

# Benchmark Responsible Supply Chain Benchmark 2013

a comparative investigation into CSR in the supply chain  
of 40 multinationals





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

Disclaimer

VBDO will assume no responsibility or legal liability for incorrect or misleading information  
provided by the sources used for this report.



# Benchmark Responsible Supply Chain Benchmark 2013

a comparative investigation into CSR in the supply chain of 40 multinationals

---

A research paper by VBDO (Dutch Association of Investors for Sustainable Development)

Authors: Christine Bosman, Filip Lazarevski, Antonio Santoro and Jeroom Remmers

---

**November 2013**

This report has been made possible by ICCO Cooperation and CNV International.

*The contents, conclusions and recommendations are, however, the sole responsibility of the VBDO.*



## Table of contents

	<b>Foreword</b>	<b>7</b>
	<b>Executive Summary</b>	<b>10</b>
<b>Chapter</b>	<b>1. Introduction</b>	<b>13</b>
	1.1 Mission and vision of the VBDO	13
	1.2 Vision on Corporate Social Responsibility (CSR)	13
	1.3 Vision on Responsible Supply Chain Management (RSCM)	15
	1.4 General trends: Towards responsible supply chain management	16
<b>Chapter</b>	<b>2. Method</b>	<b>17</b>
	2.1 Introduction to the method	17
	2.2 Basic principles and demarcation	18
	2.2.1 Basic principles	18
	2.2.2 Demarcation	18
	2.3 Benchmark indicators	19
	2.4 Modifications in the benchmark criteria 2014	20
	2.5 Role of the jury and the Award	22
<b>Chapter</b>	<b>3. Results - Company Performance</b>	<b>23</b>
	3.1 Chemicals	23
	AkzoNobel	24
	DSM	25
	Holland Colours	
	3.2 Construction	26
	Ballast Nedam	27
	BAM Group	28
	Heijmans	30
	Imtech	31
	3.3 Electronics	32
	ASMI	33
	ASML	35
	KPN	36
	Philips	38
	TomTom	40
	3.4 Food and Agri	41
	Ahold	42
	CSM	43
	Heineken	45

	Nutreco	47
	Sligro	48
	Unilever	50
	Wessanen	51
<b>3.5</b>	<b>Industry and Manufacturing</b>	<b>52</b>
	Aalberts Industries	53
	Accell Group	54
	Crown Van Gelder	55
	Macintosh Retail	56
	TenCate	58
	TKH Group (TKH)	59
	Vopak	60
<b>3.6</b>	<b>Media</b>	<b>62</b>
	Reed Elsevier	63
	Telegraaf Media Group (TMG)	65
	Wolters Kluwer	66
<b>3.7</b>	<b>Metals and Mining</b>	<b>67</b>
	AMG	68
	Aperam	69
	ArcelorMittal	70
<b>3.8</b>	<b>Oil and Offshore</b>	<b>71</b>
	Boskalis Westminster	72
	Fugro	74
	SBM Offshore	75
	Shell	76
<b>3.9</b>	<b>Pharmaceuticals</b>	<b>77</b>
	Pharming	77
<b>3.10</b>	<b>Transport</b>	<b>78</b>
	Air France-KLM	79
	PostNL	80
	TNT Express	81
<b>Chapter 4.</b>	<b>Ranking and Analysis</b>	<b>84</b>
<b>4.1</b>	<b>Ranking</b>	<b>84</b>
<b>4.2</b>	<b>Analysis</b>	<b>86</b>
	4.2.1 Governance and Strategy criteria	87
	4.2.2 Policy criteria	87
	4.2.3 Management criteria	88

<b>Chapter 5</b>	<b>Summary and Conclusions</b>	<b>92</b>
<b>Appendix</b>		
	<b>1 Benchmark Criteria</b>	<b>96</b>
	<b>2 Graphics chapter</b>	<b>103</b>
	<b>3 Results questionnaire revision Benchmark methodology</b>	<b>107</b>



## Foreword

The VBDO Responsible Supply Chain Benchmark of 40 multinationals is the oldest benchmark of the VBDO. This year we are conducting this Benchmark for the 8th time in a row. Over this period we have seen a steady increase in the way responsible supply chain management is perceived. Initially not a key point on the agenda of multinationals, most companies now are actively working on this issue, both for internal and external reasons. They have found that supply chain management not only minimizes risks, but also can lead to value creation. The revised OECD Guidelines also push companies to monitor their suppliers and performing a due diligence check on them.

We proudly present the results of the Responsible Supply Chain Benchmark 2013. Not only is it an overview of the position of 40 Dutch companies today, but it also gives them guidance for the next steps in making supply chain management truly responsible. The results of 2013 show an overall increase in the scores compared to last year. However, there are still many opportunities for improvement, both for the frontrunners and for the large group behind that is moving slowly. For further insight in the possibilities and best practices we are launching a publication together with this benchmark.

In 2014 we will revise the benchmark, aiming at a sector-approach in an international perspective.

This research would not be possible without the support of ICCO Cooperation and CNV International. We are very thankful for their support and wish the reader much inspiration!

**Giuseppe van der Helm**

Executive director VBDO



I would like to congratulate VBDO with its eighth annual edition of the VBDO Responsible Supply Chain Benchmark. For CNV Internationaal it was a real pleasure to cooperate with VBDO and ICCO Cooperation to produce this benchmark.

CNV Internationaal supports trade unions in sixteen countries in Africa, Asia, Latin America and Eastern Europe, in order to improve the working conditions for workers. Our trade union partner organisations play an important role as the watchdogs of labour rights in companies throughout the entire supply chain.

Companies operating in those countries could use the experience and knowledge of our partner organisations to have a better view

on violations of labour standards.

Let this benchmark be an encouragement for the companies that are mentioned in this report, and others, so that the Decent Work principles are respected in the supply chain.

### **Jaap Smit**

*President CNV Confederation*





## Finding local solutions

Taking moral responsibility as a company is becoming more and more important, not only for consumers but also for investors and governments. Standards provide a good basis on which companies can start thinking and acting towards the improvement of the supply chain. Preventing and mitigating any negative impacts of company's activities when it comes to human rights is not always easy, though.

International companies that operate in developing countries often find themselves in completely different contexts. OESO guide lines as well as the Ruggie framework stress the importance of due diligence. This is research that a company does to assess (potential) risks that company

activities (could) have on human rights. By conducting this review a company can identify harmful risks. ICCO Cooperation can assist in the process of due diligence. We fulfill a unique role as linking pin between local people and companies. Because of our history and regional offices worldwide, we are embedded in local communities and understand their circumstances. Therefore, we are able to advise and support companies in their activities towards more respect for human rights.

Of course there are some critical issues that companies should pay attention to. Freedom of association, occupational safety and health, sustainable sourcing of agricultural raw materials and corruption. To find solutions you have to be well informed in local contexts.

ICCO supports this benchmark because it gives stakeholders in a qualitative and partly quantitative way some very good insights. The benchmark compares 40 Dutch publicly listed companies on their progress in managing their supply chain in a responsible way. Rather than concentrate on the nature of a company's activities, this benchmark focuses on the company's supply chain governance and its management thereof. This makes it possible to compare, to a reasonable degree, the responsible supply chain policies of companies across different sectors.

## Marinus Verweij

*Chairman of the Executive Board ICCO Cooperation*

*Note: The results of this study can be found on our website [www.duurzaamadeel.nl](http://www.duurzaamadeel.nl) Here you can find more information on how Dutch listed companies perform on social and environmental criteria.*

## Executive Summary

This is the eighth annual edition of the VBDO Responsible Supply Chain Benchmark by 40 multinationals in the Netherlands. This report is published by the Dutch Association of Investors for Sustainable Development (VBDO), and is a qualitative and partly quantitative, comparative investigation among 40 Dutch publicly listed companies, aiming to inform stakeholders on responsible supply chain management. Rather than concentrate on the nature of a company's activities, this benchmark focuses on the company's supply chain governance and its management thereof. This makes it possible to compare, to a reasonable degree, the responsible supply chain policies of companies across different sectors.

This benchmark is based on 25 criteria, and companies can achieve a final score between 0 and 52 points. When this score is transformed into a percentage, comparisons can be made ranging back to 2006. The researched group of companies comprises 40 of the largest Dutch publicly listed companies whose procurement of goods and services constitutes a significant portion of their total expenditure. Service-oriented companies, such as financial institutions and recruitment companies are not included in the scope of this research.

### Ranking and Performance

The top five positions in the ranking are held by the following companies in this year:

<b>1. Philips</b>	<b>94%</b>
<b>2. Reed Elsevier</b>	<b>92%</b>
<b>3. Heineken</b>	<b>88%</b>
<b>4. BAM /DSM</b>	<b>87%</b>
<b>5. Arcelor Mittal</b>	<b>83%</b>

Some of the front runners' positions have changed compared to last year. Philips, Unilever, DSM and Air France-KLM for instance had a lower score compared to last year. This may not be due to the management of the sustainability policies of their supply chain, but possibly to the disclosure of relevant information, in regard to the results connected to the established indicators, targets and policies.

The following companies have achieved a relatively high amount of progress in their scores:

• <b>Aperam</b>	<b>(+21% in total score)</b>
• <b>Fugro and Boskalis</b>	<b>(+18%)</b>
• <b>ASMI</b>	<b>(+17%)</b>
• <b>Reed Elsevier</b>	<b>(+15%)</b>
• <b>BAM and KPN</b>	<b>(+12%)</b>
• <b>Wessanen and Heijmans</b>	<b>(+13% each)</b>
• <b>Heineken and Ahold</b>	<b>(respectively +11% and +10%).</b>

The following companies perform at a relatively low level and have the lowest scores in the ranking:

• <b>Pharming</b>	<b>( 2%)</b>
• <b>Aalberts Industries</b>	<b>( 6%)</b>
• <b>Holland Colours</b>	<b>(10%)</b>
• <b>AMG</b>	<b>(17%)</b>

Pharming, Aalberts and AMG had the same score as last year; Holland Colours was selected for the first time in the present benchmark and did not yet disclose much about its supplier policy.

Over the last few years, several companies made huge improvements in their scores. In 2008, Boskalis Westminster had a very low score on the benchmark, but by 2013 its score grew to ca. 60%, which places it above the position of the former sector leader Shell. KPN has similarly made huge improvements since 2008 (from ca. 15% to more than 80% in 2013). If this trend continues, KPN will have a higher score in 2015 or 2016 than Philips, a frequent winner of the Benchmark. Heineken as well has made a lot of progress since 2010. In 2013 its score was higher than that of Unilever, the sector leader for many years. The sector that showed the greatest improvements in the past years is the construction sector. Here all companies improved every year, and at a high speed. BAM is the leader in this sector.

Compared to 2012, the results of this benchmark research indicate a general improvement in responsible supply chain management. Since 2006, progress has been made on all three levels of the benchmark (Governance and Strategy, Policy and Management). This year, most progress has been made on the Governance and Strategy level of the benchmark. Front runners already scored high at this level; it was the companies in the middle section that made the difference here.

The overall score of the governance criteria is 80%, which amounts to an increase of 7 percentage points compared to 2012. The policy criteria average score increased by +4% in comparison to 2012, rounding up to an average score of 59%, whereas the Management section of this assessment experienced an increase of +2%, rounding up to an average score of 45% in this year's edition of the benchmark.

**Table 1: Level Scores 2010-2013**

	2010	2011	2012	2013
<b>Governance and Strategy</b>	63%	61%	73%	<b>80%</b>
<b>Policy</b>	37%	51%	55%	<b>59%</b>
<b>Management</b>	32%	38%	43%	<b>45%</b>

## Governance and strategy

The companies score very well in the governance and strategy section of the assessment, most of the companies possess CSR policies that also encompasses the importance of sustainable supply chain management. Moreover, the companies participating in the benchmark are introducing more and more supply chain analyses by pointing out materiality issues. However, in some cases, there is still room for improvement, especially with companies that possess broad CSR policies without going in depth in the management of the chain. In most of the cases, the companies have appointed a member of the Board of Directors (or other relevant roles) to monitor and be accountable for the implementation of the CSR policies.

## Policy

The policy sector scores fairly well, as most companies have a dedicated supplier code. Whenever this condition is not met, the general Code of Conduct of the company is enforced on the suppliers. Similarly to last year's assessment, the scope of the Code varies enormously as some companies (especially the front runners) have supplier Code of Conducts,

or vendor policies that go into detail on every subject included in the Code, and therefore are pages-long documents. At the same time, in most of the cases, the Code of Conduct serves more as a general guideline for the supplier, and is therefore a page-long document with general statements. Another indicator in which there is still room for improvement, is the presence of an environmental monitoring management system within the Code of Conduct, as it is not present in 21 cases out of 40. Finally, in this year's assessment there was a slight improvement in the *"identification of the suppliers with high-risk sustainability"*, nevertheless only 12 companies scored full points in this indicator, and 17 companies still do not disclose anything on the subject.

## Management

The last section of this assessment is, similarly to other years, the most difficult one in which a company can actually achieve full points. This is due to the nature of the indicators which request more precise information or transparency, especially in the upstream section of the chain assessment. The most critical section of the assessment is the upstream evaluation of the chain. Most of the companies do not score well in the supplier supervision indicator, or transparency on supervising results and supplier compliance. However, better results are achieved in the midstream section of the assessment, most of the companies scored full points in the R&D indicator (27 companies out of 40, and only 4 companies scored zero points). Overall, the scores of the midstream section are quite evenly spread between 1 and 2 points, nevertheless, the *"educating company purchases indicator"* still scores low for most of the companies, with 20 companies receiving zero points for the indicator. Finally, the downstream section of the chain can be overall improved in the average scores, as all the three indicators evenly range between the zero and two points scores. It is worth of notice that the construction and the transport sector are overall the best performing in the downstream section, as only 1 times per sector 0 points were awarded in one of the downstream indicators.

An overview of the ranking and score for the Responsible Supply Chain Benchmark can be found on Table 3 (page 84).

# Introduction

## Mission and vision of the VBDO

The Dutch Association of Investors for Sustainable Development (VBDO) aims to create a sustainable capital market, a market that considers not only financial criteria but also non-financial, social and environmental criteria. VBDO's vision is to increase sustainability awareness among companies and private and institutional investors.

Through various stakeholder engagement initiatives the VBDO aims to convince all parties in the capital market to be more sustainable. Since 1995, the organisation has asked questions about sustainability at the Annual General Meetings (AGMs) of publicly listed companies. Furthermore, the VBDO organises stakeholder dialogues for individual companies. In these sessions representatives of the company, their suppliers, NGO's and other stakeholders get together under the supervision of the VBDO in order to discuss ways to further improve their CSR policies and practices.

Apart from these activities the VBDO publishes various (annual) research reports. On the investor side, these include reports on responsible investment policies of large investors such as pension funds, insurance companies, private equity, real estate funds, charities and religious institutions. Research into companies includes, amongst others, biodiversity and ecosystem services, human rights and this report on responsible supply chain management.

## Vision on Corporate Social Responsibility (CSR)

According to the VBDO, companies hold a license to operate through their capacity to create value for their stakeholders. Creating value can have different meanings to each stakeholder. To an employee for instance, value represents good wages and other benefits, job fulfilment, or 'simply' universal labour rights. To a shareholder it usually implies a solid return on investment. To local society surrounding a factory the way the company deals with its waste and emissions is of importance.

Besides the moral reasons for corporate responsibility, it is the VBDO's conviction that the owners of a company, its shareholder(s), will obtain the best long-term return on investment when a company focuses its strategy on the long-term creation of value for all its stakeholders. While the mainstream financial sector still seems to discard this notion, an ever-increasing number of people and institutions is convinced that the inclusion of environmental and social aspects in a company policy will also lead to better financial results.

While CSR may initially entail, amongst others, the internalisation of externalities, increased labour and monitoring costs and R&D expenditures, there are also strong arguments for the (long-term) financial benefits of more sustainable business practices.

One important benefit - and one that is often acknowledged by companies - is the reduction of risks. Companies with a good CSR policy are better prepared for potential new legislation on social and environmental issues and have a smaller risk of being confronted with disasters and lawsuits.

Another often mentioned reason for adapting CSR policies is the potential to save costs through efficiency. As

environmental measures often entail efforts to reduce the amount of resources used, such savings can have a substantial impact. In this vein Google recently mentioned that it has saved a billion dollars in energy to date. This argument may be expanded with the potential to guarantee that supplies will remain available and costs will be kept down in the future. Investments in CSR now can reduce or even eliminate the loss of productivity in the future.

If, for instance, investments are made that counter salinization and loss of topsoil, the land in question will remain more productive in the future. By enabling the continuation of agriculture on larger tracts of land, such actions can counter potential future price rises.

Furthermore, decent social and environmental policies can greatly enhance a company's reputation and consumer preference. Conversely, the lack of such policies may have negative impacts on sales. Reputation not only reflects on customer preferences but can also help to attract talent and motivate employees.

Finally, investments in CSR policies force companies to re-think and re-design their products, processes and strategies. While this process may initially entail increased expenditure, it may well lead to innovations that would otherwise not have emerged. These innovations can put those companies at the cutting-edge of their sector and benefit sales.

The beneficial effects of CSR policy on financial results have also been proven in a number of recent studies and through the experience of various investors. In May 2012 the Harvard Business School published a study in which the relationship between the level of sustainability and financial performance was tested. The study shows that so-called high-sustainability firms outperform low-sustainability firms on the stock market over the 18-year period of the study. As the researchers conclude: *"A more engaged workforce, a more secure license to operate, a more loyal and satisfied customer base, better relationships with stakeholders, greater transparency, a more collaborative community, and a better ability to innovate may all be contributing factors to this potentially persistent superior performance in the long-term."*

In a recent study by the VBDO the relationship between CSR policy and financial results has been shown again. In the Business Balance report 25 Dutch listed companies were analysed on their performance on People, Planet and Profit. The analysis led to an average score of the sustainability performance of these companies. When the value of stock over the last three years of the ten best performing companies were set against those with the lowest score the same pattern emerged: companies with strong CSR policies on average saw a 30% higher stock rate than those with weak policies.

Besides these studies, there is an ever increasing number of organisations and products/portfolio's/funds that only invest in companies that fall within their definitions of sustainability, be it on social, environmental or both aspects. Organisations such as the ASN Bank, Triodos Bank limit their investments in such ways but still manage to perform well in comparison to companies that do not use such criteria. In four years time, the number of their accounts doubled. Also, pension funds like PGGM and APG are on an increasing scale taking ESG criteria into account in their investment decisions.

In summary, there are many reasons for companies to adopt better CSR policies and their beneficial effects have been proven on numerous occasions. CSR is beneficial for companies, investors and society at large. In order to make maximum improvements, companies should not only look at their own operations but also consider their partners, suppliers, distributors and customers. In other words, companies should approach CSR from a supply chain perspective.

## Vision on Responsible Supply Chain Management (RSCM)

As the online Oxford dictionary notes, a supply chain is “*the sequence of processes involved in the production and distribution of a commodity*”. In all of these processes different people and organisations are involved. Supply chains typically include suppliers of raw materials, manufacturers, wholesalers and/or distributors, retailers and customers. Of course this can differ according to the type of organisation and commodity. All of these groups involve people who depend on this chain for their livelihoods. For some this means being paid a decent wage in countries with strong safety nets in case of job loss. For others it is a question of mere subsistence survival and a fight against abuse, child-labour and corruption and for decent working conditions.

Furthermore, the processes involve interaction with the natural environment. Raw materials may depend on soil, water and climate or the availability of high-grade ores and other natural resources; manufacturing takes energy and often includes by-products such as toxic gasses and fluids; distribution uses up fuel and produces CO<sub>2</sub> and particulates; finally, consumption of the end-products often leads to waste and packaging which needs to be discarded. These environmental impacts eventually affect each and every person on the planet.

Ideally, then, responsible supply chain management involves the management of the process of doing business in such a way that all those involved benefit or, at the very least, that no one suffers negative consequences. Unfortunately, most current (business) practices are still very far removed from this ideal.

It is for this reason that an ever increasing number of organisations is actively engaged in the improvement of supply chains. This has led to various initiatives aimed at certain parts or aspects of the supply chain. In some cases these initiatives have become standards of conduct, such as the International Labour Organisation (ILO) standards and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Such standards provide the lower limits of what is considered responsible. This minimum standard is of considerable importance, because it provides a framework of consensus within which there is room for companies to act and operate. However, it remains a minimum standard.

The inflexible nature of these frameworks has its limitations when it comes to responsible supply chain management. From a legal perspective it is very difficult, if not impossible, to appeal to a company's responsibility for anything that lies beyond its own actions. Any attempt by another party to do so is in fact currently an appeal to a company's moral involvement.

It is the position of the VBDO that companies should in fact go beyond standards and take moral responsibility for their actions. While standards provide a good basis on which to start thinking and acting towards the improvement of the supply chain, companies should also try to look beyond them to prevent and mitigate any negative impacts of their actions that are not included in the standards. As was mentioned in the previous section, such actions are also likely to have a beneficial impact on the (long-term) financial results.

In the past years, more stakeholders have started to question the execution of (ir-) responsible supply chain management policies. Incidents keep occurring where policies and actions are not aligned. Therefore VBDO continues to expand its focus and tools to also include impact indicators. Responsible supply chain management is not just about implementing policies but also aligning actions with the policies.

## General trends: Towards responsible supply chain management

Major general trends observed relate to the role of regulation, sector initiatives and other strategies applied by businesses in order to turn supply chains more responsible. The important role of independent social media in the transformation to sustainable approaches has likewise been observed. Further, there seems to be a considerable risk-management transformation trend within many businesses.

Regulations are still the major driver towards more responsible supply chain management. Nevertheless, businesses increasingly develop and/or apply voluntary tools, especially certification (e.g. electronics and food industry) and B2B initiatives form important trends here. Concerning the latter, initiatives like the Global Social Compliance Programme (GSCP) are noteworthy, where large purchasing companies work collaboratively aiming at reduced costs and raised sustainability. Another interesting model that emerges is pre-competitive cooperation, where businesses that commonly compete in the same market cooperate for a certain amount of time.

Over the last years, the high expectations towards businesses as solvent of sustainability problems have become ever more pronounced. In the stakeholder discussions it was found that it is important to keep in mind how this transformation is not exclusively a 'business issue' but a societal process surpassing the simple recognition of infringements by social media. However, it was also noted that the stronger role of new social media over the last years has fostered application of sustainable business practices through pressure incentives. All in all, the generally increasing stakeholder involvement offers better chances for efficient supply chain management.

There is also a trend observed regarding risk management definitions. Traditionally, risk analysis was defensive and limited, while nowadays risk management takes new forms and increasingly operational risks, strategic risks and sustainability risks are distinguished. Whereas sustainability concerns were assessed as reputation risks in the past, a more encompassing and proactive attitude has emerged. Some companies have come to make a significant turn and even emphasize opportunities for value creation (e.g. for innovation) instead of seeing management for sustainability as purely risk-based.

## Content of the report

The contents of this research report are as follows: chapter 2 provides an introduction to the method, its principles and demarcation. It provides insight into how information was gathered. Chapter 3 describes the results of the research per company for the 3 levels (governance and strategy, policy and management). Chapter 4 provides the overall ranking followed by an analysis on the results. Lastly, chapter 5 states the conclusions of this report and thereby the status of supply chain management by 40 Dutch multinationals.



## Method

### 2.1 Introduction to the method

Benchmarks have been used by the VBDO for many years with the aim of evaluating the performance of companies and investors. Examples are the Transparency Benchmark and the Pension Fund Benchmark. The Transparency Benchmark - initiated by the VBDO and later on taken over by the Dutch Ministry of Economic Affairs - has clearly been having a stimulating effect for many years now. Both the quantity and quality of sustainability reports increased considerably as a result. Companies and (institutional) investors often acknowledge the VBDO's influence on this development.

In 2005, the VBDO decided to include responsible supply chain management as a focal area in its core activities. By addressing the topic using a benchmark and actively promoting it in the media, the VBDO expects responsible supply chain management to increasingly get the attention it deserves. As it turns out, the Responsible Supply Chain Benchmark has also been influential as can be gauged, for instance, by its mention in the Annual- and/or CSR Reports of many Dutch listed companies. In the end, the VBDO hopes that this will encourage companies to work on making their activities within the supply chain more sustainable.

As is clear from its short history, the method is not static and develops over time, announced in advance to the companies which will be investigated. In 2013, the same variables and criteria are used compared to 2013. In 2014 the VBDO will adjust the Benchmark criteria and the indicators.

By converting the scores to a percentage score, the results of various years can be compared to some extent. While this is a methodological complication when comparing the results over time, such an approach has the important benefit that new developments and best practices can be included each year. It is the VBDO's intention to make the measurement more challenging with the years. This means that any improvement in score over the years can be seen as improvement. For companies that perform worse than previous years this may not mean that they actually performed worse but do not keep up with the changes in the benchmark criteria. As it is our conviction that companies should continuously improve their performance we feel that this approach is justified. It also means that companies scoring (near) 100% should not consider their performance to be perfect but should keep making improvements.

Using the 25 indicators of this research, the VBDO analysed the Annual Reports, Sustainability Reports and other relevant publicly available company sources. A qualitative profile of the analysis performed is documented along the setup of the benchmark criteria. These profiles, presented in section 3, explain the performance of companies on all criteria and provide insight into the most important pros and cons per company. These analyses also provide the company with suggestions for improvement. Additionally, sector profiles and historical figures were drawn up to enhance the comparative perspective for the companies involved and describe influential context and/or developments.

The VBDO bases the Responsible Supply Chain Benchmark on international standards and consulted a number of supply chain experts in the field during the drafting process. When adjusting the methodology, the same sources



were used to guide the process. The companies that are included in the benchmark are given the opportunity to review their draft scores and profiles before publishing to ensure the public information is well interpreted. The Award event, which is traditionally part of this project, adds another interactive and informative public aspect to the theme of responsible supply chain management. Moreover, institutional investors can use the ranking to determine which companies can be seen as a more sustainable investment.

## 2.2 Basic principles and demarcation

### 2.2.1 Basic principles

The Responsible Supply Chain Benchmark is based on a number of basic principles and is both simple and practical. This provides companies and other interested parties with a quick and easy insight into their own performance and that of its sector, into best practices and into business strategy in general.

The approach of the benchmark is top-down. This means that the indicators are ordered in such a way that overall strategy and vision are treated first. General policies are subsequently analysed and, lastly, actual management practices are addressed. This is in accordance with the Global Reporting Initiative (GRI) guidelines and the viewpoint of the VBDO. The first concern of investors is the overall vision and performance of a company.

The underlying methodology of the benchmark (paragraph 2.3) is fully transparent and publicly available. The benchmark is based on internationally recognised norms and standards. These include the OECD Guidelines for Multinational Enterprises, the Declarations of International Labour Organization (ILO) and the United Nations Global Compact (UNGC). It also enjoys public support. The VBDO gained this support by involving a variety of stakeholders in the design of the benchmarking method.

### 2.2.2. Demarcation

The benchmark is subject to certain limitations.

- First of all, the investigated group of companies comprises 40 of the largest companies that are listed on the Dutch indices AEX, AMX, ASdX (and 'local'). A requirement is that procurement of goods and services constitutes a significant proportion of their operational expenditure. Service providers, such as financial institutions, ICT companies and recruitment companies are therefore not included in the research.
- The VBDO has limited itself to 40 companies in 2013. This number is equal to that of the benchmark in 2012, 2011 and 2010. The cut-off point potentially changes from year to year, but the VBDO strives to repeat, rather than to change the corporations included in the benchmark. Hence, AEX listings are greater in number than ASdX, and a 'local' listing is included in the group of investigated companies - which is included in Table 1. With regard to last year, one company (Mediq) has been dropped from the benchmark. The reason for this is that Mediq is no longer listed on a Dutch index. To bring the total number of companies back to 40, this year Holland Colours has been added.
- The benchmark is a generic model. It is therefore highly adaptable to all companies of the investigated group. Hence, a simplified supply chain model is used.
- Finally, in carrying out the benchmark, the VBDO only uses publicly available information provided by the companies themselves. This includes mainly annual reports, sustainability reports, supplier codes and company websites.

Table 1: Included companies

AEX	AMX	AScX	'Local'
1. Ahold (Royal)	21. Aalberts Industries	33. Accell Group	39. Crown Van Gelder
2. Air France-KLM	22. AMG	34. Ballast Nedam	40. Holland Colours
3. AkzoNobel	23. ASM International	35. Macintosh Retail Group	
4. Aperam	24. BAM Group	36. Sligro Food Group	
5. ArcelorMittal	25. CSM	37. Telegraaf Media Group (TMG)	
6. ASML	26. Heijmans	38. Wessanen (Royal)	
7. Boskalis Westminster (Royal)	27. Vopak (Royal)		
8. DSM (Royal)	28. Nutreco		
9. Fugro	29. Pharming Group		
10. HEINEKEN	30. Ten Cate (Royal)		
11. Imtech	31. TomTom		
12. KPN (Royal)	32. TKH		
13. Philips (Royal)	.		
14. PostNL			
15. Reed Elsevier			
16. SBM Offshore			
17. Shell (Royal Dutch)			
18. TNT Express			
19. Unilever			
20. Wolters Kluwer			

## 2.3 Benchmark indicators

The benchmark methodology distinguishes between different levels of supply chain management. First, the management has been analysed at the general strategy level (A Governance and Strategy). Since 2012 the focus has shifted from the extent that sustainability is an inherent part of a company's governance to the extent that supply chain management is connected to sustainability at the executive level.

Next, the policy level is analysed (B Policy). This goes beyond the executive level and considers what kind of policies are in place to manage the supply chain. This part focuses on the upstream section of supply chain and looks at the ways in which the company approaches its suppliers. More specifically, this part mostly revolves around the existence, content and scope of a supplier policy and a supplier code.

Finally, the supply chain management of the company has been examined at the operating level (C Management). This considers the ways in which policies and strategy have actually been executed on the ground. It therefore focuses on quantitative and qualitative results and is divided in an upstream, midstream and downstream part.

The Responsible Supply Chain Benchmark focuses on environmental and social issues that arise during the production and operating processes in the entire supply chain of the company. The following categorisation of benchmark criteria

has been made. The maximum amount of points (52 points) is devoted to the company when it meets underlying explanation.

For reading the Benchmark indicators with the maximum scores, see Appendix 1.

## 2.4 Revised Benchmark Criteria in 2014

In the course of 2013, the VBDO decided that it is about time to revise the Responsible Supply Chain Benchmark. This will be the third major revision after previous ones, in 2008 and 2010. Responsible Supply Chain Management is not a static but an evolving concept. Hence, it is our aim to reflect latest developments in the field and to pick up on trends that may characterize future behaviour of frontrunners. Further, some of the frontrunners seem to have started to outgrow the current Benchmark in performance. With our revision we seek to ensure we continue to challenge frontrunners. At the same time, we will ensure enough incentives for improvement remain for laggards and followers.

The VBDO intends to publish the revision of the Benchmark in the summer of 2014. This means already the following Benchmark would include the revised criteria. In order to maximize input by our diverse groups of stakeholders, the VBDO organised several multi-stakeholder meetings in order to engage companies and experts in the revision process. Methodological changes and suggestions for revised criteria were at the center of these discussions. Next to the meetings, the VBDO conducted several interviews with experts and companies. Finally, in May-July 2013, the VBDO developed an online survey to get anonymous opinions about the current Benchmark and to test suggestions for a possible future Benchmark. The survey was distributed among the 40 benchmarked companies, and remarkable 60% replied.

In Appendix 3, some of the important survey results can be found. Below, we have comprised some of these results and including some of the main ideas derived in the revision process. It is important to note that no final decisions have been made and suggestions are still open for debate.

The survey put forward some of the strong and some of the weaker points in the current Benchmark as perceived by the companies that are part of the contemporary. The strongest points of the Benchmark is that it looks at the whole value chain/supply chain and offers a simple, effective tool for improving supply chain strategies on different aspects. It also enables a comparison with performance of competitors and among sectors. In the process of conduction, companies particularly appreciate the possibility to give feedback on scores before publication.

As weaker points, companies identified that the supplier focus (upstream level) is yet too high compared to the role of company-level and downstream chain activities (recycling, active consumer engagement in sustainable chains etc.). Chain cooperation in forms of projects, cooperative agreements and partnerships are not rewarded sufficiently. Finally, while the Benchmark enables companies to look at scores of peers, the Benchmark itself does not provide a comparison/analysis of the comparative performance of peers directly.

Soon after analysis of the survey results, one of the 2013 multi-stakeholder expert meetings was arranged. Taking the survey results into account, the participants outlined their opinion on best revision options. Some of the outcomes of this multi-stakeholder expert meeting are presented in the following. The 'results' strictly reflect the views of experts and may differ from the eventual VBDO decision, in 2014.



### Data Collection Method

Discussion: some companies have confidential supply chain data and might improve scores if the VBDO did not base the evaluation on public reporting only; participants remarked:

- 'is the goal to measure excellent reporting or performance?
- 'with integrated reporting data quality and quantity often decreases'.

*Suggestion:* combine established public data method of pre-filling assessments with self-assessment component (non-public data) so that further companies are encouraged to outline engagement comprehensively, provide insights on incomplete projects and confidential information.

### Dealing with Sector Differences

Discussion: with a sector-specific part sector related dilemmas and issues can be taken into account in a better way, also materiality and sector risk analyses can then be included.

Remarks:

- 'this could lead to a benchmark within the benchmark'
- 'high differences between and among sectors make sector component a methodological design challenge'

*Suggestion:* design of a sector specific component is under consideration, in the first new Benchmark a test with three up to five sectors could be made and sectors be rotated in the following year.

### New Company Selection Criteria

Discussion: participants quickly agreed that large companies not operating on the stock-exchange market should be included. Remarks:

- different ideas for selection criteria (e.g. number employees, relevance Dutch economy, sector and company impact).

*Suggestion:* include non-publicly listed companies and get inspiration from other Benchmarks about altered selection criteria.

### Inclusion of Supplier Cooperation and Role of Supply Tiers

Discussion: important topic but relevant scope (first tier to third tier and forth) varies a lot per company and renders performance management difficult.

*Suggestion:* companies should be asked for the existence of specific forms of cooperation and outline what supplier cooperation looks like in detail (to enable inclusion of specific criteria).

### Role of Projects and Inspiring Practice

Discussion: shall inspiring supply chain practice (far-reaching tools, policies, projects) be particularly rewarded in the Benchmark? Remarks:

- 'companies may make up for inferior performance in other areas and show leading edge areas'.

*Suggestion:* still mixed opinions, some participants advocated a criterion based on reasons above, others hold that inspiring practice is better not scored at all and dealt with in a separate chapter or publication.



Discussion on single adapted Benchmark Criteria was also part of our stakeholder workshops. However, the adaptation of criteria and addition of new ones is meticulously discussed. The VBDO will make sure to inform all established and newly benchmarked companies in time, before publication of the revised criteria and method. Also a small pilot with the new criteria is envisioned.

Furthermore, the jury provided the VBDO the following suggestions for the revision of the Benchmark:

- increase attention to recycling, cradle to cradle, zero waste strategies and circular economy;
- increase attention to customer involvement (lease constructions and changes in product ownership);
- increase attention to footprints in the value chain (water, biodiversity, CO<sub>2</sub>-emissions, CDP score);
- focus on publicly available responsible supply chain information. For the VBDO as an association of investors, public disclosure is of great importance;
- the importance of sector approaches will increase; this has to be taken into account in the Benchmark;
- the importance of external verification will increase (G4, integrated reporting etc.); this has to be taken into account in the Benchmark.

## 2.5 Role of the jury and the Award

To acknowledge and stimulate positive developments within responsibly supply chain management by companies an Award has been initiated. An independent jury consisting of 5 members chooses the Award's winner and possibly some honourable mentions. The jury does not only take the benchmark results into consideration, it may also consider the most inspiring performer(s) and any outstanding initiatives.

The winner will receive the VBDO Responsible Supply Chain Award. By handing out this award, the VBDO raises awareness within publicly listed companies and society on the topic of responsible supply chain management. It rewards robust policy and strategy and urges lagging companies to improve performance.

*The winner of the Award is announced during an event hosted by VBDO and KPMG on December 9th 2013. Previous benchmark reports and jury reports are published at <http://www.vbdo.nl/nl/research/duurzaam-ondernemen>.*

In the last 7 years, the jury appointed as winners of the Benchmark Philips for 5 times already, sometimes together with another company (Unilever in 2008 and DSM in 2012). The jury also gave special attention to some other companies, see table 2:

**Table 2: Winners and honorable mentioned companies of Responsible Supply Chain Benchmark 2006-2012**

Year	Winner(s)	Special attention
2006	Unilever	-
2007	Philips	DSM/Heineken
2008	Philips/Unilever	AkzoNobel
2009	AkzoNobel	ASML/Wessanen
2010	Philips	-
2011	Philips	BAM/ Wavin
2012	Philips/DSM	Air France-KLM

### 3 Results - Company Performance

In the following chapter, the results of the Responsible Supply Chain Benchmark research are set out. The companies are discussed per sector and are preceded by a sector overview. Appendix 2 provides the graphs in full colour.

#### 3.1 Chemicals

The chemicals sector comprises companies that produces goods that are resource intensive and have a high sustainability risk, due to their chemical compositions. This might therefore be the prototypical example of a sector that has a high urgency to integrate sustainability in its supply chain management. This urgency is recognised by DSM and AkzoNobel for they are among the top scoring companies. In this year's edition a new company was added to the chemical sector: Holland Colours. Regardless of the commitment of Holland Colours and their reflection on sustainability throughout their annual report, the company as a new-entry in the benchmark, as of now, did not receive a high score or position within the benchmark. DSM in this year's benchmark is placed in 4th position whereas AkzoNobel is placed in 7th position.

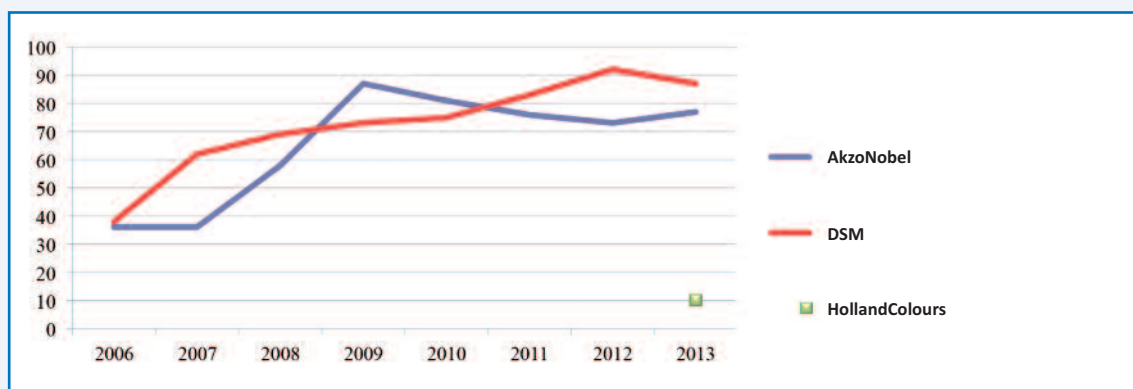
All the three companies possess a sustainability strategy, which, in the case of DSM and AkzoNobel also explicitly includes sustainable supply chain management. AkzoNobel and DSM also have a dedicate supplier code of conduct, however only DSM explicitly states the inclusion of indirect suppliers, in the case of Holland Colours, the policy sector scored zero points.

Regarding the management section of this assessment, both AkzoNobel and DSM monitor their suppliers (AkzoNobel internally, DSM with the help of external auditors), and both companies score well also in the midstream section of the chain: presence of R&D investments; educating the company purchasers; trying to improve the logistics of the chain and being initiators of multi-stakeholders initiatives.

The downstream section of the chain produces mixed results across the three companies, DSM is trying to create new sustainable solutions for their products and Holland Colours is also trying to control the waste streams across their supplier sites. DSM and AkzoNobel are also putting efforts in their marketing strategies to sensitize their customers as regards of sustainability themes related to their products.

Overall, the sector performance decreased in its average score, it must be noted that both DSM and AkzoNobel are still well performing companies, among the best participating in this benchmark, but the newcomer Holland Colours toned down the average score due to overall low scores across the 25 indicators constituting the benchmark.

Graph 1: Responsible Supply Chain Benchmark Score 2006-2013 for the Chemicals sector



# AkzoNobel

## Governance and Strategy 6/6

AkzoNobel remains committed to integrate sustainability instruments and processes within the entire value chain. A Sustainability Council was established, which is chaired by the CEO and advises the Executive Committee on strategy developments, monitors the integration of sustainability into management process and oversees the company's sustainability targets and performances. The company thereby states to continue to develop engagement with shareholders on sustainability aspects, mainly covering financial benefits from sustainability activities and solutions for customers, raw materials supply, carbon policy and specialist topics (e.g. nanotechnology).

## Policy 14/17

According to AkzoNobel, the company wants to create a sustainable supplier base, supporting the license to operate. Two supplier segments are specified: critical and key suppliers. As a corresponding management system, several processes are in place: a vendor policy, supplier support visits and key supplier management. However, only general sustainability issues are covered in the vendor policy (not specifically adapted to the company) and there is not mention of indirect suppliers. The vendor policy appears to be signed by 92 per cent of the company's contractors. The support visits focus on critical suppliers and are carried out by teams from Procurement and HSE. About 373 visits have been conducted since the start of the program in 2007.

## Management 20/29

AkzoNobel's vendor policy states that the company wants to do business with partners who endorse its ethical values and environmental standards as formulated in the code of conduct. The vendor relationship management framework is in place to manage this. This document for example indicates that if suppliers after a period of two years have not implemented improvements, AkzoNobel discontinues doing business with them. However, the company could be more transparent on the supervising results, and set sustainability targets for suppliers.

AkzoNobel states that lifecycle thinking is the basis for all its sustainability work, and is included in many of its processes, including product development, eco-premium assessment, investment decisions and carbon footprint assessment. A zero environmental footprint across the value chain is aspired. To achieve this the company started to manage warehousing and logistics at a regional level. However, quantitative targets appear to be missing.

Considering the downstream supply chain, AkzoNobel could increase its activities considering recycling and packaging, considering the industry that they are in. It appears to be one of the '2020 Strategy Elements', but no information is given on how the company is approaching this subject. Thereby, AkzoNobel could set downstream KPIs.

**Total score: 40/52**



## DSM

### Governance 6/6

'DSM in motion: driving focused growth' is the strategy that DSM adopted in the year 2010, and sustainability is an integral part of this. It was influenced by the company's dialogue with its stakeholders (it is not clear whether this is done again in 2012), which helped the company identify the needs and topics that are material such as hidden hunger, bio-based economy and sustainable value chains. In order to make its value chain more sustainable, DSM states that suppliers help to achieve this goal by closely cooperating on steps and actions with them. Thereby, DSM pays close attention to the value chain by reviewing the greenhouse gas emissions according to the three scopes of the Greenhouse Gas Protocol.

### Policy 17/17

Last year, DSM won the VBDO supply chain award for having the most progressive program to enhance sustainability performance of its suppliers. DSM's Sustainability Supplier Program covers both global and local suppliers, as well as direct and indirect suppliers. The company states it is primarily aimed at critical suppliers. After screenings, around 1,500 out of 100,000 suppliers were described as critical for being located in potentially high risk countries, supplying high volumes, or having a potential to create joint value in the areas of innovation and sustainability. The supplier program is comprised of compliance to the Supplier Code of Conduct, supplier self-assessment questionnaires and supplier audits.

### Management 22/29

According to DSM, ninety-three per cent of total procurement spend was covered by the Supplier Code of Conduct in 2012. Furthermore, fifty-nine self-assessment questionnaires were received and DSM audited sixty-two suppliers, of which an external party did forty audits. However, it is not clear how these numbers are related to the total amount of suppliers. One contract was ended with a supplier, on the grounds of which are not mentioned, however due to privacy issues this was the correct way to handle this particular case.

ECO+ is DSM's concept for promoting the development of sustainable innovative products and solutions with ecological benefits. DSM states that ECO+ solutions offer not only superior performance, but also ecological benefits such as a clearly lower eco-footprint when compared to the mainstream solutions they compete with. DSM is currently developing a People+ strategy that is stated to improve the lives of consumers, workers and communities across the value chains in which the company is active.

**Total score: 45/52**

### 3.2 Construction

The construction sector in this year's assessment experienced an overall increase in their scores, with the BAM increasing its overall score by 12% and Heijmans by 13%. In this year's assessment the four companies composing the construction sector received full points in every indicator of the *"Governance and Strategy"* section of this assessment, every company has a dedicated supplier code for suppliers of which BAM and Imtech explicitly state the inclusion of indirect suppliers within the scope of the code. Out of the four companies only the BAM provided detailed explanations on the identification of high risk suppliers, however Heijmans also seems to be starting to identify high-risk suppliers, by starting with the ones that are the most impacting as regards of CO2 emissions.

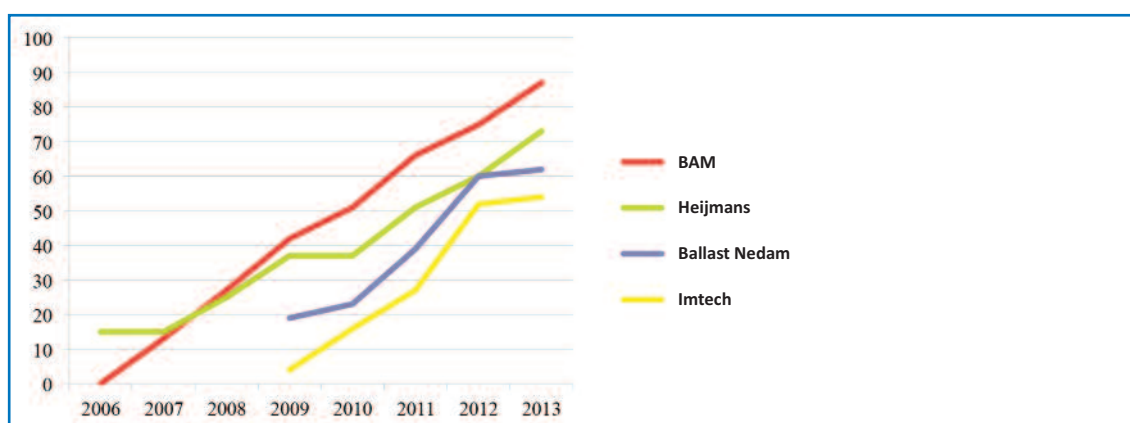
As regards of the management section of the assessment, only the BAM and Imtech provided information as regards of supplier supervision, the former audits its suppliers internally, whereas the latter also includes an external auditor. All the companies besides Imtech provided information as regards of supplier education, and to different extent, all the companies also provided environmental KPIs to track the sustainability of the chain.

Considering the midstream section of this assessment, the construction sector as a whole invests in R&D and tries to improve the logistics of their chains. Education to purchasers is provided in three cases out of four (Imtech) and all the companies are initiators of multi-stakeholder activities.

Finally, considering the downstream section of the chain, all companies are investing or creating recycling policies, with only one case (Ballast Nedam) scoring full points in the indicator, consequently, all the companies have also provided downstream KPIs. Marketing strategies to promote a greener image of the companies are present in three cases out of four (Heijmans).

Overall, the sector performance improved on its average scored, mainly lifted up by the very high score of the BAM and the increase in score of Heijmans. Ballast Nedam and Imtech are, more or less, at the same level of last year, with an increase in score of +2%.

**Graph 2: Responsible Supply Chain Benchmark Score 2006-2013 for the Construction sector**



## Ballast Nedam

### Governance and strategy 6/6

Ballast Nedam holds a clear vision on sustainable chain management, the presence of a CSR policy which explicitly includes the supply chain is based on five main pillars and is applied both at the horizontal and vertical level.

The board of management is responsible for the establishment and implementation of the CSR policies, the responsibilities of the board are as follows: (I) general policy; (II) policy execution and (III) achieving CSR objectives and reporting. The company engages its stakeholders in different means, worth of notice is the organization of educational events such as workshops to sensitize the stakeholders on sustainable supply chain.

Finally, the company provides an analysis on the impact of the company as regards of indicators such as energy reduction, CO2 emissions reduction and with the target to also implement a plan for waste reuse and a life cycle assessment for two of their concrete products in the next year.

### Policy 11/17

Ballast Nedam established a code of conduct for suppliers which is mainly focused at the reduction of CO2 emissions and energy emissions. In 2012 all the new purchasing contracts with the suppliers were established according to the code of conduct. The main objective of Ballast Nedam is to show to the public a clear decrease in CO2 emissions by 2017 onwards. The code of conduct applies also to indirect suppliers, as the company states it is still their responsibility that also subcontractors and indirect suppliers comply with the rules of the code. However, a monitoring measure on how the compliance of the indirect suppliers is monitored is not provided in the disclosed information. The content of the supplier code includes all areas of sustainability, and is inspired by the ILO and OECD guidelines, the only subject missing in the code of conduct is a clear monitoring measure for the environmental management. Ballast Nedam, in case of non-compliance of the code by the suppliers acts with a zero-tolerance policy, corrective measures are immediately enacted with the non-compliant supplier and if the corrective measures are not followed the company will cancel the contract with the supplier.

### Management 15/29

By looking at the upstream section of the supply chain, as previously introduced, whenever a supplier does not comply with the code of conduct, it will be either assigned to other works or be placed on a blacklist of suppliers. Supplier training and education is present, every year Ballast Nedam organizes a yearly workshop to raise the sustainability awareness of its workers, contractors and suppliers. No info is provided in the annual report

Ballast Nedam, similarly to last years, is providing figures on CO2 emission, energy savings and future goals to be achieved as regards of their supply chain. Considering the midstream section of the chain, R&D investments are being put into place by the company. As it was possible to address in the annual report of 2012, the drive towards innovation seems to be of pivotal importance for the company, especially in the industrialization of the building process. As Ballast Nedam presents, the “modular building” model is an answer to anticipate the changes in the market, accommodate the customers’ life-cycle management and take care of sustainability issues. In 2012 fourteen different initiatives were defined and developed and comprise areas such as energy, alternative fuels, raw materials.



As regards the logistics section of the chain, Ballast Nedam provides figures on diminished CO2 emissions achieved in the past years and provides also figures on the increase of number of vehicles operating with compressed natural gas (CNG). One of the targets of the company is to continue on reducing CO2 emissions, increase the number of CNG vehicles and implement better waste treatment and a life cycle analysis for two of their waste products. This year, Ballast Nedam also organized a workshop on socially responsible purchasers in 2012 for the company's buyers.

Finally, the company is part of different multi-stakeholder initiatives: socially responsible purchasing workshop for the buyers, lean building course, and use of the building information model (BIM) approach to make the chain more sustainable. By looking at the downstream section of the chain, Ballast Nedam focuses on waste management in two different approaches: (I) systematically reducing the quantity of waste at source by raising material productivity and (II) reducing the adverse effects of waste by using renewable and secondary materials. The use of degradable and reusable materials and optimizing waste management procedures are also part of the overall strategy of waste reduction within the company. Data on waste management is reported in quantitative fashion.

Lastly, Ballast Nedam interacts with other relevant stakeholders throughout its projects, namely the *"Society for the Preservation of Nature"*, *"National Forest Service"* and *"Limburg Landscape"* in order to contribute to the redevelopment of flora and fauna. Therefore, the company also tries to convey a greener image which can be understood by the wide public, and not only related to sustainable supply chain management.

**Total score: 31/52**

## BAM Group

### Governance and strategy 6/6

BAM established a CSR policy based on three main pillars: (I) Safety, CO2 emissions and (III) Waste. The director of the executive board is responsible towards the CSR policies established by the BAM group. The company maps its stakeholders based on the economic, environmental and social performance. The number of different stakeholders are diverse and in the annual report the BAM group displays how each stakeholder is engaged and what is the nature of their relationship with BAM.

The company provides an analysis of its supply chain, by distinguishing the sources of environmental impact. According to the BAM group 57% of its carbon emissions are generated by construction activities. Moreover the company is trying to find alternative solutions to raw materials, of which the refining generates big amounts of waste do be treated.

### Policy 15/17

The company established a supplier's code which is based on the business principles and the general CSR targets of



the CSR policy (waste, safety and CO<sub>2</sub>). The code of conduct for the suppliers includes also indirect suppliers, as stated in the code the direct suppliers are also responsible of the actions of the indirect suppliers. The content of the supplier's code includes all the main topics included in the scope of this assessment, except for the environment management monitoring system. The compliance of the suppliers is assessed directly by BAM, according to the annual report 57% BAM with its sustainability strategy includes an assessment of the direct suppliers involved in the supply chain, the measures are related to 5 different themes, and including human rights and environment. As of 2012 the assessment included 57% of the operating suppliers (sustainability report 2012, p.52). Whenever a supplier does not score well in the assessment, BAM will start a dialogue to improve its performances, if the supplier does not improve, then BAM will stop the cooperation with the supplier.

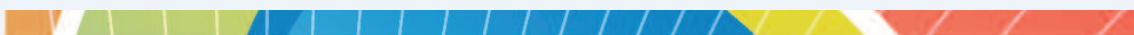
A non compliance-policy is not present. However BAM as previously stated in indicator 9 will start a dialogue whenever a supplier does not score well in the supplier assessment. If the score of the supplier does not improve, BAM will cease its cooperation with it. BAM does have a list of A-Suppliers to which *"we request and assist to calculate emissions and propose reduction measures"* (sustainability report 2012, p.52).

### Management 25/29

The BAM group constantly tries to engage different kinds of stakeholders to try to provide more sustainable solutions for its supply chain: dialogue with different stakeholder groups, clients, employees and knowledge institutes such as the TU Delft and Utrecht Sustainability institute. In 2012 BAM was involved in the development of a new international sector protocol for CO<sub>2</sub>-emission, and together with sector partners developed a safety governance code for the construction sector. Other (sector) initiatives and cooperation agreements: CO<sub>2</sub> prestatieladder, Het Nieuwe Draaien (fuel reduction), development of energy neutral area's (GEN).

As a front runner in the construction sector last year, it seems that BAM with its business principles, zero harm/CO<sub>2</sub>/waste policies, a strict assessment of its suppliers, investments in R&D is really trying to convey an image of a "Green" construction building Dutch multinational. Due to the fact that BAM reports measures as regards of recycling, waste and CO<sub>2</sub> with future targets and historical series compared to the past, it is safe to state that the company is monitoring its results with clear KPIs. Consistent with the CSR strategy of the company, BAM reports quantitative data and figures as regards of the CO<sub>2</sub> emissions and waste recycling on-site. Steel was recycled in 2012 by 60%, concrete by 11% and asphalt by 41%.

**Total score: 46/52**



# Heijmans

## Governance and Strategy 6/6

Although the company has admitted that its supply chain management remains work in progress, Heijmans has a vision and strategy on the issue. The company is aware of the importance of supply chain management, has taken important steps on this issue, and has declared to be committed to continuous improvement. The sustainability agenda is being guided and promoted by the CEO, who also has the ultimate responsibility. Stakeholders, which are engaged regularly and in various ways, have been identified, along with the company's responsibilities toward them. The company states that it regularly executes supply chain analyses in order to establish what role Heijmans has in the supply chain and which aspects the company can have an effect on. The company has clearly identified sustainability themes that are being taken on through a supply chain approach.

## Policy 12/17

There is a supplier policy in place, the most important being the *"Sustainability Declaration"* every supplier is obliged to endorse. It covers human and labour rights, and calls for social and environmental policies, but mainly in general and declarative terms. The company has indicated that it is still struggling to define exactly where its responsibility ends, but has explicitly stated it expects its suppliers to ensure that their suppliers conform to the outlined sustainability stipulations. There is little evidence of (structural) monitoring, although Heijmans' supplier policy does contain clear and arguably ambitious monitoring elements, including third (independent) party verification. The code states that suppliers must have procedures with regard to hazardous materials and waste. Also suppliers must evaluate frequently the effects on the environment and have measurable reduction targets for emissions and waste. Nothing is being said of sanctions in case suppliers fail to respect the guidelines. What's more, although Heijmans wanted all of its supplier to sign the declaration by the end of 2012, only half of the preferred suppliers actually did so. Identification of suppliers and subcontractors that (might) have a high impact on sustainability is incipient, the company has identified suppliers that contribute most to Heijmans' CO2 emissions.

## Management 20/29

It is not clear to what extent Heijmans supervises the suppliers it has identified as crucial to its sustainability agenda. About 50% of suppliers signed the 'Sustainability Declaration', but few information is given about supervision of those companies. Suppliers are monitored, e.g. on safety, but no information is given about monitoring suppliers on sustainability. The company notes that it first wants to complete the preferred suppliers' subscription to the *"Sustainability Declaration"*, after which relevant data will be gathered and necessary verification will find place. Heijmans' flagship project, CO2 emissions reduction across its supply chain and own operations, is being tracked by various independent institutions. For example, CO2 Prestatieladder in which Heijmans participates, is an initiative of ProRail whose management has been handed over to an independent entity, Stichting Klimaatvriendelijk Aanbesteden & Ondernemen. Also, although it is not directly linked to company's suppliers, Heijmans' asphalt plants have been included in the European Trading System. Supervising results are not being communicated, except for the number of suppliers that have signed the *"Sustainability Declaration"*.

The company lets us know that it is trying to follow as closely as possible various systems of external verification and

certification regarding the use of critical natural resources such as wood and natural stone. As a result, the bulk of the wood Heijmans uses, comes from sustainably managed forests. Incorporating sustainability criteria in its purchasing policy is an important and seemingly well-developed issue for Heijmans. The company also has KPIs regarding total amount of waste, waste separation, and waste re-usage, as well as the amount of recycled resources in its asphalt. Heijmans did initiate some projects together with other companies. There are some examples like CO2 reductieindebouw.nl, Green Deal Concrete & Smart Energy Collective. The asphalt that Heijmans produces can be fully recycled, as well as a portion of its concrete (beton) and steel constructions.

## Total 38/52

## Imtech

### Governance 6/6

The company holds a CSR policy which is inspired on the ISO2600 standards (complementary to international treaties and International Organizations such as ILO, OESO and UN) as a guideline for the business. Moreover, the company developed its own code of sustainable supply (CoSS). The responsibilities of the CSR section of the company are accountable to the executive council. The organization is as follows: the CSR council reports to the supervisory board, board of management and the executive council on a regular basis. However, the frequency of the reports is not explicitly stated. Imtech identifies several stakeholders and engages them in different ways. Information sessions are organized with relevant stakeholders whenever a projects interests a determined area of the chain. The dialogue is strong with NGOs, which are more rooted with the local communities. Other stakeholders roles were not explicitly defined. Imtech works mainly in a country (the Netherlands) in which employment conditions, business ethics and environment are highly respected. However, as it is stated in the annual report of 2012, whenever Imtech outsources services in other countries the CoSS guidelines are engaged and implemented.

### Policy 10/17

As previously introduced, the company possesses its own code of conduct for suppliers: the CoSS. The CoSS includes main sustainability themes, albeit they are stated in a broad fashion, it is unclear whether the indirect suppliers/sub-contractors are included in complying with the CoSS. Moreover, the assessment of the compliance to the CoSS is constituted by a self-assessment of the supplier through the Imtech website. The content of the code includes all the relevant topics included in the assessment of this year's benchmark. No information as regards of a non-compliance policy was discovered at present time. Finally, it seems that Imtech does not identify high-risk suppliers in a structured way, but by just being careful in making sure the enforcement of the CoSS with contractors located outside of the Netherlands.

## Management 12/29

At present time no information regarding supplier supervision was discovered on Imtech's website or annual report. It must be noted though that the company has a positive interest in including external actors to audit its suppliers for the coming years. This result also affects the degree of transparency on the compliance and non-compliance rates of the suppliers for this year's assessment. In the first case it seems that the compliance of the suppliers is addressed with a self-assessment of the supplier through Imtech's website (and, as stated in the annual report of this year, 36% of suppliers have undersigned the CoSS), in the second case the lack of a proper monitoring scheme or non-compliance policy does not allow the understanding of non-compliance rates of the CoSS.

As regards of the midstream section of the chain, Imtech invests in R&D to decrease the environmental impact of its chain. For instance the Greentech project and lowering the use of paper in the office by substituting it with technology. Imtech participates in the ICF I and II investment funds for sustainable investments, moreover, in 2012 a green talent award was organized for technical students to promote their ideas.

As regards of the downstream chain, the company mainly focuses on waste and paper use. In the case of waste the focus is mainly on the on-site produced waste, and the possibilities of recycling, a policy is already established and pilot tests are being implemented in the UK this year. As regards of paper use reduction and recycling within Imtech's offices, a policy is already implemented and is providing positive results according to the company.

For marketing purposes, the company does look very green in the way it tries to sensitize the community towards sustainability and promote a greener image of Imtech. Many initiatives are involved to promote sustainability, for instance the CSR magazine, the use of social media, the "*green talent*" contest and an international Health & Safety Environment campaign.

## Total 28/52

### 3.3 Electronics

The electronics sector, similarly to last year, provides a wide spectrum of scores by looking at single companies. As in previous years, we have the highest scoring company (Philips) being part of this group, another front runner (KPN, in 6<sup>th</sup> position), together with ASML (10<sup>th</sup> position), an average scoring company (TomTom, 18<sup>th</sup>) and a laggard (ASMI, 23<sup>rd</sup> position).

Due to the wide differences in scores, the electronics sector this year placed in 5th position in the sector ranking.

By looking at the three sections of the assessment, in the "*Governance and Strategy*" section all companies besides ASMI and TomTom score full points in all indicators.

Considering the policy section of this assessment, all companies except ASMI established a dedicated supplier policy, of which only Philips and ASML clearly include the indirect suppliers within its scope. The sector, similarly to last year

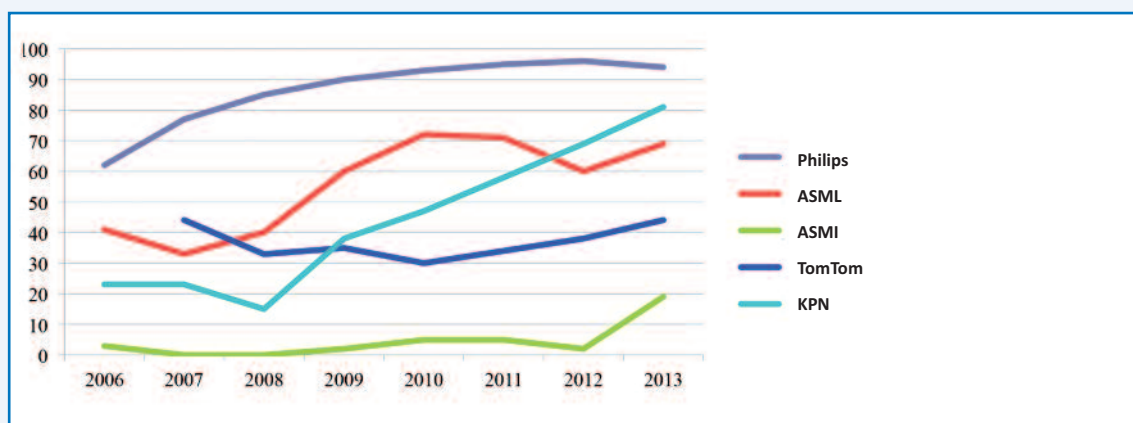


scores very well as regards of the presence of an environmental monitoring management system (only ASMI does not publish anything on the subject), as well as the presence of a monitoring method to address suppliers' compliance to the code. The electronics sector, on average, scores well in the management section of this assessment. First and foremost all the companies besides ASMI provide results as regards of supplier supervision, albeit KPN and Philips are the only two companies that both address the topic with internal and external audits, these two companies are also the only ones in the sector that report results as regards of the compliance rate of suppliers on the overall total.

The midstream section on average also scores quite well, all the companies with the exception of ASMI invests resources in R&D and try to improve the logistics of the chain (with the exception of TomTom not disclosing anything on the subject). However, only KPN and Philips disclose information as regards of educating company purchasers. ASML, KPN and Philips are initiators of multi-stakeholder initiatives, whereas TomTom is only a follower at present time, ASMI does not disclose anything on the subject.

Considering the downstream section of the chain, only KPN; Philips and TomTom score points as regards of responsible marketing and recycling. KPIs for downstream are provided only by ASML; KPN and Philips.

**Graph 3: Responsible Supply Chain Benchmark Score 2006-2013 for the Electronics sector**



## ASMI

### Governance 3/6

ASMI is beginning the process of incorporating the importance of CSR in its supply chain. First and foremost, a CSR area is now present in the annual report. As regards of the importance of the supply chain, ASMI still broadly states its importance, as "we are committed to driving our beliefs and the EICC tenets throughout our supply chain. Compared to last year, the company identified its CSR targets: Environment (complying ISO14001 standard), Ethics, Labour, Safety and supply chain. It is still not clear whether a formal member of the executive board or higher commission is responsible for the management and implementation of the CSR policy. Albeit ASMI now states that stakeholder engagement is present on CSR subjects, it is still a broad concept to engagement without clear topic specifications or means of engagement.

Another great improvement compared to previous evaluation is the fact that now ASMI provides figures and quantitative data by reflecting on its supply chain, albeit the data might be scarce, it is still of great importance since the company is showing interest in CSR topics and with this year is setting up the targets for the coming years. Four main KPIs were identified: GHG emissions; water usage; recycled solid waste and environment permit excursions.

Overall, ASMI greatly improved in creating a functional CSR policy, and it definitely seems like that 2012 represent for this company a fresh start to set up a CSR strategy that will be followed and improved in the coming years.

### Policy 6/17

The suppliers of ASMI are expected to “commit to the Electronic Industry Citizenship Coalition (EICC)”, together with the CSR policies of the company. For these reasons, it can be stated that ASMI is putting effort in being transparent about sustainability and the supply chain, but a clear management system, or supply policy is either not yet implemented or disclosed about. Therefore, the scope or the inclusion of the indirect suppliers within the purpose of this assessment were not easily evaluable, the same challenge appeared in the content of the “supplier code”, in which ASMI scored well, just being based on the general CSR policy of the company.

No information on monitoring method to assess compliance to the code, non-compliance policy or identifying high risk suppliers were disclosed in this year’s report.

### Management 1/29

The management area of this assessment scored only 1 point (assigned to the logistics indicator, due to the fact that KPIs are being settled to address in the future on how to reduce emissions, greening the fleet of the company and so on) due to the fact that either no information is still disclosed on the indicators relevant to this part of the assessment, or the amount of data provided is still not satisfying to give to ASMI full points in the several indicators composing this section.

This is, by all means, not a “negative” score per se, as already stated it is clearly visible how ASMI is trying to set up a reliable and quantifiable CSR strategy, being 2012 the turning point for this company, we are sure that in the next years the sustainability benchmark for this company will greatly improve if ASMI keeps up with the promises in providing more data on the functioning of its CSR policy.

## Total 10/52

# ASML

## Governance 6/6

At present time ASML holds a CSR strategy which is based on 4 main pillars: (I) sustainable operations; (II) sustainable products; (III) sustainable value chain and (IV) sustainable culture. The governance structure for the sustainable strategy is based on a two-tier level. First and foremost the executive responsibility lies in the Board of Management, additionally, the supervisory board supervises and advises the board of management on its tasks. Stakeholder engagement is present in ASML's strategy, the company provides a clear picture of the involved stakeholders, together with relevant topics and the different ways to engage them.

Finally, ASML provides an analysis of the activities enacted by the chain and its impact on the environment, several pages of the sustainability report are dedicated to this topic. ASML mainly focuses on reducing its carbon footprint, water usage and air emissions, biodiversity conservation and lowering the chances of environmental incidents.

## Policy 14/17

The sustainability strategy is embedded in the code of conduct of the company, to which all suppliers are obliged to comply with. The code of conduct contains main sustainability topics and its scope also applies to indirect suppliers, of which ASML provides the criteria to extend the applicability range of the code of conduct. ASML independently monitors the compliance of its suppliers through an assessment based on four main areas: Quality; Logistics; Technology and Cost (QLTC). A non-compliance seems to be not present, however it appears that an improvement approach is preferred to approach the non-compliant suppliers. Moreover, in 2012 no contracts with the suppliers were cancelled due to non-compliance, since the violations of the code were minor/improved together with ASML. Finally, the company identifies suppliers with high impact on sustainability. In 2012, 62 companies that meet the requirement of major supplier according to the EICC standards were required to comply with the code, regardless of the location of the supplier.

## Management 16/29

ASML provides information on the supervision of its suppliers. In 2012 more than 200 suppliers (in addition to the aforementioned 62 major suppliers) were involved in a supplier audit, which is conducted by ASML itself. As the sustainability report explains, if a supplier does not score well in the audit, a second in-depth assessment will be conducted only on sustainability topics. The company does not report the frequency of the audits. Moreover, no percentages are provided. ASML reports that in 2012, 29 non conformities were identified during the suppliers' auditing process. No contracts were ended as a consequence of the non-conformities, rather, an improvement approach was preferred.

ASML invests in R&D, according to the sustainability report of 2012 589 million euros were invested in R&D, the main efforts are focused on energy, water use and waste disposal. However, in addition to these three main focuses, the company provides an example of product life cycle R&D applied in producing energy efficient chips. Training on sustainability topics was held by ASML in 2010 to company purchasers, as of 2012 no information was discovered on types of education provided to suppliers/buyers, however the company states that the training held in 2010 will again be implemented in 2013. As regards of the downstream section of the chain no information was disclosed on recycling

and it is unclear in which way ASML pursues a marketing strategy which also involves sustainability on the consumer's side. Finally, the company has set out sustainability KPIs for the downstream chain, but as it is also reported by ASML, these are part of the "master plans" of 2009-2015, therefore clear and quantifiable results are to be expected in the coming years.

## Total 36/52

# KPN

### Governance 6/6

KPN holds a CSR policy based on 5 pillars: (I) best ICT infrastructure; (II) Healthcare of the future; (III) new way of living and working; (IV) energy efficiency and (V) Security and Privacy). The company also reflects on the importance of supply chain management by dedicating a section on the CSR report of 2012 about sustainable chain management through dialogue with the suppliers, moreover a set of social themes, ranked by importance, are presented in the CSR report. The responsibilities for the outcomes and results of the social policy are well defined due to the fact that in the sustainability report it is stated that the Board of Management and the Executive committee (ExCo) jointly set the company's social policy, targets and regularly discuss the progresses achieved. Moreover, Five ExCo members are responsible for one of the five social themes of the policy, full names and positions within are fully disclosed. Albeit a stakeholder mapping is not retrievable on the SR 2012, a stakeholder dialog was conducted by KPN in 2012 to discuss about the "best ICT infrastructure" theme of the social policy.

### Policy 14/17

A supplier code of conduct is present, moreover the organization of the procurement is changing after the entrance of a new Chief Procurement Officer (CPO) in 2012. The supplier code includes main sustainability and human development themes, moreover it is based on the broad social policy of KPN. The inclusion of the subcontractors within the scope of the supplier policy is explicitly stated, however it seems that it is the responsibility of the main supplier to ensure that compliance to the code from the subcontractors is respected.

A monitoring system for compliance to the code is present, first and foremost the supplier can self-assess themselves through the E-TASC web tool, moreover, to complement the self-assessment, independent external audits are conducted by the Joint Audit Cooperation (JAC), which also includes other national telecom providers across Europe.

As regards of non-compliance to the code, a dedicated policy is absent, however, it must be noted that a general strategy in case of non-compliance is provided. As it is possible to retrieve on the CSR report of 2012, an improvement approach is preferred. KPN does identify high-risk suppliers according to supplier's location, according to the company, roughly 50% of their suppliers can be considered high/medium risk, and however, further specification within the aforementioned 50% as regards of the share of high and medium risk suppliers is not provided. In total, KPN accounts for

roughly 10000 suppliers. All in all, the information provided is satisfactory and transparent, but it would be appreciated further specification on the actual share of the high and medium risk suppliers, instead of merging them in a bigger category/share over the suppliers' total.

### Management 22/29

Considering the upstream section of the chain, according to KPN, thanks to the self-assessment, 78% of the high/medium risk suppliers conducted the E-TASC. Moreover, 13 high risk suppliers were audited in loco through external audits conducted by the JAC, which accounts for 26% of the total suppliers. The main issues of non-compliances identified in 2012 were connected to: working hours; health; safety' salary levels.

A very strong character of KPN in this year's assessment is the fact that 94% of the total suppliers actually signed the supplier code of conduct. Finally, KPIs to track the number of audits, suppliers signing the code and sustainable solutions for suppliers are identified and established to keep track of KPN's progress in monitoring suppliers.

As regards of the midstream section of the chain, the company does invest in R&D to reduce CO2 emissions. Moreover, the company is implementing plans to reduce the vehicle fleet, in comparison to 2010, -8.2% CO2 emissions were achieved. Considering the procurement section of the chain, a new organization was established in 2012. The business units are no longer responsible for their procurement policy, which is now centralised. According to KPN the purpose is to strengthen the importance of the group as a party that suppliers can talk to, and have more weight in the negotiations, which also include sustainability themes. Finally, KPN is part of several cooperation agreements together with other stakeholders. Similarly to last year is a follower of the Fairphone initiative; the JAC; ICT-office (a trade association of IT, telecom and internet companies) and in 2012 a major effort was invested, together with the WWF in the "new way of living and working" programme of which is a founder.

Finally, considering the downstream section of the chain, recycling of old phones is promoted by KPN, in 2012 more than 50000 old phones were recycled in the Netherlands, whereas in Germany and Belgium around 11000 phones were recycled on average. Waste from the network and equipment is recycled by 95%. The company is also continuing to implement the "new way of living and working" program, and as it was possible to assess this year, the programme is becoming more and more structural. First and foremost, the KPN reduction meter was improved to be more accurate, and embedded in the general strategy of the programme, in addition to this improvement, 4 new pillars of the programme were identified and will be developed in the coming years: (I) Unified communications; (II) any device management; (III) service aggregation and (IV) CloudNL.

Concluding, non-financial KPIs are identified to monitor: (I) customer satisfaction and (II) reputation.

Overall, KPN increased its score this year with 6 points, and it is worthwhile to mention that the structure of the whole report is clear, transparent and makes it easier to the public to access relevant information on several topics related to the CSR activities of the company.

### Total 42/52

# Philips

## Governance 6/6

Philips possesses a general CSR vision which is explained within the sustainability policy, the company does reflect on the importance of supply chain management. As it is reported in the annual report of 2012 the “supplier sustainability involvement program” is an overarching program to help improve the sustainability performance of Philips’ suppliers. Roles and responsibilities for the CSR targets are explained in the sustainability policy and they are as follows: the sustainability board acts as an advisory body for the Board of Management, and is chaired by a member of it, who has an overall responsibility on the subject. Moreover, the sustainability board includes executives from the sectors and relevant heads of corporate staff.

Stakeholder engagement is thoroughly conducted by Philips. The list of engaged stakeholders is extensive, however, besides specific cases the type of engagement is not structured in such a way that for each group or stakeholder a type of issue to be discussed is identified. The company reflects on the importance of supply chain management, thus it provides an extensive list of material issues relevant to Philips’ activities, moreover, as stated by the company, the identified material issues is not only a product of Philips’ doing, but also integrated with stakeholders’ engagement.

## Policy 16/17

Philips, being active in the area of sustainable supply chain management, also possesses a policy focused on suppliers. The policy covers most key issues connected to sustainability, and as explicitly stated indirect suppliers are also included in the scope of the policy: *“participants must regard the Code as a total supply chain initiative. At a minimum, participants shall also require its next tier suppliers to acknowledge and implement the code”*. Moreover, in 2012 Philips updated the Supplier Sustainability Declaration, among all of the updates (4 entirely new, and 14 updates to existing ones) one is entirely focused to monitor the compliance of “next tier suppliers” towards the code. Monitoring of suppliers’ compliance is conducted on site by either Philips or an EICC certified auditor, especially in the case of suppliers located in high-risk countries. The audits are carried according to the supply sustainability audit tool, a separate document which is fully disclosed and retrievable on Philip’s website.

In case of non-compliance on the supplier’s side, the preferred approach is an improvement one, Philips requests the non-compliant supplier to create a corrective action plan, and monitors its implementation until all major non-compliances are resolved. However, it must be noted that in 2012 for 2 suppliers’ site the phase-out decision was preferred due to, amongst other factor, a lack of sustainability improvements. Philips does identify suppliers located in high-risk countries, according to the report of 2012, suppliers located in high-risk countries not only undergo the quick scan every year (conducted internally by Philips) but also an in-depth scan every 3 years. 594 suppliers’ sites have been identified as risk suppliers, including 497 product and component suppliers and 97 service providers.

## Management 27/29

As introduced in the policy section, the compliance of the suppliers is addressed through quick scans every year, conducted by Philips, in case of high-risk suppliers, the quick scans are complemented by full cycle in-depth assessment every three years, conducted by EICC certified auditors. In 2012 159 current risk suppliers were audited, including 100 continual conformance audits with suppliers that were already audited in 2009. Risk suppliers from recently acquired companies were also included, and 17 suppliers from the acquisitions of Indal, Povos and Preethi were also assessed.

The location of most of the assessments were China; Brazil and India as well as Mexico; Indonesia; Philippines; Russia; Belarus; Ukraine and the Dominican Republic. Philips opts for a stratified approach, firstly based on improvements of the supplier's activities in case of violation of the code. A "corrective action plan" is agreed together with the non-compliant supplier, which is then monitored by Philips. In 2012 the company phased out two contracts with suppliers due to (among others) a lack of sustainability improvements.

The results of the assessments are transparently disclosed, both in quantitative measures with complementation of figures, several examples are retrievable in the annual report of 2012. In order to better monitor the rates of supplier's compliance to the code of conduct, Philips established a KPI called "compliance rate", it is worth of notice that this year Philips managed to achieve 75% compliance to the code from its suppliers. Philips educates its suppliers through the use of several initiatives, to provide some examples: regular visits to provide consultancy and training; inviting suppliers to participate to EICC trainings; dedicated training sessions in China and India about the EICC code of conduct; fire safety; electrical and machine safety; chemical management; industry hygiene. In 2012, more than 380 suppliers' representatives participated to these trainings.

Taking into consideration the midstream section of the chain, the Green Manufacturing 2015 program is still continuing in its implementation. This year Philips implemented new IT solutions for the environmental reporting, thus improving its data quality and the accuracy of the reporting process. Moreover, Philips implemented a new process to monitor the use of chemicals. The logistics section of the midstream chain is also being taken care of by Philips. As stated in the annual report, the CO<sub>2</sub> emissions from logistics represents approximately 1/3 of the total emissions, witnessing a decrease of 17% this year as a result from the exclusion of TV business. However, as stated by the company, results can also be attributed to an effective gatekeeping process to move freight from air to sea, as well as focusing on optimizing container utilisation. Additionally, CO<sub>2</sub> emissions related to business travel decreased by 13% in 2012, a stringent in-house travel policy significantly influenced this result, moreover, the fleet of lease cars increased but the total CO<sub>2</sub> emissions decreased. Education towards procurement managers is stated to be part of the core concept of the supplier sustainability involvement program, and training sessions are part of the curriculum of the supplier account managers.

Philips is both a follower and an initiator of different cooperation agreements. First and foremost is the initiator of the IDH Electronics program together with Dell and HP. The program focuses on innovative workforce management practices, sustainability and better business performance. Philips is also a follower of the EICC standards and its code of conduct for suppliers complies with them, the company is also part of the Sustainable Trade Initiative. Considering the downstream section of the chain, Philips recycled materials of their products at about 12000 tonnes, focusing mostly on material streams, plastics, aluminum and refurbished products.

A marketing strategy could not be retrieved at present time, nevertheless Philips keeps promoting the use of more efficient light-bulbs (especially the LED ones) to sensitize the customer base on consuming less energy. Finally, the Eco-vision implementation is still undergoing in 2012, 507 million people were affected by the program, majorly in the healthcare sector.

**Total 49/52**



# TomTom

## Governance 4/6

Tomtom possesses a CSR strategy based on 3 pillars: (I) environmental impact; (II) supply chain management and (III) community giving. The Board of Management of the company is accountable for the implementation of the CSR strategy. Albeit Tomtom states the importance of auditing its suppliers and identify targets and objectives for the coming years, a precise mapping of the stakeholders and the relevant mode of engagement still has to be found in the annual report. This is probably because the CSR strategy is still at early stages of development, therefore for the coming years it will maybe be possible to assess a precise stakeholder map and modes of engagement. As regards of an analysis of the supply chain, great improvement can be assessed from the annual report of this year compared to the assessment of last year. Carbon emissions as in scope 1, 2 and 3 can be accessed in the annual report, which was not possible last year.

## Policy 10/17

Tomtom established its own policy for the suppliers, the Ethical Trade Code of Practice (ETCOP), moreover since 2012, the company was accepted in being part in the Electronics Industry Citizenship Coalition (EICC) to further pursue the company's sustainability goals. The supplier policy contains all the topics deemed relevant for this assessment, and it is applied to the direct suppliers. In the case of the indirect suppliers the company states that it is responsibility of the direct suppliers to assess the indirect suppliers commitment to the ETCOP.

Tomtom monitors the suppliers and their commitment to the ETCOP, in 2012 Tomtom audited the direct suppliers. Moreover, the direct suppliers also supposedly passed CSR assessments conducted by third parties, however, the external agents involved in the audits were not explicitly stated by the company.

The strategy on non-compliant suppliers is explicitly stated by the company: as it is reported on the website, if a supplier does not meet the standards (ETCOP and in the coming years also the guidelines of the EICC) the supplier is then required to undergo another audit in 6 month time, if the supplier then does not score well in the second audit, the company will cancel the contract with the supplier. The guidelines on non-compliance are therefore very clear in spite of the lack a proper non-compliance policy. Finally, Tomtom, at this stage of implementation of the CSR policy seems not to have yet focused on identifying suppliers with high impacts on sustainability.

## Management 9/29

As regards of the management area of this assessment, the supplier supervision is conducted by Tomtom itself, albeit sometimes it also refers to external audits to address that at least the tier 1 (direct) suppliers are operating in a sustainable way. Albeit Tomtom states that audits are conducted yearly to assess the suppliers, no actual information of said audits are disclosed by the company, moreover, the number of audited suppliers are not expressed in numerical terms (either number out of the total, or percentages), therefore it is difficult to assess which is the incidence of the supplier audit. The same conditions apply on the compliance of the suppliers to the code of conduct and non-compliance measures against non-complying suppliers.

Within the midstream area of the assessment, TomTom provides information on how its products have a positive in-



fluence on the environment, especially in reducing emissions of GHG. Besides the solutions for private users, Tomtom also provides business solutions and wants to implement future projects in which investments in electric vehicles and greener driving are the major focal points. From 2012, TomTom is officially a follower of the EICC standards and will progressively implement in the coming years its directives within the ETCOP.

As regards of the downstream section of the chain, Tomtom does not provide clear figures on recycling waste, it must be noted though that the company does follow the WEEE directives on recycling components used for the products sold by the company, as well as their packaging. Besides complying with the WEEE directive, Tomtom recently launched the “green your fleet” website to promote a more sustainable way for companies to use their fleet in a more environmentally-friendly way together with the use of Tomtom products. For this reason the marketing strategy of the company seems to be steering more and more towards sustainability and to educate its customers to impact less on the environment.

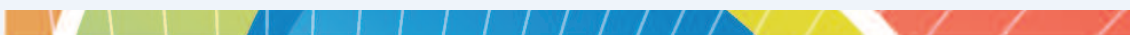
## Total 23/52

### 3.4 Food and Agri sector

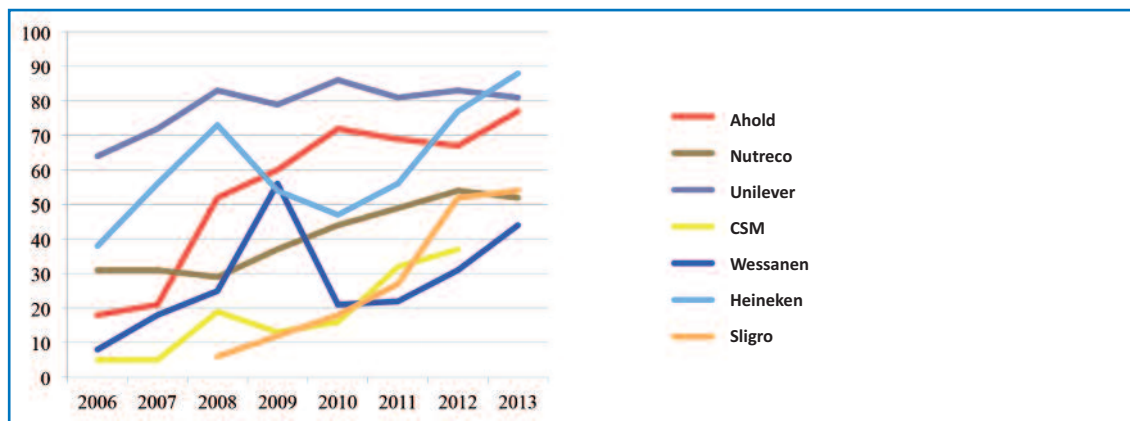
The Food and Agri sector is overall, a sector that spans between the mid-runners (Sligro; Nutreco; CSM and Wessanen) and the front-runners (Heineken; Unilever and Ahold) position in the overall benchmark chart. Of the seven participating companies, all of them score full points in the “Governance and Strategy” section of this assessment besides Ahold and Sligro, which both score 1 point as regards of the “supply chain management strategy” indicator.

By looking at the policy section of this assessment, all the companies score fairly well, each company has a supplier code, albeit in the case of Sligro and Nutreco it is either a non-dedicated supplier code (Sligro) or different vendor policies (Nutreco). All the companies in the sector include indirect suppliers within their policies, and only CSM and Nutreco do not disclose anything on the subject. All the companies include within their supplier codes general sustainability themes, however, an item that is missing throughout the sector is the “environmental management monitoring system”, missing in 4 instances out of 7 (CSM; Nutreco; Sligro; Wessanen). All the companies try to identify high-risk suppliers with the exception of Wessanen, which does not disclose anything on the subject. The management section of this assessment also scores fairly well in this sector, Heineken is the only company in the sector that received 3 points in the “supplier supervision” indicator. All the companies disclose information as regards how the supplier audits are conducted, if internally (Nutreco) or externally (Ahold; Sligro; Unilever and Heineken), the only exception is CSM, which does not disclose anything on the subject. It is worth of notice that all the companies besides Heineken scored 0 points in the “transparency on supervising results” and “transparency on non-compliant suppliers” indicators. The midstream and downstream sections of the assessment score better across all companies, zero points were awarded only in eight cases in the indicators of “logistics”; “educating company purchasers”; “recycling” and “monitoring results” for downstream.

The Food and Agri sector, with its overall fairly good performances, places itself in 3rd position as regards of the sector ranking.



Graph 4: Responsible Supply Chain Benchmark Score 2006-2013 for the Food and Agri sector



## Ahold

### Governance and Strategy 6/6

The Chief Corporate Governance Council Lodewijk Hijmans van den Bergh remains responsible for Responsible Retailing, including the strategy, ambitions and targets. Since the year 2010, Ahold has set global targets such as considering working conditions in, and the impact of own-brand products across the supply chain. During the year 2012, the company made good progress on understanding where and how the own-brand products are produced. However, this process is not yet completed. Thereby, only the own-brand products are covered, which leaves room for improvement of the strategy concerning the supply chain. Key themes with significant impact were selected: tea, coffee, cocoa, palm oil, soy and seafood. Ahold continues to engage with its stakeholders, identified as customers, employees, suppliers, communities and shareholders.

### Policy 15/17

Since the beginning of 2013, Ahold has a new document in place concerning the Standards of Engagement. The policy covers relevant themes such as employment matters, environment and safety issues, cooperation and providing information and access, and subcontracting. The scope of the supplier policy is specific for several key commodities, like soy, palm oil, cacao, coffee, tea for own brands. For each of the suppliers in high risk countries a BSCI audit is required by Ahold. The annual responsible retailing report by Ahold has received assurance from Deloitte. The actual verification of the BSCI code of conduct is always done by third party auditors who are accredited by SAAS.

### Management 19/29

While the initial target was not met during 2012, 48% of the production sites in high-risk countries that supply the European banners, and 22% that supply the U.S. divisions, have been audited against the BSCI or equivalent program at the end of 2012. Information on non-compliant suppliers appears to be absent. While Ahold gives information on par-

ticular divisions where training for buyers and quality managers on the social compliance program, this could be done throughout the entire company. To monitor the results upstream, five KPI's are developed, such as to map the environmental footprint of 50% of own-brand suppliers and their supply chains by 2015. Ahold also pays particular attention to six critical commodities, being tea, coffee, cocoa, palm oil, soy and seafood, and has the ambition to reduce the environmental impact of its operations, such as to reduce the emissions of the transport network.

Ahold has several strategic cooperation agreements for sustainability solutions in the supply chain. Ahold is part of the standards committee of UTZ and the board of the RSPO for instance. While Ahold clearly states its ambitions, in some areas group-wide, quantitative targets are missing. In 2012, Albert Heijn launched its new responsible retailing campaign, known as "Meer Doen". Albert Heijn stores across the Netherlands started communicating about sustainability – including energy-saving and recycling activities – to customers, and about sustainable own brand products 'AH puur en eerlijk'. Ahold's targets of the healthy living program is an increase in the sale of healthy products to at least 25% of total food sales by 2015 across the Group.

From January 2013, the new version of Standards of Engagement, which is applicable to all suppliers, has been put into effect.

## Total score: 40/52

### CSM

#### Governance 6/6

CMS possesses a sustainability based on 6 main initiatives: (I) Carbon footprint reduction; (II) sustainable sourcing; (III) operational excellence; (IV) sustainable products and solutions; (V) sustainability communications and (VI) stakeholder engagement. In the case of a more-specific sustainable chain, CMS shows in a scheme which objectives are connected to the chain at the upstream, midstream and downstream level. The CSR section of the company is mainly accountable to the Head of sustainability and the Sustainability Steering Committee.

Moreover, the board of management of CSM is also committed to the CSR goals of the company. CSM provides, on its website explanations of stakeholder engagement at the investors, employees and partnership levels. Moreover in the "sustainability>our approach" section of the website is possible to assess which themes and topics are relevant for stakeholders' interaction.

A positive character worth noticing on CSM website is that the company provides a series of indicators which are organized according to the three Ps. Therefore under the Planet section of "key figures sustainability" the reader can access a series of indicators that are related to the environmental impact of CSM. Moreover, CSM provides another sub-section on sustainability KPIs over production volume and energy consumption; GHG emissions; air emissions; environmental nuisance and complaints; water and finally useful by products over hazardous and non-hazardous waste.

### Policy 7/17

CSM possesses a code of conduct dedicated only to suppliers. The scope of the code is quite broad and does not seem to be established as a consequence of a supply chain analysis, nevertheless, main human rights, employment and social policy concerns are present in the code. The same cannot be stated about the environmental concerns expressed in the code, still very broad to actually understand in which way a supplier or CSM wants to keep the environmental standards of the chain high. A monitoring method to address suppliers' compliance to the code was not easily retrievable from the sources of information provided by CSM, it is unclear how monitoring is conducted and which actions are undertaken whenever an issue of non-compliance manifests on the supplier's side.

Finally, a brief mention of classifying the suppliers according to their risk in not complying with the code is presented, however it seems that this is a result of a self-assessment that the most critical suppliers have to conduct, the assessment is based on multi-stakeholder assessments such as the ones from Sedex, RSPO, Bonsucro and UTZ certified.

### Management 10/29

As previously introduced in the policy section, it was not possible to retrieve information as regards of suppliers' monitoring. A new, positive addition in suppliers' education for sustainability is the "employee engagement program on sustainability". Said program is a web-based tool to promote and develop a greater personal commitment of CSM employees towards sustainability goals. Albeit it is not really focused on the supply chain, it is still worth of quoting due to the possible positive spill-over effects that the employees interacting with the suppliers might have, as regards of sustainability themes.

Considering the midstream section of the chain, CSM does invest money and resources to make its chain more sustainable, some examples are provided on the website as regards of water savings and carbon footprint reduction.

CSM is a follow of several initiatives which are related either to sustainable development or human development, especially in the countries in which the company is active, several examples are provided for the areas of North America, Thailand, Brazil and are fully retrievable in the annual report of 2012.

Finally, considering the downstream section of the chain, CSM provides clear figures on the impact of recycling for different divisions of the company (Dallas, Dolton, Bakery supplies Europe and Manchester). As regards of marketing strategies, it is unclear in which form responsible marketing is implemented by CSM, nevertheless, in more than one occasion the companies stresses out the need to keep the customer informed, internal workshops to improve the sustainability performance of the company and the presence of dialogue with relevant stakeholders. Therefore CSM is definitely trying to show its customer base, and other businesses that is definitely interested in sustainable ways to deliver products and services.

Downstream KPIs are identified: reduction in packaging weight and recycled/sustainable materials.

## Total 23/52

# Heineken

## Governance and strategy 6/6

Heineken possesses a CSR strategy for its supply chain: “Brewing a better future”. The CSR strategy is based on three main pillars: Improve the environmental impact of the company, empower the people and the communities involved with the company’s activities and the impact of the role of beer in society. The CSR strategy is focused on 4 main areas of interest that will be relevant for the coming years: (I) Water; (II) CO2 emissions; (III) sustainable sourcing and responsible consumption of alcoholic beverages.

The governance structure of the CSR strategy is organized as follows: an executive-level steering committee that meets three times per year and comprises (I) chief corporate relations officer; regional president of Africa and Middle East; Chief supply chain officer; chief commercial officer and chief Human resources.

Heineken engages with its stakeholders in different ways. First and foremost in 2010 a reputation research survey was started, the target groups cover employees; customers; governmental and political actors; media; NGOs and trade associations. In 2012 31 key markets and approximately 4000 stakeholders participated in the surveying procedure. As part of the stakeholder engagement Heineken organized in 2012 several “expert meetings” in the period February/April, involving 22 different stakeholders to set out new commitments for the biennium 2013-2015 and settle up the 2020 sustainability goals.

Finally, Heineken provides a set of indicators that show the impact of the company’s activities and the current progress in achieving its sustainability targets.

## Policy 17/17

Heineken possesses a supplier’s code of conduct. All the parts involved in business with Heineken (both directly and indirectly) are supposed to comply with the supplier’s code. The supplier’s policy contains all the macro-areas included in the scope of this assessment, it must be noted though that the supplier’s code is rather broad in its instructions and as explained by the company in the sustainability report it serves mainly as providing guidelines to the direct and indirect suppliers. The compliance of the suppliers to the code is audited every year by an independent agent through the collaborative platform “Ecovadis”, in 2012, 9 audits were conducted. Non-compliances to the code are managed in a structured way, as displayed in Heineken’s Supplier Code Compliance. According to the degree of non-compliance, improvement approaches (or lack thereof) several consequences might follow for the relationship Heineken-Supplier, which might actually end in the phasing-out of the contract. The company identifies higher-risk suppliers and their possible impact on sustainability/violating the supplier’s code through the Ecovadis platform.

## Management 23/29

Heineken supervises its suppliers through the use of the Ecovadis system, in 2012 all major suppliers and 17000 local suppliers have undergone the Ecovadis assessment, the structure of the assessment, grading, and supplier’s classification is fully disclosed in the Supplier Code Compliance document. Heineken is transparent on the results of the assessment as in compliance matters, 37 minor non-compliances; 41 major non-compliances and zero critical non-compliances were discovered in 2012. The code of conduct was undersigned by 528 global and more than 34000

local suppliers. In the case of infringements of the code, Heineken prefers an improvement approach, if the suppliers does not implement the improvements agreed with Heineken, the contract will then be terminated.

As regards of capacity building for the suppliers, it seems that different initiatives are going to be implemented in the period 2013-2015. Nevertheless, this year a suppliers' workshop was organized in Hallerlau on sustainable sourcing. Moreover, the company joined the AIM-PROGRESS program: a globally responsible sourcing platform whose focus is to bring together industry partners to share best practices and support CSR capability building throughout the supply chains. Finally, it must be considered that Heineken engages its stakeholders and suppliers on sustainability on a "discussion" level, rather than a "teaching" one, for these reasons the outlook for the future as regards of capacity building is definitely positive.

As regards of the midstream section of the chain, R&D investments are mainly focused on water consumption reduction and the energy required for the brewing processes. The logistics of the supply chain also seem to matter to Heineken: the company established several policies that either are aimed to reduce business related travel or make it more sustainable through the use of high standards car leasing/electrical powered taxis.

It is unclear whether company purchasers receive education and training from Heineken, as it is stated in the sustainability report of 2012 "buyers have incorporated CSR performances", which works as a prerequisite to cooperate only with buyers that have clear sustainability criteria embedded in their work ethics.

A very positive note about Heineken is that it is part of several partnership either with big multinationals or international organizations, to provide some examples: sustainable agriculture initiative; UN global compact LEAD on strategic social investment and philanthropy, the World Economic Forum. Moreover, Heineken is also a founding member of the Green Freight Europe and supports the utilisation of bio-fuel together with other big companies such as KLM.

The downstream section of the chain also provides useful insights on the CSR strategy of Heineken. First and foremost at the moment the company focuses mainly on internal recycling, albeit a new packaging policy was implemented in 2012 and results still have to be quantified.

As regards of the marketing strategy, the company mainly focuses on responsible drinking, although it must be noted that the presence of Heineken stands at music festivals and other mundane events with the "Go Green" signs, customer surveys and other means of connecting with the customer base displays a commitment of the company in raising interest in sustainability topics within its customer base.

Finally, indicators to track the downstream section of the chain are mainly focused on responsible drinking, of which some figures are provided by the company.

**Total 46/52**

## Nutreco

### Governance 6/6

Nutreco established a CSR strategy which also takes into account their supply chain, the CSR strategy is based on four main pillars: (I) Ingredients; (II) Operations; (III) Commitment and (IV) Nutritional solutions. Moreover, Nutreco, embeds this yearly strategy in its more long-term plan of the "sustainability vision 2020". The CSR responsibilities are accountable to the Executive Board and fall under the responsibilities of the CEO of Nutreco. The sustainability plans are implemented across the businesses with the support of the corporate sustainability department, led by director R&D, quality affairs and sustainability that report directly to the CEO. In addition to the corporate sustainability department there are sustainability managers in the operating companies. Sustainability is also taken into account by the supervisory board of the company, the innovation and sustainability committee is a subcommittee of the supervisory board. The innovation and sustainability committee meet three times per year, the main discussed subjects are sustainability vision 2020; sustainability actions and overall progress/reporting.

Nutreco values stakeholder engagement in its sustainability strategy. Albeit in 2012 the company postponed some of the aspects related to stakeholder engagement to accommodate the appointment of the new corporate communications director, this year Nutreco organized Aquavision and kept organizing stakeholders' dialogues with association networks, NGOs, governmental organizations and include their feedback in their CSR strategy. The CSR area which is more bound to materialistic issues connected to the activities of Nutreco and of which is possible to assess supply chain analysis is the "operations" one. On this matter Nutreco provides an overview of the CO2 impact of its activities on the environment (with historical series 2009-2012) and feed to food quality and safety.

### Policy 8/17

The umbrella of Nutreco does not possess a supplier policy that applies to the company as a whole, nevertheless a supplier policy of Skettring (a sub-company of Nutreco) is fully disclosed and relates to the CSR objectives. An additional policy which relates to suppliers is also present: Nutrace. The Skettring SEA policy is based on: (I) creating a sustainable base for feed; (II) flexible use of ingredients; (III) enabling farmers and fish to perform best; (IV) secure animal health; (V) developing sustainable nutritional solutions and (VI) having our own house in order (CO2 emissions, as an example). The Nutrace policy instead is focused on feed-to-food quality and safety. The Skettring SEA policy does reflect the sustainability strategy of Nutreco on material issues such as CO2, biodiversity, working standards, soya, palm oil and marine products. It is unclear whether the indirect suppliers are supposed to comply with the SEA policy, nevertheless the report states that the main suppliers are supposed to know whether the resources and operations of their activities come/are implemented in a sustainable manner.

To monitor compliance to the policies, Nutreco utilises the Nutrace standards, of which some data is disclosed in the annual report of 2012. At present time, information on how many suppliers complied with the Skettring SEA policy could not be accessed.

An identified issue by Nutreco is to continue targeting and identifying strategic suppliers to partner with sustainable supply chain projects. However, the lack of full disclosure on the vendor policy does not allow the reader to understand how Nutreco cooperates with the 300 global suppliers that complied with the aforementioned policy.

## Management 13/29

The monitoring of the suppliers is conducted by Nutreco and according to the company 73% of the top 100 suppliers signed the vendor policy, and 70% of the top 300 as well (constituting 80% of the company's spending). However, it is hard to address which is the content of the vendor policy, considering that is not disclosed. The signing/compliance procedure is done in two separate moments, for Nutreco engagement with the supplier is the first step to achieve compliance to the code, KPIs are defined and retrievable in the annual report, to address which is the ratio of compliance to the code.

As regards of capacity building, as part of the engagement process in order to make a supplier sign the vendor policies, education is provided, mainly through round tables or workshops such as the Aquavision one. In the midstream section of the chain, it is possible to state that Nutreco mainly invests in energy reduction, new technology into the ruminant, pig and poultry for commercialization and research in aquaculture. More efficient travelling fleets seem to be part of the overall CSR strategy, but at present time policies or data on the topic could not be retrieved.

Nutreco is part of several multi-stakeholder roundtables such as the roundtable on responsibly soy, aquaculture stewardship council and the roundtable on sustainable palm oil. For the first roundtable the Chief Procurement Officer was appointed chairman in 2012. Besides being part of several roundtables, Nutreco also participated in the "leaders for nature inspirational programme on biodiversity" of 2012.

At present time it was not possible to retrieve much information on the downstream section of the chain, besides the commitment of Nutreco to sensitize its customers through the "Feeding the Future" campaign, which aims to doubling the food production whilst halving the environment impact.

## Total 27/52

## Sligro

### Governance 2/6

Sligro possesses a general CSR strategy which also includes to a lesser extent explicit statements on supply chain management. The pillars of the CSR strategy of Sligro are based on three main pillars: (I) People; (II) Environment and (III) product range. The CSR strategy is accountable to the CSR steering group of Sligro. As it is stated on the annual report of 2012, the steering group makes policy choices and its individual members implement them operationally within their respective areas.

Albeit Sligro holds a general CSR strategy, no mention of stakeholder engagement are stated by the company in its annual report. Although it must be noted that Sligro states that deeply respects its stakeholders and it way to show such respect is to provide clear and transparent information. At present time, the annual report does not provide an in-depth supply chain analysis over the environmental impact of Sligro. Albeit the absence of a supply chain analysis the company still provides information on the targets that needs to be achieved for further reduction of CO<sub>2</sub> emissions.



### Policy 10/17

Sligro holds a code of conduct for suppliers: the BSCI code of conduct, which possesses a development-centred approach. The code of conduct has a broad scope over the sustainability themes, as it was possible to assess in the code of conduct themes such as human rights policy, employment rights and decent work, social policy and environmental concern were all present within the code. The supplier policy applies also to indirect suppliers. As regards of the affiliation with the BSCI code of conduct, Sligro's steering group has set up a working group to address the implementation of the code of conduct within the supplier group. The company uses a "traffic light" model to show and address the targets settled up by the company.

As regards of the monitoring high-risk suppliers, it appears that in 2012, 41% of the suppliers in high risk countries identified by the BSCI are BSCI certified (110 suppliers in total), surpassing by a "wide margin" the BSCI's expectations. However said "margin" is not explicitly stated in the annual report/website, therefore it is hard to find a method of comparison, no further information on the subject is provided.

Sligro does not hold a non-compliance policy, however in cases of non-compliance with the code of conduct an improvement approach is preferred together with the non-compliant supplier. If no agreements can be achieved Sligro will halt the cooperation with the supplier.

### Management 16/29

The supervision of the suppliers is managed by an external agent, the BSCI, as already explained in the policy sector less than 75% high risk suppliers scored (as of 2012) positively in the BSCI audit. Sligro does not publish, at present time, information regarding the rates of non-compliant suppliers, transparency of the actions against them or clear capacity building initiatives. Environmental KPIs on CO<sub>2</sub> emissions and energy consumption are identified by the company. As regards of the midstream section of the chain, Sligro is investing and implementing in projects that are either aimed at energy savings or transport-related environmentally impacting activities, such as reducing the number of travels for the sales area of the company. As it is transparently stated in the report of 2012, it is still too early to assess whether these projects will actually reduce the environmental impact of the company, therefore the midstream section of the chain will be subject of further discussion in the coming years when more data will be provided by the company.

It is unclear whether Sligro's buyers receive education on sustainability directly from the company, although it is stated that Sligro's buyers have to weight different environmental/human development factors in enacting their choices.

Sligro is follower in two main partnerships: (I) the Healthy Range initiative and (II) the BSCI concept (of which it uses its code of conduct). Moreover the company has created the "Eerlijk and Heerlijk" concept.

As regards of the downstream section of the chain, an universal recycling policy is not present, however, it is worth of notice that Sligro began 4 different programmes for food and packaging recycling: (I) cheese; (II) fruit and vegetables; (III) meat and (IV) chilled ready meals. According to the company, Sligro reduced CO<sub>2</sub> emissions by 3700 tonnes in 2012 thanks to recycling. As regards of the marketing strategies of the company, Sligro is the founder of the "Eerlijk and Heerlijk" concept, directly aimed at the consumers to educate and make them more aware about sustainability, organic and local food and fair trade.

**Total score: 28/52**

# Unilever

## Governance and Strategy 6/6

Unilever acknowledges the impact its sourcing has on global resources, climate change, and farmer livelihoods. By promoting sustainability in its supply chain, the company wants to ensure security of supply, reduce costs, and protect scarce resources. Company's main strategy is twofold: selecting and engaging more intensely its 150 strategic suppliers through the Partner to Win programme, as well as engaging smallholder farmers and small-scale distributors through its supply partnerships. Senior executives at Unilever are involved in and accountable for Unilever's sustainability programmes through the Unilever Sustainability Living Plan.

Sourcing 100% of agricultural raw materials sustainably by 2020 is one of three goals Unilever is pursuing in the Plan. There are also seven commitments, underpinned by targets spanning social, environmental and economic performance that will help Unilever achieve these goals. A supply chain perspective is present in most of them.

## Policy 16/17

Unilever has a generic Supplier Code in place, derived from Unilever's Code of Business Principles and founded in local laws and internationally accepted norms. The Supplier Code addresses the key areas of human rights, business ethics, labour standards, quality, consumer safety and the environment, and is aimed at suppliers of non-agricultural materials. There is also a Unilever Sustainable Agriculture Code, an all-encompassing document for suppliers of agricultural materials that will help Unilever achieve the target of 100% sustainably sourced agricultural raw materials by 2020. Both documents include a requirement on Unilever's suppliers to ensure the stipulated principles are also adhered to by their own suppliers.

The Unilever Sustainable Agriculture Code contains the most serious monitoring provisions. Unilever relies on the combination of third-party certification, supplier self-verification and performance reporting to have its agricultural suppliers comply with sustainable sourcing requirements. In 2013, Unilever intends to complement its monitoring system with third-party auditing. Supplier's non-compliance has been discussed by the company, and it seems that an improvement approach is preferred, although the company reserves the right to terminate business as a last resort.

## Management 20/29

There are several tools Unilever has made available to its suppliers in order to educate them on best choices regarding sustainability, one of them being the Cool Farm Tool. Sourcing agricultural raw materials 100% sustainably by 2020 is the main KPI Unilever has articulated for its upstream supply chain. Several KPIs relevant to the downstream supply chain also exist, such as reducing consumer waste. There are many sub-targets, both for upstream and downstream, and the company reports transparently on its performance.

Unilever has not published much on the education of its purchasers, although it is evident a purchasing policy involving a sustainability perspective is in place. The new procedure is for the procurement organisation to invite new suppliers to register with the Unilever Supplier Qualification System, after which their sustainability scores are calculated and suppliers accepted. It is unclear how the procurement organisation selects these (potential) new suppliers.

The company has set ambitious efficiency targets (greenhouse gas emissions, water usage, waste) and is continuously adapting and improving its production patterns in order to achieve these. For example, one of the overarching goals is to halve the environmental footprint of the making of Unilever products by 2020. Innovation is critical to achieving Unilever's sustainable living goals and the company is committing a significant proportion of its research and development budget to finding sustainability-led technologies.

Unilever plays an active role in several industry-wide drives towards sustainability across the supply chain for instance "the Tropical Forest Alliance 2020", whose goal is to eliminate tropical deforestation. Other Unilever initiatives include the promotion of recycling and the company is also working with re-processors to find opportunities to develop closed loop systems. Unilever emphasises the sustainability aspects of its brands and has joined hands with several retailers to combine advice on sustainable living with promotions of sustainable products.

**Total score: 42/52**

## Wessanen

### Governance 6/6

According to the Wessanen website there is no need for a separate CSR policy due to the fact that sustainability is embedded in the core of the company itself. Wessanen reflects on the importance of supply chain management being a company that focuses on organic food, due to the fact that it is needed to safeguard the quality of the ingredients; processes and products. A supply chain analysis is also provided in the sustainability fact sheet of 2012, the impact of the chain is expressed in different KPIs, of which, according to Wessanen, all the displayed indicators in the table achieved their expected targets. Starting 2012, a new committee: the Nutrition; Food safety and Sustainability Committee (NSFC) is responsible to ensure that Wessanen's nutritional policies are relevant to its business, scientifically supported and environmentally sustainable. Stakeholder identification and engagement is present, in this year's report Wessanen provides a table with several types of stakeholders and different means of engagement. A major difference compared to last year's assessment is that the supplier category is included in the table.

### Policy 9/17

Wessanen established a supplier code of conduct which covers general sustainability themes. As stated in the supplier policy, indirect suppliers are supposed to abide to the code, however, the code of conduct standards are to be managed by the direct suppliers. In order to assess the monitoring suppliers' compliance to the code, the new Supplier Quality Approval (SQA) policy is applied. No data is at the moment disclosed, probably due to the fact that the policy was in pilot phase last year, and this year was then implemented. As the SQA states, an improvement approach is preferred, albeit the concept is not further elaborated. It does not seem that at present time Wessanen identifies different categories of suppliers according to their degree of risk in not respecting the standards set by the code of conduct.

## Management 8/29

Wessanen monitors its suppliers through the application of the SQA standards, however, as previously stated, no data is available on the result of the assessment, most probably because the policy was recently implemented. As regards of supplier training and education, a broad statement is made in the SQA section of the Wessanen's website, but it is not further elaborated, therefore it is not possible to address which kind of education is provided to the suppliers on sustainability matters. As regards of the midstream section of the chain, similarly to last year, Wessanen states its commitment in reducing the impacts of the transport.

However, the factsheet does not provide additional information on how the issue is approached, but by reporting the shares of internal and outsourced transport. However, R&D investments are still being implemented for food transport, water use and CO<sub>2</sub> emission reduction of the chain. Since 2012, Wessanen is officially party of the sustainable palm oil roundtable. By looking at the downstream section of the chain, Wessanen does try to include recycling in its activities, and compared to 2011, great improvements have been achieved (+42% recycling of waste), therefore a downstream KPI for waste recycling is established. As regards the marketing section of the chain, in different sections of the sustainability factsheet of 2012 measures that are aimed to make customers more aware of the sustainability concerns of Wessanen are presented.

## Total score 23/52

### 3.5 Industry and Manufacturing

**This sector includes a wide array of companies. The common denominator is that they produce goods, however, the nature of such goods can be divided between industrial goods and consumer goods. The former category applies mostly to Aalberts Industries, Tencate and TKH. Manufacturing roughly comprises Crown van Gelder, Macintosh Retail group and Accell group, which score reasonably well. Lastly, Vopak, is an industrial services company, and therefore quite different in comparison to the other companies included in this sector.**

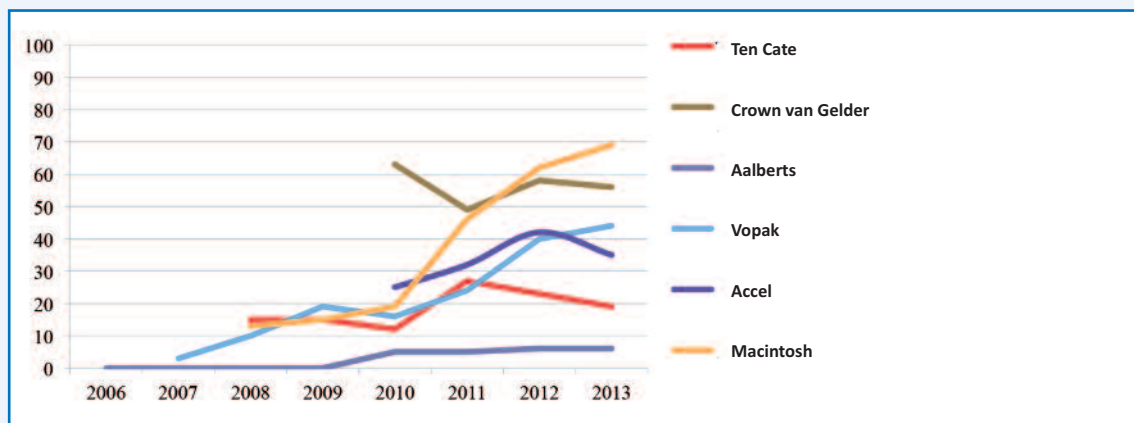
In this year's assessment all the companies presented a sustainability strategy, however, Aalberts; Accell and Tencate are still lacking a strong connection with supply chain within their CSR strategies. The policy sector of this assessment does not score so well, only 3 companies have a dedicated supplier code (Crown van Gelder; Macintosh and Vopak) and only one of them hints at the inclusion of indirect suppliers within the scope of the policy (Accell). The only two companies in the whole sector that publicly disclose information on how the suppliers are identified based on risk are Macintosh and Crown van Gelder.

By looking at the management section of the assessment, only Crown van Gelder and Macintosh conduct supplier supervision together with external parties, and overall, the transparency on the supervising results and actions on non-compliant suppliers could be improved for most of the companies participating in the benchmark, since only Vopak scored full points on the "transparency on supervising results indicator". The midstream section of the assessment scores fairly better, with all the companies presenting plans related to R&D and improving the logistics of the chain, with the only exception of Aalberts Industries. None of the companies participating in this sector are initiators of multi-stakeholder initiatives, but just followers. Recycling seems to be part of the strategies of most of

the companies except Vopak; TKH and Aalberts. Marketing strategies are also present for the same companies with Macintosh scoring full points.

The Industry and manufacturing sector ranks 9th in the sector ranking.

**Graph 5: Responsible Supply Chain Benchmark Score 2006-2013 for the Industry and Manufacturing sector**



## Aalberts Industries

### Governance 2/6

As regards of the presence of a CSR policy, the Aalberts Industries website reports the presence of a general CSR policy based on four main pillars: people; planet; market and society. The pillars of the sustainability policy are not further explained, besides an organizational scheme in which the pillars are placed for strategic purposes. According to the website of the company, the management board is accountable for the performance of the CSR policy, thus providing guidance and setting targets and indicators for a correct implementation of the policy. No stakeholder identification or engagement could be retrieved either from the website or the annual report, same condition applied for the supply chain analysis of the company.

### Policy 0/17

Aalberts Industries uses a general code of conduct to interact with its employees and suppliers. No score could be given due to the fact that clear sustainability issues were not stated within the content of the code. Moreover, it must be considered that due to the fact that the code applies to both employees and suppliers, no clear definitions or preferences can be distinguished for the two groups of individuals that are supposed to comply with the code. Moreover, the scope could also not be identified due to the reasons described above, according to the company the suppliers are chosen with “preference criteria”, which are not thoroughly explained. It is suggested that Aalberts Industries adopts a separate supplier code so that the transparency and focus on sustainability with the value chain will be more visible to the public.

**Management 2/29**

Due to the lack of a specific supplier code, it is also impossible to discover any additional information on how the supervision of the suppliers is managed by Aalberts Industries. Overall, the management section of the assessment was not possible due to lack of clear, transparent data. The only two indicators in which the company scored points are respectively “product life cycle R&D” and “recycling”. In both cases it appears that the company is interested in reducing energy costs and material consumption (together with recycling), and it is allegedly investing in those sectors. However no quantitative data is provided to back up this information.

**Total score 4/52**

## Accell Group

**Governance and Strategy 3/6**

The Accell Corporate Sustainability Initiative (ASCI) was set up last year by appointing management level contact persons at all Accell Group affiliated companies to take responsibility for CSR issues and initiatives. The company remains in contact with its stakeholders concerning CSR as well. Thereby, Accell Group states to work together with the World Federation of the Sporting Goods Industry (WFSGI) to define and develop chain responsibility in the international bicycle sector. The goal for the year 2013 is to develop the framework and the instruments for the joint definition of the chain responsibility in the WFSGI. However, no information was found on last year’s promise to improve labour conditions and the environmental aspects of the supply chain together with the WFSGI. Also, company wide key performance indicators relating to sustainability in the supply chain remain absent.

**Policy 9/17**

Accell Group has a Code of Conduct for Suppliers, both direct and indirect, in place that refers to the general topics in the supply chain, but a social policy is missing, for example how the company is dealing with the prevention of bribery and corruption. Information on a corresponding management system is still absent. It is thereby not clear which international standards the code adheres concerning particular topics such as the environment. Accell Group could include information on how many suppliers have signed the Code of Conduct, how many audits are done and in what way, and how the company deals with ‘corrective actions’ in case a supplier violates the code. The credibility of the code increases when practical examples are given.

**Management 6/29**

Considering the upstream supply chain, as mentioned in the preceding section, no information is given on how Accell Group audits its suppliers on sustainability issues. The company states that the concepts for a common audit method and audit questionnaire were drawn up over the year 2012. The standard audits are being conducted in 2013 and the

audits methods will be finalised on the basis of the outcome of the pilots. As this process is still on going, the company misses a lot of points in this section. In addition, the company could identify sustainability areas that need increased attention in its supply chain.

While Accell Group indicates that it wants to reduce the environmental impact of the waste and packaging materials per 2-4 per cent annually; these measurements do not cover the whole supply chain. The ambition to reduce the energy consumption and CO<sub>2</sub> emissions in both its production facilities and its logistics system does not cover quantitative indicators for the entire supply chain as well.

Referring to the downstream supply chain, the quantitative data given concerning waste of Accell Group is not divided in recyclable and non-recyclable waste. It is also the first time that these numbers are given; therefore no comparison could be made between last year and previous years. As very little central data collection is available within Accell Group at this time, only 70% of all activities are covered. The company states this will be broadened to 100% in 2013.

**Total score: 18/52**

## Crown Van Gelder

### Governance and Strategy 5/6

The company is clearly aware of the importance of supply chain management as evidenced by a materiality matrix in which the issue has been identified as being of utmost importance to the company's stakeholders and as very important to the company itself. However, no evidence has been found of a member of the Executive Board or a high level commission bearing responsibility for sustainability. Stakeholder groups have been identified, engagement methods appropriated, sustainability themes important to particular stakeholder groups determined, and an action scheme for 2013 formulated. The company has clearly selected sustainable pulp, in the sense of sustainably managed forests, as the main sustainability theme its supply chain has an impact on.

### Policy 12/17

A supplier code is missing, but there is a "Sustainable Purchasing Policy" that includes some sustainability related prescriptions for the suppliers. It is, however, unimpressive in scope and specifications. The prescriptions include environmental, social, and human rights themes. It is evident the company has some (external) management systems in place when it comes to sustainable pulp. This is the critical issue for the company, as other resources are not sourced from high-risk suppliers. Crown Van Gelder CVG periodically assesses its suppliers' compliance with its sustainability criteria and in case of shortcomings, actively and collaboratively seeks to correct these. It is not clear how non-compliance is dealt with, but the company does state that it only intends to do business with suppliers that respect its purchasing criteria.

### Management 12/29

Crown Van Gelder states that it regularly sets sustainability targets for and with its most important suppliers, whose progress is then considered during periodical assessments. The company relies on external verification for the supervision of its critical suppliers (sustainable forestry).

All Crown Van Gelder products can be recycled and the company's use of energy is among the lowest in the sector. Energy efficiency remains an important goal. For example, the company plays an active role in the Energy Transition Project, an industry-wide initiative to cut energy consumption in 2005 in the supply chain by half by 2020. The company will also develop and promote Crown Digital as a more sustainable way of printing.

The company let us know that the supply of pulp by road transport has been reduced in the past years by using the internal waterways instead.

On the issue of recycling, there is a contradiction. The company states that it is a hard requirement for the development and production of (new classes of) paper to be fully recyclable, but that it does not re-use old paper because of quality requirements.

**Total score: 29/59**

## Macintosh Retail

### Governance 6/6

Macintosh Retail Group (MRG) established a CSR policy which is based on three main pillars: (I) transparency in the chain; (II) promoting good working conditions among the suppliers and (III) finding alternatives to the use of hazardous substances. It is worth of notice that the MRG updated its CSR policy this year and this is also likely that next year will also be updated, as these three spearheads are also the main objectives for 2013. The responsibilities structure in implementing the CSR policy is as follows: the Corporate Responsibility & Innovation Manager (CR&I) reports to the group product director, who implements the current CSR policy. The CR&I manager also has a formal link with the managing board with which the policy themes of the CSR policy are regularly discussed.

As regards of the presence of a supply chain analysis, MRG provides an identification of the necessary steps to render the chain more sustainable, and also to classify its suppliers, several criteria are included for the analysis: (I) origin of materials; (II) environmental impact of the tanneries; (III) environmental impact of syntethic materials (IV) use of hazardous substances; (V) recyclability of the products and (VI) the extent to which a factory complies with health and safety standards and provides reasonable working conditions.

### Policy 14/17

The MRG possesses its own code of conduct that applies to suppliers, moreover, since 2009 the company is also part of the Business Social Compliance Initiative (BSCI), of which the direct suppliers have to comply with whilst doing business with the MRG. The scope of the code covers all suppliers involved with business with the MRG, moreover, a



list of suppliers that work in developing countries (and therefore are more at risk in not respecting laws on decent work, for instance) are identified and obliged to comply with the BSCI standards. It is however unclear how the indirect suppliers are included within the scope of the policy. A monitoring method to address whether the supplier are complying with the BSCI standards is present, and the set of criteria are fully disclosed in the annual report. In cases of non-compliance to the code, the company states that although it will try to get more information as regards of the sustainability standards of its suppliers, in case of continuous non-compliance to the BSCI code, the contract will be terminated. It is then safe to state that an improvement/dialogue approach is at first stages preferred, which will then evolve in a zero-tolerance behaviour from MGR if the supplier is still not compliant to the BSCI standards.

Finally, the MRG is establishing a system to identify high-risk suppliers within its supplier workforce. First and foremost the group works actively with the suppliers to eliminate harmful substances from the production. Secondly, throughout this process, a database is being created to monitor the harmful substances and will be fully implemented and utilised in 2013. Besides identifying harmful substances use, according to the Group, 52% of the purchase volume in high-risk countries complies with the BSCI standards.

### Management 16/29

Considering the upstream section of the chain, the audits on the BSCI code of conduct are conducted by independent examiners every three years plus self-assessments from the suppliers every year. According to the MRG, 52% purchasing value from the suppliers located in high risk countries complied to the BSCI standards.

In 2012, 52% of the suppliers assessed in high risk countries complied with the BSCI standards (SR 2012, p.16). The company is also very transparent as regards of non-compliances from its suppliers, as reported by the MRG, the Greenpeace “Dirty Laundry” report provided the company new discussion points with a number of leading brand suppliers, and started dialoguing with them to address in which way said suppliers do to prevent abuses on the location sites. The group provides education to the suppliers mainly through the establishment of workshop and courses, both for the brand managers (buyers) and suppliers.

Considering the midstream section of the chain, the Group is investing on more sustainable alternatives on leather tanning. As regards of the logistics of the chain, shipping is preferred rather than transport on wheels as is it less environmentally impacting, but quantitative measures are missing. As previously introduced, the buyers of the company receive education through workshops organized by the MRG, moreover, the buyers are only allowed to purchase from suppliers selected from a list called the “Group Product house”. The MRG is a follower in the “Forest Trust” and is also following the developments of the Leather Working Group.

Finally, by looking at the downstream section of the chain, it is possible to assess that the MRG is involved with the recycling of its own products (shoes). In 2012 the Group managed to recycle 2,4 million shoes, the “recycling” mainly consists in sending the products over to developing countries, therefore within the spectrum of the “recycling strategy” there is not only the environment, but also people. The marketing strategy of the company seems to be steering more and more towards sustainability, besides promoting the recycling of the shoes, using light-efficient bulbs in the MRG shops, the company is also developing an app that will allow the customers to scan a q-code and display all the information related to the shoe, which will also include information about the sustainability of MRG products.

**Total score: 36/52**



# TenCate

## Governance 2/6

TenCate possesses a sustainability policy which is based on four main pillars: (I) energy; (II) CO<sub>2</sub> emissions reduction; (III) water and sewage and (IV) waste materials. The sustainability policy, albeit related to relevant sustainability themes, seems not to reflect on the importance of the chain as a whole. First and foremost a supply chain analysis is not provided by the company, moreover the importance of the suppliers within the chain is not explicitly stated. This issue is probably given by the fact that the sustainability policy of the company does not include a clear and universal policy for suppliers, as it will be possible to address in the next sub-section of this assessment.

TenCate identifies a set of stakeholders which are deemed important for the company, either for business or sustainability-related topics. Albeit the main stakeholders are identified, no explanations on the type of engagement is provided, neither the relevant topics that are of interest to a defined set of stakeholders.

The responsibility on the implementation of the CSR policy of TenCate is ultimately accountable to the Executive Director, however, said responsibility is not explicitly stated in the annual report of 2012, but is present on the sustainability section of the company's website.

## Policy 0/17

As of 2012, TenCate does not have a universal supplier policy. In the annual report is possible to assess that "relevant suppliers in the value chain" have to undersign a code of conduct which aims to combat child labour; infringements of human rights; corruption and promote legal compliance with laws and regulations. The issue at hand is that throughout the annual report it appears that this code of conduct only applies to the protective fabric product of TenCate.

Due to the aforementioned reason, the assessment of the "policy" aspect of TenCate was rather challenging, without a clear policy for suppliers all the indicators connected to the policy segment of this assessment are consequently absent or characterized by a lack of publicly disclosed information.

It would be recommended to pursue the path of a universal policy for suppliers, which can then be more specific for certain sectors/products of TenCate.

## Management 7/29

As regards of the upstream section of the chain, no relevant information could be retrieved from the annual report or the website. As introduced before, this is due to the fact that a missing universal policy for supplier also has a negative effect on the connected topics related to suppliers' monitoring/compliance/non-compliance policies and so on.

However, the same conditions did not apply in the midstream section of the chain. TenCate does invest in R&D for sustainability, according to the annual report "innovation is business as usual", in 2012, 23,2 million euros were invested in R&D.

The logistics side of the company also pursues a sustainability route, a mobility policy is established with clear guidelines on home-to-work travel; business travel and transportation for products/parts in order to reduce the environmental impact of the company in CO<sub>2</sub> emissions. Other examples of sustainable logistics within the company come from the switch to 100% green electricity in all market groups in Nijverdal or the digital inkjet technology. TenCate is certified

with the ISO 14001 and a partner of the MVO-NL organisation, therefore it can be considered as a company that is a follower in sustainability initiatives.

Finally, as regards of the downstream section of the chain, TenCate has established downstream KPIs to track waste management and recycling, albeit targets are not set. As regards of the marketing strategy, it appears on the website that the first focus of the sustainability strategy is “focus on the customer”. However, no further explanation or examples on marketing strategies are provided. Overall, TenCate seems to be a very environmental-conscious company that is trying to pursue a route that will allow the creation of greener products. However it would be appreciated if more information on these strategies would be disclosed to allow stakeholders, customers and the general public interested in private organizations’ CSR to better understand the work of TenCate in the broader discussion of Sustainability.

**Total score: 9/52**

## TKH Group (TKH)

### Governance 4/6

The TKH group established a CSR policy based on the three Ps of sustainability plus an additional P: positioning. The policy focuses on different indicators according to the P taken into account, a reflection on the supply chain is provided: *“supply chain responsibility still receives insufficient attention within TKH, although we certainly acknowledge its benefits. In the period ahead we will study how we can give effect to the concept of supply chain responsibility”*. The responsibility on policy implementation is in the hands of the executive board. A supply chain analysis is not provided, it must be noted though that a series of KPI have been set up by TKH and an extensive analysis is likely to come in the next year’s report, due to the fact that in 2012 the company will assess said indicators.

Finally, at present time no trace of stakeholder identification or engagement could be retrieved from the company’s website or annual report.

### Policy 5/17

The company states the presence of a “so-called code of supply” which includes a set of sustainability criteria for its procurement processes and is derived from the general code of conduct of TKH. However, albeit the presence of the “supplier code” is stated, it cannot be retrieved from the website of the company. For these reasons, within the purpose of this assessment is not possible to assess the scope of the supplier policy or the inclusion of the indirect suppliers. As regards of the content of the code of conduct, human rights policy and environmental policy can be accessed in the code of conduct. Other relevant topics regarding sustainability within the code of conduct could either not be found or were just mentioned (for instance, employment rights and decent work). Moreover, as it appears in the annual report of 2012, TKH was more rigorous in the human rights department, but it does not appear on the retrievable code of conduct available on the website, which is still dated 2010.



As regards of monitoring compliance for the code, in the code of conduct it is reported that the task is delegated to the boards of management of the operating companies. However, no information on the degree of compliance of the supplier or measures against non-compliance with the code were disclosed by TKH.

### Management 7/29

Due to the lack of information on the suppliers' code and relevant methods of monitoring, besides the role assigned to the boards of management of the operating companies, the assessment of TKH as regards of the upstream section of the chain did not provide many results. Other information that was not possible to retrieve from the website or the annual report is related to capacity building on the supplier side or company purchasers (midstream). Nevertheless, TKH scores positively in the R&D department with continuous investments in waste reduction and, since 2012, also in water consumption. The company still follows the route of optimizing its vehicle fleet and in making it greener, since 2012 the average emission of new lease cars cannot exceed 135g/km. As regards of the downstream section of the chain, a recycling policy is being prepared by TKH, and will probably be implemented in the coming years. This is because the company is heavily investing in waste reduction programs and as it is explicitly stated in the annual report, TKH also wants to undertake the recycling route for the waste it produces.

Finally, the marketing aspect of the company regarding sustainability greatly improved: besides the already present "sustainable consumer and product portfolio", the adoption of the CO<sub>2</sub> performance ladder was implemented to "demonstrate to our customers that we are in a serious commitment to reducing CO<sub>2</sub> emissions". Last but not least important, a specially themed meeting of the executive board and the senior management was called "customer intimacy" of which focus was on how to better communicate the innovations of TKH to its customer base.

Overall, albeit the "low" scores in 2 of the sections of this assessment, TKH reported its information transparently and for the first year, according to the GRI guidelines. As it was also explicitly stated in the report in more than one occasion, the CSR policy is being improved every year and the main objective of KTH is to provide quantitative data to its readers. Therefore, if this route will be followed, it can be expected that in the next assessments TKH can further improve their total score.

**Total score: 16/52**

## Vopak

### Governance 4/6

Vopak established a CSR strategy based on three main pillars: (I) growth leadership; (II) operational excellence and (III) customer leadership. The company reflects on the importance of the supply chain, as it is stated in the sustainability report of 2012 "*Vopak recognizes its responsibility for the social, environmental and economic activities across the*

*entire supply chain*". The executive board, among other tasks is responsible for the implementation of the CSR policy, more specifically, the Chief Operating Officer (COO) is the role assigned to address the implementation of the policy.

Besides the role of the COO, the supervisory board is also supposed to review and address the implementation of the CSR policy. Vopak identifies different sets of stakeholders, and engages them daily, monthly or annually depending on the role and the interactions of the stakeholders with Vopak. The company does not still provide a supply chain analysis that can be of help in better understanding how the CSR policy can be shaped by looking at the environmental, social and economic performance of the chain. Nevertheless Vopak provided in this year's sustainability report a detailed description of CO<sub>2</sub> emissions, separated by direct and indirect sources.

### Policy 9/17

Vopak did not establish a specific supplier code, however, as it is stated in the sustainability report of 2012 the suppliers are *"also required to commit to our standards and values"*. Therefore, the general code of conduct, business principles and sustainability strategy also applies to the suppliers of Vopak. The scope of the code of conduct is of general nature, and albeit it includes sustainability elements, it is not the consequence on a reflection of the supply chain analysis.

It is impossible to state, with the information provided, if indirect suppliers are included within the scope of the code of conduct. The content of the code includes all the main sustainability concerns to which the suppliers have to look and comply to, the only element that is missing is an environmental monitoring and management system. As it is stated in the code *"Vopak has established procedures and compliance programs to aim for a positive impact on the environment. Such procedures and program are periodically being reviewed and appraised"*. However, said procedures do not seem to apply to the suppliers.

The company is transparent in the way it behaves with non-compliant suppliers; in cases of no compliance a corrective approach is preferred, and if the correction measures are not respected the contract with the supplier will be terminated. As stated in the sustainability report, this year no corrective measures were needed.

It does not seem that Vopak analyses the suppliers in such a way that it will be easier for the company to identify high-risk suppliers, the sustainability report states that *"we aim to choose suppliers whose commitment to sustainability matches our own"*, however, no criteria are provided to understand in which ways the suppliers are chosen, and if critical suppliers are identified.

### Management 10/27

Vopak monitors its suppliers and their compliance to the code, however no further specifics are given, for instance on how often the audits are conducted. As previously stated, no corrective measures towards non-compliant suppliers were needed this year. In this year's sustainability report no information on the rate of compliant suppliers over the total could be retrieved, same condition applied to the overall monitoring of the results, due to lack of quantitative and qualitative data.

It does not appear that Vopak provides education and training towards its suppliers as regards of sustainability.

As regards of the midstream section of the chain, similarly to last year's assessment, Vopak conducts research on the following subjects: (I) labour extensive operations; (II) emissions and waste-free operations; (III) high service levels;



(IV) intelligent automation and minimal use of space. Vopak is also working on the logistics side of the chain, however no qualitative or quantitative data is provided in the sustainability report. Albeit the lack of data, the objectives in the logistics sector are well-defined: (I) oil and gas products; (II) chemicals; (III) biofuels and vegetable oils.

The company possesses a distinct purchase code, which also includes an article on safety and the environment. The article of the purchasing code explains in details to which standards the purchaser must comply with, either referring to International Organization directives, the code of conduct, business code and the CSR policy.

Similarly to last year's assessment, Vopak provides information on being a follower in the cooperation with Anthony Veder, Air Liquide and Gasunie to reduce carbon emissions. By own admissions of Vopak, no downstream indicators are established, moreover no strategy can be related to include and make the customers more sensitive on sustainability issues and topics.

## Total score: 23/52

### 3.6 Media

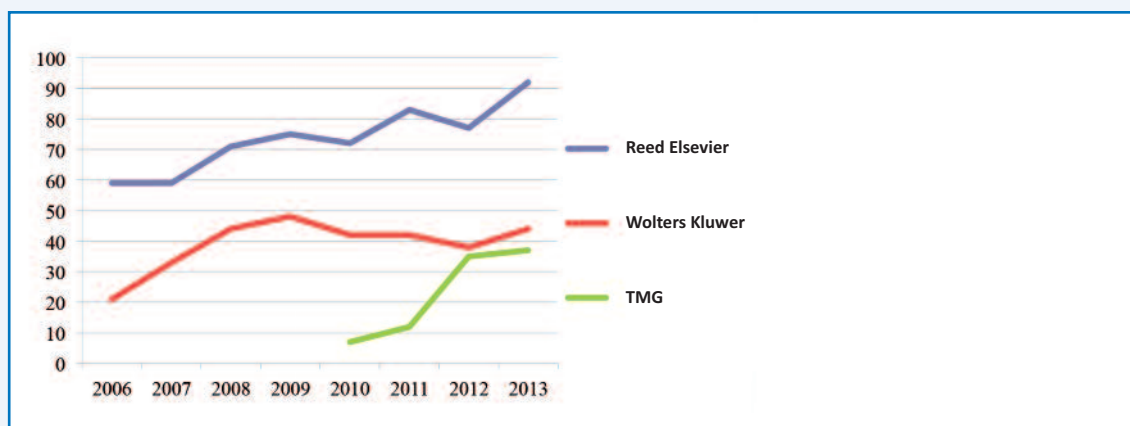
The media sector is composed by three companies, and may be regarded as having a relatively small impact due to the fact that is less resource intensive compared to other sectors like construction, industry or chemicals. The companies taking part in the analysis are the same as last year: Reed Elsevier; TMG and Wolters Kluwer. Similarly to last year Reed Elsevier is way ahead of the other two companies as regards of this assessment, considering that the company achieved 2nd position in the general ranking this year.

By looking at the three section of the assessment, the Media sector scores very well in the “governance and strategy area”, all three companies scored full points besides 1 point assigned to Wolters Kluwer for their supply chain analysis. The policy section of the assessment scores fairly well, but differences start to arise between the front-runner and the other two companies. Reed Elsevier not only having a dedicated supplier code of conduct, but an entire program to address its supply chain. The TMG and Wolters Kluwer have a general code of conduct which also applies to suppliers, only Reed Elsevier explicitly includes the indirect suppliers within the scope of the code. Reed Elsevier is the only company to include an environmental management monitoring system in its supplier code, and a stratified non-compliance policy. The TMG is the only company that does not disclose anything on identifying high-risk suppliers.

The management section provides the most striking differences between the three companies, in this case Reed Elsevier scores full points in almost all indicators throughout the chain, whereas the TMG and Wolters Kluwer mostly score zero points, especially in the upstream section of the chain. The midstream section scores fairly well for Wolters Kluwer (no zero points assigned, and 2 in R&D), full points for Reed Elsevier in all indicators and mostly zero points for the TMG besides the logistics indicator. Finally, the downstream section of the chain seems to have more even score across the three companies, with all the three companies involved in responsible marketing, recycling (Reed Elsevier and TMG) and providing downstream KPIs (Reed Elsevier and Wolters Kluwer).

The Media sector ranks 4th in the sector ranking.

Graph 6: Responsible Supply Chain Benchmark Score 2006-2013 for the Media sector



## Reed Elsevier

### Governance 6/6

Reed Elsevier holds a CSR strategy which is based on several objectives: unique contributions; governance; people; customers; community; supply chain management; environment. All the objectives are defined with clear targets complemented with the provision of quantitative data. Besides the general CSR strategy, Reed Elsevier established a separate programme for the supply chain, explicitly stating its importance within the CSR objectives of the company. As it is possible to retrieve in the CSR report of 2012 *“given the importance to us of an ethical supply chain we have developed a Socially Responsible Supplier (SRS) programme”*. The Reed Elsevier Board, senior management and the CR forum oversee the CSR objectives and monitors performance towards them. More specifically, the CEO has responsibility to the board for CR, the CR director engages with the senior management team and also provides formal updates to the Board.

Reed Elsevier makes many statements on stakeholder engagement throughout its report in a different range of sustainable development related topics. Finally, Elsevier provides quantitative data on several topics that are related to the supply chain, and it identifies the main indicators that have to be overlooked for the coming years to provide further improvements. The main areas are: climate change (CO<sub>2</sub> emissions divided by scope 1-2-3); energy; water and waste.

### Policy 16/17

Elsevier possesses a separate code of conduct especially tailored for the suppliers, moreover, as introduced in the governance section of this assessment, the management of the suppliers is within the scope of the SRS program. Within the supplier code of conduct, general sustainability and human development themes are included, moreover, environmental management monitoring system criteria to address the sustainability of the suppliers are also included.

Similarly to last year’s assessment, Reed Elsevier holds suppliers (including those in content acquisition, editorial production operations, print and bind, paper, multimedia/e-publishing, technology, facilities, services, distribution, travel, meetings and exhibitions, and marketing) to the same standard of conduct it sets for itself: adhere to all

laws, and embody and promote best practice in business operations, treatment of employees and respect for the environment, as indicated in the ten principles of the United Nations Global Compact to which Reed Elsevier is a signatory. Moreover, the supplier code of conduct states that the suppliers are supposed to comply with all applicable environmental regulations and must also abide by the three principles on the environment that are set out in the United Nations global compact.

Albeit the supplier code of conduct explicitly states (in the subcontractors article) that subcontracting is not allowed without Reed Elsevier permissions, all rules and compliance to the supplier code of conduct and Reed Elsevier's standards must be followed also by indirect suppliers/subcontractors.

In order to address the compliance of the supplier, although a specific code is not present, Reed Elsevier scores full points due to the fact that the SRS programme is also about monitoring the compliance of the suppliers. As it is possible to assess at page in the CSR 2012, quantitative data and a graph of supplier's non-compliance issues are transparently provided to the reader. Moreover, in 2012 the SRS tracking system included 477 key suppliers, of which 204 were deemed to be high risk. The adopted strategy on non-compliant suppliers is stratified and ultimately can result in the termination of the contract between Reed Elsevier and the supplier. The whole process is fully disclosed on the SRS website of Elsevier to ensure the transparency of the monitoring method.

Finally, Reed Elsevier identifies suppliers that can be considered high risk, especially in areas in which human rights, labour, environmental or other kinds of abuses have been reported or known to occur. In order to address high risk suppliers Reed Elsevier also utilises other tools such as GlobalCAST; human trafficking information from the US state department and results from the Environmental Performance Index of Columbia and Yale University.

## Management 26/29

Reed Elsevier conducts supplier audits every year, whenever suppliers repeatedly violate the compliance to the code, Intertek (an external auditor) also assesses the suppliers. In 2012 52 independent external audits to high risk suppliers were conducted, of which 65% were identified as core suppliers. According to Reed Elsevier there was a 7% improvement in the number of non-compliance findings per audit in 2012.

The results suppliers' monitoring are transparent, as introduced in the policy section, on the SRS website information is disclosed on the type of non-compliances encountered in the past year, moreover, the CSR report provides some examples on how the non-compliant suppliers improved after negotiating with Reed Elsevier. The examples are mainly based on harmful working conditions. As regards of training and education towards the supplier, similarly to last year, Reed Elsevier conducted the Supplier Academy, worth of notice that compared to 2011 there is an increase in subscriptions of 47%, implying that the tool is gaining more credibility and is seen as an added value within the supplier group.

To monitor results in the upstream section of the chain, KPIs are introduced by Reed Elsevier: (I) code of conduct signatories and (II) external audits on high risk suppliers. In both cases the KPIs were achieved this year: (I) 75% of the suppliers signed the code and 56 external audits were conducted on high risk suppliers. By looking at the midstream section of the chain, Reed Elsevier puts effort in R&D to lower the environmental impact of the chain. In this year's assessment it was possible to retrieve quantitative data on the reduction of CO<sub>2</sub> emissions (divided by scope), total energy use, office energy, water, waste diverted from landfill and paper production. All of these topics are backed up



by quantitative data, and showing targets and achievements. Worth of notice is that besides the business travel indicator in scope 3 (which has not changed compared to last year), all the other indicators scored a reduction that span from -7% to -13%. As regards of the logistics of the chain, it is worth noticing that due to the fact that Reed Elsevier is providing more and more products through digital means, the consumption of production paper has decreased by 33% since 2008. For this reason, it can be considered that Reed Elsevier is shortening the distance between the supply chain and the customer market.

Continuing with the midstream of the chain, the information provided on purchaser's education is similar to last year. The procurement team receives regular training within the Publisher's Database for Environmental Paper Sourcing (PREPS) of which Elsevier is a founding member. Besides being the founder of the PREPS, Reed Elsevier is a participant in several other sustainability-related initiatives, to provide a few examples: London benchmarking group; business in the community; Corporate Responsibility group; Publishers Association Environmental Action Group; Publishing Industry Product Safety Forum and the US Green Building Council.

Finally, looking at the downstream section of the chain, Reed Elsevier established downstream KPIs for recycling and social returns (especially in developing countries) by backing up with quantitative data. By looking at the CSR report of 2012, the total waste generated in 2012 was reduced by 8%, of which 64% was recycled. As regards of packaging no quantitative data was retrievable. Moreover, the criteria established with the PREPS initiatives are complied with by Reed Elsevier itself, which tries to buy only paper that scores between 3 and 5 on the PREPS scale, in order to use environmental efficient paper.

The marketing strategy of Elsevier is also steering more towards to sustainability, similarly to last year the use of the corporate responsibility tool in the Intranet for the sales team, to engage clients on CR issues was furtherly promoted. Moreover, it is worth of notice that Reed Elsevier won an award for social media excellence at the World Travel Market from the Association of Event Organizers for "its efforts to improve marketing, sales and customer service for an audience of more than 25000".

**Total score: 48/52**



## Telegraaf Media Group (TMG)

### Governance and Strategy 6/6

In its annual report 2012 TMG states to strive to reduce the impact within the chain where possible and to include sustainability performance as a structural criterion in the selection of suppliers. The analysis of the supply chain includes the company's own CO<sub>2</sub> emissions and route optimisation, and it has addressed other themes like the supply chain of paper (100% PEFC certification in 2013) and sustainable purchasing.

As TMG decided not to report along GRI standards in 2012, the overview as given in 2011 is missing. A first stakeholder dialogue is announced for 2013. It is expected that TMG will report next year on its activities carried out concerning stakeholders.

### Policy 7/17

Within its Supplier's Code of Conduct, TMG states that it expects that every enterprise it conducts business with, strives for sustainability. It is, however, not clear if the code covers indirect suppliers as well. The code thereby covers general sustainability issues, such as working conditions, the use of justified raw commodities, and ethical behaviour when conducting business. The code is now included as part of newly to be concluded contracts as a standard feature. For existing contracts, the suppliers are asked to return a signed copy. There appears to be no non-compliance policy, and no high-risk suppliers are identified.

### Management 6/29

TMG does not mention inspection of suppliers, if and how often these are carried out, and whether an external verification party is involved. It is also not clear if there are suppliers that are already excluded from conducting business with TMG. Up until now fifty per cent of the most important suppliers of TMG have signed the code of conduct for suppliers. TMG states that: *"In the next phase, failure to sign the Supplier Code means that TMG will start looking for alternative suppliers."*

Considering logistics, TMG pays close attention. The company states to use its role in the distribution process as much as possible, in order to limit the number of kilometres driven. This is accomplished in two ways: by route optimization and combining transport. This has resulted in a reduction of the kilometres driven. Thereby, employees of TMG are stimulated to drive eco-friendlier cars. This has resulted in a decrease of emissions of five per cent. Green marketing can be found in the 'Green Telegraaf', two pages about sustainability items, every week on Saturday in the largest newspaper of the Netherlands.

**Total score: 19/52**

# Wolters Kluwer

## Governance and Strategy 5/6

Wolters Kluwer is clearly aware of the importance of supply chain management in achieving a more sustainable business when it states that sustainability challenges faced by the company's business partners are part of collective responsibility. A strategy is in place that involves most parts of the supply chain and which has been sponsored by the CEO, although it seems like she is not directly responsible for it. Supply chain management has been primarily referred to in the context of resource management. Although it does appear to be a thought-out choice, it is not evident the company has conducted a supply chain analysis. Different stakeholders have been identified and the company presents engagement forms per stakeholder group.

## Policy 8/17

No integrative or separate supplier code has been found, although the company refers to standards of engagement. There is a Human Rights Policy, which contains supplier provisions, as well as an Environmental Policy, which also affects Wolters Kluwer's suppliers to some extent. There is no trace of a management system to manage the requirements put on suppliers. The company states it is setting up a supplier framework for so-called High Risk Countries. It is unclear whether or not Wolters Kluwer monitors its suppliers and what its policy is in case of supplier non-compliance.

## Management 10/29

There is sporadic evidence supplier supervision is taking place, such as the mentioned scrutinisation of suppliers from High Risk Countries. However, Wolters Kluwer does not provide us with any data or explanation concerning the supplier supervision and supplier compliance. There are also no KPIs formulated for the upstream supply chain, although the company tries to supply itself with sustainable and certified paper as much as possible.

Wolters Kluwer keeps track of its energy, water, and paper use, and has committed itself to lower the environmental footprint of its operations. For example, in 2012 the company managed to significantly reduce its CO<sub>2</sub> emissions by using more renewable energy. Minimising business travel is one of the commitments in the company's environmental policy. Wolters Kluwer has committed itself to the promotion of 'green procurement', i.e. considering the environment as one of the criteria when involved in purchasing decisions, but there is no evidence of company educating its purchasers on sustainability issues.

Although the company uses recycled paper, there is no evidence of the company taking back its paper from the customers. Wolters Kluwer does promote web-based solutions, instead of paper-based ones. Although the company recognizes that excessive use of paper by their customers can have a negative impact on biodiversity, there are no downstream KPIs.

**Total score: 23/52**

### 3.7 Metals and Mining

This sector for the scope of this assessment is composed by three companies: Aperam; AMG and ArcelorMittal. The three companies score very differently in comparison to each other as ArcelorMittal is a front-runner in the general chart (5<sup>th</sup> in position, as in last year) and AMG and Aperam are still laggards (24<sup>th</sup> for AMG and 20<sup>th</sup> for Aperam). However, it must be noted that this year Aperam greatly improved its score, with an increase of +21%, the highest increase in this year's assessment.

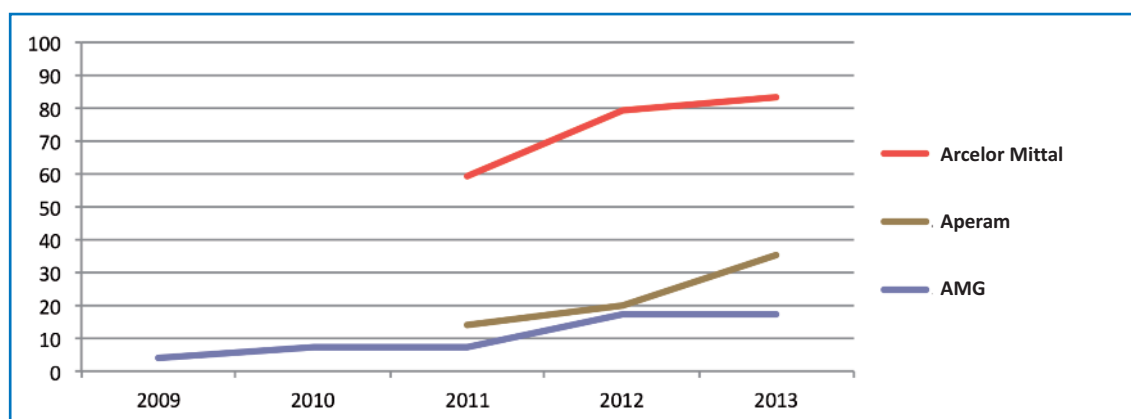
By briefly looking at the “*governance and strategy*” section of the assessment, only Aperam and ArcelorMittal score full points, whereas AMG still possesses a general CSR strategy not connected to supply chain, does not provide information on stakeholder engagement and does not provide a supply chain analysis. The policy section of the assessment starts to provide the most striking differences between the three companies, in which ArcelorMittal scores full points in almost all indicators and one point in the inclusion of indirect suppliers and monitoring method.

At the same time, AMG scores zero points in all indicators besides the presence of a human rights policy in their code of conduct, Aperam scores fairly better in comparison, but still does not provide information on the presence of a human rights policy; identifying high risk suppliers or an environment management monitoring system.

Considering the midstream sections all the companies are involved in R&D projects, but only two (Aperam and ArcelorMittal) also in improving the logistics of the chain. Only ArcelorMittal provides training to company purchasers and is the initiator of multi-stakeholder activities. Finally, the three companies all possess recycling policies and provide downstream indicators with the exception of Aperam. Only ArcelorMittal is involved with responsible marketing campaigns.

The sector scores 8<sup>th</sup> in the sector ranking.

**Table 7: Responsible Supply Chain Benchmark score 2006-2013 for the Metals and Mining sector**



## AMG

### Governance 2/6

AMG possesses a general CSR vision, based on three main pillars: (I) provide safe working conditions for the employees and be responsible stewards of the environment; (II) meet or exceed regulatory standards by engaging in ethical business practices and (III) be a valued member of the local economy, community and of society at large. However, it does not seem that the CSR vision takes into account a reflection on supply chain management. The supervisory board is accountable for the pursuing of the CSR objectives. No information as regarding of stakeholder engagement or a supply chain analysis could be retrieved from the sources provided by AMG.

### Policy 1/17

A code of business conduct is present, but it is unclear whether the suppliers of AMG are included to comply with the code. Unfortunately, due to the absence of a dedicated code of conduct for suppliers, and the uncertainty of the applicability of the code of business conduct to them, this section of the assessment could not be easily evaluated. Nevertheless, it is worth of notice that a separate policy for human rights is established from AMG (and retrievable on its website), in the text of the policy it is explicitly stated that suppliers and subcontractors to comply with the content of the policy.

### Management 6/29

As a consequence of the absence of a supplier code of conduct, the upstream section of this assessment could not be conducted. Nevertheless, AMG is active in initiatives related to the midstream section of the chain. Considering R&D, investments are made so that the company can produce products that contribute to CO2 reduction.

Similarly to last year, the company is part of the Extractive Industries Transparency Initiative (EITI) as follower. Considering the downstream section of the chain, 9735 metric tons of material were recycled in 2012 and most of the recycling, due to the nature of the company is located in the material division.

**Total score: 9/52**

## Aperam

### Governance and Strategy 6/6

Engaging local suppliers has been identified as being of major concern for the company's stakeholders and of moderate impact on company's operations. However, supply chain is one of items that is given the lowest priority in Aperam's sustainability agenda. The most visible element of Aperam's vision of supply chain management is that it favours local suppliers and seeks to establish a long-term business relationship with them. Aperam CEO lets us know that he is proud to champion Aperam's sustainability programme, together with one committee within the Board of Directors. Most important stakeholders have been identified and engaged in various processes. Key material issues have also been identified.

**Policy 6/17**

There is a General Purchasing Conditions document, with a limited section on sustainable development. The document mentions safety, health, social dialogue and environmental rules applicable to each delivery, but these are not elaborated on. Aperam is not clear on the monitoring method, only mentioning that suppliers can be assessed on safety, quality, cost, technical efficiency and delivery term in order to optimise the supply management performance and the long-term relationship.

**Management 6/29**

Aperam does a poor job on the management part. As already indicated, Aperam's supplier monitoring provisions do not look convincing, while any kind of reporting on monitoring results is missing. R&D and recycling are issues Aperam has been taking seriously. The company has energy consumption and carbon intensity reduction targets in place, and has been upgrading its production sites, resulting in less bad externalities.

**Total score: 18/52**

## ArcelorMittal

**Governance and Strategy 6/6**

Although we find responsible sourcing less prioritised in the materiality analysis ArcelorMittal has conducted, it is evident the company has a clear strategy and vision regarding supply chain management. In 2010, a responsible sourcing programme has been put in place, with the aim to ensure an efficient supply chain composed of selected suppliers that adhere to ArcelorMittal's principles. The board of directors takes formal ownership and accountability for corporate responsibility at ArcelorMittal, and plays an active part in overseeing how these issues are managed and measured. There are elaborated stakeholder identification and engagement procedures, including grievances mechanisms. Stakeholders have also been involved in the process of formulating the responsible sourcing programme.

**Policy 15/17**

ArcelorMittal's has a comprehensive supplier policy in place. Its *"Responsible Sourcing Guide"* specifies what ArcelorMittal expects of its suppliers, but also company's buyers. The guide covers the dimensions of health and safety, human rights, ethics and environment, and is relatively clear and demanding, but still without KPI's. Monitoring, which is focussed on (new) high risk suppliers, may take the form of self-assessments, site visits, and follow up on remediation plans. In addition, a new Centre of Excellence has become operational in ArcelorMittal's purchasing organisation at the end of 2012. One of its objectives is the consistent monitoring of responsible sourcing performance of global suppliers of the company.

There is no evidence of monitoring results being verified by an independent third party. In case of non-compliance, a supplier will have to commit to an action plan for improvement; if not, contract termination could be the result. The



company encourages its suppliers to promote the principles as endorsed in ArcelorMittal's Responsible Sourcing Guide in their own supply chain.

### Management - 22/29

By the end of the year (2012) further progress had been made in distributing the code for responsible sourcing. More than 5,200 separate entities (representing between \$5.5 to \$6 billion of spending) were within the scope of this exercise, and 62% of them have either acknowledged its requirements or already have an equivalent programme in place. ArcelorMittal claims to carry out regular evaluations of its key suppliers. In 2012, 295 suppliers have been assessed against its responsible sourcing requirements, identifying areas for improvement in each case. Responsible Sourcing is a key principle in ArcelorMittal's procurement approach, and is given systematic consideration alongside factors such as price and quality. The company launched an online training module for their buyers, which shows them what responsible sourcing means and how they are expected to apply these principles in their day-to-day activities.

The company is investing seriously in green innovation and excels in life cycle analysis. There exist a range of initiatives to reduce the use of resources, such as energy and water, as well as a KPI on the reduction of CO<sub>2</sub> emissions. The company also claims to be the biggest steel recycler in the world, with recycled steel amounting to 1/3 of total crude steel production in 2012. Considering the midstream section of the chain, ArcelorMittal states to have invested \$285 million in R&D in several areas: product and applications development, improving the company's processes, long-term projects such as third generation of advanced high-strength steels and development of green products and processes. Considering the logistics section of the assessment, ArcelorMittal states to always seek to minimise the amount of transport required, although further details have not been provided.

The company states that responsible sourcing is a key principle in the procurement approach, and is given systematic consideration alongside price and quality. ArcelorMittal also launched an online training model for their buyers, which shows them what responsible sourcing means and how they are expected to apply these principles in their day-to-day activities. The company participates in the UN Global Compact Supply Chain working group and it co-leads the CSR Europe working group on sustainable supply chains, and business and human rights. Moreover it is a follower of the World Steel Association, World Business Council for Sustainable Development and the Extractive Industries Transparency Initiative (EITI). Finally, considering the downstream section of the chain, ArcelorMittal claims to be the biggest steel recycler in the world. In 2012 the company recycled 29m tonnes of steel (33% of the total crude steel production), saving around 36 million tonnes of carbon dioxide. Moreover, the company also possesses a dedicated team to evaluate their processes and products using a LCA methodology.

The marketing strategy of the company is aimed to sensitize the public opinion on how steel is an optimal solution as regards of transport, safety and energy savings. Information can be retrieved on ArcelorMittal's website and "*Steel, the fabric of life*" campaign website. Moreover, downstream KPIs related to the "*Steel fabric of life*" campaign can also be accessed through the company's CR summary report.

**Total score: 43/52**



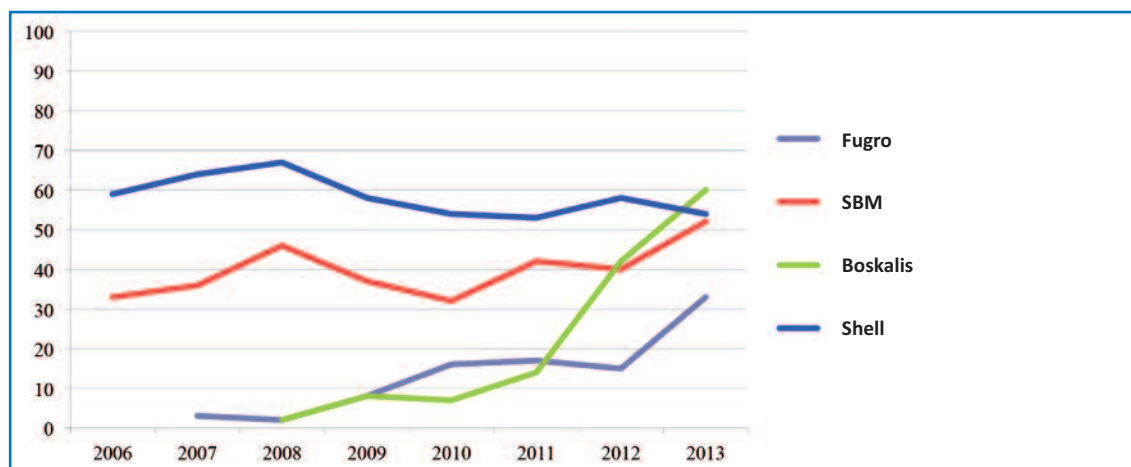
### 3.8 Oil and Offshore

All the companies provide CSR strategies, but in the case of Boskalis and SBM also by explicitly including their supply chain, Fugro, similarly to last year, still does not provide a supply chain analysis. All companies possess a dedicated code for supplier, with the exception of Fugro, but only Shell explicitly states the inclusion of indirect suppliers within the scope of the code, moreover, Shell and SBM offshore are the only two companies that introduce an environmental management monitoring system within their supplier codes.

An indicator in which there is still much space for improvement is the “*identifying suppliers with high risk for sustainability*”, no full points were awarded, with the only exception of 1 point assigned to SBM offshore and Shell. Looking at the management section of the assessment the result that strikes the most is the lack of environmental KPIs across all companies besides SBM. The midstream section scores fairly better as all companies are involved in R&D plans and also put efforts in improving the logistics of the chain. All companies except SBM are initiators of multi-stakeholder initiatives. The downstream section of the assessment is the weakest if applied to this sector, Shell is the only company that receives full points for its downstream KPIs.

This sector ranks 7th in the sector ranking.

**Table 8: Responsible Supply Chain Benchmark Score 2006-2013 for the Oil and Offshore sector**



## Boskalis Westminster

### Governance 6/6

Boskalis Westminster possesses a general CSR policy based on four main pillars: (I) social; (II) environmental; (III) societal and (IV) economic performance. Moreover, as presented in the CSR report 2012, a reflection on the supply chain, and actions to improve its environmental performances were and are implemented throughout the course of the years: in 2011 a dedicated supplier policy was established, after this first step, implementation scans were conducted at various



suppliers in order to understand were the code needed to be adjusted and which suppliers needed to improve their CSR performances. The Board of management is responsible for the implementation of the CSR policy.

Stakeholder engagement is present, and an entire section of the CSR report is dedicated to the subject, the section presents both the types of engaged stakeholders and types of engagement. A supply chain analysis is provided, inspired by Porter's value chain. BW provides a supply chain analysis based on three main stages: (I) initiative/design/tender stage; (II) de-mobilization stage and (III) execution stage. Each stage identifies different issues and topics related to supply chain management, which then find a dedicated section in the CSR report 2012.

### Policy 12/17

As introduced in the governance section of this assessment, Boskalis Westminster established a dedicated supplier policy in 2011, which is fully disclosed and retrievable on the company's website. The scope of the supplier policy applies to all the suppliers involved with BW and global agencies that handle the hiring of temporary crew members of their ships. Most of the sustainability issues are included within the code except of an environmental monitoring system. According to the code of conduct it appears that the supplier should have its own environmental management monitoring system, rather to have a standardized one imposed by Boskalis Westminster to the suppliers.

Company does have a non-compliance policy: a method to monitor suppliers on compliance (the "*implementation scan*") plus a supporting back-office tool "*Vendor Link*". A "*dialogue*" approach is preferred in order to get to a solution together with the supplier. If the compliance fails to improve, the relationship is then severed. Verification is conducted by an independent external party (Twijnstra Gudde). Finally, it does not seem that Boskalis Westminster classifies its suppliers in high/medium/low risk, but presents them in percentages based on supplier's location.

### Management 13/29

In 2012, a code of conduct implementation scan was conducted, 20 Dutch and Belgian suppliers participated in the scan and the results are provided in the annual report 2012 in a risk/impact matrix which displays the effects of suppliers' activities in relation to the image of Boskalis Westminster. The scan was conducted by an external auditor. Albeit there is no data yet over non-compliance of the suppliers, the code of conduct implementation scan provided (in figurative measures) which are the main risks connected to supplier non compliances that are relevant for Boskalis Westminster. It also must be taken in consideration that the code of conduct was implemented two years ago, and the implementation scan also serves to the company to address if the code needs improvement and which areas are the most critical.

Similarly, there is a lack of information on how many suppliers actually signed the code of conduct, however, the company states that the supplier code of conduct applies to the majority (68%) of the strategic suppliers.

Considering the midstream section of the chain, in the CSR report of 2012 it is possible to retrieve information as regards of R&D within the company. Boskalis Westminster dedicates an entire section of its report on new projects for more environmentally friendly equipment such as engines, clearer fuels, mobilization and transport and so on. Moreover, similarly to last year, wherever possible the company tries to source goods and services from local suppliers.

Boskalis Westminster also takes part in several multi-stakeholder agreements, for instance with several knowledge institutes (some examples: Dutch Maritime training institutes, Dutch association of hydraulic engineers, international maritime colleges in Russia, Baltic states and Philippines). The company also takes part in the CO2 performance ladder,



the transparency benchmark and the Carbon Disclosure project. Finally, Boskalis Westminster is the initiator of the “Building with Nature” innovation program 2008-2012.

By looking at the downstream section of the chain, this year Boskalis Westminster seems to have focused more on the recycling of material throughout the supply chain. Albeit there is a lack of a recycling policy, the company recycles: worn out pump casings; impellers’ cutter teeth and floating pipelines. As it is stated in the CSR report of 2012 “*currently an average of 200 tonnes of cast iron and cast steel is reused every year[...]Boskalis wear-proof parts are made of 100% reusable high grade alloys*”. Albeit there is a lack of a recycling policy, Boskalis Westminster utilises Lanskin’s ladder to address waste management and recycling.

**Total score: 31/52**

## Fugro

### Governance 3/6

This year Fugro introduces a general CSR policy based on three main pillars: (I) People' (II) Environment and (III) Society. Each pillar has a series of sub-objectives and key drivers that explain the creation of the three pillars of the CSR policy. As stated by Fugro, the CSR policy “*is embedded in all its business processes and should therefore be regarded as an integral part of the Group's business operation*”. In 2012 a CSR coordinator was appointed, which reports directly to the chairman of the board of management to promote and coordinate the CSR policy (AR 2012, p.72). Stakeholder engagement seems to be present, albeit a list of engaged stakeholders is not presented, different measures to engage with them are presented. A supply chain analysis has still not been disclosed by Fugro.

### Policy 7/17

A dedicated code of conduct for suppliers seems not to be present, as Fugro stated in the Annual Report of 2012, the “*Business Partner CODE (BPC)*” applies, among all the other employees, also to suppliers and subcontractors. However, it is unclear how in which way suppliers and subcontractors are monitored, and further explanations are not provided. The code covers general sustainability themes.

### Management 7/29

No information could be retrieved as regard of the upstream section of the chain. Considering the midstream section of the chain, similarly to last year Fugro explicitly states that is committed to employ more sustainable processes, for instance energy saving processes and renewable energies. In comparison to last year, Fugro also provides examples of projects, in 2012 it conducted a landscape mapping in Scotland by performing an airborne LiDAR survey for the construction of five wind farms in Caithness.

Fugro has also conducted internal research to investigate the main impact on the environment regarding its travel fleet, and fuel consumption is the main factor. Starting 2012, Fugro has been ISO 14001 certified and a series of mea-

asures to achieve energy savings will be implemented during the course of 2013. Due to the fact that the measures still have to be implemented, the company provided some prospective figures on the expected savings on fuel consumption and therefore reduced impact on the environment.

At present time, it does not seem that Fugro educates company's purchasers, however, a brief statement about meeting the clients' needs as regard of reduced CO2 emission reduction whilst stipulating purchasing contracts seems, as of now, to be the main effort.

Finally, the company this year disclosed an extensive series of partnerships and cooperation agreements with several stakeholders: from research institutes, to international industry committees, joint programmes and training/courses.

**Total score: 17/52**

## SBM Offshore

### Governance 5/6

SBM offshore possesses a general CSR strategy which involves four main objectives: (I) minimise the Group's carbon footprint; (II) maintain the highest standards for health, safety, security and human resources; (III) serve communities through local content and (IV) develop and promote environmentally friendly technology. Starting from these broad objectives, SBM offshore then identifies more specific ones, it is then worth of notice that one of the objectives listed as being part of the sustainability strategy is the "supply chain" one, in which the importance of long-term supplier relationship and cooperation are needed to improve the social and environmental performance. Moreover, as striving to achieve this objective, a separate code of conduct is established. Finally, general key material issues are identified, although they can be addressed as general sustainability issues and not strictly connected to the supply chain.

According to the annual report of 2012, the sustainability section of SBM offshore is part of the technical and commercial committees' responsibilities. The two committees receive reports on health; safety; security and environmental matters and reviews the company's sustainability report, whenever a key issues arises, it gets reported to the supervisory board.

Stakeholder engagement seems to be present, but it not thoroughly explained, some types of stakeholders are identified (employees, buyers, NGOs, client and business partners, capital providers, shareholders and so on) but the types of engagement or key material issues to be discussed are not listed.

### Policy 12/17

SBM offshore established a separate code of conduct for suppliers which also involves the subcontractors, albeit further explanations on how the subcontractors are engaged with the code of conduct are not provided. All the sustainability themes are present in the code of conduct, moreover, the code states that constant monitoring for environmental impact is conducted by the SBM group.

In addition to the code of conduct, SBM utilises a web tool: the Vendor Relationship Management (VRM) for suppliers that wish to establish a contract with SBM. The portal lists all the necessary documents and standards needed to apply for a contract with SBM.

The company identifies high-risk suppliers according to the type of vendor product provided by the supplier itself. The ranking spans from A to D, no information could be retrieved as regards of classification through location site. To address compliance, the SBM group conducts internal audits of its suppliers according to the aforementioned classification system. A-C suppliers are subjected to a quality assessment process, whereas A-B suppliers are also audited every three years. In 2012, SBM conducted 170 audits of its suppliers, 268 corrective action reports were issued.

### Management 8/29

As presented in the policy section of this assessment, SBM offshore does assess the compliance to the code on the suppliers' side. In 2012, 170 audits were conducted and 268 corrective action reports were issued. The audits are conducted internally. Albeit the number of audits and corrective action reports were provided by SBM, the company did not provide figures on how much these audits account for the overall total of the suppliers.

Finally, it is not mentioned whether the suppliers do sign the code of conduct, moreover, an indicator to address compliance on the total of the suppliers was not provided. Nevertheless, according to the annual report of 2012 *"compliance with the Company's Code of Conduct is mandatory for all suppliers and for their subcontractors and agents"*. At present time, no information regarding supplier training and education could be retrieved.

SBM offshore identifies several KPIs connected to environmental performance such as: GHG emissions, other aerial emissions, regional CO2 emissions and energy consumption. Considering the midstream section of the chain, SBM offshore states that wherever possible the company incorporates emissions friendly equipment and processes. A car sharing scheme for the division in Monaco is present, by also implementing incentives to use the service, such as 100% reimbursement of the parking space fees. The Group also continues to operate and expand a tele-presence network across its global office to reduce the need for work related business travel.

**Total score: 25/52**

## Shell

### Governance & Strategy 5/6

Although Shell does sporadically indicate supply chain management is important to the company, much more could have been said on how the company views the link between (certain parts of) its supply chain and its sustainability agenda. The overall accountability for sustainable development within Shell lies with the CEO and the Executive Committee. Stakeholders have been identified, and are being regularly engaged, also in order to determine CSR reporting

priorities. There is evidence the company has been thinking about the impact its supply chain has on particular sustainability themes it deems important, such as sustainable biofuels and energy efficiency.

#### Policy 12/17

Suppliers are assessed on basis of potential risk, especially in the areas of anti-bribery and corruption, human rights, safety and the environment. Shell's Supplier Principles provide a mandatory set of requirements for all suppliers and contractors, including those on human rights and the environment. The company also seeks to involve indirect suppliers. The monitoring mechanism has not been explained, although it is evident some monitoring is taking place. Shell has also sought to improve the sustainability standards in its biofuel supply chain through its internal systems and purchasing policy.

#### Management 11/29

Shell has some 120.000 suppliers worldwide, and has carried out in total 552 supplier assessments in 2012. It is not clear what portion of critical suppliers has been monitored. The company does claim 97% of its biofuels, which is fundamental to Shell's sustainability agenda, is responsible in terms of human rights and biodiversity. There is no evidence of an independent organisation validating Shell's monitoring of its suppliers. Shell does rely on external certification, particularly regarding biofuels raw materials.

Information regarding supervising results is totally lacking. Nothing is being said about Shell's actions in case of a non-compliant supplier. It is also unknown how many suppliers have actually endorsed Shell's Supplier Principles.

While there are no KPIs in place in the upstream supply chain, there is a KPI pertinent to the downstream: Shell works with consumers to help them save energy and strives to reach an additional million people through its campaign. In 2012, Shell also brought together CEO's of multinational companies from several industries to identify joint projects that could help to start tackling resources stresses. The company invests seriously in developing alternative energies, carbon capture and storage, and other CO<sub>2</sub>-related R&D, and seeks to involve local suppliers as much as possible, also through trainings.

**Total score: 28/52**

### 3.9 Pharmaceuticals

Pharming is the only company in this sector. Last year Mediq was part of it too, but Mediq is no longer a listed company. Pharming formulated a sustainability policy, but does not explain how it is realizing its commitment 'to conduct business in a sustainable, safe and responsible way'. Hence, it does not publish about sustainable supply chain management.

However, company specific sustainability issues such as animal welfare and patient safety are identified by Pharming. How these issues are monitored, is not explained.

This sector ranks last in the sector ranking.



# Pharming

## Governance 1/6

Similarly to last year, Pharming Group “is committed to conducting business in a sustainable, safe and responsible way”. A CSR strategy for the company is reported in the annual report of 2012, however without focusing on sustainable chain management, the main points of discussion are more related to gender equity in the workforce; animal rights and health and safety in the work environment. The CSR strategy is accountable to the Supervisory directors. Finally, Pharming group does not provide the readers of the annual report any indication on how it interacts with its stakeholders.

## Policy 0/17

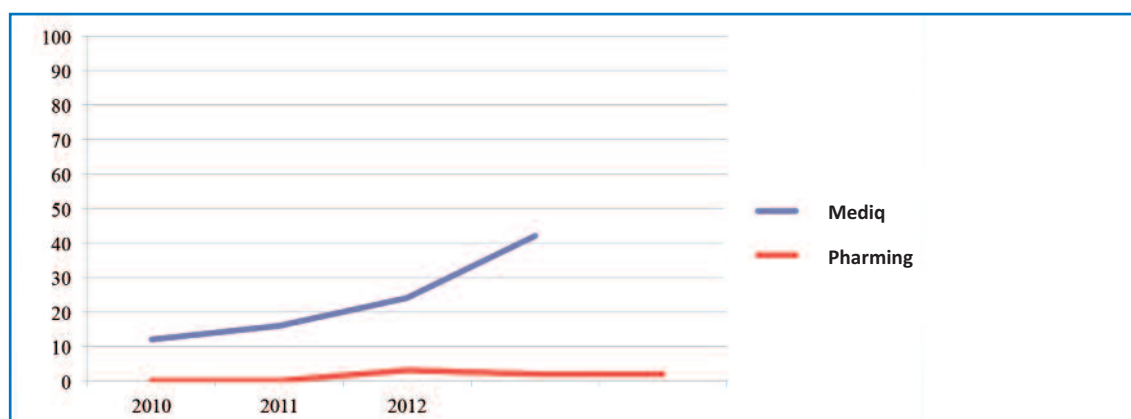
Albeit a CSR policy is formulated, but not indications are given for the supply chain management, pharming does not score any point in the Policy sector of this assessment.

## Management 0/29

Due to the lack of a proper supplier policy, the management area of the upstream chain is at present time not possible to assess. Similarly, no information was disclosed as regards of the midstream and downstream sections of the chain.

## Total score: 1/42

Graph 9: Responsible Supply Chain Benchmark Score 2006-2013 for the Pharmaceuticals sector



## 3.10 Transport

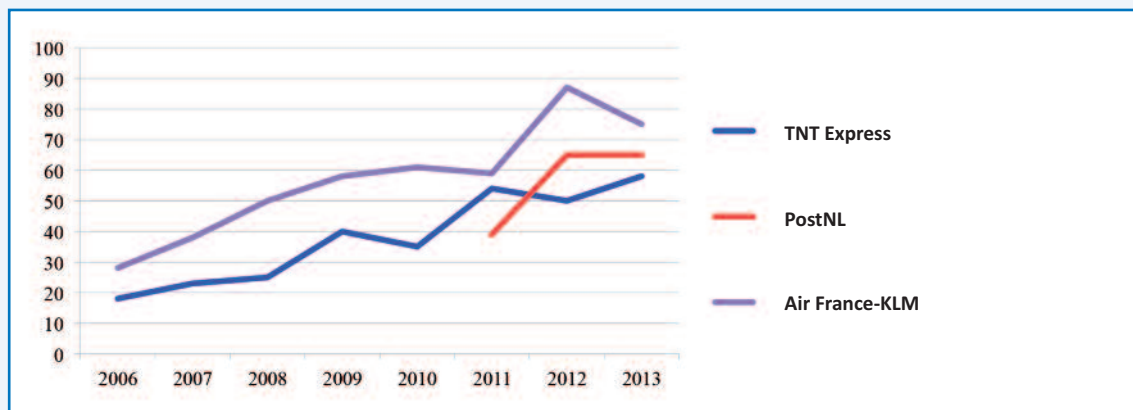
The transport sector comprises three companies: Air France-KLM, PostNL and TNT express. These companies' score relatively well, since Air France - KLM is 8th in place in the final ranking; PostNL is 11th and TNT express 14th. All the companies scored full points in the governance section of the assessment; the policy section provides different results, with TNT express being the only one without a dedicated supplier code of conduct. However the inclusion

of indirect suppliers is present in all the three cases. Air France-KLM is the only company that scored full points in identifying high-risk suppliers for sustainability related topics and together with PostNL also includes an environmental management monitoring system within their supplier code of conduct.

The management area of the assessment scores fairly well in the upstream section, with very few zero points assigned across the indicators, albeit more information on supplier supervision and transparency on supervising results and non-compliant suppliers could be improved by all the companies participating in this sector. Other improvements could be addressed in the R&D department, in which PostNL did not disclose anything on the subject, and educating company purchasers, in which only Air France - KLM scored full points. A positive remark is that all three companies are involved in multi-stakeholders partnerships in which they are also the initiators. By looking at the downstream section of the chain, responsible marketing is present among the three companies, as they all scored full points, however more information over recycling policies (especially in the case of PostNL) and downstream KPIs can also be improved in the coming years, as all companies scored 1 point out of the 2 for the maximum score.

The transport sector, due to the well-performing companies taking part into it, scores 2nd in the sector ranking.

Graph 10: Responsible Supply Chain Benchmark Score 2006-2013 for the Transport sector



## Air France-KLM

### Governance and Strategy - 6/6

Air France holds that the integration of sustainability within its supply chain is important so as to be able to offer its customers responsible and innovative products and services. The company sees the proactive role of procurement as essential in order to remain frontrunner in sustainability. At both Air France and KLM there is a member of the Executive Board responsible for the sustainability agenda and performance. Stakeholders are identified and for each stakeholder group, issues and risks have been assessed and means of consultation set out. Relationships with different stakeholders are re-evaluated on an annual basis.

### Policy 14/17

Suppliers are asked to fill a supplier questionnaire addressing CSR issues prior to or during the tender, and also to sign the Sustainable Development Charter, which is based on the UN Global Compact. Suppliers may also provide an equivalent document outlining their own CSR policy for checking and approval. The Charter contains general sustainability themes and requires the suppliers to promote sustainability in dealings with their suppliers.

Only recently did the company start to audit its suppliers, while the monitoring has been outsourced. In addition to the onsite audit program, in 2013 the sustainable procurement program is going to be completed with supplier assessments. Audits are mainly focused on suppliers in high risk countries which were identified by an analysis on environmental, corruption and human rights' risk indices. Nothing has been said on the noncompliance policy.

### Management 19/29

In 2012, 13 audits have been performed. There is minimal information on the result of these: Air France-KLM states that the follow up of the environmental findings identified that 60% of issues had been resolved thanks to corrective actions put in place by the suppliers. It is not clear what the consequences of the unresolved 40% were, or how the suppliers scored on CSR dimensions other than the environment. The company does report that 72% of its suppliers have signed the Charter by 2012, and that it intends to increase this percentage as well as the number of audits.

There are several (environmental) KPIs, such as in relation to energy efficiency, CO2 emissions, water use, which keep the company innovating and reducing its bad externalities. In 2012, the Dow Jones Sustainability Index ranked Air France-KLM amongst the 19 most responsible companies in the world. The company is also proud of its investments in and use of biofuels and sees these as a good solution for the GHG dilemma. An internal system has been set up to guide buyers in making responsible purchasing decisions.

Customers are invited to invest in renewable energy projects by compensating the CO2 emissions of their flight.

**Total score 39/52**

## PostNL

### Governance and Strategy 6/6

In 2012 PostNL continued to integrate CR into its existing business systems. The CR strategy of PostNL revolves around four areas that were identified as material aspects during stakeholder dialogues: employees, stakeholders, environment and social responsibility. A detailed description of the stakeholder dialogue 2012 and results can be found in the annual report of the company (chapter 18). PostNL thereby states to acknowledge that suppliers and subcontractors are vital links in the business chain. By acknowledging this responsibility in the supply chain, PostNL states to connect its CR strategy to its business strategy.



**Policy 13/17**

PostNL states to work with suppliers and contractors that are pro-active and innovative in delivering socially responsible products and services. The company identifies, assesses and manages the elements of its operation that impact on its supply chain. The company therefore has a supply chain policy in place of which the objective is to assess sustainability risks, share best practices, implement guidelines, and develop and maintain management systems of supplier and sub-contractor performance.

**Management 15/29**

Based upon the sustainability risk assessments, PostNL states that a group of 50 suppliers was identified for further analysis concerning their CSR performance. This group received an additional questionnaire to collect detailed information. Thereby, the main first-tier and second-tier suppliers of mailbags, post containers and work wear were visited in 2012. During these visits, many improvements compared to previous visits were found, including labour circumstances, safety and environmental management. However, PostNL could elaborate on the actions it has taken on what happens with the additional information as received by the group of risky suppliers, how it helped to realize improvements of suppliers, and the procedure for when a contractor does not comply with the business principles.

PostNL appears to pay close attention to the CO2 emissions of the company itself, but also of (sub)contractors. Sub-contracted activities account for 87% of PostNL's overall footprint. Modern fleet is a crucial part of PostNL's CO2-reduction strategy, and the right attitude of drivers is required. The company focused on improving driver awareness about fuel efficiency. However, no information is given on route optimisation.

**Total score 34/52**

## TNT Express

**Governance 6/6**

The general corporate responsibility framework of TNT Express is based on three main dimensions: (I) Social - focusing on employees' safety worldwide; (II) Environmental and (III) Business - focused on engaging customers to understand their needs and share best practices. The CR strategy is fully implemented in a three years cycle. TNT does reflect on the importance of the supply chain as a whole due to the fact that it explicitly states the needs to also interact with subcontractors, among other relevant stakeholders.

The implementation of the CR framework, as explicitly stated in the annual report is a responsibility of the CR Steering Committee *"which advises and assists the Executive Board in developing, executing and monitoring the performance of TNT express CR strategy"*.

TNT engages different sets of stakeholders: employees; customers; suppliers; subcontractors; investors and civil society.

It is worth of notice that in the annual report of 2012 a CR Materiality Matrix is present, to strategically place material issues identified by TNT (together with its stakeholders) according to the importance for the company/stakeholders. Due to the presence of the CR Materiality Matrix, which identifies issues and targets according to the pillars of the general CR framework, it possible to see that TNT identified material issues also related to the supply chain management, some examples: sustainable fleet; sustainable supply chain; training and awareness creation; certified management systems.

### Policy 8/17

Similarly to last year, TNT Express does not present a dedicated supplier code, as the Business Principles also apply to suppliers and subcontractors. Due to this fact, the analysis of the policy section of this assessment will be based on the TNT business principles. The Business principles cover general sustainability themes, and as previously introduced, subcontractors are also supposed to comply with the code.

It is not very clear on how TNT monitors the compliance to the Business code, due to the fact that it applies to many different types of employees within the company. Nevertheless, according to the annual report of 2012, throughout different kinds of monitoring, the one that seems most applicable to the business code of conduct is (III) review of control processes based on internal control for corporate responsibility. Examples on monitoring are provided by the company, for instance about fatal accidents in 2012 involving subcontractors. As regards of non-compliance measures, as presented in the business principles of the company, the violation of them can lead to disciplinary measures, dismissal and whenever laws are broken, civil or criminal prosecution. TNT adopts a no-tolerance approach towards non-compliance to the code, and at the beginning stages, an improvement approach is preferred, which, in cases of repeated non-compliance, will lead to the consequences introduced above.

The presence of the TNT Express Integrity Programme shows that TNT does identify risks within its supply chain and tries to mitigate them. According to the AR 2012 the risk assessment considers both country-specific indicators, such as the Transparency International Corruption Perception Index and TNT specific indicators (audit grades, financial performance, employee engagement, and customer base and integrity history). The result of the analysis is a risk profile (high, medium, low) awarded to each entity within TNT express. Therefore albeit is not really focused on the suppliers, it is implied that suppliers are included in the Integrity Programme.

### Management 16/29

Supplier supervision is carried both by TNT internally and an external auditor: PricewaterhouseCoopers (PWC). The company does report some examples of accidents happened during the course of 2012, however percentages or figures on supplier supervision are not provided.

As regards of supplier training, in the annual report of 2012 it appears that training to suppliers and subcontractors over the business principles of TNT is provided internally. TNT express identifies some KPIs both connected to the social and environmental goals of the CR framework, some examples: CO2 emissions, energy efficiency in buildings, fatal accidents involving subcontractors. By looking at the midstream section of the chain, TNT continues to invest in solutions in order to be less impacting on the environment. The company, in its annual report states that is making action plans and cooperating with different stakeholders to provide “zero emission” solutions to their customers.

The logistics section of the chain is also taken into account by the company, different solutions are provided in the

annual report: fuel and carbon intensity efficiency for the vehicle fleet; vehicle efficiency and supply chain innovation platform. It is worth of notice that besides fuel efficiency, TNT is also trying to use electric vehicles for the *“last mile”* delivery services, for instances in city centres. The company is a follower of the World Food Programme, Logistics Emergency Team (LET); the fleet forum and also one of the establishers of the North Star Alliance, an organization that provides awareness, education and healthcare to truck drivers.

Considering the downstream section of the chain, TNT Express implements waste recycling and also established a KPI connected to it. As regards of marketing strategies, the *“zero emission supply chain solutions”* involving the use of electrical vehicles for last mile deliveries can be considered a *“green marketing”* strategy to sensitize the customers towards sustainability.

**Total score 30/52**



## 4. Ranking and Analysis

In this section of the report the results of the research are analysed. First and foremost, an overview of the ranking is given; then the analysis will address the three different sections that make up the benchmark.

### 4.1 Ranking

In 2013, scores have again increased, meaning that companies are keeping up the positive trend in taking into account sustainable supply chain management in their CSR strategies.

As in the previous years, Philips is again the highest scoring company in the ranking, now followed by Reed Elsevier (2<sup>nd</sup> place), Heineken in 3<sup>rd</sup> place and BAM and DSM shared the 4<sup>th</sup> place.

Compared to last year, some front-runners' positions have changed. Philips, Unilever, DSM and Air France-KLM for instance had a slightly lower score compared to last year. This may be not due to the management of sustainability policies of their supply chain, but possibly to the disclosure of relevant information, connected to the established indicators, targets and policies.

**Table 3: Ranking 2013**

Rank 2013	Rank 2012	Company	Governance	Policy and strategy	Management	Total	(%) 2013	(%) 2012	Difference
1	1	Philips	6	16	27	49	94%	96%	- 2%
2	6	Reed Elsevier	6	16	26	48	92%	77%	15%
3	6	Heineken	6	17	23	46	88%	77%	11%
4	8	BAM	6	15	24	45	87%	75%	12%
4	2	DSM	6	17	22	45	87%	92%	- 5%
5	5	ArcelorMittal	6	15	22	43	83%	79%	4%
6	4	Unilever	6	16	20	42	81%	83%	- 2%
6	10	KPN	6	14	22	42	81%	69%	12%
7	9	AkzoNobel	6	14	20	40	77%	73%	4%
7	11	Ahold	6	15	19	40	77%	67%	10%
8	3	Air France KLM	6	14	19	39	75%	87%	- 12%
9	14	Heijmans	6	12	20	38	73%	60%	13%
10	14	ASML	6	14	16	36	69%	60%	9%
10	13	Macintosh Retail Group	6	14	16	36	69%	62%	7%
11	12	PostNL	6	13	15	34	65%	65%	0%
12	14	Ballast Nedam	6	11	15	32	62%	60%	2%
13	23	Boskalis Westminster	6	12	13	31	60%	42%	18%
14	22	TNT express	6	8	16	30	58%	50%	8%
15	18	Crown van Gelder	5	12	12	29	56%	54%	2%
16	20	Sligro	2	10	16	28	54%	52%	2%

Rank 2013	Rank 2012	Company	Governance	Policy and strategy	Management	Total	(%) 2013	(%) 2012	Difference
16	17	Shell	5	12	11	28	54%	58%	- 4%
16	20	Imtech	6	10	12	28	54%	52%	2%
17	18	Nutreco	6	8	13	27	52%	54%	- 2%
17	26	SBM offshore	5	13	9	27	52%	40%	12%
18	28	TomTom	4	10	9	23	44%	38%	6%
18	30	CSM	6	7	10	23	44%	37%	7%
18	32	Wessanen	6	9	8	23	44%	31%	13%
18	26	Vopak	4	9	10	23	44%	40%	4%
18	28	Wolters Kuwer	5	8	10	23	44%	38%	6%
19	31	TMG	6	7	6	19	37%	35%	2%
20	23	Accell Group	3	9	6	18	35%	42%	- 7%
20	32	Aperam	6	6	6	18	35%	14%	21%
21	37	Fugro	3	7	7	17	33%	15%	18%
22	34	TKH group	4	5	7	16	31%	29%	2%
23	39	ASMI	3	6	1	10	19%	2%	17%
23	35	Tencate	2	0	8	10	19%	23%	- 4%
24	36	AMG	2	1	6	9	17%	17%	0%
25	-	Holland Colours	1	0	4	5	10%		
26	38	Aalberts Industries	2	0	1	3	6%	6%	0%
27	39	Pharming	1	0	0	1	2%	2%	0%

When we consider the increase in scores instead of the companies' positions in the overall ranking, compliments must be given to Aperam, which this year increased its overall score by 21%. Other companies whose scores saw great increases are Fugro and Boskalis (+18%); ASMI (+17%), Reed Elsevier (+15%); BAM (+12%); Wessanen and Heijmans (+13% each) and KPN; Heineken and Ahold (respectively +12%; 11% and 10%).

Another interesting point that can be addressed by the 2013 chart is that due to an overall increase of the scores for each company, the possible number of positions in the chart has dropped: out the 40 companies participating the benchmark there are, in practical terms, 27 positions, due to the fact that several companies scored identical percentages (although deriving from different indicators). However, this does not imply that all the companies experienced an increase in score; for example, the Pharming group and Aalberts industries still remain at the bottom of the chart, as in previous years.

Finally, a breakdown of the ranking according to the sector must also be provided. As explained in the previous years, it must be noted that a single laggard in one of the sectors might greatly influence the overall performance of the sector taken into account. In this year's benchmark there is a striking example of this situation; with Holland Colours joining the Chemical Sector, the average performance of the sector greatly decreased (it must be noted that Akzonobel and DSM are still well-performing companies within the scope of this benchmark, and due to their performance, in previous years the Chemical sector was 1<sup>st</sup> in place in the sector chart), bringing the Chemical sector down to 6<sup>th</sup> position.

Another interesting observation is that due to a raw increase in scores across all sections of this assessment, this year the construction sector stands in first position in respect to the sector chart, surpassing the position of the Transport and Logistics sector, which is now 2<sup>nd</sup> place.

Other minor changes are a switch in position between the Media and Electronics sectors, due to the great increase in score of the Reed Elsevier group and Wolters Kluwer. Same conditions apply to the Oil and Offshore sector and the Metals and Mining sector switching positions, mainly due to a great increase in scores by Fugro and Boskalis Westminster (+18% each).

**Table 4: Average Sector percentage and Ranking 2013**

	Governance	Policy	Management	Total
<b>Construction</b>	100%	75%	63%	79%
<b>Transport and logistics</b>	100%	74%	59%	78%
<b>Food and Agri</b>	96%	76%	54%	75%
<b>Media</b>	96%	67%	49%	70%
<b>Electronics</b>	80%	75%	52%	69%
<b>Chemicals</b>	71%	62%	54%	62%
<b>Oil and Offshore</b>	81%	70%	35%	62%
<b>Metals and Mining</b>	79%	45%	39%	55%
<b>Industry and manufacturing</b>	64%	44%	30%	46%
<b>Pharma</b>	25%	0%	0%	8%

## 4.2 Analysis

In this section, the average scores for the three levels (Governance and Strategy, Policy and Management) and for the separate indicators are further analysed. When reading this section it should be kept in mind that the percentages mentioned here refer to the average score for the indicator for all companies analysed. Hypothetically, if every company can score two points for a criterion and each company only scores one point, we will refer to an overall score of 50%. Similarly, if half of the companies do not mention the criterion and the other half receives two points, the score will again be 50%. The percentages then do not necessarily reflect the percentages of companies that report on this criterion. Only for criteria where one point can be scored is it automatically reflected if the companies actually included the criterion.

Since 2010, progress has been made across the three sections of this benchmark, and 2013 continues to display this positive trend. As in previous years, the most noticeable increase can be found in the Governance and Strategy section of this assessment. As it was experienced in the past years, the companies are expanding their CSR policies to better include sustainable supply chain management within their objectives, providing a supply chain analysis on material issues and creating roles directly accountable for the achievement/monitoring of the targets.

If one considers the policy section of this assessment, a minor increase (+4%) was recorded. This may be expected due to the fact that full points were rarely scored for some indicators, such as the inclusion of indirect suppliers, the mo-

monitoring method for suppliers, non-compliance policies and the identification of high-risk suppliers since the information disclosure of the companies was either lacking or partial.

Similarly, the management area of the assessment recorded a minor increase (+2%); here too the reasons are similar to the policy section of the assessment. The indicators constituting the management section of the assessment in more than one instance require detailed information to score full points. These indicators include the percentage of signed codes of conduct from the suppliers, established KPIs with backing up data and so on.

Overall, aside from big increases in the Governance and Strategy section, and mild increases in the Policy and Management sections, the benchmark has recorded a positive trend across all the indicators in the past 4 years. The results can be addressed in the following table.

**Table 5: Average scores per section in Benchmark 2010-2013**

	2010	2011	2012	2013
<b>Governance and Strategy</b>	<b>63%</b>	<b>61%</b>	<b>73%</b>	<b>80%</b>
<b>Policy</b>	<b>37%</b>	<b>51%</b>	<b>55%</b>	<b>59%</b>
<b>Management</b>	<b>32%</b>	<b>38%</b>	<b>43%</b>	<b>45%</b>

#### 4.2.1 Governance and Strategy criteria

The Governance and Strategy section of the benchmark in this year's edition experienced a great increase in the overall averages. The underlying explanation lies in the fact that, first and foremost, no company besides Pharming scored zero points in the "supply chain management strategy" indicator (only in 10 cases was 1 point assigned), meaning that the companies are more and more introducing the importance of sustainable supply chain management in their CSR policies. Moreover, as can be seen in the table below, in 90% of the cases the companies assign precise roles/figures of reference that are responsible and accountable for the implementation of the CSR policies, targets and objectives. Compared to last year, the stakeholder engagement/identification indicator experienced an increase of +5%.

Finally, 76% of the companies (64% in 2012) report a supply chain analysis on material issues; the only cases in which a supply chain analysis is still not provided are: Holland Colours; Aalberts Industries; Accell; AMG and Fugro.

**Table 6: Governance and Strategy average indicators**

	Average (total of companies)
<b>Supply chain management strategy</b>	<b>85%</b>
<b>Board of Director's responsibilities</b>	<b>90%</b>
<b>Stakeholder engagement/identification</b>	<b>80%</b>
<b>Supply chain analysis</b>	<b>76%</b>

#### 4.2.2 Policy criteria

In this year's benchmark it was discovered that 74% of the companies have a policy and management system in place for suppliers; however, only 45% of the overall companies explicitly include indirect suppliers in their supplier policies. Therefore, the indicator still provides room for reflection and improvement for the coming years.

The companies on average score well in Indicator 8 (items present in the supplier policy), but the sub-indicator “*environment management monitoring system*” is an area where improvement is still needed, by looking at the different sectors, the Electronics; Transport and Chemical sector (With the exception of Holland Colours) are the ones in which an environment management monitoring system is most present.

Only Akzonobel, ArcelorMittal Ballast Nedam, DSM, Heineken, Macintosh Retail Group, Reed Elsevier and SBM Offshore scored full points in the non-compliance policy indicator. This means still many companies can improve their approach for non-compliance of the Supplier Code of Conduct.

Finally, the identification of high-risk suppliers is another area in which improvement is needed for the coming years. It is mostly present in the Chemical sector (except Holland Colours), and in Media and Transport most of the companies scored full points. In the remaining cases, either the companies scored half points, or no clear supplier identification based on environmental-social-human rights or site location risk could be addressed.

**Table 7: Policy average indicators**

Indicator	Average (total companies)
Policy and management systems for suppliers	74%
Scope of supplier policy	60%
Inclusion of indirect suppliers	45%
Human rights policy	88%
Employment rights and decent work	83%
Social Policy	80%
Environment Policy	83%
Environment Management Monitoring System	49%
Monitoring method	54%
Non-compliance policy	42%
Identifying suppliers with a high impact on sustainability	45%

#### 4.2.3. Management criteria

Similarly to last year, the companies scored better in the midstream and downstream section of the management assessment rather than in the upstream section.

As regards the upstream section of the chain, overall all indicators could be improved. However, by looking at the specific indicators, it must be noted that the “*supplier supervision*” indicator experienced an increase of +10% in comparison to last year. The “*transparency on supervising results*” did not experience any increase or decrease in score. The only companies that scored full points in the “*supplier supervision*” indicator (3 points) are Heineken, Philips, BAM and ArcelorMittal; 2 points were assigned to Reed Elsevier, Nutreco, Macintosh Retail Group, KPN, Crown van Gelder and AkzoNobel. The remaining companies either scored 1 point (17 instances) or no points (13 instances).



In regard to the “*competence of the supervising persons/institutions*”, 15 out of 40 companies scored full points, meaning that the audits are done both internally and with the help of external auditors. Only 13 companies did not report anything on the subject, whereas the other 12 conduct audits only internally.

The “*transparency on supervising results*” is an indicator that still has great room for improvement. Out of the 40 companies, only 5 scored full points on this indicator: BAM; DSM; Reed Elsevier; Vopak and Philips. Same conditions apply for the transparency as regards actions towards non-compliant suppliers, although we are aware of the fact that depending on the nature of the companies (especially business-to-business), some information on the subject might be classified.

The “*capacity building*” indicator for suppliers also has great space for improvement. As of 2013, 20 out of 40 companies did not disclose anything on the subject, resulting in an overall low average score. Similarly, the “*compliance of suppliers*” indicator is in the same position, with 21 companies not disclosing anything on the subject.

Finally, the second indicator that scores the best in the upstream section of the management assessment is the “*monitoring results*” one, related to establishing KPIs and targets closely connected to track environmental performances. Here the results are mostly kept high by companies that scored full points (14) or 1 point (8); however, 18 companies still scored zero points on this indicator.

The midstream section of the management assessment is the best performing one: 79 percent of the companies have in place R&D policies/investments, almost 60% of the companies try to reduce impact on the environment by improving the logistics and using short-distribution channels.

As regards education to the company purchasers, a mild increase was recorded this year (+4%): only 10 companies scored full points in this indicator, another 10 scored 1 point, and the remaining 20 are still not addressing the topic. However, it was also recorded that the highly positive trend of the “*cooperation agreements*” indicator can still be witnessed in this year’s benchmark, with 21 companies being initiators of multi-stakeholder initiatives.

To conclude, the downstream section of the chain scores fairly well, with overall averages ranging from 46% to 53%. Recycling seems to be becoming more and more important across all sectors, especially in the construction sector (in which no company scored 0 points), Food and Agri and the Mining sector.

As regards the last two indicators of the downstream section of the assessment, responsible marketing is also taking an important spot across all companies, mainly to provide the wider public with results on and commitment to sustainability, not only on environmental performances but also on social ones. For instance Heineken’s advertisements on safe-drinking (across the whole globe), or Reed Elsevier’s sensitization to decreasing the consumption of paper by providing content via web, social-improving projects in developing countries and amount of expenditure on said projects, or Macintosh Retail Group policy on recycling used shoes to upholster and send to developing countries. As a general observation, companies that have clear cut marketing strategies towards human and environmental sustainability, or recycling, also establish a series of KPIs that the wide public can use to track the progress across years and future targets. If said objectives are not clear, usually the downstream KPI indicators also do not score well.



Table 8: Management average indicators

Indicator	Total (companies)
Supplier supervision	34%
Competence of the supervising persons/institutions	53%
Transparency on supervising results	25%
Transparency on action on non-compliant suppliers	25%
Capacity building	34%
Compliance of suppliers	34%
Monitoring results	45%
Product life cycle R&D	79%
Logistics	59%
Educating company purchasers	38%
Cooperation agreements	69%
Product life cycle: recycling	50%
Responsible marketing	53%
Monitoring results	46%

Below is a table summarizing the instances in which the companies scored 1, 2, or 3 points throughout this year's assessment.

Table 9: Average Scores per Criterion and Number 1, 2 and 3 Scores

Criterion	maximum points	Average (percentage of points scored)	Number of 0 scores	Number of 1 scores	Number of 2 scores	Number of 3 scores
<b>A Governance and strategy</b>						
1 Supply chain management strategy	2	85%	1	10	29	-
2 Boards of Directors' responsibilities	1	90%	4	0	36	-
3 Stakeholder engagement/identification	1	80%	9	0	31	-
4 Supply chain analysis	2	76%	9	3	28	-
<b>B Policy</b>						
5 Policy and management system for suppliers	2	74%	6	9	25	-
6 Scope of supplier policy	2	60%	8	17	15	-
7 Inclusion of indirect suppliers	2	45%	16	13	11	-
8 Content of the supplier code						
Human rights policy	1	88%	5	0	35	-
Employment rights and decent work	1	83%	7	0	33	-
Social policy	1	80%	8	0	32	-
Environment policy	1	83%	7	0	33	-
Environment management monitoring system	1	49%	21	0	19	-

Criterion	maximum points	Average (percentage of points scored)	Number of 0 scores	Number of 1 scores	Number of 2 scores	Number of 3 scores
9 Monitoring method	2	54%	12	15	13	-
10 Non-compliance policy	2	42%	15	17	8	-
11 Identifying suppliers with high impact on sustainability	2	45%	17	11	12	-
<b>C Management</b>						
<b>Upstream</b>						
12 Supplier supervision	3	34%	13	17	6	4
13 Competence of the supervising persons/institutions	2	53%	13	12	15	-
14 Transparency on supervising results	2	25%	25	10	5	-
15 Transparency on action on non-compliant suppliers	2	25%	25	10	5	-
16 Capacity building	2	34%	20	13	7	-
17 Compliance of suppliers	2	34%	21	11	8	-
18 Monitoring results	2	45%	18	8	14	-
<b>Midstream</b>						
19 Product life cycle R&D	2	79%	4	9	27	-
20 Logistics	2	60%	6	20	14	-
21 Educating company purchasers	2	38%	20	10	10	-
22 Cooperation agreements	2	69%	7	11	22	-
<b>Downstream</b>						
23 Product life cycle, recycling	2	50%	13	14	13	-
24 Responsible marketing	2	53%	15	8	17	-
25 Monitoring results	2	46%	13	17	10	-

## 5. Summary and Conclusions

This benchmark is a qualitative, comparative investigation among 40 Dutch publicly listed companies, aiming to inform stakeholders on responsible supply chain management. These stakeholders are company executives, investors, academics, NGOs, government and society at large. Rather than concentrating on the nature of the company's activities, this benchmark focuses on the company's supply chain governance and its management thereof. In this way, it is possible to compare, to a reasonable degree, the responsible supply chain policies of companies across different sectors.

### Ranking

The methodology entails a study of publicly available company information, ranking and analysis. As such, this research forms a basis for communication in various VBDO stakeholder engagement activities such as the Responsible Supply Chain Award event, AGM visits, stakeholder dialogues and more. By means of 25 criteria and a potential score of 52 points, the 40 companies are ranked by total score, and analysed according to their "*segmented score*" (Governance and Strategy, Policy or Management).

As in the last several years, Philips retained the first place in ranking, followed closely by Reed Elsevier. Heineken took 3rd place, BAM and DSM shared 4th while ArcerlorMittal came in 5th.

The largest improvements in scores of front runner companies are with Reed Elsevier; Heineken and BAM. However, it must be noted that other companies such as Aperam, Fugro, Boskalis, Wessanen, ASMI, Heijmans, SBM Offshore and KPN also experienced an increase in their overall score by more than 10%.

A number of companies are still lagging in the final ranking. These are ASMI, Tencate, AMG, Aalberts industries, Pharming and the newcomer Holland Colours, with average scores totalling less than 20%. Holland Colours responded by noting that they would have had a higher score if their supplier policy had been published in annual reports and on the website. This is their plan for next year.

Overall, the scores generally increased for most of the companies, reducing the number of available positions in the rankings: 40 participants occupied a total of 27 different positions in the ranking, due to the fact that certain companies scored identical average percentages albeit on the basis of different indicators. The final results of the assessment in this year's edition still show an overall increase in the sustainability of supply chain management across all sectors, and we heartily encourage the participating companies to follow in this path.

### Remarkable trends

Over the last few years, several companies made huge improvements on their scores. In 2008, Boskalis Westminster had a very low score on the benchmark, but by 2013 its score grew to ca. 60%, which places it above the position of the former sector leader Shell. KPN has similarly made huge improvements since 2008 (from ca. 15% up to more than 80% in 2013). If this trend continues, KPN will have a higher score in 2015 or 2016 than Philips, a frequent winner of the Benchmark. Heineken as well has made a lot of progress since 2010. In 2013 its score was higher than that of Unilever, the sector leader for many years. The sector that showed the greatest improvements in the past years is the construction sector. Here all companies have improved every year, and at a high speed. BAM is the leader in this sector.



### Governance and strategy

In general, much progress has been achieved in the past years relating to the Governance and Strategy section of the assessment. On average, the companies scored 80% in this section, which amounts to an increase of 7 percentage points over last year. None of the companies received zero points in the “*supply chain management strategy*” indicator, with the one exception of Pharming. 90% of the companies have established figures of reference for the implementation of the CSR policies. Stakeholder engagement and identification seems to be becoming more prominent across all sectors, and in 76% of the cases a supply chain analysis on material issues was provided.

### Policy

Almost all companies either have a dedicated supplier code of conduct, or, in some cases, their general code of conduct also applies to suppliers. However, only 45% of the companies explicitly state that the codes also include indirect suppliers/subcontractors. Furthermore, the contents of the supplier codes of conduct greatly vary from company to company. In the case of the front-runners, most codes of conduct go into great detail, covering each element relevant for this assessment and including an environmental management monitoring system, either certified through ISO standards or complying with other international initiatives (such as the BSCI code of conduct, or the EICC in the case of the electronics sector). In other cases, however, the code of conduct is a page-long document that includes general sustainability/social/human issues. On the whole, most of the companies include policies on human rights and labour rights as a minimum in their codes of conduct. Another element that often recurs is connected to social policy (especially bribery and corruption); the element that is most often missing (occurring with only 49% of the companies) is an environmental management monitoring system.

In this year’s assessment, 12 companies (2 more than last year) clearly identify their suppliers according to a set of criteria connected to environmental performance, human rights performance and health and safety on the workplace. Nevertheless, there are also 17 companies that still do not disclose anything on this subject.

### Management

The management area of this assessment is without a doubt the most difficult one to achieve high scores in. The underlying reason is the fact that in more than one instance precise information is required to score full points, such as the supplier supervision indicator or the percentage of suppliers that comply with the code of conduct on the overall supplier workforce.

It is not surprising then that, just like last year, especially in the case of the upstream section of the management area of this assessment, there is still plenty of room for improvement in most of the indicators.

The midstream section of the management area assessment is the one that on average scores the best results: 79% of the companies have policies or investments in R&D, almost 60% have found or are implementing new solutions to reduce environmental impact and use short distribution channels throughout the chain, and almost 70% of the companies are involved in multi-stakeholder partnerships across their own sector, with 21 companies actually initiating these multi-stakeholder agreements and partnerships.

As for the downstream section of the chain, it was observed that it is the second best performing section of the management area assessment, with average scores hovering around the 50% mark. Recycling seems to be becoming



more and more important across all sectors, especially in the construction sector; recycling is usually also connected to the R&D investments of the companies. Finally, the monitoring of the results (both in the upstream and downstream sections of the chain) seems to be taken care of by companies that either have clear recycling policies (for downstream sections) or clear targets, policies and environmental monitoring in the upstream section of the chain. Where this condition is missing, KPIs usually are not established, making it hard for the company as well as the wider public to keep track of progress across the years as it relates to environmental or social performance.



## Appendix 1 Benchmark Criteria

### A GOVERNANCE AND STRATEGY (maximum 6 points)

#### 1 Supply chain management strategy

The company refers to the importance of supply chain management and the relevance for the company. It has a clear strategy and vision towards supply chain management.	2
The company refers to supply chain management, but has no strategy or vision towards supply chain management.	1
The company does not refer to supply chain management.	0

#### 2 Board of Directors' responsibilities

There is a formal member of the Executive Board or a high level commission bearing responsibility for sustainability or supply-chain related issues.	1
There is no evidence of a formal member of the Executive Board or a high level commission bearing responsibility for sustainability or supply-chain related issues, either specifically or as part of the responsibilities pertaining to sustainability issues in general.	0
Or, the company does not publish anything on the subject.	

#### 3 Stakeholder engagement/identification

Key stakeholders have been identified and an overview of the key issues per stakeholder exists. The company actively engages with supply chain stakeholders. There is no doubt that the key issues are actively considered in the company strategy. The identified stakeholder groups accurately represent all parties who are involved in any of the company's supply chain activities.	1
It is not clear who the key stakeholders are. The company does not actively involve its stakeholders. It is not known how the stakeholders' interests are promoted in the company strategy.	0

#### 4 Supply chain analysis

The company has conducted a supply chain analysis and has identified the sustainability themes the supply chain has a significant impact on.	2
The company has conducted a supply chain analysis but has not identified material sustainability themes.	1
The company has not conducted a supply chain analysis.	0

### B POLICY (maximum 17 points)

#### 5 Policy and management systems for suppliers

The company has a supplier policy and a corresponding management system. They clearly include sustainability issues (transparency and sustainable performance).	2
The existence of a supplier policy has been proven (only transparency).	1
The existence of a supplier policy has not been proven.	0
Or, the company does not publish anything on the subject.	



## 6 Scope of supplier policy

The scope of the supplier policy (direct/indirect, upstream/downstream, etc) is consistent with the results of the supply chain analysis and covers suppliers groups that make the most impact on sustainability issues (e.g. water, CO2, human rights)	2
The scope of the supplier policy has been explained but covers general sustainability themes not necessarily specific to the company.	1
There is no proof of scope of the supplier policy.	0

## 7 Inclusion of indirect suppliers

There is proof of indirect suppliers being included in the supplier policy. Explanation has been given for the reasons for and relevance of including these suppliers in the supplier policy and about what the company considers to be the boundaries of a supply chain and its motivation: when and why the policy also applies to indirect suppliers.	2
It is mentioned that the policy applies to certain indirect suppliers, but little or no explanation is forthcoming.	1
There is no proof of indirect suppliers being included in the supplier policy.	0

## 8 Content of the supplier code

There is a supplier code that includes the following subjects (based on, amongst other references, ILO, OECD, HRCA and the company's present best practices). If no impartial supplier code exists, the company makes it clear that it requires from suppliers that they maintain similar standards as those that are incorporated in its own Code of Conduct. Subsequently, this code is considered to be a supplier code.	
<b>8a Human Rights Policy</b>	1
<ul style="list-style-type: none"> <li>• Prevention of forced labour and slave labour;</li> <li>• Banning of child labour;</li> <li>• Non-discrimination;</li> <li>• Freedom of Association (trade unions);</li> <li>• Rights for indigenous people and ethnic minorities;</li> <li>• Banning of revenge/retaliation;</li> <li>• Training and education with regard to human rights;</li> </ul> <p>This listing is not exhaustive.</p>	0
<b>8b Employment rights and decent work (including home-work)</b>	1
<ul style="list-style-type: none"> <li>• Maximum number of working hours;</li> <li>• Healthcare and safety precautions;</li> <li>• Risk prevention (e.g. fire and flooding);</li> <li>• Prevention of HIV, AIDS and other related diseases (if applicable);</li> <li>• Equal opportunities (including cases related to sexual harassment etc.);</li> <li>• Hygienic working and housing facilities, fresh air circulation and filtration, lighting and temperature;</li> <li>• Training and education in relation to human rights;</li> </ul> <p>This listing is not exhaustive.</p>	0

<b>8</b>	<b>8b Social Policy</b>	
	<ul style="list-style-type: none"> <li>• Managing community impact resulting from company operations and implementing procedures for impact control;</li> <li>• Bribery and corruption;</li> <li>• Inappropriate political lobby and contributions</li> </ul> <p>This listing is not exhaustive.</p>	<b>1</b>
	<b>8d Environment Policy</b>	<b>1</b>
	<ul style="list-style-type: none"> <li>• A clear intention to continuously improve operations effecting the environment;</li> <li>• Self imposed obligation to apply internationally accepted environment standards relating to certain resources (wood, palm oil, fish etc.);</li> </ul> <p>This listing is not exhaustive.</p>	<b>0</b>
	<b>8e Environment Management Monitoring System, covering</b>	<b>1</b>
	<ul style="list-style-type: none"> <li>• The consumption of scarce natural resources;</li> <li>• The consumption of energy and water;</li> <li>• Emissions concerning air and water;</li> <li>• Noise, smell and dust pollution;</li> <li>• Ground pollution;</li> <li>• The use of dangerous materials;</li> <li>• Waste production and recycling;</li> <li>• Product related issues (packaging, transport, recycling etc.);</li> <li>• Compliance with legislation, standards and codes.</li> <li>• This listing is not exhaustive.</li> </ul>	<b>0</b>
	There is no supplier code.	<b>0</b>
	Or: The company does not publish anything on this subject.	
<b>9</b>	<b>Monitoring method</b>	
	The company has a method to monitor suppliers on compliance with the supplier code. The code is publicly available (e.g. published on websites and/or Sustainability Reports). The application of the method is independently verified.	<b>2</b>
	The company has a method to monitor suppliers on compliance with the supplier code. This code is publicly available but no independent verification of the application of the method has been conducted.	<b>1</b>
	The company has no method to monitor suppliers on compliance with the supplier code or the code is not publicly available.	<b>0</b>
<b>10</b>	<b>Non compliance policy</b>	
	There is a publicly available policy that describes how to respond to non-compliance with the code. This policy contains a stratified plan of action. That is to say, the various measures taken for the various degrees of non-compliance and the cases in which the company decides to terminate a contract with its supplier(s).	<b>2</b>
	The way(s) in which non-compliance is dealt with are reported. The report mentions details about the taken action(s), but does not indicate a stratified approach. Or no details are mentioned as to the used approach.	<b>1</b>
	The company does not supervise suppliers and/or it does not publish anything on this subject.	<b>0</b>

**11 Identifying suppliers with a high impact on sustainability.**

The company has a comprehensive policy that identifies suppliers with a high impact on sustainability. Next to this, the company has identified countries and/or regions with which no business should be conducted or for which certain additional conditions must be set.	<b>2</b>
The company has a comprehensive policy that identifies suppliers with a high impact on sustainability or, the company has identified countries and/or regions with which no business should be conducted for which certain additional conditions must be set.	<b>1</b>
The company has no policy that identifies these suppliers.	<b>0</b>

**C MANAGEMENT** (maximum 29 points)**Upstream****12 Verification of supplier supervision**

The company supervises all companies it has identified as suppliers with a high impact on sustainability. This is done to verify supplier compliance with the Supplier code. Inspections are carried out no less than once every three years.	<b>3</b>
The company supervises at least half of all companies it has identified as suppliers with a high impact on sustainability. This is done to verify supplier compliance with the supplier code. Inspections are carried out no less than once every three years.	<b>2</b>
The company supervises less than half of all companies it has identified as suppliers with a high impact on sustainability. This is done to verify supplier compliance with the Supplier code. Either that or the company states that it carries out inspections, but no percentages are given.	<b>1</b>
The company does not supervise suppliers and/or it does not publish anything on this subject.	<b>0</b>

**13 Competence of the supervising persons/institutions**

One or more external, impartial supervising institutions carry out supervision. These institutions could be registry or certificate providing accounting firms or consulting agencies.	<b>2</b>
The company itself carries out the supervision of internal management assessment and other objectives.	<b>1</b>
No supervision is carried out or it does not publish anything on this subject.	<b>0</b>

**14 Transparency on supervising results**

The company clearly states the number or percentage of suppliers that did not pass supervision and the number of terminated contracts with suppliers. Furthermore, the company gives insights in the number of non-compliance cases and most common types of non-compliance.	<b>2</b>
The company gives examples of non-compliance by suppliers.	<b>1</b>
The company does not supervise suppliers and/or it does not publish anything on this subject.	<b>0</b>

**15 Transparency on action on non-compliant suppliers**

The company states which measures have been taken to improve the performance of non-compliant suppliers. Also, the company has identified areas that need increased attention and has described actions in order to improve the performance on sustainability issues.	<b>2</b>
The company states which measures have been taken with non-compliant suppliers but does not use information to adjust its approach in order to improve performance on specific sustainability issues.	<b>1</b>
The company does not supervise suppliers or does not take any measures with non-compliant suppliers.	<b>0</b>

**16 Capacity building**

Structured, adequately resourced, education concerning material sustainability issues is continuously provided to critical suppliers.	<b>2</b>
Education concerning sustainability issues is provided to critical suppliers, but on a random basis or the education does not concern material issues.	<b>1</b>
No education concerning sustainability issues is provided. Or the company does not publish anything on this subject.	<b>0</b>

**17 Compliance of suppliers**

More than 75% of the suppliers (more than 75% of the company's total purchase value) have stated their compliance with the supplier code.	<b>2</b>
Less than 75% of the suppliers (less than 50% of the company's total purchase value) have stated their compliance with the supplier code. Or, the company declares that it has asked its suppliers to sign the supplier code, but no percentages are given.	<b>1</b>
The company does not publish anything on the subject.	<b>0</b>

**18 Monitoring results**

The company has formulated KPIs related to the upstream supply chain, such as the items covered under item 8, and shows qualitative and quantitative data, indicating improvement on the targets that the company has set.	<b>2</b>
The company has formulated KPIs related to the upstream supply chain, such as the items covered under item 8. However, no targets for suppliers are set.	<b>1</b>
The company does not have KPIs related to the upstream supply chain.	<b>0</b>

**C MANAGEMENT** (maximum 29 points)**Midstream****19 Product life cycle R&D**

Continuous investments are being made in production and consumption patterns in such a way as to avoid or even eliminate the use of scarce commodities, including energy. The production process is (re)designed in a way that optimizes the use of materials for new products and minimizes its effect on the environment (e.g. by recycling resources). The company gives practical examples of its alterations to the life cycle of its products. **2**

The company has the intention of making investments in present production and consumption patterns in such a way as to avoid or even eliminate the use of scarce commodities. The production process is as yet not (re)designed in a way that optimizes the use of materials for new products and minimizes their effect on the environment. **1**

The company does not make it clear that both production and consumption processes have been critically analysed with the intention of (re)designing them in a way that optimizes the use of materials for new products and minimizes their effect on the environment. **0**

**20 Logistics**

The company provides qualitative and quantitative information on the environmental effect of the supply chain. The company uses short distribution channels and tries to minimize the distance between the production location and user market, using means of transport with lowest energy consumption. Act globally locally. Moreover, the company tries to minimize business related travel. **2**

The company uses short distribution channels and tries to minimise the distance between the production location and user market or tries to minimize business related travel. Qualitative and quantitative information is provided on the initiatives. **1**

There are no initiatives taken to limit the distribution channels or business related travel. **0**

**21 Educating company purchasers**

The company supervises its suppliers on sustainability independently from its operational purchasing department. Purchasers are educated in the sustainability policy of the company. Purchasers are required to integrate evident sustainability criteria into their purchasing procedures and the selection of suppliers. Purchasers are aware of the supplier supervision policy regarding sustainability and are educated accordingly. **2**

Purchasers can select a company from a list of approved suppliers (tested for sustainability issues) for the purchase of products and services. **1**

Purchasers are not educated in sustainability within the supply chain. Or, the company does not publish anything on this subject. **0**

**22 Cooperation agreements**

Within its sector, the company is an initiator in the development of strategic cooperation agreements for sustainable solutions within the entire supply chain.	<b>2</b>
Within its sector, the company is a follower in the development of strategic cooperation agreements for sustainable solutions within the entire supply chain.	<b>1</b>
The company does not take part in any initiatives that might promote sustainability within the supply chain. Or: the company does not publish anything on this subject.	<b>0</b>

**C MANAGEMENT** (maximum 29 points)**Downstream****23 Product life cycle; recycling**

The company has a recycling policy that is being implemented. The company actively stimulates taking back products that have entered the end-of-life stage. The company is actively involved in sector-wide initiatives to draw up a recycling policy. The company provides quantitative data on the percentage of sold products, which actually have been taken back.	<b>2</b>
The company has a recycling policy that is being implemented. The company actively stimulates taking back products that have entered the end-of-life stage. The company is actively involved in sector-wide initiatives to draw up a recycling policy. The company does not provide quantitative data on the percentage of sold products, which is actually been taken back.	<b>1</b>
Or the company does state the percentage of reuse, but its policy is not further clarified.	
The company is not actively involved in any recycling policy.	<b>0</b>

**24 Responsible marketing**

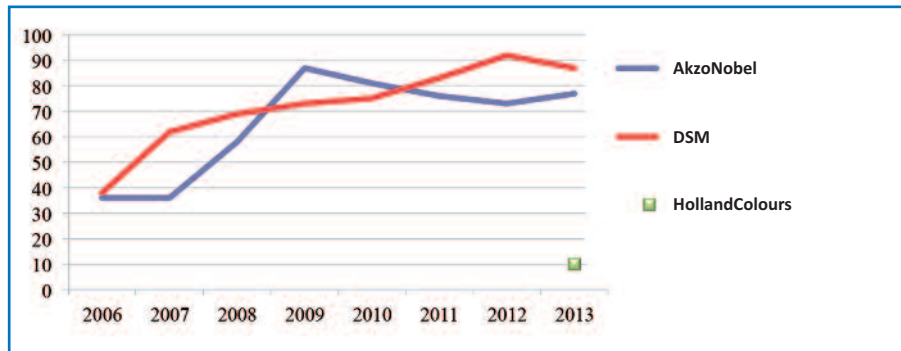
The company actively steers its marketing towards sustainability. Customers are made aware of the necessity of sustainable enterprise and consumption. The company makes it clear that this is a structural element in the marketing of its products, and underlines this with examples.	<b>2</b>
The company actively steers its marketing towards sustainability. Customers are made aware of the necessity of sustainable enterprise and consumption. The company does not make it clear that this is a structural element in its marketing.	<b>1</b>
The company does not include any sustainability issues or elements in its communication policy.	<b>0</b>

**25 Monitoring results**

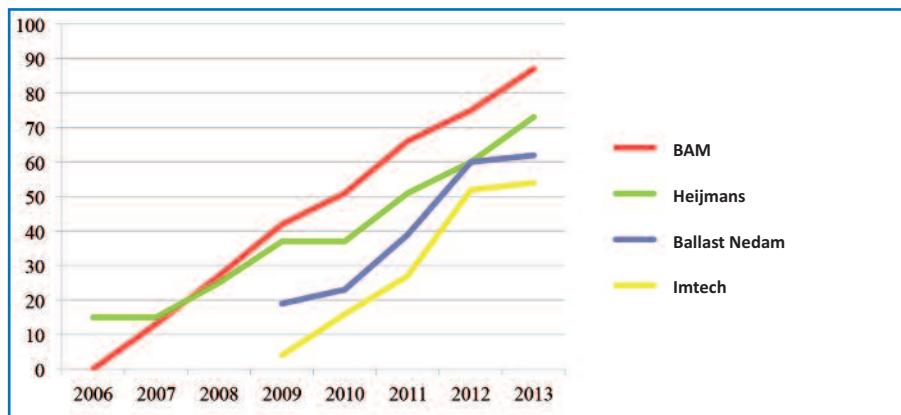
The company has formulated sustainability KPIs related to the downstream supply chain and shows qualitative and quantitative data, indicating improvement on the targets that the company has set.	<b>2</b>
The company has formulated sustainability KPIs related to the downstream supply chain. However, no targets are set.	<b>1</b>
The company does not have KPIs related to the downstream supply chain.	<b>0</b>

## Appendix 2 Graphics chapter 3

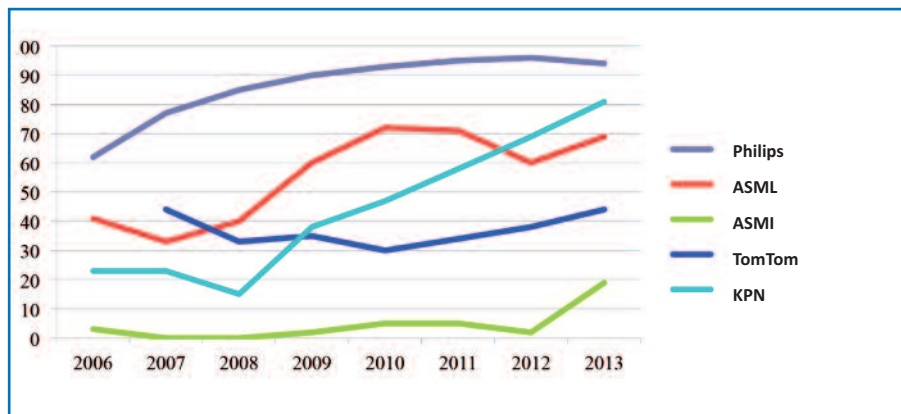
**Graph 1: Responsible Supply Chain Benchmark Score 2006-2013  
for the Chemical companies**



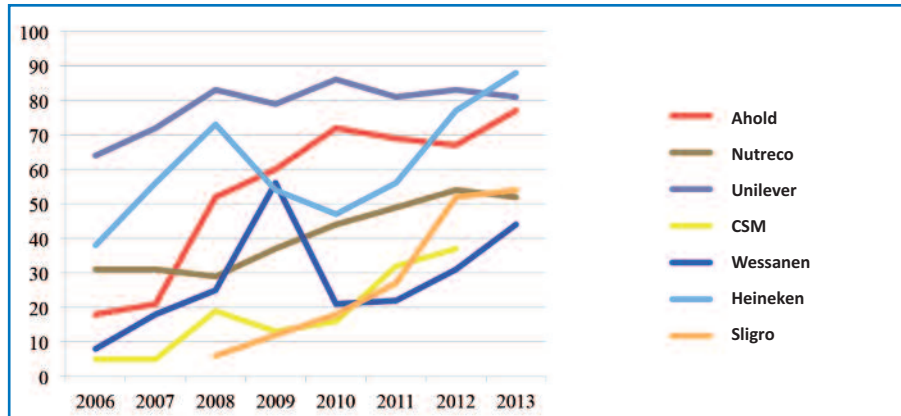
**Graph 2: Responsible Supply Chain Benchmark Score 2006-2013  
for the Construction companies**



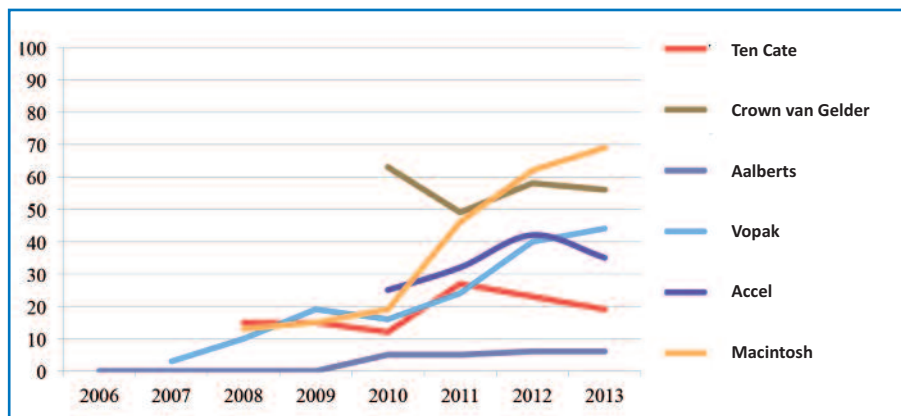
**Graph 3: Responsible Supply Chain Benchmark Score 2006-2013  
for the Electronic companies**



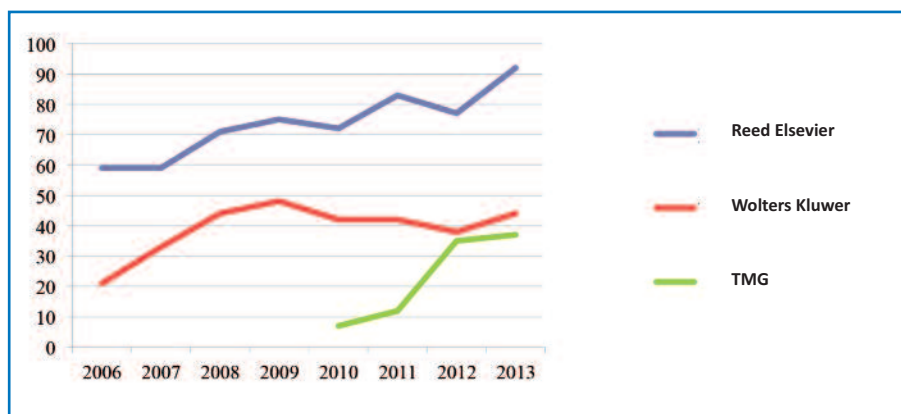
**Graph 4: Responsible Supply Chain Benchmark Score 2006-2013  
for the Food and Agri companies**



**Graph 5: Responsible Supply Chain Benchmark Score 2006-2013  
for the Industry and Manufacturing companies**

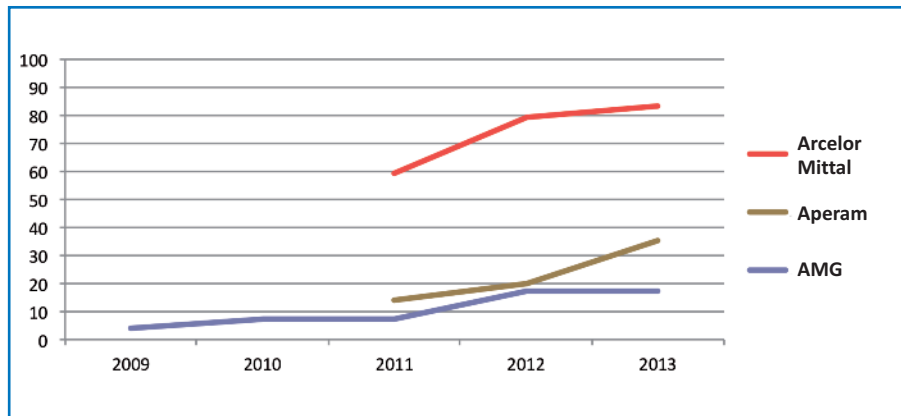


**Graph 6: Responsible Supply Chain Benchmark Score 2006-2013  
for the Media companies**

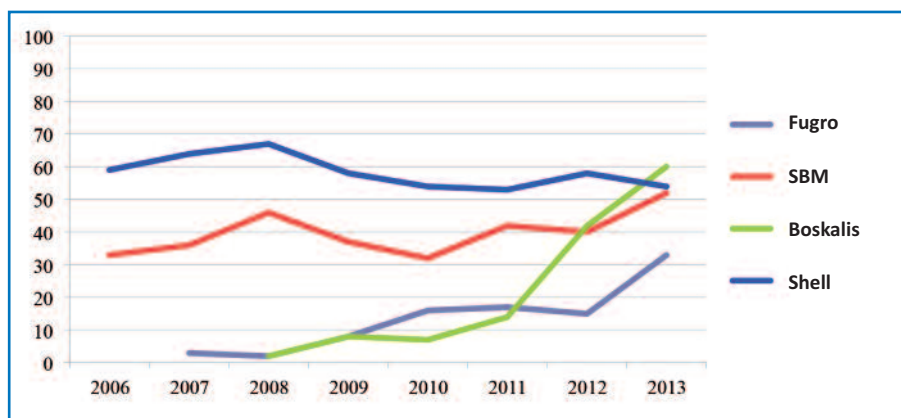




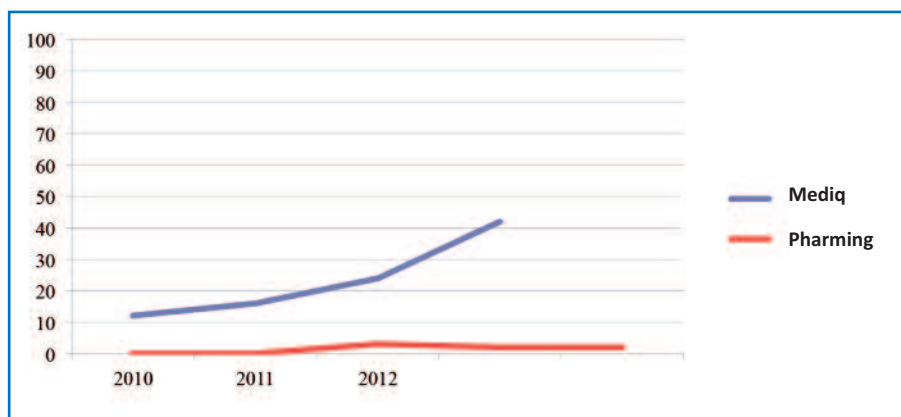
**Graph 7: Responsible Supply Chain Benchmark Score 2006-2013  
for the Metals and Mining companies**



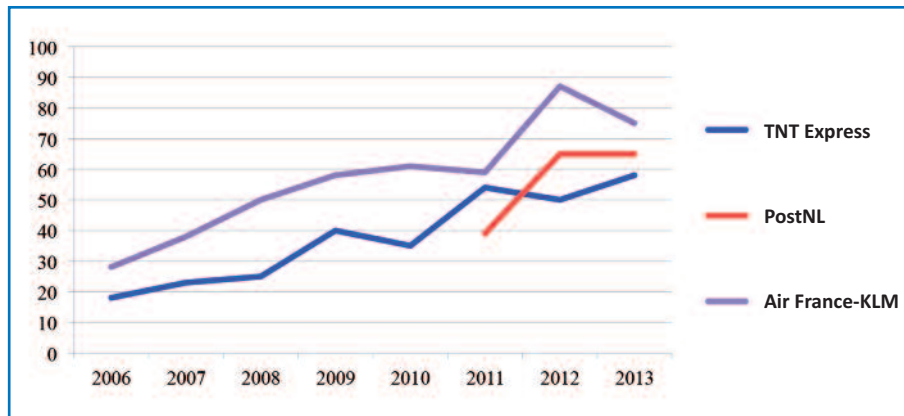
**Graph 8: Responsible Supply Chain Benchmark Score 2006-2013  
for the Oil and Offshore companies**



**Graph 9: Responsible Supply Chain Benchmark Score 2006-2013  
for the Pharmaceutical companies**



Graph 10: Responsible Supply Chain Benchmark Score 2006-2013  
for the Transport companies



## Appendix 3

### Results questionnaire revision Benchmark methodology

- Out of 40 benchmarked companies, 24 answered the questionnaire
- 1/3 of respondents is from procurement or supply chain department
- 2/3 of respondents is from sustainability or CSR department

#### 1. Current Usage of the Benchmark

- 76% for getting insights into how external parties assess responsibility of their chain management
- 57% reputation purposes
- 43% getting insights on competitor behavior
- 33% demonstrating responsibility towards investors

➔ *The high number of respondents that uses the Benchmark for comparison purposes inspires the VBDO to increase comparisons*

#### 2. Coverage of Sustainability Dimensions in Benchmark

- 61% agree that *social aspects* are sufficiently covered; 5 % disagree
- 44% agree that *environmental aspects* are sufficiently covered; 11% disagree
- 50% agree that *financial aspects* are sufficiently addressed; 16% disagree - highest value in three categories

➔ *The VBDO seeks to increase its focus on financial aspects of supply chain responsibility*

#### 3. Distinction upstream-, downstream- and midstream levels in Benchmark

- 50% believe that the current distinction made between upstream, mid-stream and downstream levels is optimal
- Nevertheless, there are remarks that what is currently named mid-stream is not really what companies understand as mid-stream (logistics, purchaser education); some companies believe that the mid-stream part (own operations) could be expanded.

➔ *The VBDO will try to clarify the distinction between the terms; ways of expanding the mid-stream part are currently under discussion*

#### 4. Data Gathering Method

Regarding the VBDO basic research method using public data only, respondents are divided. More than one third disagree that the method is optimal, while nearly another third is convinced that the method works very well. The critics of the method use three main arguments:

1. Subjectivity increases due to interpretation of public data by the VBDO;
2. Limits the assessment to a simplified view (reality is more complex; projects under development are ignored);
3. Some companies operate in an environment where important responsibility facts cannot be publicly disclosed.

Asked for the current method versus other options, 50% regard the current data gathering method a good option or the most preferred option. This is followed by the option self-assessment combined with VBDO public data gathering component (44% rounded).

➔ *Given the valid arguments by the critics of the current method, the VBDO concludes that combining public data component and a self-assessment component is the best option for a revised Benchmark*

#### 5. Scope of the Benchmark and Points of Comparison:

- 87.5 % agree or strongly agree that a comparison between peers (within sectors) would benefit the Benchmark
- 68.75% agree or strongly agree that widening the pool of companies would strengthen the Benchmark
- 56. 25% hold that internationalization would be a good idea, while nearly 20% disagree
- 50% agree or strongly agree that a higher focus on quantitative data is needed, but nearly 44% disagree or are neutral on this aspect - very mixed results

➔ *The VBDO concludes that the possibilities for comparisons between peers should be extended; the pool of companies is likely going to be widened; internationalization and quantitative focus are under discussion*

#### 6. Overview:

##### Benchmark General Key Strengths

- Benchmark General Key Strengths
- draft scoring and feedback opportunity
- helps to involve the purchasing department in sustainable development
- simple and short questionnaire; easy to follow line of reasoning for scoring
- potential tool for improving strategy
- company has to actively act on the whole chain (upstream, midstream and downstream)

➔ *Strengths shall be retained*

### Benchmark General Key Improvement Points

- enable easier comparison between companies
- more appreciation for what is already in place (i.e. not only new things)
- increase focus on entire value chain, at the moment supplier focus yet too high
- comparison within sectors (on global level)
- cooperative agreements in chain should play higher role
- give examples of what is meant by management monitoring systems and methods.
- not an actual comparison with peers, companies are too different

### Specific Points of Improvement - Contents:

- recognition for value chain/supply chain analysis
- recognition for disclosure of CO<sub>2</sub>, water, energy consumption and the like
- stronger focus on training and capacity building provided along the supply chain
- include sector specific information

➔ *Ways to take up general and specific points of improvement are currently evaluated*

Further questionnaire results that the VBDO is concerned with:

- the three-point scale is perceived by some respondents as too simplified

➔ *The scale might be modified to a five-point scale; currently evaluated*

- the question on 'best practice' revealed that apart from strategies (Unilever, Marks & Spencer) many initiatives and projects were named.

➔ *The VBDO seeks to find a way to better take inspiring projects and initiatives into account*



VBD O (Vereniging van Beleggers voor Duurzame Ontwikkeling)  
[www.vbdo.nl](http://www.vbdo.nl) | [www.duurzaamaandeel.nl](http://www.duurzaamaandeel.nl) | [www.goed-geld.nl](http://www.goed-geld.nl) | [www.eurosif.org](http://www.eurosif.org)

Pieterstraat 11, 3512 JT Utrecht, T +31 (0) 30 234 00 31, [info@vbdo.nl](mailto:info@vbdo.nl)