Smiths, Volvo	Hagemeyer (9)
Commercial services & supplies	28	Adecco, Avery Dennison, Bic, Brambles Industries, Dai Nippon Printing, De La Rue, Group 4 Securicor, Serco Group, Toppan Printing	Buhrmann (15), Vedior (20)
Consumer durables & apparel	47	Daiwa House Industry, Electrolux, Matsushita Electric Industrial, Nike, Philips, Puma, Sanyo Electrico, Sekisui House, Sharp, Sony	Philips (2)
Consumer services	34	Accor, Benesse, Compass Group, Hilton Group, McDonalds, Mitchells & Butlers, Sodexho Alliance, Starbucks, Whitbread, YUM! Brands	(none)
Energy	37	BG Group, BP, Norsk Hydro, OMV, Petro Canada, Repsol, Royal Dutch Shell, Statoil, Suncor Energy, Total	Royal Dutch Shell (3), SBM Offshore (27)
Financials	210	ABN AMRO, Banca Monte dei Paschi di Siena, BBVA, Credit Suisse Group, HBOS, HSBC, ING Group, Lloyds, Royal Bank of Scotland, Westpac Banking	ABN AMRO (2), Aegon (56), Fortis (19), ING Group (10), Rodamco (89)
Food & staples retailing	19	Aeon, Carrefour, Casino, Coles Myer, CVS, Delhaize, J Sainsbury, Metro, Royal Ahold, Tesco	Royal Ahold (4)
Food, beverage & tobacco	37	Asahi Breweries, British American Tobacco, Cadbury Schweppes, Danisco, Danone Group, Diageo, Heineken, Imperial Tobacco Group, Kirin Brewery, Unilever	Heineken (10), Numico (13), Unilever (5)
Health care equipment & services	43	Baxter International, Becton, Boston Scientific, Dickinson and Company, Essilor, Guidant, Nobel Biocare, Olympus, Smith & Nephew, Terumo, Zimmer Holdings	(none)
Household & personal products	15	Avon Products, Beiersdorf, Clorox Company, Henkel KGaA, Kao, Kimberly-Clark, L'Oreal, Procter & Gamble, Reckitt Benckiser, Shiseido	(none)
Materials	85	Akzo Nobel, Alcoa, BHP Billiton, DSM, Holcim, Imperial Chemical Industries, Johnson Matthey, J S R, Novozymes, Stora Enso	Akzo Nobel (6), DSM (1)
Media	37	British Sky Broadcasting, EMAP, Reed Elsevier, Reuters, The Walt Disney Company, TF1, Vivendi Universal, WPP Group, Wolters Kluwer N.V., Yell Group	Reed Elsevier (1), VNU (11), Wolters Kluwer (8)
Pharmaceuticals & biotechnology	34	Abbott Laboratories, Astellas Pharma, Chugai Pharmaceutical, Eisai, Lilly (Eli), Merck, Pfizer, Sanofi-Aventis, Serono, Taisho Pharmaceutical	(none)
Retailing	45	DSG international, Gap, Inditex, Kingfisher, Limited Brands, Marks and Spencer Group, Penney, Signet, Staples, Target	(none)
Semiconductors & semiconductor equipment	19	Advantest, Altera, Applied Materials, ARM Holdings, ASML, Infineon, Intel, Nec Electronics, STMicroelectronics, Texas Instruments	ASML (2)
Software & services	31	Atos Origin, Cap Gemini, Dassault Systemes, Electronic Data Systems Corporation, Indra Sistemas, Microsoft, Misys, NTT Data, Telecom Italia Media, Tietoanator	Getronics (25)
Technology hardware & equipment	44	Alcatel, Dell, Hewlett-Packard, Lucent Technologies, Motorola, NEC, Nokia, Omron, Seiko Epson, Toshiba	(none)
Telecommunication services	30	British Telecom, Cable & Wireless, Deutsche Telekom, France Telecom, KPN, Swisscom, Telecom Italia, Telenor, Teliasonera, Vodafone	KPN (9)
Transportation	41	Air France, Autostrade Concessioni & Cost, BAA, British Airways, Kawasaki Kisen, MTR, Odakyu Electric Railway, TNT, Tokyu, United Parcel Service	TNT (1)
Utilities	50	Australian Gas Light, Centrica, Endesa, Enel, Fortum, Iberdrola, Kelda Group, National Grid, Tokyo Gas, United Utilities	(none)
<b>Total</b>	<b>1000</b>		

# Appendix B: Dutch Sustainability Research and SiRi Company

Dutch Sustainability Research (DSR) was established in January 2002 by Fortis MeesPierson<sup>19</sup>, PGGM<sup>20</sup> and Triodos Bank<sup>21</sup>. DSR is the leading independent sustainability research organisation for the financial sector in the Netherlands serving a wide range of institutional investors. DSR conducts research on the sustainability performance of major Dutch and Belgium stock-listed companies. Through SiRi Pro<sup>®</sup>, DSR offers investors access to high-quality sustainability information and ratings on over 1800 international companies in a user-friendly, flexible and transparent format. DSR also conducts specialised sustainability research for investors, non-governmental organisations, and companies. Furthermore, DSR provides governance research as well as proxy voting advice on Dutch AEX-listed companies. For details see Box 9 below.

Main products and services of DSR include:

1. Sustainable investment policy advice
2. Sustainability information and ratings on listed and non-listed companies
3. Country ratings
4. Portfolio screenings
5. Sector studies and reports
6. Corporate governance research and proxy voting advice.

DSR is a founding member and shareholder of Sustainable Investment Research International, known as SiRi Company Ltd, the leading independent provider of socially responsible investment (SRI) research and analysis for institutional investors and financial professionals. The key strength of the independent research and consulting philosophy of SiRi Company is the recognition that, while global investing requires global research, company analysis and SRI advice must take account of local circumstances and cultural differences. For these reasons, SiRi Company is made up of a worldwide network of independent research organisations that

specialise in sustainable investment research and advice in their own local financial markets. SiRi research partners provide SRI research on corporations based in their own home markets, but with consistent content, in a standardised format and with harmonised quality standards. This gives clients the benefits of global coverage based on local knowledge. SiRi Company provides detailed profiles and ratings on the largest global companies, and its Network Partners conduct research on more than 4000 companies worldwide. SiRi Company clients include some of the largest asset managers, insurance companies, pension funds, banks and social investment institutions in the world.

Highlights of SiRi Company are:

- local knowledge and expertise
- unrivalled research capacity
- high level quality assurance; detailed rating handbooks, research guidelines, and peer reviews as part of quality management system
- broad sustainability perspective covering Business Ethics, Community, Corporate Governance, Customers, Employees, Environment and Contractors and Controversial Business Activities
- in-depth company research covering corporate transparency as well as corporate social responsibility policies, managements systems and performance
- Active dialogue with companies and stakeholders including NGOs and unions.

SiRi Company offers a full range of services to institutional investors and financial professionals including:

- SiRi Portfolio Screenings
- SiRi Sustainability Ratings
- SiRi Exclusionary Screens
- SiRi Global Profiles

<sup>19</sup> MeesPierson (Fortis Private Banking) is the private banking arm of Fortis and in charge of wealth management services for high net worth individuals, their families and their corporations. For details see [www.meespierson.com](http://www.meespierson.com)

<sup>20</sup> PGGM is the second largest pension fund in the Netherlands representing current and former employees in the healthcare and social work sector. For details see [www.pggm.nl](http://www.pggm.nl)

<sup>21</sup> Triodos Bank is the leading international sustainable bank. Triodos Bank finances companies, institutions and projects that add cultural value and benefit people and the environment. For details see [www.triodos.com](http://www.triodos.com)

- SiRi Country Ratings
- SiRi Sector Studies and Sector Notes
- SiRi Alert Service (weekly basis)
- Advice and training on sustainable investing and CSR

These services are mainly provided through SiRi Pro, the web-based client platform of SiRi Company. SiRi Pro is an innovative web-based rating tool that can be fully customised to client needs. It builds upon detailed SiRi Company Profiles containing 20 to 30 pages of high quality analysis. With SiRi Pro, sustainability research has become a fully transparent rating and company assessment process for clients. The rating tool enables clients to simply and quickly integrate their unique sustainability vision and sustainability investment policy into company assessments or use SiRi Company recommended criteria and weights. Clients can use the tool for benchmarking and individual company assessments, including best-in-class analysis and exclusionary screening.

Some of the main features of SiRi Pro are:

- continuous updates of company data (monthly basis)
- customised weights for each of the 140+ indicators
- customised industry-group specific weights or use SiRi Global Rating standard
- 60 exclusionary screens from which you can select
- ability to define client-specific company universes or portfolios
- ability to save individual settings
- access to more than ten rating report formats
- downloadable SiRi Company Rating Summaries and detailed SiRi Company Profiles
- exportable files that include share listing codes to facilitate integration into financial tables.

#### **Box 9: DSR and European Corporate Governance Service**

DSR is a member of the European Corporate Governance Service (ECGS), a partnership of local market experts that provide quality governance analysis and proxy voting services on more than 1000 leading European and North American companies. The independent organisations within ECGS are based in the main European markets and have come together to provide expert governance assessments and informed proxy voting advice for investing institutions on Europe's largest quoted companies. ECGS provides voting advice for all shareholder meetings of the leading European and North American quoted companies. ECGS provides governance assessments against local best practice as well as its own European corporate governance principles. Clients of ECGS include major pensions funds and institutional investors across Europe and North America as well as, for its corporate governance data services, leading research and brokerage houses. Services provided by ECGS and/or its partners include:

- corporate governance policy advice
- proxy voting research
- client specific voting and vote execution
- client reporting
- customised research and corporate governance data.

UK based Pension & Investment Consultants (PIRC) is the managing partner of ECGS. DSR is the Dutch partner. Other European partners include Avanzi SRI Research (Italy), Corporate Governance Services Spain sl, Proxinvest sarl (France), Deutsche Schutzvereinigung für Wertpapierbesitz, DSW, (Germany), and Sustainable Governance (Switzerland). For more details see [www.ecgs.org](http://www.ecgs.org)

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