

OUTCOMES
BEYOND
PERFORMANCE }

QUARTERLY HIGHLIGHTS

Stichting Algemeen Pensioenfonds Unilever
Nederland Kring Progress

Q3 2019

Confidential

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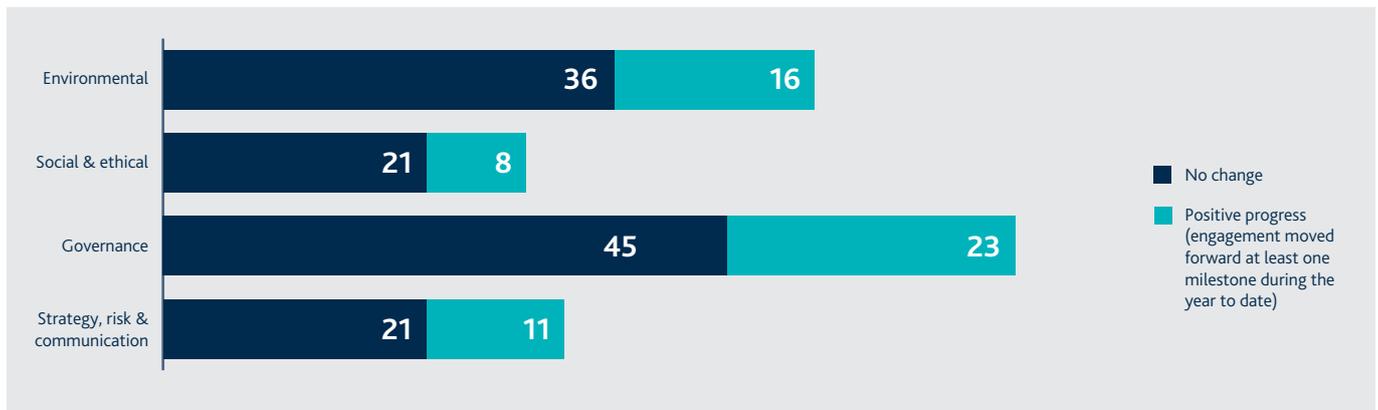

HERMES
EOS

INTRODUCTION

Our Quarterly Highlights outline some of the more significant engagements undertaken by Hermes EOS on your behalf over the last quarter. The monthly updated [EOSi](#) client portal provides user-friendly access to these and other engagement activities and gives greater insight into the progress made at the companies on which we focus.

Engagement progress 1 January – 30 September 2019

We made significant progress in delivering engagement objectives across regions and themes during the quarter. At least one milestone was moved forward for 32% of our engagements in the year to date. The following chart describes how much progress has been made in achieving the milestones set for each engagement.



Milestone progress over the quarter as per completion



Sustainable Development Goals



ENGAGEMENTS

Apple (US)

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PROGRESSING	SDG number
S Data privacy compliance	8 9 16
SRC Device addiction	

Following media reports of privacy violations by sharing user information collected by Siri, the personal digital assistant, we raised the issue with the company. The 'Improve Siri's privacy protection' statement released on 28 August consisted of a formal apology from the company, plus a promise not to retain any audio recordings from Siri and use only computer-generated transcripts. Another improvement is that only Apple employees can listen to audio samples of the Siri interactions, which suggests their listening is in real time. The company confirmed that neither Apple nor any third parties have access to Screen Time data, one of the apps announced in 2018 to help fight device addiction.

It later added that it would rely on users opting in to create audio samples specifically targeted at enhancing user experience. Each user is expected to have control and oversight over which segments will be sent to an Apple employee for grading or assessment, prior to the activity taking place. This contrasts with the halted programme whereby audio recordings could be analysed on a continuous basis, based on the pre-existing user privacy agreement. Under the current model we expect the data universe to shrink because those audio samples that users want to keep private will not be used by the company.

Johnson & Johnson (US)

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PROGRESSING	SDG number
S US opioid epidemic	3 12
SRC Improve sustainability reporting	

We pushed the corporate secretary to make the company respond much more vigorously to the crisis it faces from litigation and reputational harm in relation to opioids and talcum powder. The company completely denies that its talcum powder products are carcinogenic, with all legal appeals so far overturning the decisions against it. It is not considering any settlements. It noted that no miner from any of the mines where it sources talcum powder has had an asbestos-related disease, and the US Food and Drug Administration continues to approve the products despite the media and legal onslaught.

In relation to opioids, it is appealing the recent judgment against it in Oklahoma but will attempt to reach reasonable settlements. We asked it to provide much better disclosure of the crucial evidence on which it is relying, and more balanced assessments of the risks it faces and how it manages them, including the damage to its reputation. The corporate secretary realises the gravity of the situation and we will attempt to push forward with some concrete changes.

Nestlé (Switzerland)

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PROGRESSING	SDG number
E Plastic packaging	8
S Child labour in the cocoa supply chain	
S Demonstrate enhanced system in place to identify human rights issues in the supply chain	

In a call with the senior public affairs executive and the plastics sustainability manager, we discussed the cocoa supply chain and plastic packaging. We were pleased to hear that the Nestlé cocoa plan has now been extended to Ghana, making significant progress in understanding and tackling the issue of child labour. The company would not disclose the percentage of cocoa that is sourced through the plan, however. We understand that it aims to source cocoa exclusively through the plan, as opposed to open sourcing, but it would not commit to a timeline. A new progress report will be published in late December.

We welcomed the company's target to make 100% of its packaging recyclable or reusable by 2025 and to phase out certain types of plastic but encouraged additional disclosure on the impact of alternative packaging. We pressed the company on the scalability of its initiatives beyond high-profile products and encouraged enhanced disclosure on performance. We asked if the company would consider linking plastic packaging to executive compensation.

Walt Disney (US)

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STALLED	SDG number
S Executive committee diversity M1 M2	5
S Culture integration leadership	
S Board oversight of whistleblowing hotline M1	
G CEO succession planning	
G Executive compensation	

We had an unsatisfactory meeting with investor relations. We expressed our concern about the lack of response from the board to a majority shareholder dissent say-on-pay vote the previous year, and to a significant minority dissent vote at this year's annual meeting. The company could provide no justification as to why the CEO and the directors had failed to attend the Fox acquisition special shareholders' meeting, even though the company's corporate governance guidelines state that all directors should attend all shareholder meetings. As the special meeting occurred right after the majority dissent say-on-pay vote, the board's lack of attendance at a shareholder meeting gave the appearance of board timidity. The board has, in our view, made only token reductions in the CEO compensation programme.

During a later call with the board chair we noted our disappointment that despite the company stating it has high overall gender and ethnic diversity, there is a lack of gender diversity in the CEO's direct reports and no ethnic diversity. The company agreed with our concerns and said that it had recently lost a number of its more diverse senior employees to competitors offering more competitive compensation packages. We have followed up in writing to the board chair to reiterate our concerns and give suggestions for improving disclosure on corporate culture and diversity and inclusion.

VOTING

We made voting recommendations at **seven** meetings (117 resolutions) over the last quarter.



■ Total meetings in favour **57.1%**
 ■ Meetings against (or against AND abstain) **14.3%**
 ■ Meetings with management by exception **28.6%**

We recommended voting against or abstaining on **five** resolutions over the last quarter.



■ Board structure **40.0%**
 ■ Remuneration **60.0%**

Berkeley Group Holdings (UK)

After engagement, we recommended voting against the proposed remuneration policy and report, and against an over-committed director. We recommended voting for the chair by exception, with the expectation that gender diversity on the board and executive team improves.

Land Securities Group (UK)

We recommended voting against the re-election of a director who appeared to be over-committed.

QinetiQ Group (UK)

We recommended voting in favour of the upcoming chair by exception. He is considered over-committed but after discussing with the company, we understood that his role as an executive chair of a private equity firm will be winding down.

SSE (UK)

Following a discussion with the company secretary and reward team we recommended voting for all items. Although we may prefer a higher shareholding requirement for the CEO and a more balanced set of long-term incentive metrics we were encouraged by the company's explanations and the consideration it has given to setting a policy that incentivises long-term performance.

VF Corp (US)

We recommended a vote against the executive compensation due to concerns about the company targeting total compensation above the peer median and the overall high quantum of pay at the company.

HERMES INVESTMENT MANAGEMENT

We are an asset manager with a difference. We believe that, while our primary purpose is to help savers and beneficiaries by providing world class active investment management and stewardship services, our role goes further. We believe we have a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial – and consider the impact our decisions have on society, the environment and the wider world.

Our goal is to help people invest better, retire better and create a better society for all.

Our investment solutions include:

Private markets

Infrastructure, private debt, private equity, commercial and residential real estate

High active share equities

Asia, global emerging markets, Europe, US, global, small and mid-cap and impact

Credit

Absolute return, global high yield, multi strategy, unconstrained, real estate debt and direct lending

Stewardship

Active engagement, advocacy, intelligent voting and sustainable development

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Why Hermes EOS?

Hermes EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of public companies. Hermes EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

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