

OUTCOMES  
BEYOND  
PERFORMANCE }

# QUARTERLY HIGHLIGHTS

Stichting Algemeen Pensioenfonds  
Unilever Nederland Kring Progress

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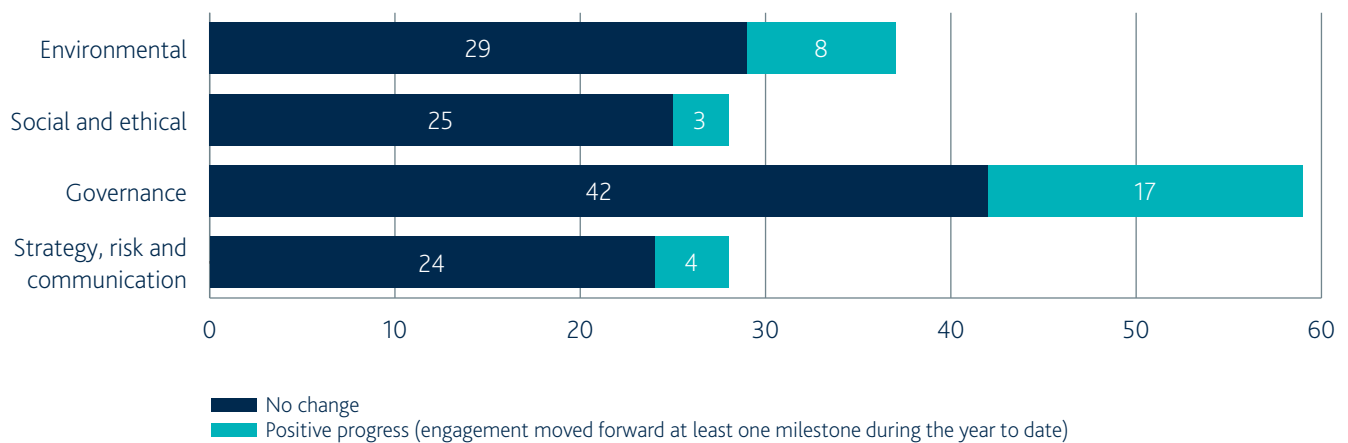
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Q2 2018

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 June 2018

We made significant progress in delivering engagement objectives across regions and themes during the quarter. At least one milestone was moved forward for 21% of our engagements during 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

- |   |  |
|---|--|
| ➤ M1 = Concerns raised                                  | ■ E = Environmental                      |
| ➤ M2 = Acknowledgement of issue                         | ■ S = Social and ethical                 |
| ➤ M3 = Develop credible strategy/Set stretching targets | ■ G = Governance                         |
| ➤ M4 = Strategy implemented                             | ■ SRC = Strategy, risk and communication |

### Sustainable Development Goals

- |  |  |
|--|--|
| 1 🏠 = No poverty                               | 10 🏠 = Reduced inequalities                    |
| 2 🍲 = Zero hunger                              | 11 🏙️ = Sustainable cities and communities     |
| 3 🏥 = Good health and well-being               | 12 ♻️ = Responsible consumption and production |
| 4 📖 = Quality education                        | 13 🌍 = Climate action                          |
| 5 ♀️ = Gender equality                         | 14 🐟 = Life below water                        |
| 6 🚰 = Clean water and sanitation               | 15 🌳 = Life on land                            |
| 7 ☀️ = Affordable and clean energy             | 16 🕊️ = Peace, justice and strong institutions |
| 8 📈 = Decent work and economic growth          | 17 🤝 = Partnerships for the goals              |
| 9 🏗️ = Industry, innovation and infrastructure |  |

## Engagement

### Apple (US)

PROGRESSING  

#### SRC Device addiction

The company announced an upgrade to its operating system, which enables users to set notifications to limit device use or screen time. We asked the company about additional features, such as multiple accounts where parents and children share the same device, and whether stronger measures are needed for 'addicted' users. The company responded promptly and sought our input. We shared our feedback and urged Apple not only to focus on technological enhancement but also on process enhancement – for instance by providing customer support, to ensure ease of use.

### ArcelorMittal (Luxembourg)

PROGRESSING    

#### E GHG emissions targets > M2

We attended the first in a new series of socially responsible investment events hosted by ArcelorMittal, where we were pleased to hear of its plan for regular, continued and structured dialogue with stakeholders, and about its sustainability activities. The company has developed positive initiatives, including the recycling of steel, increasing use of scrap as input material and the ability to significantly reduce carbon emissions in steel production. We also helped coordinate the Climate Action 100+ introductory letter sent to the chair/chief executive, and have asked for updates on the company's climate related targets and financial disclosure.

### Citigroup Inc (US)

MIXED   

#### S Dakota access pipeline engagement issue

In a call with the firm's company secretary, we discussed its proxy statement, in particular, several shareholder proposals. While supporting the majority of the board's recommendations, we recommended voting against management regarding the shareholder proposals of enhanced proxy access, better disclosure of corporate lobbying activities, lowering of the threshold to call a special meeting and the vesting of awards for executives entering government service. We did not support the shareholder proposal asking the board to establish a human and indigenous peoples' rights policy, since the company recently enhanced its policy and approach. The company has extensively engaged with us and its other shareholders in revising its environment and social risk policy and in particular on human rights and the rights of indigenous people. Moreover, it has taken a leading role in improving industry best practice through working with the Equator Principles Steering Committee to improve due diligence.

### Mizuho Financial Group (Japan)

PROGRESSING 

#### G Board structure engagement issue

The company further improved the independence of its board by appointing an independent director as the chair of its audit committee, thus all the chairpersons of its board, nomination, remuneration and audit committees have become independent directors. We were also pleased with the disclosure of its policy on advisors in its corporate governance report and hence complied with the newly introduced disclosure rules concerning information about retired president or chief executive officers holding advisory positions. The policy affirms that the advisors are not involved in the decision making process of management and that the new appointment of advisors and their remuneration are recommended by its nomination and remuneration committees.

### Vinci (France)

PROGRESSING 

#### S Human and labour rights abuses > M4

A meeting with the company enabled us to complete our objective with regard to its management of social risks in Qatar. In 2017, Vinci signed a union agreement with its joint venture partner in Qatar, which applies to all its workers employed in the country. This agreement is the first of its kind between a union federation and a Qatari company. The company also published a guide on human rights, identifying 17 themes grouped into five categories of risks. This was based on a human rights impact assessment, conducted by an independent third party. The guide will be complemented by a self assessment tool. The company is now in the process of weighting human rights risks by country.

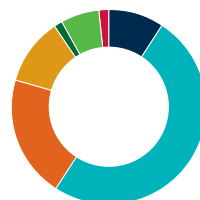
## Voting

We made voting recommendations at **58** meetings (**915** resolutions) over the last quarter.



■ Total meetings in favour **44.8%**  
 ■ Meetings against (or against AND abstain) **51.7%**  
 ■ Meetings with management by exception **3.4%**

We recommended voting against or abstaining on **64** resolutions over the last quarter.



■ Board structure **9.4%**  
 ■ Remuneration **50.0%**  
 ■ Shareholder resolution **20.3%**  
 ■ Capital structure and dividends **10.9%**  
 ■ Amendment of articles **1.6%**  
 ■ Audit and accounts **6.2%**  
 ■ Other **1.6%**

### Aviva (UK)

We opposed the re-election of the senior independent director due to concerns about overboarding. The nominee in question serves as the chair of a publicly listed company, which is facing unprecedented levels of disruption and significant challenges. In addition, he is the chair of a large UK law firm and holds non-executive director positions at two other publicly listed companies. More positively, a new remuneration policy was put forward for shareholder approval at this year's AGM. We were encouraged by the changes to the policy, which are largely in accordance with our remuneration principles, and were acceptable to a majority of shareholders. However, we raised concerns about the cancelling of cumulative irredeemable preference shares. The Financial Conduct Authority is conducting a market-wide enquiry into irredeemable preference shares and other similar capital instruments.

## Public policy

The deputy chief executive officer of the Securities and Futures Commission, which regulates securities and futures markets in Hong Kong, sought our advice on best practices in non-financial disclosure, with specific reference to the **EU Directive on disclosure of non-financial information**. We made suggestions on guidance, based on our UK experience.

We shared our experience on **ESG integration** at the Global Green Finance Leadership Programme in Beijing, which was sponsored by the International Finance Corporation and the CFA Institute, and hosted by the co-head of the G20 Green Finance Study Group. We quoted current examples from the equity, debt, real estate, infrastructure and private equity sectors. We emphasised the importance of using green criteria as an engine for building sustainable communities and cities, taking into account work-life balance, job opportunities and the provision of other social goods, such as quality healthcare and education.

Together with 25 other investors, we signed a declaration on **reducing plastic pollution**, by non-governmental organisation As You Sow, which promotes corporate accountability through shareholder action. The signatories have formed a plastic solutions investor alliance to engage with publicly traded companies within the consumer goods sector.

We attended the launch of the third global Access to Nutrition Index, which ranks the world's 22 largest food and drink companies on how they are addressing **nutritional issues**. One of the main findings of the new index is that on average, food and beverage companies have stepped up efforts to encourage better diets. However, there were some concerns about the healthiness of the companies' products. We will engage on this topic using these latest results.

At the invitation of a search firm specialising in recruiting board directors and providing board assessment services, we presented to a small group of non-executive directors of Swiss and French large-cap companies, on our expectations as institutional investors. We provided insights on our **engagement methodology** and the key issues we seek to address. Our presentation was followed by in-depth discussions on the practicalities and 'roadblocks' when seeking to establish fruitful communication with board members. These enabled a greater

understanding of each other's priorities and processes. We were invited to present at another similar event in December 2018.

We provided input to the **UN Working Group on Business and Human Rights** for the 2018 report on corporate human rights due diligence. The report will be published in October 2018 and will provide a basis for discussion for the UN General Assembly. We gained insights into the key findings of the upcoming report, including the continued lack of awareness within the majority of businesses, as well as the lack of government pressure and guidance. Challenges include communicating with stakeholders in the global south; meaningful reporting and measuring performance; the prevalent framing of human rights as a risk issue; and the need to translate the legalistic human rights narrative into material issues such as health and safety, and integrity. The report should improve coverage beyond the largest companies and ensure alignment with the UN Guiding Principles and OECD due diligence guidelines; recognise adaption to specific local context; strengthen the access to remedy; level the playing field between companies; and encourage coordination among governments.

The OECD invited us to participate in the Latin American Roundtable on Corporate Governance in Buenos Aires. We provided an institutional investor's perspective on the challenges facing equity markets in Latin America, particularly in terms of board composition and effectiveness; lack of engagement between boards and investors; and quality of reporting. We expressed our concern about how board members are selected, ie without a process that ensures the alignment of the candidate's skills with the company's strategy. We emphasised the importance of developing a culture of stewardship in the region and highlighted the example of the **Brazilian Stewardship Code**. The OECD survey identified that companies consider their reporting to be of high quality, whereas investors consider that this is one of the main areas for improvement. We commented at the roundtable that many companies consider the publication of raw data as sufficient demonstration of transparency. However we expect the board and the management to provide a narrative on the company's performance – a view that was supported by various regulators attending the event.



Dr Hans-Christoph Hirt, Head of Hermes EOS

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