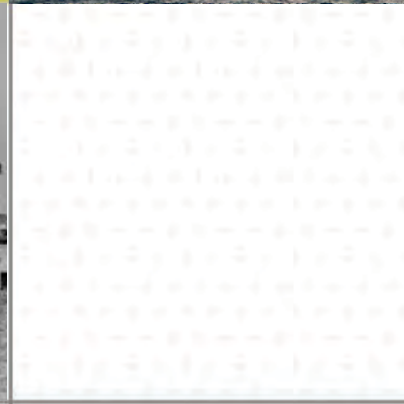
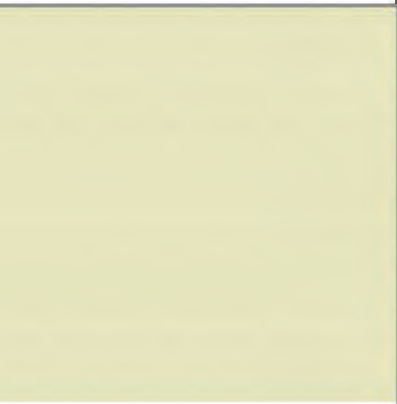
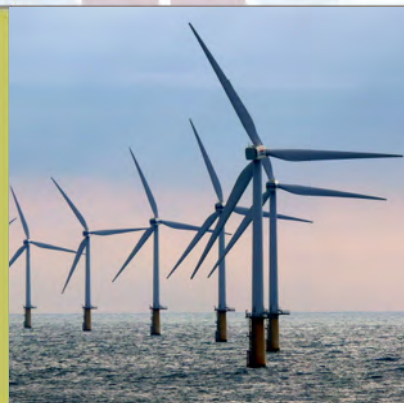
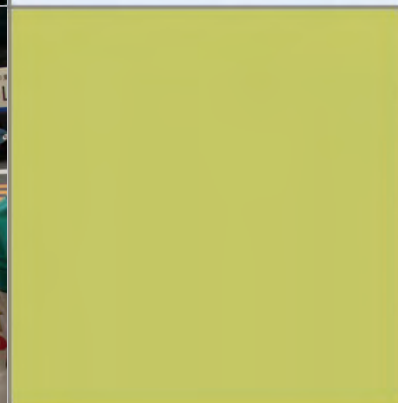
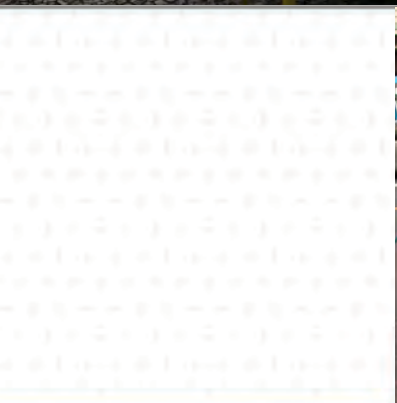


QUARTERLY ENGAGEMENT REPORT

Q1 2016



| | |
|-------------------------------------|----|
| OUR APPROACH | 3 |
| ENGAGEMENT BRIEF | 4 |
| ENGAGEMENT SUMMARY REPORT | 20 |
| COMPANY DIALOGUE & PROGRESS SUMMARY | 21 |

This report summarises the shareholder engagement activities that GES has performed on behalf of Erste Asset Management during the first quarter of 2016.



ABOUT ERSTE ASSET MANAGEMENT

Erste Asset Management is an international asset management company with a strong position in Central and Eastern Europe. Our activities are backed by the financial strength of Erste Group Bank AG.

We offer our clients a broad spectrum of high-quality investment funds and asset management solutions. We apply the highest quality to our clients' assets. This also goes for the comprehensive risk management of Erste Asset Management, which covers all our business areas.

Erste Asset Management attaches particular importance to providing responsible products and services. As a company we have dedicated ourselves to socially and environmentally agreeable behaviour.

We are proud of our employees and have become the employer of choice for specialists who wish to prove their talent in the various departments of Erste Asset Management.

OUR APPROACH

In principle, the sustainability approach of Erste Asset Management is based on a three-dimensional structure. The dimensions of criteria definition, best-in-class and engagement / active ownership mutually enhance each other within an integrated process. A variety of approaches to sustainable investments are combined in this way in order to join somewhat restrictive elements with active, positive and dialog-based elements. The dialog with the companies and the use of our own voting rights lie at the core of our active ownership policy. In both cases, the engagement serves to improve the future viability of the companies. Moreover, the engagement results are integrated into the company selection as well.

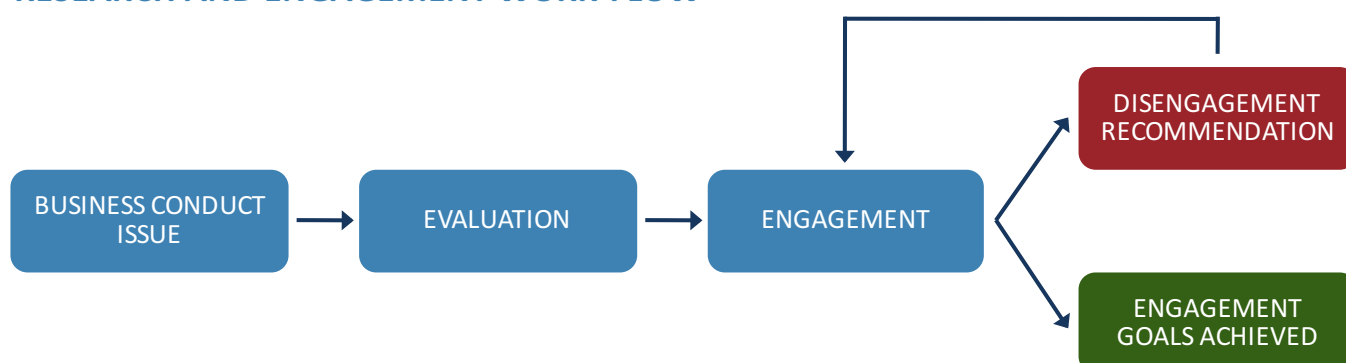
We believe that changes in business conduct drives changes in corporate value. Consequently, we seek to instigate changes in business conduct through engagement dialogue where deemed necessary.

We engage with companies in collaboration with our service provider GES. The engagement process is based on the findings from a systematic screening of companies regarding their compliance with well-established international conventions and guidelines on environmental, social and governance (ESG) issues. By way of example this includes:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- Human rights conventions
- Environmental conventions

We will start engagement with companies that are, or have been involved in systematic business conduct issues or, an isolated issue that has severe consequences for the environment or humans.

RESEARCH AND ENGAGEMENT WORK-FLOW



ENGAGEMENT BRIEF

Index of companies mentioned in this engagement brief

| | | | |
|---|----|---------------------------------------|--------|
| BANK HAPOALIM | 18 | MIZRAHI TEFAHOT BANK LTD | 18 |
| BANK LEUMI | 18 | NESTLÉ SA | 18, 19 |
| BARRICK GOLD CORP | 12 | NEWMONT MINING CORP | 5 |
| BARRICK NIUGINI | 12 | OCP SA | 11 |
| CHEVRON | 15 | PETROBRAS | 13 |
| COMPANIA DE MINAS BUENAVENTURA | 5 | PHOSBOUCRAË | 11 |
| EUROCHEM | 8 | QDVC | 16 |
| FIRST INTERNATIONAL BANK OF ISRAEL | 18 | STORA ENSO | 9 |
| G4S | 14 | TELIASONERA | 7, 19 |
| ISRAEL DISCOUNT BANK | 18 | TEPCO | 14 |
| KBR INC | 6 | THAI UNION GROUP | 18 |
| KCELL | 7 | TOTAL SA | 8 |
| LUMBER LIQUIDATORS | 10 | VINCI | 15 |
| MARUHA NICHIRO HOLDINGS | 18 | ZIJIN MINING GROUP | 12 |

BUSINESS CONDUCT ENGAGEMENT

NEWMONT MINING CORP and **COMPANIA DE MINAS BUENAVENTURA**

Controversial mine case in Peru resolved

GES has resolved two cases related to the controversial **YANACOCCHA MINE** in Peru, after the involved companies showed a serious approach to addressing environmental and human rights concerns.

NEWMONT MINING CORP (Newmont) and **COMPANIA DE MINAS BUENAVENTURA** (Buenaventura) have been criticised over mining activities at the Yanacocha mine in the Cajamarca region, northern Peru. The operations are run by a joint venture between the two companies and the **INTERNATIONAL FINANCE CORPORATION** (IFC). Newmont is the

operator of the mine and the majority owner of the joint venture (51.35 per cent), while Buenaventura holds a 43.65 per cent stake. According to NGO reports, the Yanacocha mine has serious negative impacts on water accessibility and water quality in the region. The mine is also accused of being complicit in human rights violations such as illegal land acquisition, harassment and physical aggression towards the local population. In addition to the Yanacocha site, the proposed **CONGA MINE** project, planned to become an extension of the mine, has been strongly opposed by local communities. In 2011, the opposition led to a decision to suspend the project, and it is still on hold. The major concerns relate to potential damage to water resources and inadequacies in the Environmental Impact Assessment.

GES has had a constructive dialogue with Newmont, which has provided constructive responses in a timely and transparent manner. GES also visited the Yanacocha mine and the Conga area in December 2015, which confirmed the company's serious approach to water and human rights concerns (please find further reporting from the trip in the Q4 2015 issue of GES' Quarterly Engagement Report). After the visit, Yanacocha also thanked GES for the visit saying 'your visit was a fantastic opportunity for us to review our actions/ performance while at the same time gave us some food for thought on how to keep making things better'.

Newmont has presented a number of measures taken to address the key issues such as water management, community relations, and security and human rights.



Yanacocha mine

Regarding water, Newmont has communicated that North American water monitoring standards are applied at Yanacocha, when stricter than Peruvian standards. Newmont routinely collects and analyses water samples and reports the results to the regulatory authorities. There is a water monitoring programme undertaken with the community members taking part in the water sampling and analysis, as well as a separate independent sampling and analysis undertaken by the Peruvian national authorities.

With regards to security and human rights, the company has held workshops, briefings and formal training sessions on the **VOLUNTARY PRINCIPLES ON SECURITY AND HUMAN RIGHTS** (VPs), and states that all public and private security at the mine site have gone through training. Newmont is also actively trying to promote the VPs in Peru.

Lastly, community relations have been reviewed by an independent third party and recommendations have been implemented at Yanacocha. Two teams are working with community engagement and consultation, around Yanacocha and Conga respectively. The company has conducted over 200 workshops with different groups and with different communities, and has hired expert consultants to make sure information is properly conveyed. A grievance mechanism is also in place.

BUSINESS CONDUCT ENGAGEMENT

GES has also been in dialogue with Buenaventura. At first, the company showed a low level of response and transparency. The dialogue, however, improved over time and the company eventually provided GES with details of a good level of community relations practices at other mines in Peru, where it is the operator.

Given the responsible approach and evidence shown by the companies in response to the allegations, GES regards this case as being resolved and will not pursue the analysis.

For further information please contact:



Stina Nilsson

Senior Engagement Manager

KBR INC

Association to unsafe working conditions and human rights abuses - case resolved



Control point for a KBR Inc. Burn Pit

In 2009, the **US MILITARY** contractor **KBR INC** was targeted by increasing criticism from war veterans, members of Congress and journalists for exposing employees and soldiers to adverse health risks related to toxins in air and water in Iraq and Afghanistan. According to the plaintiffs of a class action suit against KBR Inc., also known as the "burn pit litigation", at least 100,000 individuals have been allegedly exposed to toxic smoke, ash and fumes from the open-air burning of waste.

The health effects cited by the plaintiffs include chronic bronchitis, asthma, heart problems, lymphoma and leukaemia. The cases were consolidated to a multi-district litigation at the District Court of Maryland. In February 2013, the case was dismissed "in the national interest".

The court stated that "critical interests of the US could be compromised if military contractors were left 'holding the bag' for claims made by military and other personnel that could not be made against the military itself".

KBR Inc. has also been accused of having an "unsafe working environment" and is involved in several other ongoing court cases such as the Qarmat Ali case. In January 2015, the Supreme Court allowed three lawsuits against KBR Inc., including the burn pit litigation and the Qarmat Ali case to move forward, declining KBR Inc.'s request for broader protection of government contractors in war zones. The hearing has been rescheduled for September 2016.

Although the court cases are still ongoing GES has found KBR Inc. to have been very responsive to our engagement. They have revised or introduced new policies and procedures in relation to human rights and health and safety, as well as internal "whistle-blower" mechanisms, in relation to the anonymous reporting of potential breaches of KBR Inc. procedures by employees.

In addition, they have increased their transparency of public reporting through the adoption of the GRI standard, and have also committed to improving their level of reporting on any internal "whistle-blowing". Based upon the level of progress made by KBR Inc. during our engagement and the increased level of transparency in reporting GES considers the case to be resolved.

For further information please contact:



Bruce Jackson

Senior Engagement Manager

TELIASONERA

Resolved case in association to assisting repressive regimes in surveillance operations

In 2012, the Swedish public service broadcasters **SVT** reported that **TELIASONERA**'s subsidiaries and associated companies in Belarus, Kazakhstan and other Eurasian countries operates systems that allow the national public security services real-time access to all information that users exchange through text messages and phone conversations, as well as identifying the location of the user. In Kazakhstan, the security services reportedly even have an office at the premises of **KCELL**, a majority-owned subsidiary of TeliaSonera. The regimes are allegedly using the information to oppress political opponents and restrict freedom of expression.

Since then GES' dialogue with TeliaSonera has been constructive and positive and in 2013, TeliaSonera strengthened its policy on Freedom of Expression and Privacy. The company also introduced a better process to manage the lawful requests from authorities. In this process TeliaSonera uses all its leverage to challenge these requests in order to ensure they are processed in a lawful way. In September 2014, together with an investor group, GES visited TeliaSonera's operations in Kazakhstan and Uzbekistan and in September 2015, TeliaSonera announced that it would start to exit its Eurasian operations.

During the autumn and winter of 2015, TeliaSonera has improved its transparency reporting and in November 2015, GES was informed that some of the changes in the latest Law Enforcement Disclosure report were inspired by the suggestions made by GES. The updated report clearly explains the complexity of the situation with authorities' direct access to telecom operator's networks and the difficulty for any operator to protect its client's rights to privacy and freedom of expression. With this transparent explanation of the complex situation and the publication of current legislation in each country where TeliaSonera operates its customers are better informed and made aware that there is an increased risk in several of the markets where TeliaSonera is present. The report was also audited by a third party for the first time.

In March 2016, GES met with TeliaSonera to talk about the positive progress in TeliaSonera's reporting as well as the overall negative trend worldwide that indicates that there will be an increase of breaches of freedom of expression and privacy worldwide. TeliaSonera informed GES that in the upcoming Law Enforcement Disclosure Report, it would make a clear statement that it opposes how any state or regime is using telecom operators for unlawful interception, which is a breach of freedom of expression and privacy¹.

Furthermore, GES recognises the difficult context that telecom companies are operating in and appreciates the constructive dialogue TeliaSonera has had with GES over the years on how the company can improve. GES regards TeliaSonera's enhanced transparency as a positive step forward for all peoples' right to privacy and freedom of expression. This has been shown through the fact that TeliaSonera has reported in a transparent way on various events that could be a link in the chain to infringing or breaching Freedom of Expression issues in its operations. The report indicates that the company's new enhanced transparency is working.

GES has concluded that TeliaSonera has fulfilled the change objectives since the company is using its individual leverage and its collective leverage together with its peers in the **TELECOM INDUSTRY DIALOGUE** and its upcoming cooperation with **GLOBAL NETWORK INITIATIVE** in a constructive way to push for a legislative change and a change in praxis to better respect freedom of expression and privacy. Therefore, GES now considers this case resolved.

For further information please contact:



Aurora Samuelsson
Senior Engagement Manager

¹ TeliaSonera therefore advocates that governments should not have direct access to their networks and systems and that TeliaSonera should retain operational and technical control. http://www.teliaSonera.com/Images/Law%20Enforcement%20Disclosure%20Report_March2016_Final2.pdf page 14.

TOTAL SA and EUROCHEM

Cases resolved as the two companies are leaving Western Sahara

GES has been engaging with companies involved in Western Sahara since 2007 due to its disputed status and the human rights impacts that those operating in the region are associated with. Company activities are conducted under a contract or in partnership with Morocco, which controls the territory and is profiting from the business without the consent of the people of Western Sahara. However, according to an opinion issued in 2002 by the **UN UNDER SECRETARY GENERAL FOR LEGAL AFFAIRS**, the exploitation of natural resources in non-self-governing territories, Western Sahara in particular, is illegal if conducted in disregard of the interests and wishes of the people. Any company wanting to import phosphate or explore for oil and gas in Western Sahara must therefore ensure that the views of the people are taken into account in order to not breach international law.

Over the years, the number of GES' engage cases has increased as more companies have been drawn to the territory by its natural resource reserves and prospects, arguing that their involvement is in line with the 2002 legal opinion. They typically maintain that corporate activities are in the interests of the people, good for the development and stability in the region and/or that the obligations outlined in the UN statement do not apply unless natural resources are physically removed. Accordingly, these actors see no need to refrain from doing business in Western Sahara. There are a few exceptions, however, whereby companies have been more mindful of the human rights and reputational risks involved, and in the first quarter of 2016 two of them confirmed to GES that they had terminated business links to the territory.

One of these is the Russian chemicals company **EUROCHEM** whose subsidiary had been importing phosphate rock extensively from Western Sahara. In 2012, GES commenced engagement with EuroChem and was pleased to establish that the company's objective was to phase out such purchases by the end of 2014.

It had to revise the timeframe due to the intended substitute sources not starting to deliver as hoped, but in January 2016, EuroChem was able to rule out further imports from Western Sahara. This was realised partly through the company having built up its own production capacity and partly through finding alternative external suppliers for the raw material.

TOTAL SA, the French oil company, has communicated a similarly positive message to GES, confirming on a conference call in February this year that it had not extended the reconnaissance contract for a block offshore Western Sahara which expired in December. This engagement also began in 2012, after a second attempt to survey the prospects in the territory was commenced by Total. Given the negative results both times, the company does not plan to return to Western Sahara in the foreseeable future.

GES is encouraged by these withdrawals. Neither company's decision was primarily motivated by human rights, but based on operational and strategic considerations. At the same time, both EuroChem and Total SA had recognised the role and responsibilities which companies involved in Western Sahara have, and had been open to constructively engage on the matter. GES considers these two cases as resolved but continues engagement with several other companies still active in Western Sahara, with the view of effecting many more similar outcomes.

For further information please contact:



Tytti Kaasinen
Senior Engagement Manager

STORA ENSO

Human rights case resolved

GES has, together with many of its clients, intensified its engagement with **STORA ENSO's** supply chain in Pakistan. For example a collaborative investor letter was sent to the CEO, resulting in a series of high level meetings and a number of follow-up calls.

GES was pleased to see that Stora Enso has made substantial improvements in the area of human rights in general, and in addressing child labour and community rights in particular. As a result of the positive developments, GES has decided to resolve the case on Stora Enso 'Association to reoccurring human rights violations'.

Key measures taken by Stora Enso include:

Corporate human rights due diligence

- A corporate-wide human rights assessment has been completed, transparently reported with action plans currently being developed.
- The new CEO is involved in leading human rights issues within the company, a board committee on sustainability issues is in place and experts have been hired to lead the work on sustainability and human rights issues.
- New investments in countries with significant ESG-risks and joint venture operations have their own 'Global Responsibility Teams'. For new operations, human rights issues are a mandatory part of the due diligence process and minor human rights assessments are carried out on a regular basis.

Addressing child labour in Pakistan

- Firm policy commitment against child labour.

- Child labourers found in Pakistan have been offered to start school (which has been taken up by the vast majority who have since started their education). All children have been taken out of work.
- Eleven new cases of child labour were picked up by Stora Enso's strengthened child labour monitoring system in Pakistan. There is a systematic approach in place on how to handle these cases and potential cases in the future.
- There is a closer relationship with suppliers in Pakistan, including a supplier code of conduct, monitoring and training on labour rights.
- Stora Enso has formed a partnership programme with the **ILO** on labour rights, both at a corporate level and locally in Pakistan.

Addressing community rights in China

- In China, Stora Enso will continue to implement its land contract correction programme. 63 per cent of the contracts have now been corrected. When existing contracts are corrected, new or renewed contracts will need to be managed. It is rather an ongoing process than a process with a fixed end. Related actions include securing community consent.
- In cases of conflict that Stora Enso's contract correction procedures cannot resolve, contracts will be terminated.
- Stora Enso is currently working on robust procedures for land contracting, to prevent any new issues going forward.
- Programmes in local communities were evaluated during autumn 2014 and in 2015. Stora Enso is working on making its stakeholder engagement processes more inclusive (focusing on women's and indigenous people's rights).

BUSINESS CONDUCT ENGAGEMENT

In addition to the above the whole Board of Directors will undergo human rights training this year by Stora Enso's internal human rights experts. This will comprise two sessions on human rights and one on ethics and compliance. This was a suggestion explicitly made in GES' engagement with Stora Enso.

Based on the, above mentioned, substantial improvements in the area of human rights in general, and in addressing child labour and community rights in particular, GES has decided to resolve this case.

For further information please contact:



Stina Nilsson
Senior Engagement Manager

LUMBER LIQUIDATORS

Confirmed illegal logging case

In October 2013, **LUMBER LIQUIDATORS** was reported by the US NGO **ENVIRONMENTAL INVESTIGATION AGENCY** to knowingly purchase timber originating from protected oak forests in the Russian Far East which provides one of the few habitats to Siberian tigers. Siberian tigers have been classified as endangered in the Red List of Threatened Species by the **WORLD CONSERVATION UNION**, and the Mongolian oak is protected under the UN Convention on International Trade of Endangered Species of Wild Fauna and Flora.

The company was investigated by the **US DEPARTMENT OF JUSTICE**; the agency determined that Lumber Liquidators had repeatedly failed to follow its own internal procedures, which resulted in imports of protected wood species from suppliers who were unable to provide documentation of legal harvest. Lumber Liquidators also falsely reported either the species and / or the source country of the timber when it was imported into the United States.



Siberian tiger

In October 2015, Lumber Liquidators announced a settlement with the **ENVIRONMENT AND NATURAL RESOURCES DIVISION** of the Department of Justice, in which it pleaded guilty to illegal logging in the Russian Far East. The company agreed to pay USD 10 million and to implement an environmental compliance plan. The deficiencies in the implementation of supply chain management procedures, a lack of transparency over its procurement processes required to ensure full legal compliance, and the projected environmental impacts on the endangered Siberian tigers constitute a solid base for concluding incompliance with internationally recognised standards.

Therefore, GES has concluded that the reported practices can be associated to a violation of the UN Global Compact Principle 7 on environment, and the corresponding Guideline VI of the OECD Guidelines for Multinational Enterprises.

For further information please contact:



Ewelina Łukasik-Morawska
Engagement Manager

OCP SA

Western Sahara case confirmed

As of March 2016, GES regards **OCP SA**'s involvement in Western Sahara as a confirmed violation of international norms.

In 1976, less than a year after the annexation of Western Sahara by Morocco, OCP SA commenced its business in the territory by acquiring the majority stake in **PHOSBOUCRAË**, which has become a wholly-owned OCP SA subsidiary, and currently contributes around ten per cent of the group's total extracted volumes, and around 25 per cent of its total sales of phosphate rock. Morocco's phosphate rock reserves are the largest reserves of this commodity in the world.

OCP SA's presence in Western Sahara has met with opposition from the **POLISARIO FRONT** - the UN-recognised representative of the people of Western Sahara - as well as the Saharawis living in the area. Advocacy groups defending the Saharawi's right to self-determination are also critical of the company's activities in the territory. The criticism mainly focuses on the lack of transparency with regards to how the Saharawi people benefit from the exploitation of phosphate deposits, and OCP SA's alleged discriminatory employment practices towards Saharawis employed at the mine. Additionally, OCP SA is reluctant to share the legal opinions which, according to the company, support the claims that its operations in Western Sahara are conducted in line with international norms.

GES has made numerous attempts at initiating dialogue with OCP SA. Although they have been acknowledged, the company has yet to provide specific answers and comments. Nevertheless, OCP SA's position on Western Sahara is widely known, and has been discussed publicly by the company on several occasions.

Moreover, the results of GES engagement with a number of international companies that source phosphate from OCP SA, show that they rely upon OCP SA's assessment of the legality of exploiting this commodity in Western Sahara.

In an opinion issued in 2002 by the **UN UNDER-SECRETARY GENERAL FOR LEGAL AFFAIRS**, the exploration and exploitation of natural resources in non-self-governing territories, Western Sahara in particular, was declared illegal if conducted in disregard of the interests and wishes of the people. OCP SA has not demonstrated whether the interests and wishes of the local Saharawi people are reflected in the company's activities.

Therefore, the reported practices can be associated to a violation of the UN Global Compact Principles 1 and 2 on human rights and the corresponding Guideline IV of the OECD Guidelines for Multinational Enterprises, as well as Chapter II of the UN Guiding Principles for Business and Human Rights.

For further information please contact:



Nina Markowska
Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

ZIJIN MINING GROUP

Confirmed association to environmental impact in mining operations

In late August 2015, **ZIJIN MINING GROUP** acquired a 50 percent share of **BARRICK GOLD CORP**'s subsidiary **BARRICK NIUGINI** who operate the **PORGERA GOLD MINE** in Enga Province, Papua New Guinea.



Porgera gold mine in Papua New Guinea

The mining operation utilises two forms of waste disposal: erodible dumps, and riverine tailings disposal. Given the high annual rainfall, material from the dumps also add to the tailings in the local river system; resulting in potentially high detrimental impacts on the environment, which can pose a risk to local people dependent on the river.

GES has engaged with Barrick Gold Corp, which in 2012 introduced a new “tailings management standard” for existing and future projects to “ensure all TSFs [sic tailings storage facilities] are designed, built, operated and closed in compliance with all applicable laws and regulations, and in line with highest international practises”. Unfortunately, this precludes Porgera due to its waste practises. GES will however, seek a similar disclosure from Zijin Mining.

Zijin Mining has been unresponsive to GES' efforts at starting a dialogue. GES issued an investor letter to senior members of the board in March 2016.

The reported practices can be associated to a violation of the UN Global Compact Principles 7 and 9 on environment and the corresponding Guidelines II and VI of the OECD Guidelines for Multinational Enterprises.

For further information please contact:



Bruce Jackson

Senior Engagement Manager

PETROBRAS

Bribery case confirmed

As of February 2016, GES regards the bribery case on **PETROBRAS** as a confirmed violation of international norms.

In October 2014, a former Petrobras executive admitted in a Brazilian federal court the existence of a kickback scheme at the company between 2004 and 2012. Since then, four former Petrobras executives have been convicted for their involvement. Allegedly, as part of that scheme, Petrobras' suppliers paid kickbacks to a number of company executives and channelled a portion of the money from contracts to Brazilian politicians. The **BRAZILIAN FEDERAL POLICE** has launched an investigation targeting the company's employees and subcontractors as well as Brazilian politicians. As of March 2016, about 100 people have been indicted on charges of corruption, money laundering, and cartel formation. It is claimed that the overall amount of money diverted in the scandal is about USD 1.2 billion.



Petrobras' P-51 oil platform near Rio de Janeiro

Although the company itself has not been convicted over corrupt practices, the convictions of former Petrobras directors and the alleged involvement of a large number of people, including former Petrobras employees and several Petrobras contractors, suggest that the company's management knew of the scheme and either turned a blind eye to it or failed to take adequate measures to deal with the problem.

Given the magnitude of the bribery scheme and the company's failure to prevent it, Petrobras can be held responsible for the situation, and GES has therefore decided to confirm the case. The reported practices can be associated to a violation of the UN Global Compact Principle 10 on corruption and the corresponding Guideline VII of the OECD Guidelines for Multinational Enterprises.

GES is continuing its engagement with Petrobras focusing on the company's efforts to strengthen its anti-corruption measures. A meeting is currently being set up with the executive manager of the company's compliance department. More information about the meeting and further engagement with the company will be available on GES' Engagement Forum.

For further information please contact:



Stina Nilsson

Senior Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

TEPCO

Progress improved

Progress on the case related to the **FUKUSHIMA DAIICHI** nuclear disaster has been slightly changed from poor progress to standard progress. This reflects various outcomes from efforts to improve nuclear risk management over the five years since the accident.



Anti-nuclear demonstration in Tokyo on 20 March 2016

For example, in June 2015 the **INTERNATIONAL ATOMIC ENERGY AGENCY** (IAEA) assessed operational safety at **TEPCO's** (and the world's) largest nuclear power station **KASHIWAZAKI-KARIWA**. The IAEA team concluded among other things that, following the Fukushima Daiichi accident, the Kashiwazaki-Kariwa plant has implemented "comprehensive and robust" defence measures against severe accidents.

However, many challenges remain, including the securing and decommissioning of the Fukushima Daiichi plant. TEPCO has to find solutions for:

- the end-storage of accident generated nuclear waste
- the management of large volumes of radioactive water
- the remediation of the social and environmental impacts of the accident

These are long-term issues that are likely to span decades where investor engagement is unlikely to be a crucial enabler for improved business conduct.

There is already strong government involvement in these issues, which possibly will increase over time. GES therefore continues to monitor these issues but will not, at this stage, focus any engagement efforts towards this.

Instead the engagement will focus on the direction of future operations and in particular on carbon risk management. Safe nuclear power is one potential component in the transition to low carbon energy systems that TEPCO relies heavily on. Renewable energy is another important component where TEPCO still has several new opportunities to explore. Likewise, there are many interesting options available related to a changed market logic that can lead to improved efficiency and a developed relationship with customers.

For further information please contact:



Flemming Hedén
Senior Engagement Manager

G4S

Occupied Palestinian Territories update

G4S has a continuous meaningful dialogue with the responsible GES managers and proactively communicates with investors about the issues. Advanced measures to manage human rights risks have been implemented globally, partially as a result of OPT related pressure. The company says it will not re-enter any prison, police station or check point contracts in Israel and that the majority of the contracts regarding its controversial operations in the OPT were expected to have expired during 2015. Some of its contracted obligations are not to terminate until the end of 2017. As discussed in a recent meeting, and announced by the company in Q1, 2016, it is possible that a sale of its Israeli subsidiary will end the company's involvement sooner.

For further information please contact:



Flemming Hedén
Senior Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

CHEVRON

GES' disengagement in Ecuador

GES has decided to discontinue its engagement with **CHEVRON** in relation to the Ecuador case.

While being responsive to GES on discussing other ESG issues, the company has stated that it is not willing to discuss any changes in its approach on its Ecuadorian legacy. This was spelled out clearly in 2015 after several years of GES' engagement with Chevron.



American actor Danny Glover confirming the contamination left by Chevron in hidden pools of toxic waste in the Ecuadorian Amazon

GES will continue to engage with Chevron on other ESG issues. A non-exhaustive list of issues we engage on are the company's operations in Burma, human rights, anti-corruption and health and safety management.

GES will also always be prepared to return to a dialogue on the Ecuador legacy issues should the company decide to change its position. Resolutions in line with GES' engagement goal will most likely continue to be filed at AGMs and GES encourages shareholders to support such resolutions, including the **NEW YORK STATE COMPTROLLER's** resolution for Chevron's 2016 AGM on appointing a board member with environmental expertise.

For further information please contact:



Flemming Hedén

Senior Engagement Manager

VINCI

Football and human rights issues in Qatar

It is estimated that 3.2 billion people tuned in to see at least one minute of the football matches at the 2014 **FIFA WORLD CUP** in Brazil. The event generates such impressive audiences by building up on the passion for football. Yet, the 2022 FIFA World Cup in Qatar, although still six years from now, has already managed to capture the public eye not thanks to the increasing passion for football but due to the working and living conditions of the migrant workers building the infrastructure for the World Cup.



Qatar has a population of around 2.5 million with 90 per cent of it being made up by foreigners. Their status is regulated by the so-called Kafala system which requires all migrant workers to have a Qatari sponsor, usually their employer, who is responsible for their visa and legal status. Under this system, the migrant workers cannot change or quit their job and cannot leave the country without their sponsor's approval. Moreover, migrant workers also face challenges in their home countries as the majority has to pay very large illegal recruitment fees to secure a job in Qatar. They do so by taking on debt and mortgaging their homes or farmland, which in turn pressures them into accepting any job on arrival in Qatar, despite being promised better conditions.

Kafala has been criticised by human rights organisations for creating opportunities to exploit migrant workers, leading to many being abused by their employers with little chance of legal recompense. Although Qatar has been reforming the Kafala, the reforms fall short of the expectations of international stakeholders.

Mustafa Qadri of **AMNESTY INTERNATIONAL**, expert in migrant labour rights in the Gulf area, said in a teleconference organised by GES earlier this year that fundamentally the Kafala system is still the same, except for some minor improvements and a name change, with words like Kafala being removed from the new law due to be enacted in December 2016.

This problematic environment makes it difficult for companies to operate in Qatar as they could easily be accused of human rights violations. So was the case with the French construction company **VINCI** that operates in Qatar through **QDVC**, a joint venture of which it owns 49 per cent. In March 2015, Vinci was accused of bonded labour through passport confiscation, and of threatening workers to stop demanding better conditions.

Vinci denied the accusations and mentioned during a teleconference with GES in September 2015 that, among others, it provides its employees a safe where they can store their passports, and that it had asked **BSR**, a global non-profit consultancy, to perform a Human Rights Impact Assessments (HRIA) at its operations in Qatar. The HRIA, which is not publicly available but can be accessed by GES' clients through the GES Engagement Forum, shows that despite the challenging Qatari context, QDVC has good systems in place. However, the HRIA uncovers some gaps in company's systems regarding payment by workers of illegal recruitment fees, as well as issues related to subcontractors' practices.

QDVC's deficiencies identified by BSR are part of a tendency also revealed by **ILO**'s high-level tripartite visit to Qatar in March 2016, which followed a complaint concerning non-observance by Qatar of the ILO C029 Forced Labour Convention.

The tripartite delegation found that problems related to working conditions are more widespread for workers in small companies operating at the subcontractors' level. At the same time, the delegation emphasised the importance of cooperation between the **GOVERNMENT OF QATAR** and labour-sending countries to address the issue of high recruitment fees paid by workers before their arrival in Qatar.

In a teleconference organised by GES in February 2016, in which several investors participated, VINCI presented some of the actions it has taken following the HRIA findings. For instance, it has started working with NGOs and the governments of migrants' countries of origin to ensure a system free of illegal recruitment fees. This allowed it recently to recruit 900 Bangladeshi workers through such a system and is now working on implementing similar processes in Nepal and other countries in the region. Moreover, the company is currently working on defining a human rights policy, which is due in June 2016. The policy will also be applicable to its subcontractors worldwide. These measures are particularly commendable in light of the findings of ILO's tripartite delegation.

While these measures will certainly improve the lives of those working for QDVC, in order to improve the situation for more than 2 million migrant workers in Qatar a collaborative effort is needed. Institutional investors play an important part in engaging with companies and pushing them towards a better understanding of the challenges associated with operating in such environments. GES will continue to closely monitor the situation in Qatar and will follow up with both VINCI and Amnesty International before the summer.

For further information please contact:



Alexandru Giurgilă
Engagement Manager

THAILAND'S FISHING SECTOR

WHAT DO YOU KNOW ABOUT THE SEAFOOD THAT LANDS ON YOUR PLATE?

The seafood industry is one of the most crucial economic sectors providing food security and employment for those living along Thailand's coastline. Globally, the trade of seafood products continues to grow, and emerging markets are now creating over a half of the value of total exports. Within the expanding world market, Thailand has become a major supplier, with the value of its seafood exports totalling over USD 7 billion in the recent years.

However, the overexploitation of wild fish stock has contributed to a decline in the catch for the Thai fleet and the rising costs of operating a fishing vessel has posed a significant threat to the country's seafood industry. This has been accompanied by changes in the composition of workforce in the sector which led to a shortage of Thai workers willing to work on fishing vessels. As a consequence, these pressures and the Thai fishing industry's inability to satisfy the demand for local fishermen, there is now a reliance on undocumented migrant workers coerced into accepting low wages and poor working conditions.

Currently, Thai fishing crews predominantly consist of migrant workers from neighbouring countries such as Burma, Laos and Cambodia. Employing low cost migrant labour has proven a challenging issue for the country's authorities and the lack of proper enforcement of safety and labour standards leaves the workers vulnerable to slavery and human trafficking. Fishing and processing companies are using forced labour and debt bondage to produce the raw material, which then enters diverse and numerous supply chains: from shrimp and pet food to poultry and fertilisers.

The final products are often destined for consumers in the US and the EU. **US CUSTOMS** records indicate that Thai seafood has made its way into the supply chains of major US food stores and retailers, including some of the country's best-known seafood and pet food brands.

All the shrimp from Thai processors is considered to be associated with slavery. Long and complex supply chains that cross multiple borders and rely on an array of subcontractors hinder traceability and make it challenging to verify that the goods bought and sold every day are not produced by modern-day slaves. This means that consumers may be connected with human trafficking more directly and more frequently than they realise.

Regular reports of abuses and exploitation have given rise to an increasing pressure from the international community, and also led to the formal notice that the **EUROPEAN COMMISSION** gave Thailand in April 2015 for not taking sufficient measures to address human trafficking and illegal, unregulated and unreported (IUU) fishing. After the EU yellow card, the **THAI GOVERNMENT** faced another wave of pressure when the US kept Thailand on the lowest rank of the Trafficking in Persons (TIP) report. Both the yellow card and the TIP ranking have raised concerns about whether the Thai government has done enough to address the issues. In response, the government passed a new Royal Ordinance on Fisheries in November 2015 and introduced monitoring and control measures over transshipment of goods at sea. As there have also been indicators that forced labour and human trafficking in the sector are frequently linked to other forms of criminal activity, such as transnational organised crime, the government has completed a nationwide survey of every Thai-flagged fishing vessel, creating an up-to-date database of 42,000 vessels that form the country's fishing fleet. All Thai fishing vessels operating outside the country's waters are now tracked by the authorities using the Vessel Monitoring System. The new regulations aim at empowering relevant authorities to combat the IUU fishing and help them gain control over human trafficking in the seafood sector. Additionally, the authorities have decided to increase labour inspections at sea under the coordination of the **ROYAL THAI NAVY**.

Undoubtedly, the current arrangements are an important addition to enforcement efforts, but developing technical capabilities to control fishing vessels is only a first step in implementing improvements over the previous system.

BUSINESS CONDUCT ENGAGEMENT

To make anti-trafficking efforts viable, it is crucial that the legal structure that governs the rights of migrant workers in Thailand is also addressed. Migrant workers are still not allowed by law to serve in the leadership of trade unions and fishermen lack mechanisms to enforce their rights at sea. Action by the Thai government is crucial in prosecuting trafficking cases, protecting the victims and preventing forced labour. No less important is the role of multinational corporations in minimising the likelihood of trafficking in their supply chains and respecting the rights of the workers who help make their businesses successful. For our part, GES is engaging with Thai seafood producers and buyers such as **THAI UNION GROUP**, **MARUHA NICHIRO HOLDINGS** and **NESTLÉ SA** to underline investor concerns, and will continue to do so to ensure that proper measures are taken to mitigate the risk of human trafficking throughout the operations in both short- and long-term. We believe that a company's commitment to responsible sourcing should be demonstrated by creating a clear and comprehensive anti-trafficking policy, which includes an enforcement mechanism that is applied throughout the supply chain. Such a policy should be approved and promoted by high-level executives and integrated into the company's business model, so that supplier considerations go beyond price and include an assessment of labour practices.

Global investors are exposed to the risks relating to improper labour practices, play an important role in engaging with companies and pushing them towards a better understanding of workers' vulnerabilities in a multi-tier supply chain. Just as there are many links in the seafood value chain, there are also several pressure points through which stakeholders at different levels can add their voices to those calling for the industry to change. Collectively underlining the need for a proper implementation and enforcement of national and international law is necessary for a successful engagement.

For further information please contact:



Ewelina Łukasik-Morawska
Engagement Manager

FINANCING ILLEGAL SETTLEMENTS IN OCCUPIED TERRITORIES

Continued engagement with five Israeli banks

Since 2009, GES has engaged with several Israeli banks regarding financing illegal settlements in occupied territories. In 2013, GES met **BANK HAPOALIM**, **BANK LEUMI**, **FIRST INTERNATIONAL BANK OF ISRAEL**, **ISRAEL DISCOUNT BANK** and **MIZRAHI TEFAHOT BANK LTD** as part of the **ASSOCIATION OF BANKS IN ISRAEL** in Tel Aviv and since then the dialogue has become more constructive. GES recognises that the banks are operating in a complex context and at the same time using its leverage to raise the issues of concern with authorities in Israel.

In March 2016, GES together with clients had a video conference with the Association of Banks in Israel and a number of the five Israeli banks. The banks updated GES on the recent development in the banks' dialogue with the **MINISTRY OF STRATEGIC AFFAIRS** and said that there is a clear shift in the awareness of the issues of concern raised by GES and investors.

Furthermore, the banks informed GES that the Israeli CSR network group **MAALA** is planning to arrange a conference during the summer of 2016 to address CSR issues in Israel in general and also the issues concerning business operations within the Occupied Palestinian Territory. GES will be invited to this conference and will look into the possibilities to participate. It was also decided that there will be a follow up video conference in September 2016 to which investors are welcome to join.

For further information please contact:



Aurora Samuelsson
Senior Engagement Manager

CHILDREN'S RIGHTS IN MEDIA AND MARKETING

Findings from a GES webinar

Children have traditionally been discussed in the business world mainly due to their exploitation in sweatshops, but the acknowledgement of the companies' broader role in safeguarding children's rights has started to gain ground in recent years. One important catalyst for this was the Children's Rights and Business Principles, jointly developed by **UNICEF, UN GLOBAL COMPACT** and **SAVE THE CHILDREN** in 2012, which offers a comprehensive set of 10 principles on how companies can positively impact workplace, marketplace and community to respect and support children's rights. However, this still remains a relatively neglected area within ESG, and GES considers it important to raise investors' awareness of the associated risks and opportunities.

GES has for many years engaged in efforts to support children's rights integration into business and investment activities, and as part of this work we recently hosted a webinar focusing specifically on how the related aspects play out in media and marketing. The **DANISH INSTITUTE FOR HUMAN RIGHTS, TELIASONERA** and **NESTLÉ SA** presented a holistic view of their respective approaches as well as sharing concrete examples on how to properly cater to the needs of this stakeholder group, beyond merely avoiding child labour.

Tulika Bansal, Senior Advisor at the Danish Institute for Human Rights, brought the issue of children's rights closer to the participants of the webinar. She outlined the roots, presented the advantages for both investors and companies, and described in detail the appropriate due diligence steps. These include policy commitment, assessment of children's rights and their integration into company procedures, reporting or remediation procedures, and aim to serve as a guide for companies on how to deal with threats and opportunities that this issue entails.

Both Anne Larilahti, Vice President responsible for the Sustainability Strategy in TeliaSonera Group, and Hilary Parsons, Senior Manager at Nestlé's Global Public Affairs Department, explained how their companies are involved in supporting children's rights and pursuing the related business opportunities. Their presentations demonstrated how differently each industry must approach this issue in order to efficiently ensure children's safety and welfare as well as to identify the most material impacts – both positive and negative.

The speakers were asked how to overcome the challenges in the implementation of the Children's Rights and Business Principles and how to justify allocating resources to addressing children's rights if the materiality is not obvious. They underlined that companies need to look at the opportunities not only at the threats, recognise that children are a vital stakeholder group, and try to address the most relevant issues for their brands instead of creating sophisticated commitments that are not useful in practice. Furthermore, it was confirmed that rarely do responsible investors raise child-related topics with companies, and the speakers called for more investor attention to this highly business-relevant issue.

GES works on children's rights by organising a series of webinars and seminars, conducting an annual survey in cooperation with the **GLOBAL CHILD FORUM**, creating guidance documents and launching a thematic engagement project on children's rights specifically in the field of media and marketing. GES considers this to be an area where companies will be under increasing public scrutiny on one hand, but are also set to benefit from emerging opportunities on the other, and hence it is important for investors to proactively engage with their investees on the matter.

For further information please contact:

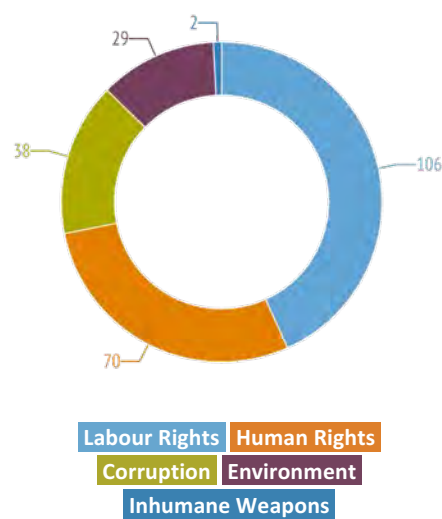


Tytti Kaasinen

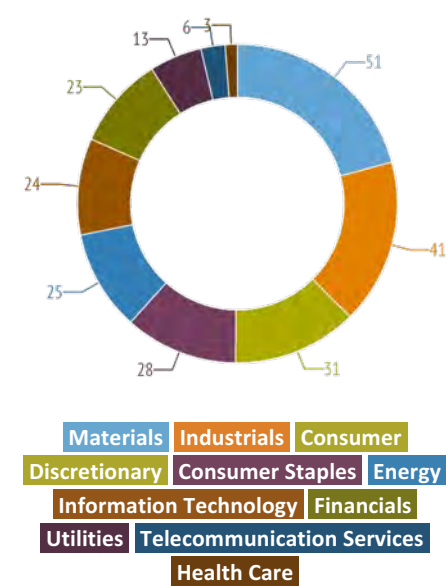
Senior Engagement Manager

ENGAGEMENT SUMMARY REPORT

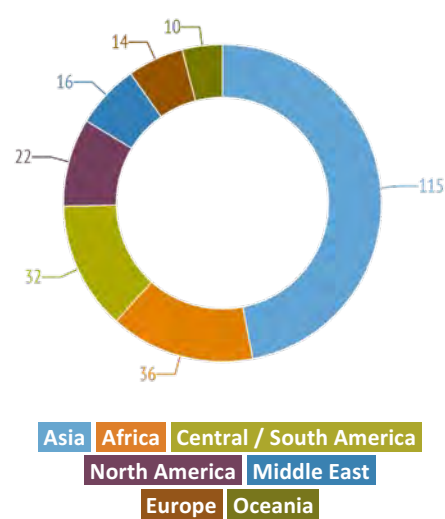
NORM AREA BREAKDOWN



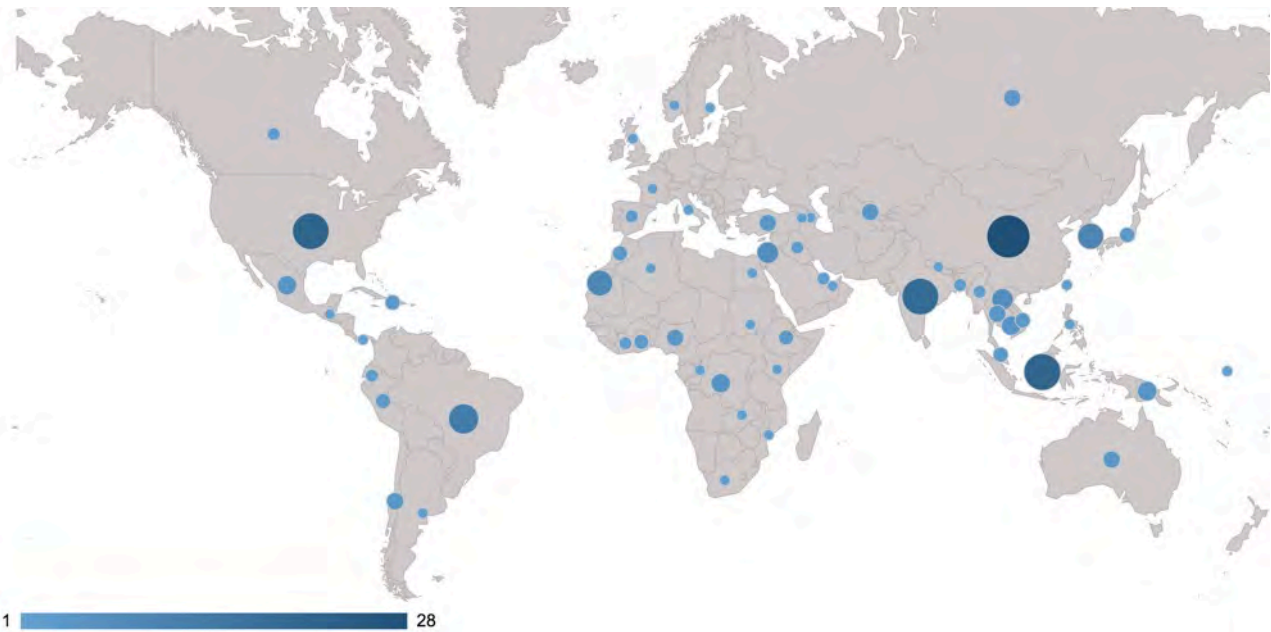
INDUSTRY SECTOR BREAKDOWN



GEOGRAPHIC BREAKDOWN



ENGAGEMENT MAP




During Q1 2016 GES has been in active dialogue with companies as well as external sources associated to **245** business conduct issues.

In **80** “engage” cases we have continued our dialogue to track bespoke engagement goals and to seek measurable results of business conduct changes.

In **165** “evaluate” cases the objective of the dialogue is to bring the amount of credible information to a level that allows issuance of the next recommendation; either to archive the case or, to further engage with the company - if it is a case with severe consequences for the environment or humans.

COMPANY DIALOGUE & PROGRESS SUMMARY

HOW TO READ THIS REPORT

| | |
|-------------|---|
| Country | <p>The country in the list indicates where the business conduct issue occurred.</p> <p>The breakdown into the regions Africa, Asia, Central/South America, Europe, Middle East, North America and Oceania is based on where the company headquarter is.</p> |
| Response | <p>The indicator describes how the company responds to GES' inquiries.</p> <div><div>●</div> Excellent</div> <div><div>●</div> Good</div> <div><div>●</div> Standard</div> <div><div>●</div> Poor</div> <div><div>●</div> None</div> |
| Progress | <p>The indicator describes whether or not the violation continues, or how the company's work to prevent future violations is developing.</p> <div><div>↑</div> Excellent</div> <div><div>↗</div> Good</div> <div><div>→</div> Standard</div> <div><div>↘</div> Poor</div> <div><div>↓</div> None</div> |
| Development | <p>The indicator describes the combined company progress and response performance.</p> <div><div>▲</div> High performance: Good or excellent response and / or progress of the business conduct issue.</div> <div><div>▶</div> Medium performance: A standard level of response and progress.</div> <div><div>▼</div> Low performance: Poor or no Response in combination with poor or no Progress.</div> <p>New, same, better or worse – indicates the change in development since the last quarterly report.</p> |
| Time | <p>Time with low performance. One piece equals three months.</p> <div></div> <p>After two years the case will be reviewed by GES and a disengage recommendation can be issued if all other engagement options are ineffective.</p> |

AFRICA




EVALUATE LIST

IMPALA PLATINUM

ASIA

ENGAGE LIST

| | | | | | |
|--|-------------------|------------|------------|----------|--|
| ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED <i>Association to damaging ecosystem</i> | India | • Poor | ➔ Poor | ▼ Better | |
| ASTRA AGRO LESTARI <i>Association to destroying habitat of critically endangered orangutans</i> | Indonesia | • Standard | ➔ Standard | ▶ Same | |
| BANGKOK BANK PUBLIC <i>Association to financing controversial dam project on Mekong River</i> | Laos | • Standard | ➔ Poor | ▶ Same | |
| CHINA RAILWAY CONSTRUCTION CORP <i>Association to human rights violations and environmental degradation</i> | Ecuador | • Poor | ↓ None | ▼ Worse | |
| CHINA RAILWAY GROUP <i>Association to severe construction accidents</i> | China | • Poor | ↓ None | ▼ Worse | |
| COAL INDIA GROUP <i>Association to repeated deadly accidents at workplace</i> | India | • Standard | ➔ Standard | ▶ New | |
| DAEWOO INTERNATIONAL <i>Association to human rights abuses in relation to pipeline project</i> | Burma/ Myanmar | • Standard | ➔ Standard | ▶ Same | |
| DAEWOO INTERNATIONAL <i>Association to worst forms of child labour and forced labour</i> | Uzbekistan | • Standard | ➔ Standard | ▶ Better | |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA <i>Association to threatening livelihood and forced relocation relating to dam project</i> | Ethiopia | • Standard | ➔ Standard | ▶ Same | |
| KASIKORN BANK <i>Association to financing controversial dam project on Mekong River</i> | Laos | • Good | ➔ Standard | ▲ Worse | |
| KRUNG THAI BANK <i>Association to financing controversial dam project on Mekong River</i> | Laos | • Standard | ↓ None | ▶ Same | |
| PEGATRON <i>Association to systematic labour and environmental violations</i> | China | • Standard | ➔ Standard | ▶ Same | |
| POSCO <i>Association to environmental and human rights violations in steel project</i> | India | • Standard | ➔ Poor | ▶ Same | |
| POSCO <i>Association to human rights abuses in relation to pipeline project</i> | Burma/ Myanmar | • Standard | ➔ Poor | ▶ Same | |
| POSCO <i>Association to worst forms of child labour and forced labour</i> | Uzbekistan | • Standard | ➔ Standard | ▶ Better | |
| PTT PCL <i>Association to biodiversity and food security impacts related to dam project on the Mekong River</i> | Laos | • Standard | ➔ Standard | ▶ Better | |
| SAMSUNG ELECTRONICS <i>Association to labour rights violations in multiple franchisees</i> | China | • Standard | ➔ Poor | ▶ Same | |

| | | | | | |
|--|------------------|------------|------------|----------|---|
| SEVEN & I HOLDINGS CO <i>Association to poor working conditions in various countries</i> | United States | • Poor | ↓ None | ▼ Worse |  |
| SIAM COMMERCIAL BANK <i>Association to financing controversial dam project on Mekong River</i> | Laos | • Standard | ↘ Poor | ▶ Better | |
| TOKYO ELECTRIC POWER COMPANY <i>Association to unsafe nuclear power production</i> | Japan | • Standard | → Standard | ▶ Better | |
| VEDANTA LIMITED <i>Association to systematic environmental and human rights violations in mining project</i> | India | • Good | → Standard | ▲ Same | |
| YAHOO JAPAN CORP <i>Association to diminishing populations of endangered species</i> | Japan | • Standard | → Standard | ▶ New | |
| ZIJIN MINING GROUP <i>Association to environmental impact in mining project</i> | Papua New Guinea | • None | ↘ Poor | ▼ New |  |
| ZIJIN MINING GROUP <i>Association to human rights violations</i> | Papua New Guinea | • None | ↘ Poor | ▼ New |  |

EVALUATE LIST

ADARO ENERGY PT, ASUSTEK COMPUTER INC, BANK OF CHINA, BYD COMPANY, CATCHER TECHNOLOGY, CHINA COAL ENERGY COMPANY, CHINA NATIONAL BUILDING MATERIAL COMPANY LTD, CHINA PETROLEUM & CHEMICAL CORP, CHINA RAILWAY GROUP, CHINA RESOURCES POWER HOLDINGS, CHINA STEEL, COAL INDIA LIMITED, COMPAL ELECTRONICS, DAELIM INDUSTRIAL, DAEWOO INTERNATIONAL, DMCI HOLDINGS, ELECTRIC POWER DEVELOPMENT, FAST RETAILING CO, FELDA GLOBAL VENTURES, GAIL INDIA, GOLDEN AGRI-RESOURCES, GUANGZHOU AUTOMOBILE GROUP, HANWHA CHEMICAL CORP, HON HAI PRECISION INDUSTRY CO, HONDA MOTOR CO, HTC CORP, HYUNDAI ENGINEERING & CONSTRUCTION, HYUNDAI HEAVY INDUSTRIES CO LTD, HYUNDAI STEEL CO, IJM CORPORATION BERHAD, ITOCHU CORP, JFE HOLDINGS, KEPPEL CORP, KOREA ELECTRIC POWER, KT&G, KUALA LUMPUR KEPONG, LG CHEMICAL, LG ELECTRONICS, MARUTI SUZUKI INDIA, NINTENDO CO, NTPC, OIL & NATURAL GAS CORPORATION, OLYMPUS CORP, PETROCHINA, POSCO, QUANTA COMPUTER, RICOH CO LTD, SAMSUNG C&T, SBI HOLDINGS, SEMBCORP MARINE, SK HYNIX INC, SUN HUNG KAI PROPERTIES, TATA STEEL, TDK CORP, THAI UNION GROUP, VEDANTA LIMITED, WILMAR INTERNATIONAL LIMITED, WISTRON CORP, ZHEN DING TECHNOLOGY HOLDING, ZTE

DISENGAGE LIST

HANWHA CORPORATION South Korea
Association to marketing of cluster munitions

SINGAPORE TECHNOLOGIES ENGINEERING Singapore
Association to manufacturing of anti-personnel mines

CENTRAL / SOUTH AMERICA

RESOLVED LIST

COMPANIA DE MINAS BUENAVENTURA
Association to controversial mine project

Peru

ENGAGE LIST

ELETROBRAS
Association to violation of indigenous rights

Brazil

• Good

➔ Good



Better

GRUPO MEXICO
Association to violent protests against mining project

Peru

• Poor

➔ Poor



New



JBS SA
Association to repeated health and safety violations

United States

• Standard

➔ Standard



Same

PETROBRAS
Association to corrupt practices

Brazil

• Standard

➔ Standard



Same

SOUTHERN COPPER CORPORATION
Association to violent protests against Peru mining project

Peru

• Poor

➔ Poor



New



VALE SA
Association to deadly accident at dam burst and to adverse impacts on indigenous communities

Brazil

• Standard

➔ Standard



New

EVALUATE LIST

BANCO DO BRASIL, CEMEX, ELETROBRAS, FIRST PACIFIC, GRUPO MEXICO, PETROBRAS, SOUTHERN COPPER CORPORATION

EUROPE

RESOLVED LIST

STORA ENSO Pakistan
Association to reoccurring human rights violations

TELIASONERA Azerbaijan
Association to assisting repressive regimes in surveillance operations

TOTAL SA Western Sahara
Association to illegal exploitation of natural resources

ENGAGE LIST

ALSTOM Sudan • Poor ↘ Poor ▼ Same

Association to complicity in human rights violations in hydro-electric project



ANDRITZ AG Turkey • Standard ↘ Poor ▶ Same

Association to hydro power project breaching World Bank environmental and social standards

BARRY CALLEBAUT AG Ivory Coast • Standard → Standard ▶ Same

Association to child labour in the cocoa industry

DEUTSCHE POST India • Good → Standard ▲ Same

Association to violation of international labour standards

ENI Nigeria • Poor → Standard ▶ Same

Association to corruption

FINMECCANICA India • Good ↗ Good ▲ Same

Association to corrupt practices

G4S PLC Palestine • Excellent ↗ Good ▲ Worse

Association to complicity in human rights violations in occupied territories

GLAXOSMITHKLINE China • Standard → Standard ▶ Same

Association to corruption

GLENCORE PLC Western Sahara • Standard ↓ None ▶ Same

Association to illegal exploration of natural resources

GLENCORE PLC Australia • Standard → Standard ▶ Better

Association to lead contamination from mining and processing

HEIDELBERGCEMENT Palestine • Excellent ↗ Good ▲ Worse

Association to violations of international law in occupied territories

HENNES & MAURITZ Uzbekistan • Good ↗ Good ▲ Same

Association to various violations in the cotton supply chain

HSBC HOLDINGS United States • Standard → Standard ▶ New

Association to recurring incidents of money laundering

| | | | | |
|---|--------------------|-------------|------------|----------|
| LINDT & SPRUENGLI AG <i>Association to child labour in the cocoa industry</i> | Ghana | • Excellent | ↗ Good | ▲ Same |
| NESTLE SA <i>Association to child labour in the cocoa industry</i> | Ghana | • Excellent | ↗ Good | ▲ Same |
| NORDEA BANK <i>Association to poor governance and control to prevent money laundering</i> | Sweden | • Standard | → Standard | ▶ Same |
| NORILSK NICKEL <i>Association to environmental and health impacts from metal extraction operations</i> | Russian Federation | • Standard | → Standard | ▶ Better |
| ROYAL DUTCH SHELL <i>Association to corruption</i> | Nigeria | • Standard | → Standard | ▶ Same |
| ROYAL DUTCH SHELL <i>Association to human rights violations resulting from pollution and environmental damage</i> | Nigeria | • Good | → Standard | ▲ Same |
| TELIASONERA <i>Association to assisting repressive regimes in surveillance operations</i> | Azerbaijan | • Excellent | ↗ Good | ▲ Same |
| TELIASONERA <i>Association to corruption</i> | Uzbekistan | • Excellent | ↗ Good | ▲ Same |
| VINCI <i>Association to labour rights violations</i> | Qatar | • Good | ↗ Good | ▲ Better |
| VOLKSWAGEN <i>Association to violations of emissions standards</i> | United States | • Poor | → Standard | ▶ New |
| VTB BANK <i>Association to a mining project with expected vast environmental impacts</i> | Armenia | • Standard | ↘ Poor | ▶ Same |

EVALUATE LIST

ALSTOM, ANDRITZ AG, ANGLO AMERICAN, ARCELORMITTAL, BOLIDEN, DEUTSCHE TELEKOM, ELECTRICITE DE FRANCE, ENGIE, ENI, FIAT CHRYSLER AUTOMOBILES, G4S PLC, GLENCORE PLC, HENNES & MAURITZ, INVESTOR AB, KONINKLIJKE AHOLD, MAPFRE, MARKS & SPENCER GROUP, NESTLE SA, RENAULT, REPSOL SA, ROSNEFT, ROYAL BOSKALIS WESTMINSTER GROUP, SAINSBURY, SAIPEM, SEVERSTAL OAO, SIEMENS, SKANSKA, STANDARD CHARTERED PLC, STATOIL ASA, TELENOR, TELIASONERA, TESCO PLC, THALES, WARTSILA OYJ ABP, VEOLIA ENVIRONNEMENT SA, VOLKSWAGEN AG

DISENGAGE LIST

| | |
|--|----------------|
| AIRBUS GROUP <i>Association to nuclear weapon programmes</i> | France |
| BAE SYSTEMS <i>Association to nuclear weapon programmes</i> | United Kingdom |
| FINMECCANICA <i>Association to nuclear weapon programmes</i> | France |
| SAFRAN GROUP <i>Association to nuclear weapon programmes</i> | France |

MIDDLE EAST

ENGAGE LIST

| | | | | |
|---|-----------|------------|------------|--------|
| AKBANK <i>Association to hydro power project breaching World Bank environmental and social standards</i> | Turkey | • Standard | ↘ Poor | ▶ Same |
| BANK HAPOLIM <i>Association to financing illegal settlements in occupied territories</i> | Palestine | • Good | ↓ None | ▶ Same |
| BANK LEUMI <i>Association to financing illegal settlements in occupied territories</i> | Palestine | • Good | ↓ None | ▶ Same |
| MIZRAHI TEFAHOT BANK LTD <i>Association to financing illegal settlements in occupied territories</i> | Palestine | • Good | ↓ None | ▶ Same |
| TURKIYE GARANTI BANKASI <i>Association to hydro power project breaching World Bank environmental and social standards</i> | Turkey | • Good | → Standard | ▲ Same |

EVALUATE LIST

ARABTEC HOLDING

DISENGAGE LIST

| | |
|--|--------|
| TURKIYE HALK BANKASI <i>Association to hydro power project breaching World Bank environmental and social standards</i> | Turkey |
|--|--------|

NORTH AMERICA

RESOLVED LIST

NEWMONT MINING CORP Peru
Association to human rights violations and water pollution at gold mine

ENGAGE LIST

AES CORP Panama • Standard → Standard ▶ Better
Association to violation of indigenous rights

AGRIUM Western Sahara • Standard ↘ Poor ▶ Better
Association to illegal exploitation of natural resources

APPLE INC Taiwan • Poor → Standard ▶ Same
Association to poor labour and environmental practices at suppliers

BARRICK GOLD CORP Papua New Guinea • Standard ↘ Poor ▶ Better
Association to complicity in human rights abuses

BARRICK GOLD CORP Papua New Guinea • Standard ↘ Poor ▶ Same
Association to environmental impact in mining project

FMC CORPORATION Western Sahara • Good ↗ Good ▲ Same
Association to illegal exploitation of natural resources

FREEPORT MCMORAN Indonesia • Standard ↘ Poor ▶ Same
Association to environmental impact from mining activity

FREEPORT MCMORAN Indonesia • Standard ↘ Poor ▶ Same
Association to mine site security concerns

GOLDCORP Guatemala • Good ↗ Good ▲ Same
Association to inadequate consideration for the human rights of indigenous people

HERSHEY Ivory Coast • Standard → Standard ▶ Same
Association to child labour in the cocoa industry

MATTEL China • Standard ↘ Poor ▶ Better
Association to poor working conditions at suppliers

MCDONALD'S CORP United States • Standard ↘ Poor ▶ Same
Association to labour rights violation

MONDELEZ INTERNATIONAL Ghana • Excellent ↗ Good ▲ Same
Association to child labour in the cocoa industry

MOTOROLA SOLUTIONS Palestine • Poor ↓ None ▼ Worse
Association to assisting in human rights violations in occupied territories



| | | | | |
|--|----------------|------------|------------|--------|
| POTASH CORP SASKATCHEWAN <i>Association to illegal exploitation of natural resources</i> | Western Sahara | • Standard | ↓ None | ▶ Same |
| STARBUCKS CORP <i>Association to anti-union practices</i> | Chile | • Standard | ↗ Good | ▶ Same |
| TRANSOCEAN LTD <i>Association to fatal explosion and major oil spill</i> | United States | • Poor | → Standard | ▶ Same |

EVALUATE LIST

ALPHA NATURAL RESOURCES, AMAZON.COM, BRISTOL-MYERS SQUIBB CO, CHEVRON CORP, CISCO SYSTEMS, CITIGROUP, COSTCO WHOLESALE CORP, CROWN HOLDINGS INC, DOW CHEMICAL CO, EXXON MOBIL, FLUOR CORP, FREEPORT MCMORAN, GAP, GENERAL ELECTRIC, GENERAL MOTORS, GOODYEAR TIRE & RUBBER, HASBRO, KOHL'S CORP, LEVEL 3 COMMUNICATIONS INC, LOBLAW, LOCKHEED MARTIN, MCDONALD'S CORP, MONDELEZ INTERNATIONAL, ORACLE CORP, PACIFIC EXPLORATION AND PRODUCTION CORPORATION, PEPSICO, RAYTHEON COMPANY, STARWOOD HOTELS & RESORTS, SUNCOR ENERGY, TARGET CORP, T-MOBILE US, UNITED CONTINENTAL HOLDINGS, UNITED STATES STEEL CORP, VF CORP, YUM BRANDS

DISENGAGE LIST

| | | |
|---|----------------|-----|
| BOEING CO <i>Association to nuclear weapon programmes</i> | United States | |
| CHEVRON <i>Association to environmental damage in Amazon jungle</i> | Ecuador | New |
| FLUOR CORP <i>Association to development of nuclear weapon</i> | United States | |
| GENERAL DYNAMICS CORP <i>Association to involvement in cluster munitions</i> | United States | |
| GENERAL DYNAMICS CORP <i>Association to nuclear weapon programmes</i> | United States | |
| HONEYWELL INTERNATIONAL <i>Association to nuclear weapon programmes</i> | United States | |
| JACOBS ENGINEERING GROUP <i>Association to nuclear weapon programmes</i> | United Kingdom | |
| L-3 COMMUNICATIONS HLDGS <i>Association to complicity in human rights abuses in several countries</i> | Iraq | |
| L-3 COMMUNICATIONS HLDGS <i>Association to marketing of cluster munitions</i> | United States | |
| LOCKHEED MARTIN <i>Association to manufacture and marketing of cluster munitions</i> | United States | |
| LOCKHEED MARTIN <i>Association to nuclear weapon programmes</i> | United Kingdom | |
| NORTHROP GRUMMAN CORP <i>Association to nuclear weapon programmes</i> | United States | |
| ORBITAL ATK <i>Association to involvement in cluster munitions</i> | United States | |
| ORBITAL ATK <i>Association to nuclear weapon programmes</i> | United States | |
| RAYTHEON COMPANY <i>Association to nuclear weapon programmes</i> | United States | |
| TEXTRON <i>Association to development and marketing of cluster munitions</i> | United States | |
| WAL-MART STORES <i>Association to dangerous sandblasting practice in supply chain</i> | China | |
| WAL-MART STORES <i>Association to fire safety negligence and fire</i> | Bangladesh | |
| WAL-MART STORES <i>Association to inadequate pay in supply chain</i> | Haiti | |




.....
WAL-MART STORES

United States

Association to violations of labour standards in various countries
.....

OCEANIA

ENGAGE LIST

| | | | | | |
|---|----------------|------------|------------|---|------|
| BHP BILLITON <i>Association to deadly accident</i> | Brazil | • Standard | → Standard |  | New |
| INCITEC PIVOT LTD <i>Association to illegal exploitation of natural resources</i> | Western Sahara | • Standard | ↓ None |  | Same |
| RIO TINTO <i>Association to environmental impact caused by mining activities</i> | Indonesia | • Good | → Standard |  | Same |
| WESFARMERS <i>Association to illegal exploitation of natural resources</i> | Western Sahara | • Standard | ↗ Good |  | Same |

EVALUATE LIST

ANZ BANKING GROUP, CIMIC GROUP, RIO TINTO, WESFARMERS, WOOLWORTHS LTD



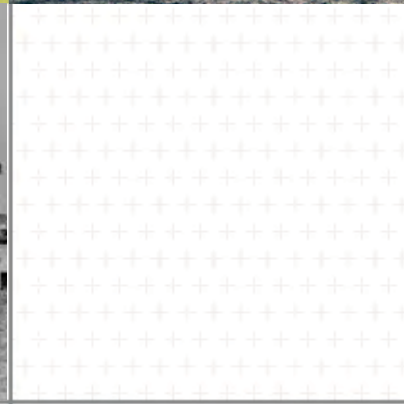
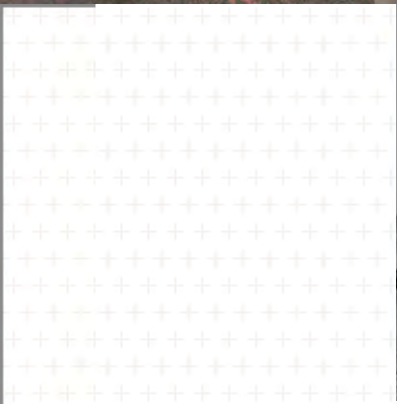
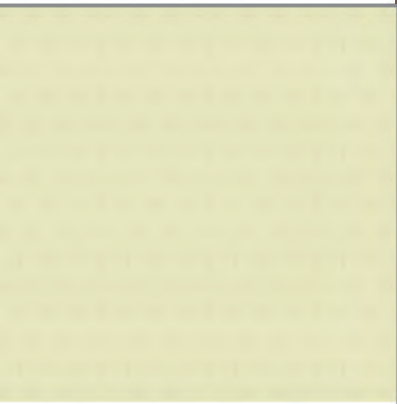
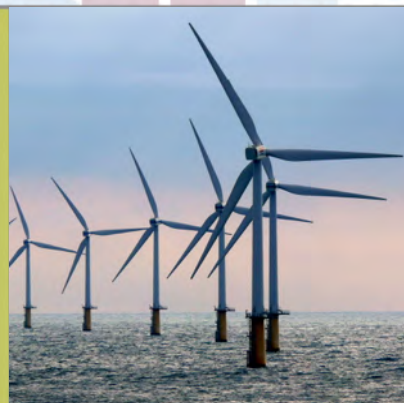
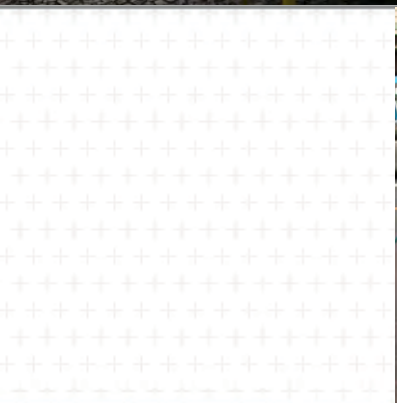
Use of and access to this information is limited to clients of GES International AB.

The information may not be reproduced, transmitted, redistributed, translated, sold, exploited commercially or otherwise reused in any way whatsoever without GES International AB's prior written consent, unless compelled by binding law.

All copyright, database rights and other proprietary rights in the information remain the property of GES International AB.

QUARTERLY ENGAGEMENT REPORT

Q2 2016



| | |
|-------------------------------------|----|
| OUR APPROACH | 3 |
| ENGAGEMENT BRIEF | 4 |
| ENGAGEMENT SUMMARY REPORT | 19 |
| COMPANY DIALOGUE & PROGRESS SUMMARY | 20 |

This report summarises the shareholder engagement activities that GES has performed on behalf of Erste Asset Management during the second quarter of 2016.



ABOUT ERSTE ASSET MANAGEMENT

Erste Asset Management is an international asset management company with a strong position in Central and Eastern Europe. Our activities are backed by the financial strength of Erste Group Bank AG.

We offer our clients a broad spectrum of high-quality investment funds and asset management solutions. We apply the highest quality to our clients' assets. This also goes for the comprehensive risk management of Erste Asset Management, which covers all our business areas.

Erste Asset Management attaches particular importance to providing responsible products and services. As a company we have dedicated ourselves to socially and environmentally agreeable behaviour.

We are proud of our employees and have become the employer of choice for specialists who wish to prove their talent in the various departments of Erste Asset Management.

OUR APPROACH

In principle, the sustainability approach of Erste Asset Management is based on a three-dimensional structure. The dimensions of criteria definition, best-in-class and engagement / active ownership mutually enhance each other within an integrated process. A variety of approaches to sustainable investments are combined in this way in order to join somewhat restrictive elements with active, positive and dialog-based elements. The dialog with the companies and the use of our own voting rights lie at the core of our active ownership policy. In both cases, the engagement serves to improve the future viability of the companies. Moreover, the engagement results are integrated into the company selection as well.

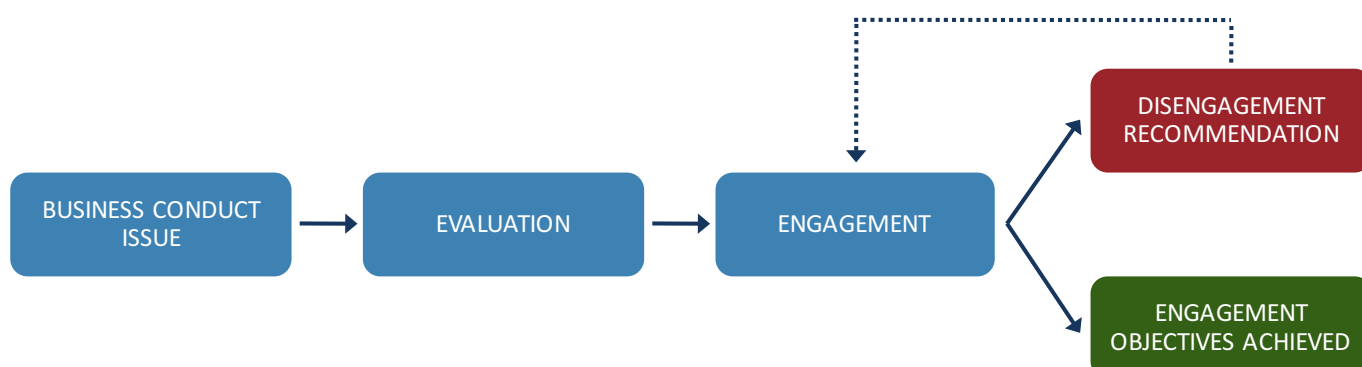
We believe that changes in business conduct drives changes in corporate value. Consequently, we seek to instigate changes in business conduct through engagement dialogue where deemed necessary.

We engage with companies in collaboration with our service provider GES. The engagement process is based on the findings from a systematic screening of companies regarding their compliance with well-established international conventions and guidelines on environmental, social and governance (ESG) issues. By way of example this includes:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- Human rights conventions
- Environmental conventions

We will start engagement with companies that are, or have been involved in systematic business conduct issues or, an isolated issue that has severe consequences for the environment or humans.

RESEARCH AND ENGAGEMENT WORK-FLOW



ENGAGEMENT BRIEF

Index of companies mentioned in this engagement brief

| | |
|------------------------------|----|
| ADANI..... | 17 |
| ARCHER DANIELS MIDLAND | 10 |
| BARRICK GOLD..... | 11 |
| BARRY CALLEBAUT..... | 14 |
| BEOWULF MINING..... | 17 |
| BHP BILLITON | 7 |
| BUNGE LIMITED | 10 |
| CARGILL INC | 10 |
| CEMEX..... | 16 |
| DAIMLER | 13 |
| FEMSA | 17 |
| FMC CORPORATION | 5 |
| GOLDEN AGRI-RESOURCES..... | 10 |
| GRUPO BIMBO | 16 |
| H&M..... | 14 |
| HERSHEY'S..... | 14 |
| HSBC..... | 9 |
| IOI CORP..... | 10 |

| | |
|---------------------------------|------------|
| KELLOGG | 10 |
| LINDT & SPRÜNGLI | 14 |
| LOUIS DREYFUS COMPANY | 10 |
| MARS..... | 10 |
| MONDELEZ..... | 14 |
| MOSSACK FONSECA..... | 9 |
| NESTLÉ..... | 10, 12, 14 |
| OLAM | 14 |
| PEMEX..... | 17 |
| PORSCHE AUTOMOBIL HOLDING | 13 |
| RIO TINTO | 17 |
| SAMARCO MINERACAO..... | 7 |
| TAHOE RESOURCES..... | 6 |
| THAI UNION MANUFACTURING | 12 |
| TULLOW OIL..... | 17 |
| UNILEVER | 10 |
| VALE | 7 |
| VOLKSWAGEN..... | 13 |

FMC CORPORATION

Long-standing engagement results in significant improvements and the case being resolved

In May 2016, GES resolved the confirmed violation case on **FMC CORPORATION** (FMC). The case was opened in 2009 and had its roots in FMC's phosphate rock imports from Western Sahara, a non-self-governing territory whose natural resources may only be exploited if this is in line with the interests and wishes of the Saharawi people. The company exited the phosphate business in 2010, but this decision was not in any way attributed to human rights concerns and the lack of appropriate due diligence left FMC exposed to further human rights breaches. Accordingly, GES' engagement has since focused on fulfilling the third revision criterion and ensuring that FMC takes a proactive and precautionary approach to improve routines and prevent future violations.

The dialogue has been particularly productive in the last few years, with GES and FMC holding engagement calls on quarterly basis. Since 2012, there have been notable positive developments in FMC's ESG management and it has addressed the very issues which GES stressed as being of particular concern. The company has been progressively improving its understanding of the risks in its supply chain, as well as the enforcement of its ESG standards throughout suppliers and contractors.

Concrete steps taken by FMC also include updating its Code of Ethics and starting to issue annual sustainability reports, rolling out compulsory human rights training for all employees and incorporating human rights considerations into its mergers and acquisitions process. In addition, the company joined the **UN GLOBAL COMPACT** in July 2015 and consequently revised its key policies to be in line with the initiative's principles.

GES received details about the practical implementation of FMC's policies and commitments on conference calls held with the company, and was reassured by the systematic and proactive elements now in place in the company's supply chain management.

Further evidence was provided by the company through samples of internal documents, such as supplier screening questionnaires and screenshots of the human rights training module. A specific request from GES had long been for FMC to incorporate an explicit commitment to respecting human rights, beyond those of the employees, in its policies and supplier requirements and in February 2016 it was confirmed that the company had done so. These adjustments and practical measures resulted in the fulfilment of the remaining revision criteria and GES decided to resolve the case. FMC will continue to be monitored, however, and should new information arise, GES may reconsider this conclusion.

For further information, please contact:



Tytti Kaasinen
Senior Engagement Manager

TAHOE RESOURCES

Controversial mining case in Guatemala resolved

In April 2013, the exploitation licence for **TAHOE RESOURCES'** Escobal mine in Guatemala was approved. However, the **GUATEMALAN CENTRE FOR LEGAL, SOCIAL AND ENVIRONMENTAL ACTION** alleged that the approval process was illegal, arbitrary and might be linked to intimidation, violence and provocation. NGOs argued (and some still do) that the company did not have the social licence to pursue the project, as there was strong opposition to the mine in the area. The same month, the company's private security shot at protesting community members, injuring six men, two of them seriously.

Since the incident, the company has made several improvements with regard to security and human rights, as well as strengthening its community relations. In the middle of that process and as a part of our engagement with the company, GES went to Guatemala in August 2014 to visit the mine. We could see that the company had strengthened its community relations practices and have, since the visit, observed further improvements through the ongoing engagement.

In relation to security and human rights, the company has put in place a new security operations team. Human rights training and capacity building for local security forces and local police are taking place. The company is aligning its security practices to the Voluntary Principles on Security and Human Rights (even though the company is not formally a signatory). The security provider is also compliant with an international standard, the International Code of Conduct for Private Security Providers' Association (ICoCA).

In June 2014, Tahoe issued its new human rights policy, with references to the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. The company has strengthened its community relations by conducting regular meetings with community members and their representatives, opening up the mine to visits from community members on a regular basis and carrying out a number of social projects in the nearby

communities. Among other things, a vocational centre was opened in 2014 in the small town close to the operations. The centre offers training for communities, such as English language classes, computer classes, farmer educational workshops and sewing classes. GES visited the vocational centre in 2014 and could see that several classes were running at the time.



GES' Stina Nilsson visiting Tahoe Resources

A team of 24 people at Tahoe are regularly working with community communication and projects. Furthermore, a grievance mechanism is in place and Tahoe has provided GES with information about its implementation.

Tahoe has also provided substantial documentation with regards to the mine's water management system. Among other things, the company states that water is subject to constant testing to ensure it meets or exceeds Guatemalan and North American discharge standards. The company is also implementing a participatory water monitoring programme for community members.

As the company has taken several measures to improve its social and environmental practices at the mine, GES concluded the case in May 2016 and reclassified it as Resolved. Further details about the case and these improvements can be found on the GES Engagement Forum.

For further information, please contact:



Stina Nilsson

Senior Engagement Manager

SAMARCO MINERACAO

Fundão Dam Collapse, 5 November 2015

At approximately 3:30 pm Brasília time on 5 November 2015 at the **SAMARCO MINERACAO** mine (a joint venture between **VALE** and **BHP BILLITON**), the Fundão dam in Brazil showed a leak. Samarco immediately sent a team to the scene to mitigate the leak by lowering the level in part of the reservoir. Unfortunately, at around 4:20pm, the dam ruptured and some 32 million cubic metres of tailings was released into the Santarém river valley.

Twelve Samarco employees who were working on the dam died as did seven residents of the small town of Bento Rodrigues located 2.5 km downstream, when it was flooded. Bridges, roads and other infrastructure were destroyed, which hampered initial rescue attempts. Rescue attempts were further affected by an alleged lack of contingency plans. Other villages located in the Gualaxo river valley suffered minor damage. Over the coming weeks the entire 850 km length of Rio Doce was impacted, resulting in a loss of drinking water to hundreds of thousands of people.

Vale has faced much criticism over its response to the disaster, initially disclaiming any operational involvement with Samarco due to Brazilian anti-trust laws (Samarco and Vale are competitors in the export of iron ore pellets). In contrast, BHP seemed more willing to address the disaster.

Putting that aside, the remedial works undertaken to date have been significant and include: the re-housing of all affected families including new furniture and food; opening of schools within weeks with the same teachers and classmates; resident elections held to agree the site for their new community; bottled water provided to impacted people; bridges and roads rebuilt; river banks re-vegetated to prevent further erosion; and new embankments built to retain the existing tailings.

It should be noted that the **UN'S HUMAN RIGHTS COMMISSION (HRC)** have been critical about relief efforts following their visit in November. The subsequent report (presented in June 2016) "emphasized a need to restore trust by

improving consultation and ensuring access to information and essential services". The UN HCR report also criticised the federal and state authorities stating that they "could have done more in the aftermath".



The tailings complex in 2013



The tailings complex post- 5th November 2015

Some of the consequences of the disaster are becoming apparent:

- The Samarco joint venture company has not protected its owners Vale and BHP from being financially penalised by the Brazilian authorities – all three companies agreed to pay USD six billion to the Brazilian Authorities in April 2016, ratified later in May 2016. Since then, Brazil's Superior Court has overruled the ratification and BHP is appealing this decision.
- If the appeal is unsuccessful, this could increase the potential costs of damages imposed by the Brazilian authorities whilst still allowing civil claims from impacted people.

BUSINESS CONDUCT ENGAGEMENT

- The costs of the social and environmental remediation will make it potentially one of the top-five costliest man-made disasters, with financial responsibility falling on Samarco (and ultimately BHP and Vale) until at least 2031, without taking into account civil law suits.
- BHP is re-assessing its risk exposure from its other non-operational joint ventures, in light of the Samarco incident.
- The collapse prompted company reviews across the industry, and an industry-led (by the **INTERNATIONAL COUNCIL ON MINING AND METALS**) global review, of tailings facilities.

The long-term repercussions of the dam collapse have yet to be fully realised.

For further information, please contact:



Bruce Jackson

Senior Engagement Manager

HSBC

Recurring incidents of money laundering

Over recent years, **HSBC** has been charged and fined multiple times by various authorities in several countries for facilitating money laundering and for weak money laundering controls. Most predominantly, in 2012, HSBC entered into a Deferred Prosecution Agreement (DPA) with the **US DEPARTMENT OF JUSTICE** after admitting to breaching anti-money laundering rules and sanctions and paying a USD 1.9 billion fine for allowing Mexican drug money to be laundered through the bank and for transmitting funds from sanctioned countries.

As part of the DPA, the bank has implemented an independent court-appointed monitor that oversees the various required improvements of the bank's compliance systems and anti-money laundering (AML) controls. In April 2016, HSBC's court-appointed monitor filed its latest annual review that highlighted that HSBC continues to struggle to improve its AML controls. The monitor also expressed concern that the bank may not complete all its required reforms by the end of the five-year DPA in 2017.

In addition, details of 30,000 accounts from **HSBC PRIVATE BANK (SUISSE)** were leaked to French tax authorities in 2008 and published publicly in 2015. These files seem to indicate that HSBC's Swiss private bank helped to facilitate tax evasion through these accounts. The Swiss private bank leak has led to a number of investigations and charges by various governments (specifically Argentina, India, France and Belgium) regarding HSBC's alleged facilitation of money laundering, fraud and tax evasion through these accounts.

Finally, in April 2016, the **INTERNATIONAL CONSORTIUM OF INVESTIGATIVE JOURNALISTS (ICIJ)** issued a report on eleven million leaked documents from the Panama-based law firm **MOSSACK FONSECA** that showed that HSBC and its subsidiaries cooperated with the firm to create more than 2,300 shell companies for its clients.

As a result of the recurring nature of these incidents, GES decided to engage with HSBC in May 2016 to ensure that the bank implements systems and controls that prevent financial crime

and money laundering and demonstrates that they are robust and universally applied.

HSBC has been very willing to engage with GES on this subject and has demonstrated a commitment to combating financial crime. GES has held three meetings and/or conference calls with the company so far, where we discussed in depth the bank's AML policies and procedures, its Global Standards Programme, corporate culture and the reporting on its remediation efforts.

HSBC has indicated that it has put in place strong AML policies and procedures and has clear targets in place for further improvement due to the specific actions required under the DPA. The bank recognises that there is more to be done in terms of rolling out the policies to all its offices and subsidiaries globally and ensuring that they are uniformly applied. This is the key focus of its work at the moment.

HSBC has taken a number of steps to further embed their AML policies and ensure financial crime compliance, including the launch of a charter on HSBC's values; staff training; exiting certain accounts with bearer shares; enhanced risk assessment of customers; internal procedures for manually reporting unusual activity, as well as automated transaction monitoring; having CEOs complete financial crime compliance training and sign off risk assessments; and more.

GES has stressed that it is not clear from HSBC's reporting that it has completed the remedial actions above and has encouraged the company to provide more detailed reporting on its remediation efforts, including the inclusion of KPIs and more detail on its Global Standards Programme in its annual report. As such, we are closely monitoring how HSBC progresses with its reforms and will be continuing our dialogue with the company to ensure that its AML policies and procedures are applied uniformly throughout the bank.

For further information, please contact:



Kate Jalbert
Engagement Manager

IOI CORP

Suspension from RSPO: how big is the damage?

Never in the history of the **ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)** had a founding RSPO member sued the organisation. Yet after being suspended in April 2016 due to the actions of three of its subsidiaries in Indonesian Borneo, **IOI CORP** filed a suit against RSPO at the court in Zurich, Switzerland. After pressure from different stakeholders, including some of its business partners, IOI decided to withdraw the suit. This was followed by the company revising its Group Sustainability Policy in June 2016. The company also communicated on 16 June 2016 that it will publish a Sustainability Implementation Plan with clear deliverables and timelines, which will demonstrate its commitment and accountability towards driving change.

However, questions can be raised on whether the damage to the company's reputation and business relationships was already done. After large buyers ended their relationship with IOI Corp, including **MARS, NESTLÉ, UNILEVER, KELLOGG, GOLDEN AGRI-RESOURCES, ARCHER DANIELS MIDLAND** and **LOUIS DREYFUS COMPANY**, the impact on the company was visible. Nonetheless, some other buyers of IOI's palm oil decided to maintain their relationship with the company, including traders **CARGILL INC** and **BUNGE LIMITED** and explained in a recent **FINANCIAL TIMES** article that they are working with IOI to resolve the issues through an action plan and engagement with stakeholders, including RSPO and NGOs.

In March 2016, Eric Wakker from **AIDENVIRONMENT** was quoted saying: "Instead of lobbying the RSPO to lift the suspension as quickly as possible, [IOI] should give its sustainability teams in Kuala Lumpur and the Netherlands a stronger mandate to control operations. The other thing is that IOI needs to give up some land to local communities and work with them as smallholders instead of trying to occupy their land for higher profit. It also needs to accept that consumers will not accept sustainability certificates on products that came from land that ultimately was stolen from ordinary Malaysians and Indonesians."

AidEnvironment believes IOI "can easily become an industry forerunner," Wakker concluded. "In fact, we desperately need them up there in a common effort to transform the whole industry towards sustainable practices."

GES will discuss the new Group Sustainability Policy and the implementation plan with IOI during a teleconference in July 2016.

GES has previously discussed this issue with IOI in person in Malaysia during a visit as a part of the Palm Oil Engagement and is in dialogue with the company. GES is also in dialogue with AidEnvironment, the organisation that filed the complaint against IOI at the RSPO, as well as several other stakeholders, including RSPO.

For further information, please contact:



Nathalie Rasmussen
*Head of Business Conduct
Engagement*

BARRICK GOLD

Updated riverine tailings management

GES has been engaging with **BARRICK GOLD** since 2009 due to the company's association with environmental impacts from mining activities, namely the use of riverine tailings disposal (RTD) at the Porgera Mine in Papua New Guinea.

During these years, GES's engagement has focused on obtaining greater levels of environmental monitoring, more systematic reporting and increased transparency. In 2009, Barrick started producing more exhaustive monitoring reports, including water quality and ecological studies. In 2012, Barrick introduced an ISO 14000 environmental management system, which brought in systematic audits and continuous improvement targets. That same year Barrick published its tailings management policy, which at the time did not discount RTD. RTD can cause devastation – if untreated or poorly treated, it will introduce toxins into the water supply, killing flora fauna and impacting local water supplies. Furthermore, it discharges loads of sediment into the river which increases cloudiness, thus reducing light and making flora less likely to survive. This, in turn, kills off the food chain from the base upwards.



An erodible waste dump at Porgera (Photograph courtesy of the Australian Mining Review)

For the last few years, GES has been encouraging Barrick to adopt further policy changes. Recently GES has exchanged a number of e-mails with the company, “off-the-record”, which indicate upcoming changes. We are now very pleased to inform clients that according to Barrick's website, the company's policy on the usage of RTD has

been amended with the statement that GES has been asking for:

“In the future, Barrick will build mines that rely on other methods of disposal of mining and processing material, and avoid riverine tailing disposal methods.”

So as a result of our clients continued persistence and active ownership and the other investors who have pushed for this change, this is an exemplary case of investor engagement having a truly positive impact.

The final task in our engagement is to address the remediation of the two erodible dumps at Porgera, which currently account for 80 per cent of the sediment load received by the river. Barrick therefore needs to propose a strategy that will stabilise the dumps and prevent the ongoing detrimental impact on the river, which would also continue until long after cessation of the mining operations.

For further information, please contact:



Bruce Jackson

Senior Engagement Manager

NESTLÉ

Addressing supply chain abuses in the seafood sector in Thailand

GES has been engaging with **NESTLÉ** to discuss allegations of improper labour conditions in its seafood supply chain in Thailand. The ongoing constructive dialogue with the company has enabled GES to learn about actions that Nestlé has recently taken to address the issue.

Since November 2015, Nestlé has been implementing an action plan that aims to improve labour conditions and eliminate human rights abuses. Furthermore, Nestlé, in cooperation with its major supplier **THAI UNION MANUFACTURING**, the **THAI GOVERNMENT** and **THE THAILAND'S SHRIMP SUSTAINABLE SUPPLY CHAIN TASK FORCE**, has implemented a new management system that improves traceability. Seafood ingredients sourced in Thailand for **NESTLÉ PURINA** brands are now traceable to a fishing vessel or a farm.

In the coming months, the company will help enable further action plan items, namely ensuring that workers and boat owners receive training and enabling further verification of the living and working conditions on the boats. Nestlé's non-governmental organisation partner **VERITÉ** has prepared a training programme that has already been provided to some port and boat workers. The first group that underwent training was informed how to use a grievance mechanism and given the details of an emergency response process, both administered by the NGO partner **ISSARA INSTITUTE**.

Moreover, this project, which is called "the Demonstration Boat", will be used to train and share best practice among boat owners, captains and workers. The Thai government will equip suppliers with a tool for improving both the availability and the impact of the training. Nestlé and Thai Union, as funders of the initiative, will contribute to the renovation costs of "the Demonstration Boat" and to the costs of the training, including setting up facilities, training staff and providing equipment and worker kits.

While improvements are undoubtedly being made by Nestlé, the company still needs to take further measures to ensure an effective implementation of its Supplier Code of Conduct, including a verifiable supply chain traceability system. Progress should also be reported publicly, together with challenges and failures identified during an independent third party assessment. GES will continue its dialogue with the company to monitor for further developments on closing such gaps.

For further information, please contact:



Ewelina Łukasik-Morawska
Engagement Manager

VOLKSWAGEN

Indication of violation of environmental norms/proactive corporate governance engagement

Nine months after the news of the emissions scandal broke, shareholders and other stakeholders are still seeking details about how the emissions scandal happened and what actions **VOLKSWAGEN** plans to take to ensure that it does not happen again.

Since GES's last update to clients in the Quarterly Engagement Report at the end of 2015, there have been a number of management and supervisory board changes. However, most of the changes have been a re-jigging of existing directors, most predominantly illustrated by the move of Hans Dieter Pötsch, previously CFO, to Chairman of the Supervisory Board, and Matthias Müller, previously Chief Information Officer of **PORSCHE AUTOMOBIL HOLDING**, to CEO of Volkswagen. The company did bring in Dr. Christine Hohmann-Dennhardt, previously at **DAIMLER**. She joined the management board in October 2015 with responsibility for legal and integrity, presumably in order to show that Volkswagen wants to rebuild trust with stakeholders.

The company has also announced its new 'Together – Strategy 2025', which focuses on making Volkswagen a leading provider of sustainable mobility. The new strategy has 15 initiatives, such as the creation of a new electric car fleet, new mobility solutions (such as its recent investment into the Israeli taxi start-up **GETT**), further investment in battery technology and more generally a focus on building up its components production.

Shareholders expected to receive an interim report on the audit being conducted by **JONES DAY** on the events leading up to the emissions scandal in April 2016, but this was cancelled due to more work needing to be done and the fact that the company was still in the process of negotiating a deal with the US authorities. Volkswagen now plans to release a report once the review is completed near the end of 2016.

Furthermore, the company has reached a deal with US authorities to pay up to USD 15.3 billion to settle claims in relation to the emissions scandal. However, Volkswagen still faces criminal investigations in Germany and other jurisdictions, as well as shareholder class action lawsuits. As such, there has been little substantive change in Volkswagen's corporate governance structures and processes and, as a result, shareholders' frustration with the lack of information and apparent lack of inaction has continued to mount.

After very little response to our initial engagement efforts, GES sent another letter to Mr Pötsch in March 2016, requesting a meeting to discuss our concerns over Volkswagen's corporate governance, corporate culture and sustainability commitments. The company then invited GES and its clients to attend a face-to-face meeting with Mr Pötsch in London on 1 June 2016.

At the meeting, Mr Pötsch reiterated that the audit being conducted by Jones Day is fully independent due to the company's enhanced cooperation with the US authorities. We also discussed our (and other shareholders') concerns about the lack of independent directors on the board, with Mr Pötsch expressing that he is open to the appointment of independent directors but that key shareholders need to be convinced of the value of this. He also indicated that the company will be reviewing its executive remuneration policy in the Autumn of 2016 to align it with the new strategy and that he would welcome our feedback on it.

Despite these positive developments, the company does seem resistant to share insight on its internal audit and the Jones Day review, leaving us concerned about whether there has been adequate action taken to remedy internal controls and processes following the scandal.

For further information, please contact:



Kate Jalbert

Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

TURKMEN COTTON

Investors, companies, NGOs and trade unions join forces to tackle widespread forced labour

In May, GES co-signed a letter to the **GOVERNMENT OF TURKMENISTAN** as part of a collaboration urging the country to address the reported problem with forced labour in cotton cultivation. Similar to the situation in Uzbekistan, which is more well-known, the Turkmen government controls the country's cotton industry and forces farmers and private and public sector workers to contribute to cotton farming under threat of reprisals such as losing their jobs or land.

It is believed that forced labour affects tens of thousands of adults every year in Turkmenistan. However, information is limited as Turkmenistan does not allow external observers to monitor the working conditions. The Turkmen government is also cracking down on its own citizens who try to document and report human rights concerns. Nevertheless, consistent reports about clear misconduct have reached the world outside Turkmenistan and stakeholders agree that this is a serious issue to urgently contend with. Among others, **ILO** has expressed deep concern over the widespread use of forced labour in Turkmen cotton production.

GES raised this issue with **H&M** in 2015 as the company was accused of sourcing garments from a supplier linked to cotton from Turkmenistan. However, due to the complex and often untraceable cotton value chain, being associated with cotton produced using forced labour – be it in Uzbekistan, Turkmenistan or somewhere else – is a significant risk for all clothing brands, until they have full visibility throughout their supply chain. Accordingly, this is something GES keeps requesting relevant companies to take measures on.

In addition, GES has long been cooperating with other stakeholders to raise awareness of and tackle the root problem itself. Most recently, we joined forces with 56 other stakeholders to endorse a letter which demands that the Turkmen government takes urgent action to end forced labour in the country's cotton sector.

By speaking with one voice, this global collaboration of investors, companies, NGOs, industry associations and trade unions sent a very clear message about the concern and condemnation of the reported violations in Turkmenistan. GES hopes that the combined leverage will have a prompt impact on improving the labour practices, thereby also helping to mitigate reputational risks to companies and investors alike.

For further information, please contact:



Tytti Kaasinen
Senior Engagement Manager

COCOA ENGAGEMENT

Progress, momentum and more investor activity

GES has been engaging the world's leading cocoa and chocolate companies (**NESTLÉ, MONDELEZ, HERSHEY'S, OLAM, BARRY CALLEBAUT**) for several years on the issue of child labour among cocoa farmers in West Africa. More than two million children are believed to be involved in child labour on cocoa farms in leading cocoa producing nations, such as Ghana and Ivory Coast. GES' Cocoa Engagement is, therefore, focused for several years on the issue of child labour among cocoa farmers in West Africa. More than two million children are believed to be involved in child labour on cocoa farms in leading cocoa producing nations, such as Ghana and Ivory Coast.

GES' Cocoa Engagement is, therefore, focused on:

1. strengthening child labour remediation systems in cocoa growing communities in West Africa;
2. improving access to school for children in cocoa growing communities; and

BUSINESS CONDUCT ENGAGEMENT

3. ensuring that farmer programmes and other initiatives are effective in increasing income for cocoa farmers.

Since late last year, we have seen a number of important improvements within the three focus areas.

Most of the leading cocoa and chocolate companies have been working with the initiative **COCOACTION** since 2014. CocoaAction aims to increase productivity and improve livelihood among farmers in cocoa growing communities in West Africa through a number of work streams. A key outcome from the initiative is that it is now mandatory for all involved companies to roll-out child labour monitoring and remediation systems in cocoa-growing communities.

It is evident from GES' dialogue with the individual companies that this has spurred action. Several companies are currently implementing such systems in Ghana and the Ivory Coast.

In May 2016, companies involved in CocoaAction launched a new large-scale initiative together with the **JACOB'S FOUNDATION**. The initiative – The Transforming Education in Cocoa Communities (TRECC) programme – will fund educational projects and strengthen local education policy in the Ivory Coast. The programme will run until 2022 and the goal is to improve the living conditions of 200,000 children and young people and 10,000 women. The long-term objective is to ensure that rural communities have permanent access to high-quality education.

Last but not least, there is also activity around increasing income for cocoa farmers. A multi-stakeholder group, which GES is part of, is currently working on developing a methodology to measure living income levels for cocoa farmers. In June 2016, GES participated in a workshop with the multi-stakeholder group. While the companies that are involved in the group are not the most active participants, there is a momentum among them to advance the living income agenda in the cocoa sector.

Drawing on recent improvements and momentum, GES is leading an investor initiative as part of our Cocoa Engagement. We have produced an

investor letter to CocoaAction and have actively sought signatories. More than 30 investors are involved. The letter proposes, among other things, that CocoaAction:

- becomes a driving force in the development of a methodology to measure farmer income in comparison to a decent income in cocoa growing communities;
- communicates a timeline for implementation of Child Labour Monitoring and Remediation Systems in all cocoa growing communities covered by CocoaAction; and
- transparently reports on findings from the work carried out with the Ivorian government on understanding geographic gaps in access to school and, subsequently, to transparently report on the actions to be taken by CocoaAction to close such gaps.

The letter was sent in early July and will be followed-up with at least one meeting between CocoaAction, its member companies and the investor signatories. GES will also continue its dialogue with individual companies in the Cocoa Engagement.

For further information, please contact:



Stina Nilsson
Senior Engagement Manager

EMERGING MARKETS

Mexico is starting to feel the pain from pollution and climate change

For the past five years, GES has been conducting annual engagement trips to Mexico as part of our Emerging Market Engagement programme. We have been able to follow and build relationships with some of the largest companies in Latin America, which we engage with to address the significant ESG risks and opportunities in this region.

In Mexico, some of the negative consequences of economic growth are increasingly impacting everyday life of the people and businesses alike. Heavy smog is covering the capital Mexico City. More than five million cars are trying to get around in this 20 million people metropolis and wild urban growth has left old industry suddenly surrounded by residential areas and office buildings. Cars and industry are contributing to massive air pollution, which is now reaching alarming levels in the city. The situation is so critical that the Mayor has imposed restrictions on the circulation of cars. So, depending on the numbers on your plate, there are days when you are not allowed to use the vehicle. When the pollution levels are really bad, the city even adds additional numbers to the restricted circulation plan from day-to-day. Moreover, people living in Mexico City and other urban centres of the country are increasingly contracting allergies and other health issues due to the air pollution.

Mexico has also recently overtaken the US as the country in the world with the most severe obesity problems. The government has tried to address the problem with extra taxes on high calorie products, but it has yet to make a substantial change in the habits of the Mexican consumers. GES is engaging with various food and beverage companies in order to develop and promote healthier products and we see significant progress in this area, with companies developing responsible strategies with more balanced product portfolios. For example, the low calorie products slowly are getting a more prominent place in the product portfolio of the world's largest baking company, **GRUPO BIMBO**.



Bolsa Mexicana de Valores (Mexican Stock Exchange)

We also see some progress, particularly among the largest Mexican companies, in transitioning to a low carbon economy. In the past couple of years, a good number of large companies have invested in renewable energy projects and taken significant steps in improving energy efficiency and reducing carbon footprint. These have been timely investments facing the new energy reform launched by the Mexican government. The reforms will open up the energy market for new players and there are now specific targets for how much of companies' energy consumption should come from renewable sources. By 2018, a quarter of a company's energy consumption should be renewable and by 2024 this should increase to 35 per cent. In the event of non-compliance, the companies would need to pay an additional tax. The expectation is that these reforms should lead to significant investment opportunities and capital moving into renewables. Cement giant **CEMEX** is already covering energy consumption in its Mexican operations with 100 per cent renewables and the emerging opportunities to connect with the grid will generate a new revenue line for the company as an energy provider.

While the Mexican government at least partly is addressing some of the environmental and obesity-related issues, it is having less success in the battle against organised crime. The cartels and gangs continue to spread terror in various parts of

STEWARDSHIP & RISK ENGAGEMENT

Mexico and particularly attack politicians who do not “get into their pocket”. Another worrying trend with the criminal gangs is that they are targeting oil pipelines for illegal tapping. In 2015, there were at least 7,500 incidents of illegal tapping with significant environmental and social consequences for the communities around the pipelines. Illegal tapping is increasing 30 per cent every year.

This is turning into a USD 1 billion business for organised crime and GES is addressing this material risk with the national oil company **PEMEX**.

One can also see the security threat from organised crime directly reflected in the ESG ratings of Mexican companies, which are consistently receiving low scores on governance. This is partly due to traditional family control over the businesses and the role of CEO and Chairman being held by the same person (from the family). But, the low governance scores are also due to the absence of information on executive remuneration, which the companies are hesitant to share due to the threat of kidnappings. GES has had some success in pushing for the separation of the roles of CEO and Chairman and we continue to work with the Mexican companies to expand disclosure on executive remuneration without jeopardising the security of management and board members.

Water scarcity is also increasingly becoming a problem in Mexico following climate changes. GES is consistently raising the issue with Mexican companies and a few of them – like the bottling company **FEMSA**, which has very significant water consumption – have begun assessing related risks and initiated mitigation. At companies where the most significant water consumption takes place in the supply chain, the awareness of water risks is lower. Nonetheless, they often admit to experiencing problems with suppliers not being able to deliver as normal. Like in many other markets around the world, GES will advocate for water risk assessment as water stress is only expected to grow worse.

As we see in most emerging markets, there are large differences in the ESG risk assessment and

mitigation practices among the Mexican companies we follow on behalf of our investor clients. But, Mexican companies are often quite responsive to engagement when you show interest, respect and insight in local culture, politics and socio-economic factors. So, we remain optimistic and confident that we can influence (most) companies to address material ESG risks and opportunities.

For further information, please contact:



Palle Ellemann

Head of Emerging Markets
Engagement

GES AT THE RESPONSIBLE EXTRACTIVE SUMMIT

A slightly humbler extractive industry

At the end of June, GES participated in the **ETHICAL CORPORATION'S** annual Responsible Extractive Summit in London, with speakers including **RIO TINTO**, **BEOWULF MINING**, **ADANI** and **TULLOW OIL** and many more. Overall, the representatives from the extractive industry at the conference appeared to be humbler on average than previously. Let us have a look at some of the high profile issues discussed at the meeting from which we sensed the industry were changing tact.

Did Paris change status quo?

The question has been asked several times over the last months, following the COP21 agreement in Paris in December last year, and equally at this conference. First and foremost, there was a clear impression at the conference that it will get harder to find capital for high carbon investments. Adjusted ratings from rating agencies on climate risk were specifically highlighted to make the argument, together with the fact that investors are allocating more capital in low carbon portfolios.

The projection was also that the current demand for coal and gas will not remain. Expectations were raised that COP21 would spur more

STEWARDSHIP & RISK ENGAGEMENT

transparency on climate risk reporting. On the upside for (parts of) the extractive industry, it is expected that there will be an increased demand for lithium and copper following development towards more electrification. Participants, however, stated that, as projections of electrification development are uncertain, the possible level of demand for lithium and copper is also uncertain.

From human rights innovation to human rights consolidation?

A slight frustration was demonstrated by one of the panellists when human rights was brought up. Over the last five to ten years, there have been many developments in human rights impacts assessment tools that have been innovative and influential. However, the panellist questioned to what extent human rights are really consolidated into extractive companies' overall corporate risk assessments and management processes. He questioned the sector's institutional memory and if it has truly learnt from past mistakes. As a company representative put it, human rights should be mainstreamed in the company and should not stay at the CSR department. More practical examples on how to work with human rights at the sites and within local communities were also offered. Companies need to engage with all parts of the communities nearby its operations, not just the local elite. Furthermore, they need to listen, listen and listen. The result of dialogue should be expressed in a written agreement. A best practice example was shared at the conference – a company had put up flow charts of its site level grievance mechanisms at its community offices. Staff at the company had 10 days to let the person filing the grievance know how it would be dealt with. The same company had also started to pilot a project in which the community members were to measure the company's social performance in the region, as opposed to having the company or external experts set up performance indicators.

The Sustainable Development Goals entering the agenda

An emerging theme at the conference was the Sustainable Development Goals (SDGs). While there was surprisingly little on the agenda about the SDGs, they were repeatedly brought up by

participants, especially in connection to discussions around local content (the extent to which extractives should contribute to local development in the communities in which they operate). While this is not a new issue in the extractive industry, our impression was that, while the SDGs are recognised, the industry might need a push to not only do an exercise of mapping what is already being done in relation to the SDGs, but also see where the industry can make further contributions. On the positive side, the well-recognised concept of local content in the sector may prove useful to identify further action. Nonetheless, mutual benefits need to be clearly identified to drive the agenda in an environment where their price of raw materials is falling.

Last but not least, there was a session on corporate relations with host governments offering insightful observations. The most unexpected comment came from a gas major praising the Bolivian government for bringing millions out of poverty. It is not every day that you would hear a multinational company praising a socialist government. The same session also noted that the days of easy deals for oil and gas majors are over. Host government expectations and the influence of national oil companies are growing and, as a panellist put it: "you should go for the second best deal, not the cheapest one. Otherwise, you will shortly end up re-negotiating the deal after not meeting local expectations and the resultant loss of confidence from the host government and local population". Companies were also advised to look at the broader political environment as things are moving rapidly in some regions. Egypt's Mubarak was mentioned as an example of a political leader thought by the industry as someone who would be around for ever. As a result, relationships with the new administration had to quickly be worked up in the Arabic Spring.

For further information, please contact:

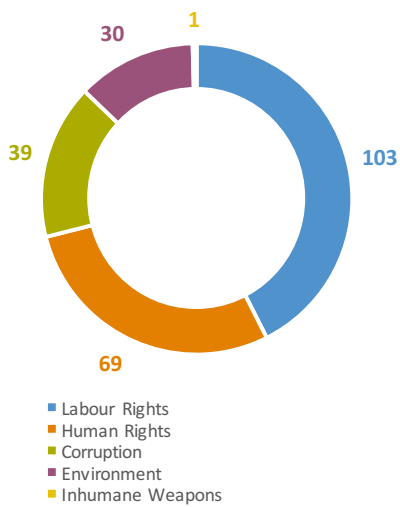


Stina Nilsson

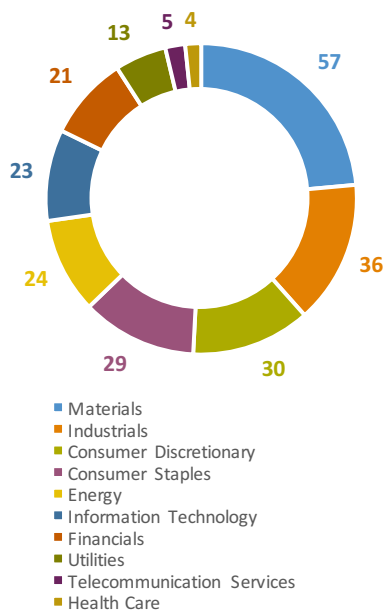
Senior Engagement Manager

ENGAGEMENT SUMMARY REPORT

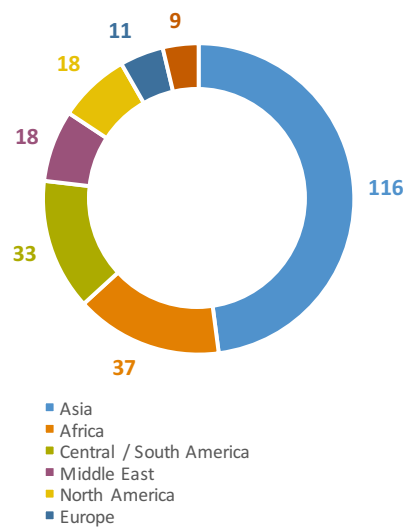
NORM AREA BREAKDOWN



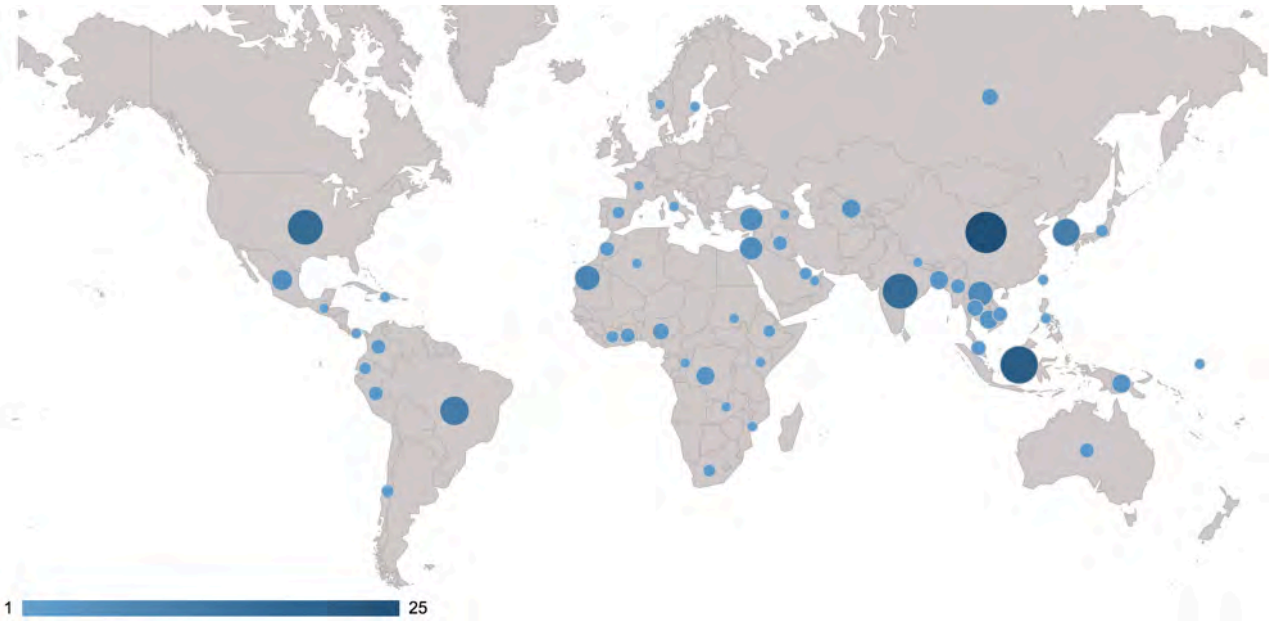
INDUSTRY SECTOR BREAKDOWN



GEOGRAPHIC BREAKDOWN



ENGAGEMENT MAP



During Q2 2016 GES has been in active dialogue with companies as well as external sources associated to **242** business conduct issues.

In **80** “engage” cases we have continued our dialogue to track bespoke engagement goals and to seek measurable results of business conduct changes.

In **162** “evaluate” cases the objective of the dialogue is to bring the amount of credible information to a level that allows issuance of the next recommendation; either to archive the case or, to further engage with the company - if it is a case with severe consequences for the environment or humans.

COMPANY DIALOGUE & PROGRESS SUMMARY

HOW TO READ THIS REPORT

Country The country in the list indicates where the business conduct issue occurred.
The breakdown into the regions Africa, Asia, Central/South America, Europe, Middle East, North America and Oceania is based on where the company headquarter is.

Response The indicator describes how the company responds to GES' inquiries.

- Excellent
- Good
- Standard
- Poor
- None

Progress The indicator describes whether or not the violation continues, or how the company's work to prevent future violations is developing.

- ↑ Excellent
- ↗ Good
- Standard
- ↘ Poor
- ↓ None

Development The indicator describes the combined company progress and response performance.

- ▲ High performance:
Good or excellent response and / or progress of the business conduct issue.
- ▶ Medium performance:
A standard level of response and progress.
- ▼ Low performance:
Poor or no Response in combination with poor or no Progress.

New, same, better or worse – indicates the change in development since the last quarterly report.

Time Time with low performance. One piece equals three months.



After two years the case will be reviewed by GES and a disengage recommendation can be issued if all other engagement options are ineffective.

AFRICA


EVALUATE LIST

ANGLOGOLD ASHANTI, IMPALA PLATINUM

ASIA

ENGAGE LIST

| | | | | | |
|--|-------------------|------------|------------|----------|--|
| ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED <i>Association to damaging ecosystem</i> | India | • Poor | ➔ Poor | ▼ Same | |
| BANGKOK BANK PUBLIC <i>Association to financing controversial dam project on Mekong River</i> | Laos | • Standard | ➔ Poor | ▶ Same | |
| CHINA RAILWAY CONSTRUCTION CORP <i>Association to human rights violations and environmental degradation</i> | Ecuador | • Poor | ↓ None | ▼ Same | |
| CHINA RAILWAY GROUP <i>Association to severe construction accidents</i> | China | • Poor | ↓ None | ▼ Same | |
| COAL INDIA LIMITED <i>Association to repeated deadly accidents at workplace</i> | India | • Standard | ➔ Standard | ▶ Same | |
| INDUSTRIAL AND COMMERCIAL BANK OF CHINA <i>Association to threatening livelihood and forced relocation relating to dam project</i> | Ethiopia | • Standard | ➔ Standard | ▶ Same | |
| KASIKORNBANK <i>Association to financing controversial dam project on Mekong River</i> | Laos | • Good | ➔ Standard | ▲ Same | |
| KRUNG THAI BANK <i>Association to financing controversial dam project on Mekong River</i> | Laos | • Standard | ↓ None | ▶ Same | |
| PEGATRON <i>Association to systematic labour and environmental violations</i> | China | • Standard | ➔ Standard | ▶ Same | |
| POSCO <i>Association to environmental and human rights violations in steel project</i> | India | • Standard | ➔ Poor | ▶ Same | |
| POSCO <i>Association to human rights abuses in relation to pipeline project</i> | Burma/ Myanmar | • Standard | ➔ Poor | ▶ Same | |
| POSCO <i>Association to worst forms of child labour and forced labour</i> | Uzbekistan | • Standard | ➔ Standard | ▶ Same | |
| POSCO DAEWOO <i>Association to human rights abuses in relation to pipeline project</i> | Burma/ Myanmar | • Standard | ➔ Standard | ▶ Same | |
| POSCO DAEWOO <i>Association to worst forms of child labour and forced labour</i> | Uzbekistan | • Standard | ➔ Standard | ▶ Same | |
| PTT PCL <i>Association to biodiversity and food security impacts related to dam project on the Mekong River</i> | Laos | • Standard | ➔ Standard | ▶ Same | |
| SAMSUNG ELECTRONICS <i>Association to labour rights violations in multiple franchisees</i> | China | • Good | ➔ Standard | ▲ Better | |
| SEVEN & I HOLDINGS CO <i>Association to poor working conditions in various countries</i> | United States | • Poor | ↓ None | ▼ Same | |

| | | | | | |
|--|------------------|-------------|------------|----------|---|
| SIAM COMMERCIAL BANK <i>Association to financing controversial dam project on Mekong River</i> | Laos | • Standard | ↘ Poor | ▶ Same | |
| TOKYO ELECTRIC POWER COMPANY <i>Association to unsafe nuclear power production</i> | Japan | • Standard | → Standard | ▶ Same | |
| VEDANTA LIMITED <i>Association to systematic environmental and human rights violations in mining project</i> | India | • Excellent | ↗ Good | ▲ Better | |
| YAHOO JAPAN CORP <i>Association to diminishing populations of endangered species</i> | Japan | • Standard | → Standard | ▶ Same | |
| ZIJIN MINING GROUP <i>Association to environmental impact in mining project</i> | Papua New Guinea | • None | ↘ Poor | ▼ Same |  |
| ZIJIN MINING GROUP <i>Association to human rights violations</i> | Papua New Guinea | • None | ↘ Poor | ▼ Same |  |

EVALUATE LIST

ADARO ENERGY PT, ALUMINUM CORPORATION OF CHINA, ASUSTEK COMPUTER INC, BANK OF CHINA, BHARAT HEAVY ELECTRICALS LIMITED, BYD COMPANY, CATCHER TECHNOLOGY, CHINA COAL ENERGY COMPANY LTD, CHINA NATIONAL BUILDING MATERIAL COMPANY LTD, CHINA PETROLEUM & CHEMICAL CORP, CHINA RAILWAY GROUP, CHINA STEEL, COAL INDIA LIMITED, DAELIM INDUSTRIAL, DMCI HOLDINGS, ELECTRIC POWER DEVELOPMENT, ELECTRICITY GENERATING, FAST RETAILING CO, FELDA GLOBAL VENTURES, GAIL INDIA, GOLDEN AGRI-RESOURCES, GUANGZHOU AUTOMOBILE GROUP, HANWHA CHEMICAL CORP, HON HAI PRECISION INDUSTRY CO, HONDA MOTOR CO, HTC CORP, HYUNDAI ENGINEERING & CONSTRUCTION, HYUNDAI HEAVY INDUSTRIES CO LTD, HYUNDAI STEEL CO, IJM CORPORATION BERHAD, INDOFOOD SUKSES MAKMUR, IOI CORP, ITOCHU CORP, KOREA ELECTRIC POWER, KT&G, KUALA LUMPUR KEPONG, LG CHEMICAL, LG ELECTRONICS, MARUTI SUZUKI INDIA, NINTENDO CO, NTPC, OIL & NATURAL GAS CORPORATION, OLYMPUS CORP, PETROCHINA, POSCO, POSCO DAEWOO, QUANTA COMPUTER, RICOH CO LTD, SAMSUNG C&T, SK HYNIX INC, SUN HUNG KAI PROPERTIES, TATA STEEL, TDK CORP, THAI UNION GROUP, VEDANTA LIMITED, WILMAR INTERNATIONAL LIMITED, WISTRON CORP, ZHEN DING TECHNOLOGY HOLDING, ZTE

DISENGAGE LIST

| | |
|--|-------------|
| HANWHA CORPORATION <i>Association to marketing of cluster munitions</i> | South Korea |
| SINGAPORE TECHNOLOGIES ENGINEERING <i>Association to manufacturing of anti-personnel mines</i> | Singapore |

CENTRAL / SOUTH AMERICA

ENGAGE LIST

| | | | | |
|---|---------------|------------|------------|----------|
| CEMEX <i>Association to supporting construction of illegal settlements in occupied territories</i> | Palestine | • Standard | → Standard | ▶ New |
| ELETRONAS <i>Association to violation of indigenous rights</i> | Brazil | • Good | → Good | ▶ Same |
| GRUPO MEXICO <i>Association to violent protests against mining project</i> | Peru | • Standard | → Standard | ▶ Better |
| JBS SA <i>Association to repeated health and safety violations</i> | United States | • Standard | → Standard | ▶ Same |
| PETROBRAS <i>Association to corrupt practices</i> | Brazil | • Standard | → Standard | ▶ Same |
| SOUTHERN COPPER CORPORATION <i>Association to violent protests against Peru mining project</i> | Peru | • Standard | → Standard | ▶ Better |
| VALE SA <i>Association to adverse impacts on indigenous communities</i> | Brazil | • Good | → Good | ▶ Same |
| VALE SA <i>Association to deadly accident at dam burst and to adverse impacts on indigenous communities</i> | Brazil | • Standard | → Standard | ▶ Same |

EVALUATE LIST

BANCO BRADESCO, COMPANHIA SIDERURGICA NACIONAL, ELETRONAS, FIRST PACIFIC, GERDAU PN, GRUPO MEXICO, MEXICHEM SAB DE CV, PETROBRAS, SOUTHERN COPPER CORPORATION

EUROPE

ENGAGE LIST

| | | | | |
|---|--------------------|-------------|------------|----------|
| ALSTOM Association to complicity in human rights violations in hydro-electric project | Sudan | • Standard | ↗ Good | ▲ Better |
| ANDRITZ AG Association to hydro power project breaching World Bank environmental and social standards | Turkey | • Standard | ↘ Poor | ▶ Same |
| BARRY CALLEBAUT AG Association to child labour in the cocoa industry | Ivory Coast | • Standard | → Standard | ▶ Same |
| DEUTSCHE POST Association to violation of international labour standards | India | • Good | → Standard | ▲ Same |
| ENI Association to corruption | Nigeria | • Poor | → Standard | ▶ Same |
| G4S PLC Association to complicity in human rights violations in occupied territories | Palestine | • Excellent | ↗ Good | ▲ Same |
| GLAXOSMITHKLINE Association to corruption | China | • Standard | → Standard | ▶ Same |
| GLENCORE PLC Association to illegal exploration of natural resources | Western Sahara | • Standard | ↓ None | ▶ Same |
| GLENCORE PLC Association to lead contamination from mining and processing | Australia | • Standard | → Standard | ▶ Same |
| HEIDELBERGCEMENT Association to violations of international law in occupied territories | Palestine | • Excellent | ↗ Good | ▲ Same |
| HENNES & MAURITZ Association to various violations in the cotton supply chain | Uzbekistan | • Good | ↗ Good | ▲ Same |
| HSBC HOLDINGS Association to recurring incidents of money laundering | United States | • Good | → Standard | ▲ Better |
| LEONARDO - FINMECCANICA SPA Association to corrupt practices | India | • Good | ↗ Good | ▲ Same |
| LINDT & SPRUENGLI AG Association to child labour in the cocoa industry | Ghana | • Excellent | ↗ Good | ▲ Same |
| NESTLE SA Association to child labour in the cocoa industry | Ghana | • Excellent | ↗ Good | ▲ Same |
| NORDEA BANK Association to poor governance and control to prevent money laundering | Sweden | • Standard | → Standard | ▶ Same |
| NORILSK NICKEL Association to environmental and health impacts from metal extraction operations | Russian Federation | • Standard | → Standard | ▶ Same |

| | | | | | |
|---|--------------------|-------------|------------|---|------|
| ROYAL DUTCH SHELL <i>Association to corruption</i> | Nigeria | • Standard | → Standard | ▶ | Same |
| ROYAL DUTCH SHELL <i>Association to human rights violations resulting from pollution and environmental damage</i> | Nigeria | • Good | → Standard | ▲ | Same |
| SEVERSTAL OAO <i>Association to deadly work accidents</i> | Russian Federation | • Standard | → Standard | ▶ | New |
| TELIA COMPANY AB <i>Association to corruption in several countries</i> | Uzbekistan | • Excellent | ↗ Good | ▲ | Same |
| VINCI <i>Association to labour rights violations</i> | Qatar | • Good | ↗ Good | ▲ | Same |
| VOLKSWAGEN <i>Association to violations of emissions standards</i> | United States | • Poor | → Standard | ▶ | Same |
| VTB BANK <i>Association to a mining project with expected vast environmental impacts</i> | Armenia | • Standard | ↘ Poor | ▶ | Same |

EVALUATE LIST

ALSTOM, ANDRITZ AG, ANGLO AMERICAN, ARCELORMITTAL, BOLIDEN, DEUTSCHE TELEKOM, ELECTRICITE DE FRANCE, ENGIE, ENI, FIAT CHRYSLER AUTOMOBILES, GLENCORE PLC, HENNES & MAURITZ, HOCHTIEF, INVESTOR AB, KONINKLIJKE AHOLD, MARKS & SPENCER GROUP, NESTLE SA, NOVARTIS AG, PETROFAC, POLSKIE GORNICTWO NAFTOWE I GAZOWNICTWO SA, RECKITT BENCKISER, RENAULT, REPSOL SA, ROSNEFT, SAINSBURY, SAIPEM, SIEMENS, STANDARD CHARTERED PLC, STATOIL ASA, TELENOR, TELIA COMPANY AB, TENARIS SA, TESCO PLC, THALES, WARTSILA OYJ ABP, VOLKSWAGEN AG

DISENGAGE LIST

| | |
|---|----------------|
| AIRBUS GROUP <i>Association to nuclear weapon programmes</i> | France |
| BAE SYSTEMS <i>Association to nuclear weapon programmes</i> | United Kingdom |
| LEONARDO - FINMECCANICA SPA <i>Association to nuclear weapon programmes</i> | France |
| SAFRAN GROUP <i>Association to nuclear weapon programmes</i> | France |

MIDDLE EAST

ENGAGE LIST

| | | | | |
|---|-----------|------------|------------|--------|
| AKBANK <i>Association to hydro power project breaching World Bank environmental and social standards</i> | Turkey | • Standard | ↘ Poor | ▶ Same |
| BANK HAPOLIM <i>Association to financing illegal settlements in occupied territories</i> | Palestine | • Good | ↓ None | ▶ Same |
| BANK LEUMI <i>Association to financing illegal settlements in occupied territories</i> | Palestine | • Good | ↓ None | ▶ Same |
| MIZRAHI TEFAHOT BANK LTD <i>Association to financing illegal settlements in occupied territories</i> | Palestine | • Good | ↓ None | ▶ Same |
| TURKIYE GARANTI BANKASI <i>Association to hydro power project breaching World Bank environmental and social standards</i> | Turkey | • Good | → Standard | ▲ Same |

EVALUATE LIST

ARABTEC HOLDING

DISENGAGE LIST

| | |
|--|--------|
| TURKIYE HALK BANKASI <i>Association to hydro power project breaching World Bank environmental and social standards</i> | Turkey |
|--|--------|

NORTH AMERICA

RESOLVED LIST

| | |
|---|----------------|
| FMC CORPORATION <i>Association to illegal exploitation of natural resources</i> | Western Sahara |
|---|----------------|

ENGAGE LIST

| | | | | | |
|---|--------|------------|------------|---|------|
| AES CORP <i>Association to violation of indigenous rights</i> | Panama | • Standard | → Standard | ▶ | Same |
|---|--------|------------|------------|---|------|

| | | | | | |
|--|----------------|------------|--------|---|------|
| AGRIUM <i>Association to illegal exploitation of natural resources</i> | Western Sahara | • Standard | ↘ Poor | ▶ | Same |
|--|----------------|------------|--------|---|------|

| | | | | | |
|--|--------|--------|------------|---|------|
| APPLE INC <i>Association to poor labour and environmental practices at suppliers</i> | Taiwan | • Poor | → Standard | ▶ | Same |
|--|--------|--------|------------|---|------|

| | | | | | |
|---|------------------|------------|--------|---|------|
| BARRICK GOLD CORP <i>Association to complicity in human rights abuses</i> | Papua New Guinea | • Standard | ↘ Poor | ▶ | Same |
|---|------------------|------------|--------|---|------|

| | | | | | |
|--|------------------|------------|--------|---|------|
| BARRICK GOLD CORP <i>Association to environmental impact in mining project</i> | Papua New Guinea | • Standard | ↘ Poor | ▶ | Same |
|--|------------------|------------|--------|---|------|

| | | | | | |
|--|---------------|--------|--------|---|-----|
| CROWN HOLDINGS <i>Association to anti-union practices in several countries</i> | United States | • None | ↓ None | ▼ | New |
|--|---------------|--------|--------|---|-----|



| | | | | | |
|--|-----------|------------|--------|---|------|
| FREEPORT MCMORAN <i>Association to environmental impact from mining activity</i> | Indonesia | • Standard | ↘ Poor | ▶ | Same |
|--|-----------|------------|--------|---|------|

| | | | | | |
|--|-----------|------------|--------|---|------|
| FREEPORT MCMORAN <i>Association to mine site security concerns</i> | Indonesia | • Standard | ↘ Poor | ▶ | Same |
|--|-----------|------------|--------|---|------|

| | | | | | |
|---|-----------|--------|--------|---|------|
| GOLDCORP <i>Association to inadequate consideration for the human rights of indigenous people</i> | Guatemala | • Good | ↗ Good | ▲ | Same |
|---|-----------|--------|--------|---|------|

| | | | | | |
|--|-------------|------------|------------|---|------|
| HERSHEY <i>Association to child labour in the cocoa industry</i> | Ivory Coast | • Standard | → Standard | ▶ | Same |
|--|-------------|------------|------------|---|------|

| | | | | | |
|---|-------|------------|--------|---|------|
| MATTEL <i>Association to poor working conditions at suppliers</i> | China | • Standard | ↘ Poor | ▶ | Same |
|---|-------|------------|--------|---|------|

| | | | | | |
|---|---------------|------------|--------|---|------|
| MCDONALD'S CORP <i>Association to labour rights violation</i> | United States | • Standard | ↘ Poor | ▶ | Same |
|---|---------------|------------|--------|---|------|

| | | | | | |
|---|-------|-------------|--------|---|------|
| MONDELEZ INTERNATIONAL <i>Association to child labour in the cocoa industry</i> | Ghana | • Excellent | ↗ Good | ▲ | Same |
|---|-------|-------------|--------|---|------|

| | | | | | |
|---|-----------|--------|--------|---|------|
| MOTOROLA SOLUTIONS <i>Association to assisting in human rights violations in occupied territories</i> | Palestine | • Poor | ↓ None | ▼ | Same |
|---|-----------|--------|--------|---|------|



| | | | | |
|--|----------------|------------|--------|--------|
| POTASH CORP SASKATCHEWAN <i>Association to illegal exploitation of natural resources</i> | Western Sahara | • Standard | ↓ None | ▶ Same |
| STARBUCKS CORP <i>Association to anti-union practices</i> | Chile | • Standard | ↗ Good | ▲ Same |

EVALUATE LIST

AMAZON.COM, BRISTOL-MYERS SQUIBB CO, CISCO SYSTEMS, CITIGROUP, COSTCO WHOLESALE CORP, DOW CHEMICAL CO, EXXON MOBIL, FLUOR CORP, FREEPORT MCMORAN, GAP, GENERAL ELECTRIC, GENERAL MOTORS, GOODYEAR TIRE & RUBBER, HASBRO, KOHL'S CORP, LOBLAW, LOCKHEED MARTIN, MCDONALD'S CORP, ORACLE CORP, PEPSICO, STARWOOD HOTELS & RESORTS, TARGET CORP, T-MOBILE US, UNITED CONTINENTAL HOLDINGS, VF CORP

DISENGAGE LIST

BOEING CO United States
Association to nuclear weapon programmes

CHEVRON Ecuador
Association to environmental damage in Amazon jungle

FLUOR CORP United States
Association to development of nuclear weapon

GENERAL DYNAMICS CORP United States
Association to involvement in cluster munitions

GENERAL DYNAMICS CORP United States
Association to nuclear weapon programmes

HONEYWELL INTERNATIONAL United States
Association to nuclear weapon programmes

JACOBS ENGINEERING GROUP United Kingdom
Association to nuclear weapon programmes

L-3 COMMUNICATIONS HLDGS Iraq
Association to complicity in human rights abuses in several countries

L-3 COMMUNICATIONS HLDGS United States
Association to marketing of cluster munitions

LOCKHEED MARTIN United States
Association to manufacture and marketing of cluster munitions

LOCKHEED MARTIN United Kingdom
Association to nuclear weapon programmes

NORTHROP GRUMMAN CORP United States
Association to nuclear weapon programmes

RAYTHEON COMPANY United States
Association to nuclear weapon programmes

TEXTRON United States
Association to development and marketing of cluster munitions

WAL-MART STORES China
Association to dangerous sandblasting practice in supply chain

WAL-MART STORES Bangladesh
Association to fire safety negligence and fire

WAL-MART STORES Haiti
Association to inadequate pay in supply chain

WAL-MART STORES United States
Association to violations of labour standards in various countries

OCEANIA

ENGAGE LIST

| | | | | |
|---|----------------|------------|------------|--------|
| BHP BILLITON <i>Association to deadly accident</i> | Brazil | • Standard | → Standard | ▶ Same |
| INCITEC PIVOT LTD <i>Association to illegal exploitation of natural resources</i> | Western Sahara | • Standard | ↓ None | ▶ Same |
| RIO TINTO <i>Association to environmental impact caused by mining activities</i> | Indonesia | • Good | → Standard | ▲ Same |
| WESFARMERS <i>Association to illegal exploitation of natural resources</i> | Western Sahara | • Standard | ↗ Good | ▲ Same |

EVALUATE LIST

ANZ BANKING GROUP, BHP BILLITON, CIMIC GROUP, RIO TINTO, WESFARMERS, WOOLWORTHS LTD



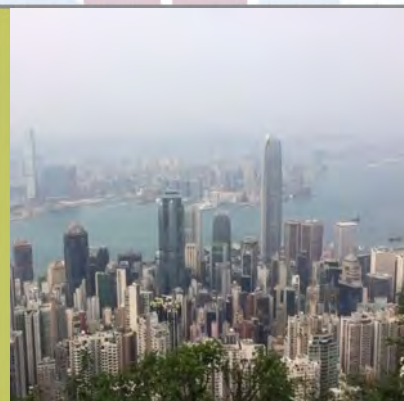
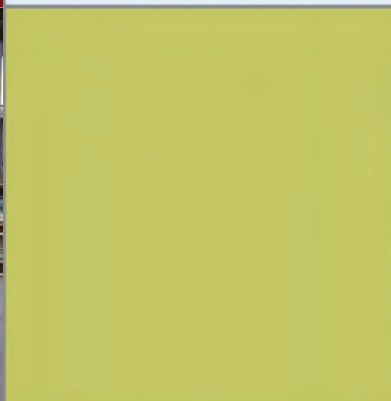
Use of and access to this information is limited to clients of GES International AB.

The information may not be reproduced, transmitted, redistributed, translated, sold, exploited commercially or otherwise reused in any way whatsoever without GES International AB's prior written consent, unless compelled by binding law.

All copyright, database rights and other proprietary rights in the information remain the property of GES International AB.

QUARTERLY ENGAGEMENT REPORT

Q3 2016



| | |
|-------------------------------------|----|
| OUR APPROACH | 3 |
| ENGAGEMENT BRIEF | 4 |
| ENGAGEMENT SUMMARY REPORT | 21 |
| COMPANY DIALOGUE & PROGRESS SUMMARY | 22 |

This report summarises the shareholder engagement activities that GES has performed on behalf of Erste Asset Management during the third quarter of 2016.



ABOUT ERSTE ASSET MANAGEMENT

Erste Asset Management is an international asset management company with a strong position in Central and Eastern Europe. Our activities are backed by the financial strength of Erste Group Bank AG.

We offer our clients a broad spectrum of high-quality investment funds and asset management solutions. We apply the highest quality to our clients' assets. This also goes for the comprehensive risk management of Erste Asset Management, which covers all our business areas.

Erste Asset Management attaches particular importance to providing responsible products and services. As a company we have dedicated ourselves to socially and environmentally agreeable behaviour.

We are proud of our employees and have become the employer of choice for specialists who wish to prove their talent in the various departments of Erste Asset Management.

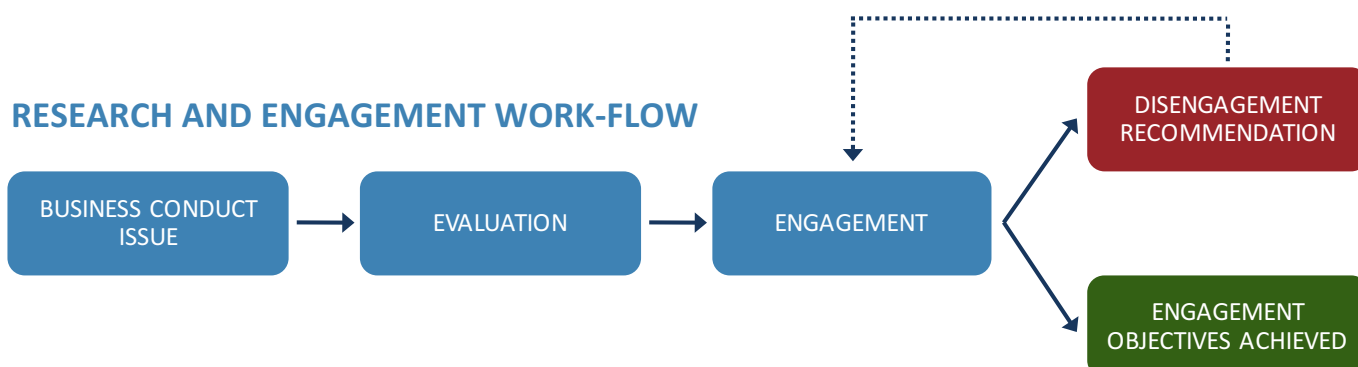
OUR APPROACH

In principle, the sustainability approach of Erste Asset Management is based on a three-dimensional structure. The dimensions of criteria definition, best-in-class and engagement / active ownership mutually enhance each other within an integrated process. A variety of approaches to sustainable investments are combined in this way in order to join somewhat restrictive elements with active, positive and dialog-based elements. The dialog with the companies and the use of our own voting rights lie at the core of our active ownership policy. In both cases, the engagement serves to improve the future viability of the companies. Moreover, the engagement results are integrated into the company selection as well.

We believe that changes in business conduct drives changes in corporate value. Consequently, we seek to instigate changes in business conduct through engagement dialogue where deemed necessary. We engage with companies in collaboration with our service provider GES. The engagement process is based on the findings from a systematic screening of companies regarding their compliance with well-established international conventions and guidelines on environmental, social and governance (ESG) issues. By way of example this includes:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- Human rights conventions
- Environmental conventions

We will start engagement with companies that are, or have been involved in systematic business conduct issues or, an isolated issue that has severe consequences for the environment or humans.



ENGAGEMENT BRIEF

Index of companies mentioned in this engagement brief

| | | | |
|---|------|-------------------------------|----|
| ADANI ENTERPRISES | 5, 9 | HERSHEY | 12 |
| ADANI MINING | 9 | KOSMOS ENERGY | 11 |
| ADANI PORTS AND SPECIAL ECONOMIC ZONE LTD | 5 | LINDT & SPRÜNGLI | 12 |
| ADANI POWER | 5 | MONDELEZ | 12 |
| AGRIUM | 10 | NESTLÉ | 12 |
| BARRY CALLEBAUT | 12 | OCP | 10 |
| BOUGAINVILLE COPPER LIMITED | 14 | ODEBRECHT | 7 |
| BROADSPECTRUM PTY LIMITED | 6 | OLAM | 12 |
| CARGILL | 12 | PETROBRAS | 7 |
| CHINA NATIONAL PETROLEUM CORPORATION | 18 | RIO TINTO | 14 |
| DEUTSCHE TELEKOM | 12 | SUN HUNG KAI PROPERTIES | 6 |
| FERROVIAL | 6 | T-MOBILE US | 12 |
| GAIL | 16 | VOLKSWAGEN | 8 |
| GAZPROM | 17 | WILSON GROUP | 6 |
| GLENCORE | 13 | WILSON SECURITY | 6 |

BUSINESS CONDUCT ENGAGEMENT

ADANI ENTERPRISES, ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED AND ADANI POWER

Association to damaging ecosystem and affecting fishermen confirmed

In June 2016, a committee appointed by the **GUJARAT HIGH COURT** (GHC) in India to inspect the conditions of the Mundra ecosystem recommended that **ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED** (APSEZ) and **ADANI POWER**, subsidiaries of **ADANI ENTERPRISES** (Adani), restore mangroves in Mundra, India. This is the third time in the last few years, where an official expert body was formed to investigate Adani's association with destroying Mundra's ecosystem.

GES has worked on this case since the first committee created for that purpose published its report in 2013, which made numerous recommendations for the company to remedy the found wrongdoings. The company's port and power plant project were said to have caused extensive environmental abuse in Mundra and the committee recommended that the company pay a fine of approximately USD 30 million for the breaches. The committee also suggested creating a fund to restore the harmed ecology.

Despite the publication of this report, which found many wrongdoings linked to Adani's activities in Mundra, the GHC dismissed almost all lawsuits filed against APSEZ and Adani Power by the affected fishermen community, leaving only one case pending.

In relation to the proceedings of the pending case, GHC noted that the recommendations to collect a fine from Adani and to create the restoration fund were outside the legal provisions of the Indian Environment (Protection) Act 1986, which did not provide the authority to the Indian government to impose such a fine. The court considered the findings of the first committee valid, but did not address the issue of executing the fine or remedying the damages. The legal and administrative puzzle surrounding Mundra's port and power plant has been one of the main challenges of this case, followed by the company's general unresponsiveness.

The second committee inspecting Mundra, appointed by the GHC in April 2015, submitted its report in July 2015 and concluded that Adani's activities had led to the vast destruction of mangroves. The purpose of this expert panel was not only to determine the cause of the damage, but also to provide the GHC with evidence as to whether environmental clearance conditions granted by the government to Adani contributed to the damage.

After the second inspection, the GHC tried to establish whether Adani should have adhered to a) the court's order from 2011 that forbade the company from cutting mangroves, or b) the permission to remove the mangroves granted by the **MINISTRY OF ENVIRONMENT AND FORESTS** (MoEF). GHC concluded that it was not able to resolve this ambiguity. Therefore, the central problem of the case, whether the company had knowingly and purposefully damaged the ecosystem, was left unresolved by GHC. The court called this central problem 'debatable'.

Despite the controversy, after many years of litigation and contradictory decisions, in October and November 2015, the GHC finally ascertained that Adani's subsidiaries operating in Mundra were responsible for remedying the damage. Adani agreed that, without admitting to any extensive damage to the mangroves, it would be ready to offset for the reasonable areas of the allegedly damaged mangroves by undertaking and protecting plantations elsewhere.

GES found that, even with the unanswered questions, the aforementioned GHC's judgements merit confirming the violation. Despite that the court found that there is a need to further investigate the matter and that the manner and extent of the restoration will be decided in the future, there is a clear link between the process of developing the port and the power plant and it causing considerable damage to the ecology in the region.

Therefore, the reported practices can be associated to a violation of the UN Global Compact Principles 1 on human rights and 7 on the environment, and the corresponding

BUSINESS CONDUCT ENGAGEMENT

Guidelines II and VI of the OECD Guidelines for Multinational Enterprises, as well as Chapter II of the UN Guiding Principles on Business and Human Rights.

In 2016, Adani significantly improved the information on its websites and added separate sections on sustainability and the environment, including information about mangroves protection. Therefore, some of the key issues of the case have been acknowledged by the company as being relevant. However, there is not much detail and Adani still has not communicated its actions and plans for Mundra. Although the company remains unresponsive, GES continues its engagement efforts.

The dialogue with Adani in relation to the Mundra ecosystem in India has been without success so far. However, the Australian case on Adani, where the company has been associated to a controversial mine and rail project, has had some positive results (see page 9 of the QER for more information).

For further information, please contact:



Izabela Żurowska
Engagement Manager

FERROVIAL, BROADSPECTRUM PTY LIMITED AND SUN HUNG KAI PROPERTIES

Association to human rights abuses in various countries – new engage cases

In July 2016, **FERROVIAL** was accused of complicity in human rights abuses at Australia's offshore detention centres (DCs) for asylum seekers in Nauru and Papua New Guinea (PNG), due to the company's acquisition of **BROADSPECTRUM PTY LIMITED** (Broadspectrum), the leading contractor for the DCs. One of the key issues linked to the DCs' management has been the security services subcontracted to **WILSON SECURITY**, a company owned by **WILSON GROUP**, which is a wholly owned subsidiary of **SUN HUNG KAI PROPERTIES (SHKP)**.

One of the key objectives for these cases is ensuring that these companies provide those that are detained in centres with humane conditions. However, the position of the **AUSTRALIAN GOVERNMENT** on detention makes this hard to achieve. The Australian immigration laws, which allow for the mandatory and indefinite detention of migrants and the arbitrary confinement of asylum seekers without access to courts or the assistance of lawyers, are said to be themselves contradictory to international human rights conventions and the UN Guiding Principles on Business and Human Rights.

In April 2016, the **SUPREME COURT OF PNG** found that this system was in breach of the PNG constitution and ordered that all steps must be taken to immediately end the illegal detention and close the DC on Manus Island. Prior to that decision, in February 2016, the office of the **UN HIGH COMMISSIONER FOR HUMAN RIGHTS** and the **UN COMMITTEE ON THE RIGHTS OF THE CHILD** expressed their concerns over transferring 267 asylum seekers from Australia to Nauru, which, in the UN' opinion, could be damaging to individuals' physical and mental health and would put Australia at risk of breaching its obligation not to return any person to cruel, inhumane or degrading treatment under the Convention against Torture. Moreover, sending children to

BUSINESS CONDUCT ENGAGEMENT

Nauru has been considered to contravene Australia's obligations under the Convention on the Rights of the Child.



Manus Island Detention Centre, Papua New Guinea

The Australian government tried to mitigate the concerns and address the identified issues, but 'The Nauru files', published in August 2016, exposed that human rights abuses have been occurring in Nauru on a daily basis over many years without proper investigation and access to remedy. The documents show details of assaults, sexual assaults and self-harm, and revealed that allegations regarding children made up more than 50 per cent of all incidents in the reports, which are produced by Wilson Security and Broadspectrum. However, the most concerning issue stemming from these revelations is that the abuses occurred at the same time as the Australian Government's investigation, the **AUSTRALIAN HUMAN RIGHTS COMMISSION**'s inquiry and the **AUSTRALIAN SENATE**'s review.

Both Broadspectrum and Wilson Security have assured stakeholders that the allegations have been responded to in a timely and sensitive manner, and that the companies have been taking immediate actions to address the reported incidents. But, even with the best monitoring systems in place, incidents will be difficult to avoid due to the complex environment, which includes weak governance on Nauru. Therefore, mitigating and preventing the violations from reoccurring systemically is the key challenge.

Furthermore, the DCs in general are operated as closed entities and there is little transparency surrounding how they function. Public inspections

by the independent authorities, including the **UNITED NATIONS** and the Australian Human Rights Commission, have been regularly refused, which adds to the problem.

GES has been in dialogue with Broadspectrum over the risks faced by the company as a result of its involvement in the DCs and the dialogue has now been handed over to Ferrovia, which has shown a commitment to transparency and its corporate responsibilities. While the company assures us that the operations at Nauru and Manus Island will not be a part of Ferrovia's portfolio in the future, handling the situation for the remainder of the contract may be challenging. GES will discuss the progress on addressing these issues during the next call in December 2016. SHKP has been asked to participate in the dialogue with GES, but has so far denied any links to Wilson Security.

For further information, please contact:



Izabela Żurowska
Engagement Manager

ODEBRECHT SA

Association to corruption scheme confirmed

In June 2015, the then CEO and four executives of **ODEBRECHT** were arrested by the Brazilian police over allegations of corruption in relation to a bribery scheme involving **PETROBRAS**. A month later, the executives were formally accused of involvement in the corruption scheme. The charges included money laundering, corruption and organised crime.

In December 2015, the CEO resigned from his position after being detained for six months. At that time, Odebrecht stated that it had full confidence that, at the end of the current legal proceedings, the innocence of the CEO would be officially recognised. In March 2016, the former CEO of Odebrecht was sentenced to 19 years in prison on charges of money laundering,

BUSINESS CONDUCT ENGAGEMENT

corruption and taking part in a criminal association. Four other Odebrecht executives were also sentenced to long prison sentences on similar grounds. According to the verdict by a federal judge, Odebrecht had formed a "cartel" with other companies, through which they had systematically rigged the bidding on Petrobras' projects since 2006.

The contractors, including Odebrecht, met in what they called a "club" and agreed among themselves who would be the winners of Petrobras contracts, manipulating the prices presented during bidding. Other former Odebrecht executives were also sentenced.

Later the same month, an additional 15 people were arrested at a police raid at Odebrecht. Following the raid, Brazilian police announced the discovery of a "bribe department" within the company, complete with its own separate management hierarchy, accounting methods and code-worded internal communications. The next day, the company made a firm public commitment to cooperate with the Brazilian investigative authorities.

Although the company itself has not been convicted of corrupt practices, the convictions of former Odebrecht directors and its former CEO suggest that the company's management knew of the scheme and failed to take adequate measures to deal with the problem.

Given the magnitude of the scheme and the company's failure to prevent it, GES has confirmed that Odebrecht has breached international anti-corruption norms. Bribery is illegal according to national Brazilian law and the United Nations Convention against Corruption.

GES is engaging with the company to strengthen its ethics and compliance policies and procedures and is monitoring further legal proceedings.

For further information, please contact:



Stina Nilsson

Senior Engagement Manager

VOLKSWAGEN

*Confirmed violation of environmental norms/
Proactive corporate governance engagement*

GES has now confirmed **VOLKSWAGEN's** association to violations of international environmental norms. According to US regulators, the company installed a device that boosted emissions controls during testing and turned them down during normal driving, which resulted in exceeding the pollution limits allowed under federal clean air rules by up to 40 times. Volkswagen admitted to fitting the device in September 2015 and stated that it is cooperating with an investigation led by the **US DEPARTMENT OF JUSTICE** on behalf of the **ENVIRONMENTAL PROTECTION AGENCY** (EPA) in April 2016.

In June 2016, Volkswagen reached a settlement with the US authorities and agreed to pay more than USD 15.3 billion to settle the charges that it cheated emissions tests. Following the June 2016 announcement of Volkswagen's settlement with US authorities, GES has concluded that the design and use of the defeat device was an intentional act of Volkswagen to bypass the US legislation on nitrogen oxide emissions and therefore not in line with the UN Global Compact Principles 7-9 and the corresponding Guideline VI of the OECD Guidelines for Multinational Enterprises, which ask for a precautionary approach when it comes to environmental issues.

GES' confirmation of this case means that our engagement with the company continues, but with stronger criteria to be met before we would consider the case resolved. These criteria include that:

- The company is no longer fitting vehicles with a 'defeat device';
- The company is refitting or buying back the cars with the device and compensating owners;
- The company makes changes to its corporate governance and risk management systems to prevent future violations; and
- The company's actions in relation to the above criteria is verified.



Volkswagen's headquarters in Germany

Our dialogue with Volkswagen is ongoing. Following GES' meeting with the Chairman of the Supervisory Board, Hans Dieter Pötsch, in June 2016, we sent a number of follow-up questions and have met with investor relations in October 2016 to discuss these.

While the **JONES DAY** review of the diesel issue is ongoing, we expect that the company will continue to be reluctant to share details about the review or even remedial actions taken as a result of emissions scandal, especially given the vast number of lawsuits that have been filed against the company. It is understood that the Jones Day review will be completed by the end of 2016. In the meantime, our engagement over the next couple of months will focus on gaining more information on the scope of the Jones Day review, providing feedback to the company on its planned changes to the executive management bonus scheme, finding out more about the creation of a Sustainability Board and pushing for changes to the company's governance structure, risk management systems and internal controls.

For further information, please contact:



Kate Jalbert
Engagement Manager

ADANI ENTERPRISES

Association to infringement of indigenous rights

ADANI MINING, a subsidiary of **ADANI ENTERPRISES** responsible for the Carmichael mine and rail project, has discussed with GES the key issues related to the project. The concerns over the project include environmental risks, such as those affecting the Great Barrier Reef, and significantly worsening local people's living conditions. Experts have also been highlighting the potential negative impacts on the climate, the risk of flooding and threat to the endangered species.

In February 2016, **QUEENSLAND STATE'S DEPARTMENT OF ENVIRONMENT AND HERITAGE PROTECTION** issued a final environmental authority for the Carmichael mine with about 140 conditions. In September 2016, Adani won two court claims against the Carmichael project. The Federal Court upheld the approval for the mine and dismissed the lawsuit, which argued that the former Australian environmental minister failed to consider whether the impact of burning coal and climate pollution would be inconsistent with international obligations to protect the Great Barrier Reef.

Adani also won a case filed by one of the members of the indigenous people holding the native title to some of the project's areas. GES discussed with Adani Mining the challenges associated with the dialogue with the indigenous people opposing the project. The company is confident that an indigenous land use agreement with the Wangan and Jagalingou (W&J) people will be signed. The company strongly believes it has been doing all in its power to negotiate with the W&J people peacefully and avoid using the option to seek forced removal of the native title claims. A follow-up call with Adani Mining is planned for the end of November 2016. The company has also been open to our suggestion to give a broader investor presentation on its Australian operations.

For further information, please contact:



Izabela Żurowska
Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

AGRIUM

Update on company's review of human rights risks related to Western Sahara

GES has been engaging with companies involved in business activities in Western Sahara for a number of years, noting a few positive developments along the way. The latest one is the publication of **AGRIUM**'s independent review of the human rights risks related to sourcing phosphate rock from the territory. The review was published in July 2016 in response to a shareholder proposal filed at Agrium's 2015 AGM. A similar proposal filed at this year's AGM was withdrawn following productive discussions between Agrium and the filers.

The review's conclusion is that Agrium is not causing or contributing to potential or actual negative human rights impacts in Western Sahara. GES has carefully assessed the document and appreciates the company's efforts to address shareholder's concerns, and the fact that the review directly and specifically deals with the human rights impacts as well as the legal framework relevant to Western Sahara.

The authors of the review employed a variety of tools to conduct the assessment such as the analysis of publicly available information, documents available on request from Agrium and its partner **OCP**, Morocco's state-owned phosphate company, as well as site visits and interviews. They also contacted an array of other sources, including groups advocating Western Saharan independence.



Sahrawi refugee camp in Tindouf, Algeria

Despite some obvious strengths, the assessment is not a flawless one. Although it cannot be denied that there are investments being made in the area where the OCP's Phosboucraa mine operates (such as infrastructure development, schools or leisure centres), it is very difficult to ascertain to what extent they benefit the Sahrawis (indigenous people of Western Sahara) or the Moroccan settlers.

The report's assumption that the provision of such investments is enough to address human rights concerns is a standpoint with which leading human rights experts disagree. Additionally, the authors only interviewed people working on the site and living in the area. The interviews were often arranged and conducted in the presence of OCP or site managers, which raises the question of how freely these interviewees could express their concerns and criticism.

It is also important to remember that the majority of the Sahrawis do not have the opportunity to benefit from, for example, being employed because they lack essential skills or live in the Algerian refugee camps. It is also regrettable that some of the prominent organisations that could provide valuable input and were contacted by the authors did not respond or declined to be interviewed. These include the NGOs **HUMAN RIGHTS WATCH**, **TRANSPARENCY INTERNATIONAL** and **AMNESTY INTERNATIONAL** and representatives of the **UNITED NATIONS MISSION FOR THE REFERENDUM IN WESTERN SAHARA** (MINURSO).

Finally, because the situation of Western Sahara is so complex and heavily politicised, it is important to keep the bigger picture in mind: until a referendum on independence is conducted, any business activities conducted in the area without the formal consent of the Sahrawis can be considered as indirect support of the Moroccan occupation and not respecting the Sahrawis' right to self-determination.

To conclude, GES considers the publication of the review to be a very welcomed development. It is a result of Agrium's extensive discussions with shareholders, which show the company's

BUSINESS CONDUCT ENGAGEMENT

commitment to address concerns regarding its operations, in particular operations widely regarded as controversial. Nevertheless, the company could have improved the assessment's methodology in ways that would allow the review to be considered truly independent.

On a more general note, GES maintains a constructive dialogue with several companies in relation to their Western Sahara involvement, including **KOSMOS ENERGY**, which will describe its first-hand experiences from the territory and participate in a discussion with GES' engagement clients in Stockholm in late October 2016.

Also, OCP is planning a presentation on the company's activities in the area as well as related risks and different perspectives on these operations. GES' clients will be welcome to join and we will provide more details in due course. GES has also started talks with OCP about organising an investor trip to Morocco and Western Sahara in 2017.

For further information, please contact:



Nina Markowska
Engagement Manager

COCOA ENGAGEMENT

Update after cocoa investor letter: trip to Côte d'Ivoire and closer engagement with industry initiative

In the last Quarterly Engagement Report, GES reported that an investor letter had been sent out to the industry initiative **COCOA ACTION**, proposing stronger measures in cocoa communities to combat child labour.

In August, following the letter, GES held a conference call, with CocoaAction and their secretariat, the **WORLD COCOA FOUNDATION** (WCF), the wider industry organisation which runs CocoaAction as one of its largest initiatives. GES communicated that the

purpose of the investor letter was to point out what investors think CocoaAction and the wider industry do well, but also where we see the need for further actions. It was also to demonstrate that we want to cooperate with the cocoa industry and assist it in reaching common goals.

In addition, GES stressed the importance of the focus areas of our cocoa engagement, which had been highlighted in the investor letter and include:

- a decent income for cocoa farmers;
- access to school for children in cocoa growing communities; and
- a roll-out of child labour monitoring and remediation systems in cocoa growing communities.

The World Cocoa Foundation responded that it works actively to be a transparent organisation and tries to be public about goals and programmes. Close co-operation is ongoing with a number of NGOs and other partners. There are also plans within CocoaAction to form a Civil Society Advisory Board and CocoaAction would, depending on its board's approval of the advisory board, welcome investor representation on the advisory board.



Drying facility for cocoa beans in Brazil

It also became clear at the meeting that CocoaAction is in need of further finances in order to commit to further scaling-up of its programmes. The President of the World Cocoa Foundation requested investors to become directly involved in financing the organisation's work, in addition to acting in a potential advisory function. GES agreed to convey the request, but stated that an advisory role is likely to be the most appropriate for investors.

BUSINESS CONDUCT ENGAGEMENT

The pledge for further funding is, however, an important point to bring up in our continuous engagement with companies in the cocoa industry. GES is currently engaging with seven of the world's largest trading, refining and retail companies in the cocoa sector, including **NESTLÉ, MONDELEZ, HERSHEY, LINDT & SPRÜNGLI, BARRY CALLEBAUT, OLAM** and **CARGILL**.

When it comes to the specific proposals that were highlighted in our investor letter, CocoaAction provided rather brief comments and further dialogue is needed. We note that the most of the movement is on rolling out child labour monitoring and remediation systems, as a number of companies have signed contracts with a partner organisation to implement such systems in cocoa-growing communities in West Africa. CocoaAction also stated that it would be able to give a much better overview of new activities towards the end of this year.

In the next few months, GES intends to continue the discussion with CocoaAction, together with investors. A conference call is scheduled for 22 November 2016. GES clients are welcome to join. In October, GES together with a group of investor clients, will also travel to Côte d'Ivoire, the world's largest cocoa producer. We will attend WCF's partnership meeting and join a one-day field trip to a cocoa growing community. In parallel with the conference, GES aims to schedule meetings with participating cocoa companies as well as other relevant stakeholders.

For further information, please contact:



Stina Nilsson
Senior Engagement Manager

DEUTSCHE TELEKOM AND T-MOBILE US

Association to anti-union practices – case progress

GES has been in dialogue with **DEUTSCHE TELEKOM** (DT) since 2010 over the allegations that its US subsidiary **T-MOBILE US** (TMUS) has been involved in practices of hindering the freedom of association. DT has a majority stake of 65 per cent in TMUS, majority voting power, control over the election of a majority of TMUS' directors and overall control over other matters requiring the approval of TMUS' shareholders.

From the start, DT has been assuring GES that TMUS' operations are in line with both US laws and international norms. The ratio of workers unionised at TMUS is low, but both companies attribute this to employees being satisfied with the company and their employment terms. For many years, TMUS has been defending its position on freedom of association before the US **NATIONAL LABOR RELATIONS BOARD** (NLRB).

In March 2015, the NLRB found that eleven provisions of TMUS' policies, including the 'Employee Handbook', the 'Code of Business Conduct', the 'Restrictive and Confidentiality Agreement', the 'Acceptable Use Policy for Information and Communication Resources', and the 'Employee Acknowledgement form' violated US labour laws and may have prevented workers from talking to each other, the media or government agencies about the terms and conditions of employment.

TMUS appealed the ruling and, in April 2016, the NLRB confirmed the verdict, adding two more breaches. TMUS was obligated to inform its employees of their rights and change the policies. Many have commented that this ruling can be interpreted as an employer cannot force an employee to be happy at work.

TMUS' annulled rule on a positive work environment stated: "[TMUS] expects all employees to behave in a professional manner that promotes efficiency, productivity, and cooperation. Employees are expected to maintain a positive work environment by communicating in a manner that is conducive to effective working

BUSINESS CONDUCT ENGAGEMENT

relationships with internal and external customers, clients, co-workers, and management”. NLRB ruled that “[TMUS] employees would reasonably construe the rule to restrict potentially controversial or contentious communications and discussions (...) out of fear that the [employer] would deem them to be inconsistent with a ‘positive work environment’”. Despite the policy breach, the NLRB did not find evidence that any of these rules were in fact restricting protected employee activity. TMUS commented that the decision highlighted only technical issues with TMUS’ policies and that many US companies have similar policies. The company emphasised that these policies had no impact whatsoever on restricting the rights of TMUS’ employees.

GES discussed next steps in relation to the NRLB ruling with DT and TMUS in August 2016, and, in September, TMUS asked GES to have another call to explain some of the issues mentioned in the previous meeting. The call is being scheduled for the end of 2016.

For further information, please contact:



Izabela Żurowska
Engagement Manager

RIO TINTO

Engagement as a way to leave a good legacy

Timing is a key factor if investor engagement is going to be successful or not. Ideally, there would be full agreement between investors and the company management on how to carry out operations, from the start of the investment until well after divestment. In the real world, it is of course not as simple.

To illustrate the challenges, it is helpful to take a look at the mining sector. Mining is a long term business with projects spanning over decades, if not centuries. The environmental and social impacts from the sectors are huge, sometimes

fundamentally changing both entire ecosystems and communities. Therefore, long term investors have an interest in ensuring that mining operations are not only good financial investments, but also leave a good legacy.

In Australia where mining legislation varies state to state, various mechanisms are in place to ensure funds are available to meet the rehabilitation costs upon mine closure. Unfortunately, it is becoming increasingly clear that many of these mechanisms are falling short with bonds in place at the commencement of operations not being sufficient upon closure. The reasons for this are varied, but often come down to an initial unrealistic concept of the extent of the environmental problems likely to be encountered, resulting in a chronic under-estimation of the costs required. Added to that is the fact that numerous mines are extended beyond their original scale and the environmental issues can grow exponentially while the rehabilitation funds grow proportionately.

The pattern of overly optimistic mine closure plans is an important factor in our engagement with mining companies. For example, a recent report by the **MINERAL POLICY INSTITUTE** on the McArthur River Mine in Australia’s Northern Territories has estimated the rehabilitation of the mine in order to prevent the long-term potential for acid mine discharges would require at least AUD 800,000 to be spent on fuel alone, at current prices. It is likely that **GLENCORE**, the owner of the mine, will argue for a lower cost alternative, namely to cover the potentially acid forming waste. But these covers degrade over time. So, whether it is 50 years or 100 years, the likelihood is that the McArthur River will be impacted and potentially acidified. The Rio Tinto river in Huelva, Spain is still suffering from acidification, resulting from roman mines some 2000 years ago – as well as sharing its name with a British mining company.

Likewise, when we engage with mining companies operating at Grasberg in West Papua, Indonesia or at Porgera in Papua New Guinea (PNG), we look beyond the immediate issue to the long-term implications. For both cases the riverine tailings disposal is the reason for GES engagement; but,

BUSINESS CONDUCT ENGAGEMENT

there are also underlying issues which need to be addressed upon closure. Erodible waste rock dumps at Porgera account for 80 per cent of the river's sediment load, which is actually the main reason for a lack of riverine flora and fauna. In addition, Grasberg has waste rock piles, which have the long-term potential to produce acid mine discharge and could acidify the river, resulting in its long-term collapse as an ecosystem.

Another example is **RIO TINTO** which recently decided to gift its last remaining shares of **BOUGAINVILLE COPPER LIMITED** (BCL) equally to the government of PNG and the **AUTONOMOUS BOUGAINVILLE GOVERNMENT** (ABG). Bougainville Copper Limited operated the copper and gold mine of Panguna between 1972 until the cessation of mining operations in 1989. The company left Panguna in 1990 due to an armed insurrection that sparked a bloody two-year civil war and the secession of Bougainville from PNG. At the time of its closure, it was the world's largest open pit copper and gold mine and was generating approximately 40 per cent of PNG's GDP.



The Río Tinto river in Huelva, Spain

The mine has been neglected since 1990, with neither BCL nor Rio Tinto being able to secure safe access to the mine as landowners closed off the area of Panguna. The environmental legacy of Panguna mine still remains with estimates for remediation varying. Had there been more concern, at the time, for the operations' social and environmental aspects, the mine could have continued as a healthy ongoing business and the civil war may have been prevented.

These cases show that there is a need to address not only the immediate impacts of mining operations, but also the long-term impacts. Governments and regulators should play a role in this, but many mines are in areas of weak governance and where the institutions historically have neither the means nor incentive to reinforce their regulations. Therefore, investors have an important role to play in pointing out to mining companies the downstream problems, such as unexpectedly high closure and legacy costs, as well as reputational risk.

Unfortunately, there are also often examples of fundamental and seemingly irresolvable differences in views on a company's responsibilities and the expectations of the impacted communities. Too often have local populations become victims, rather than the benefactors, of their natural resources. When differences have reached that point, the potential for reconciling company and community desires is very small, resulting in a loss for both.

Engagements work best when companies are willing to share experiences and learn from the knowledge that investors have to offer. Risks can be carefully vetted; unexpected opportunities can be discovered; and mistakes can be avoided and corrected. This is easiest to do at an early stage – when we can say, for example, “Don't go into that market with corruption risks and political volatility without taking steps A, B and C first, even if the margins seem irresistibly high.” But, we also often come in at later stages, when finding solutions are more challenging, but equally necessary. It is a learning experience for both investors and companies.

For further information, please contact:



Bruce Jackson
Senior Engagement Manager



Flemming Hedén
Senior Engagement Manager

STEWARDSHIP & RISK ENGAGEMENT

EMERGING MARKETS

ESG reporting legislation making a difference

For the past five years, GES has been conducting annual engagement trips to Hong Kong as part of our Emerging Markets Engagement programme. We have been able to follow and build relationships with some of the largest Chinese companies, with which we engage with to address the significant ESG risks and opportunities in this region. Apart from meetings with companies, we also often meet with other relevant actors and stakeholders to get an in-depth understanding of what is going on in the market.



Hong Kong as seen from Victoria Peak

When GES visited Hong Kong in May 2015, the **HONG KONG STOCK EXCHANGE** (HKSE) had recently introduced an environment, social and governance (ESG) reporting guide. This guidance encourages all listed companies to start aligning their disclosure with 32 environmental and social KPIs, adopting a ‘comply or explain’ approach starting with the 2016 financial year. Corporate governance issues are already highly regulated by the HKSE with around 75 KPIs in place, which is why there was no need to include the ‘G’ aspects in the new reporting requirements.

At that point, the companies that GES conducted engagement meetings with did not have much ESG reporting in place, but were in the process of collecting data and preparing themselves internally to comply with the new regulations. In this work, the companies were very open to ESG input, creating a good momentum for producing tangible engagement results in Hong Kong. Most

companies seemed genuinely eager to learn how to better address ESG issues – not only due to the new requirements, but as part of a more holistic risk management strategy and thereby also as a business opportunity.

This constituted a good impetus and momentum for change; however, when revisiting the Asian financial hub in summer 2016, little progress could be seen on the companies’ side, as most claimed to still be in the data collecting phase. However, in a face-to-face meeting, the HKSE told GES that it has noticed a newly awakened interest in ESG issues from a majority of companies, while others seem to be merely pushed by the compliance mechanism. In general, larger companies have a more open approach and preparedness in this area, while smaller ones view it as a bit of a challenge.

A positive development since the last visit was that the HKSE had decided to strengthen the ESG guide further following a consultation exercise, and its plan to upgrade the disclosure obligation has been met with strong support from a broad range of respondents. This is now more in line with international standards, as companies are required to state in their annual reporting whether they have complied with the provisions set out in the ESG guide for the relevant financial year or explain why they have not. For now, the ‘comply or explain’ approach only applies to the environmental KPIs. While companies are required to share some general information with regard to the social KPIs, formal reporting on a comply or explain basis is still voluntary, but will be made obligatory in the future (although there is no specific timeline).

This approach gives companies space to develop practices and decide on the scope of reporting, which makes sense for such a fairly new initiative. However, it does lag behind international benchmarks and, as the first step to improving ESG reporting is to enhance transparency and extend reporting obligations, standards should include general disclosure on all ESG aspects. In order to make an actual change, the HKSE setting a timeline for shifting the requirement from ‘comply or explain’ to mandatory would be beneficial.

STEWARDSHIP & RISK ENGAGEMENT

There is a strong positive correlation between ESG performance and regulation. Without clear standards requiring companies to release KPIs coupled with effective monitoring initiatives, not all companies may be motivated to implement and improve. On the other hand, companies that see the advantages of reporting transparently on ESG performance may reap the many benefits, such as better risk management. Although there are some gaps in terms of disclosure obligations, the HKSE seems to be on the right track by addressing the issue step by step through the ESG reporting guide.

For further information, please contact:



Ellinor Höggebrink
Engagement Manager

EMERGING MARKETS

Incredible India

India will soon overtake China as the country with the largest population in the world and also economically it is currently growing faster than China. The economic growth is partly driven by an increasing population, but also by the changes and optimism following the reforms implemented by the Modi government. Growth is a double-edged sword in India because the country needs it to bring millions of poor and uneducated Indians out of poverty, but at the same time it is further straining the already scarce resources. For example, **WORLD BANK** studies show that water scarcity in parts of India will be significantly worse by 2030. Furthermore, more than 60 per cent of India's energy production is based on coal with the massive environmental problems that follow from that.

The Indian Government has, however, decided to do something about the latter. It has announced the ambition to reach 175 GW of renewable energy in just six to seven years. The target seems difficult to achieve. **CENTRE FOR SCIENCE AND ENVIRONMENT** (CSE), the leading

Indian environmental NGO with whom GES recently met in Delhi, agrees and notes that the local provinces have difficulties in providing land for the huge amount of wind and solar parks needed to reach that ambition. But, it is a step in the right direction and local as well as international companies and investors are seeing big opportunities in this transition. When renewable energy becomes available, the automotive industry will be ready with electric vehicles. For the time being, the environmental benefit from more electric cars will be limited, as the electricity in India, for the main part, is coal-based.

GES is engaging with Indian companies for various reasons. The Emerging Market Engagement programme has twelve active engagement cases focused on material ESG risks, while within the Business Conduct Engagement we have six engage and 21 evaluate cases. The engagement dialogue by email and phone has proven quite challenging with Indian companies, but we have found it helpful to offer face-to-face meetings. Accordingly, GES has been engaging onsite in India every year since 2011.

Some of the most controversial cases in the country are related to management (or lack thereof) of local communities around large scale projects, such as power plants or mines. Companies often exclusively focus on the interaction with authorities in the early stages of a project in order to obtain the permission and political support needed to get started. This leaves local communities with unattended rights and establishes a very bad starting point for future collaboration between the affected people and the companies. It often turns out to be very expensive for companies, as conflicts with local communities can halt or even cancel projects.

Another typical incident in India is severe accidents with multiple fatalities. On the recent engagement trip to India, GES met in Delhi with two companies that experienced such incidents recently. **GAIL INDIA** experienced in 2014 a tragic accident with a gas leakage leading to an explosion and fire killing 22 people. In the meeting, the company was able to show how it had conducted an investigation and taken various

STEWARDSHIP & RISK ENGAGEMENT

steps to mitigate hazards, including changing old pipes, introducing better monitoring and emergency systems and further strengthening safety training for employees. It seems that this was a single, but very unfortunate, accident, where the company has subsequently taken a responsible course of action to reduce the likelihood of it happening again.

In stark contrast, GES also met with **SAIL** (the Steel Authority of India). SAIL seems to have had around 25 or more fatalities every year since at least 2012. When raising the issue of safety with the risk management lead of the company, it turned out that SAIL does not consider the topic as one of its ten most material risks. It appears not to be among its corporate priorities to mitigate the safety hazards relating to steel production.

The SAIL example illustrates the importance for investors in emerging markets to understand and engage with the ESG related risks that they buy in to. Regulation and the socio-economic context is often very different from developed markets and the same applies to the tolerance of risks. In India, it is not uncommon to find scaffolds of bamboo tied together with rope – even up to 20 stories like in the photo.



Bamboo scaffolding in India

A lot of encouraging things are happening in India, such as the government's focus on renewable energy and many companies becoming much better at mitigating ESG related risks and opportunities. But, it is also a massive challenge for the country to improve living conditions for the large population of poor and uneducated Indians, while at the same time mitigating climate change, water scarcity and the extensive pollution in urban areas. GES will continue engaging with Indian companies and follow closely how these pressures will impact the country.

For further information, please contact:



Palle Ellemann

*Head of Emerging Markets
Engagement*

GAZPROM

Impressions after a field trip to East Siberia

At the beginning of July 2016, GES joined a **GAZPROM** field trip to East Siberia organised for representatives of the investment community including financial analysts, brokers and asset managers. One of the purposes of this trip was to present the company's daily operations at its Eastern Siberia gas production centres to the attendees.

Over the course of the trip, we participated in a number of presentations and a site visit where Gazprom explained more about their current and future operations in East Siberia. An array of topics was discussed during the event, with the prospect of Russian and Chinese cooperation being undoubtedly the leading one.

For the last two years, Russia has been steering its economy towards China and the recent decision by western countries to uphold economic sanctions might accelerate the process. China seems a perfect candidate to limit Russia's dependence on Western markets and to secure markets for energy resources, capital and technology. The trade between Russia and China

STEWARDSHIP & RISK ENGAGEMENT

grew by 3.6 per cent in the first quarter of 2016 compared with the same period last year. China's exports to Russia are dominated by electric and labour-intensive goods, while imports from Russia are raw materials such as oil, gas, and iron ore. Without doubt, the trade of energy resources between the two countries plays a crucial role. However, attempts to meaningfully increase the volume of trade have not met Russia's expectations yet. Still, the access to Russian natural gas is becoming increasingly important in China's efforts to reduce its dependence on coal and address raising concerns about the air pollution in big cities.



The Power of Siberia pipeline

Roundtable discussions held during the event centred around the prospects of Russian and Chinese gas markets and a need for well-designed structural reforms in the oil and gas industry. The recent economic slowdown in China has not affected the steadily increasing energy demand and there is still pressure on the supply sufficiency and reliability. Consequently, environmental issues have risen on the Chinese government's agenda, with air, water and land pollution being included into energy policy decisions. China has pledged to reduce its coal dependence, a major

source of air pollution and greenhouse gas emissions, and aims to raise its gas consumption to 360 billion cubic metres by 2020.



The Power of Siberia pipeline

The trip participants also had a chance to visit an as yet undeveloped hydrocarbon resource field, the Chayanda field, and the Power of Siberia pipeline, which will bring gas from the Yakutia and Irkutsk gas production centres to domestic consumers in the Russian Far East and to China. In 2012, Gazprom approved its investment decision on pre-development of the Chayanda field, the construction of the Power of Siberia gas pipeline and the Amur gas processing plant. Consequently, Gazprom and **CHINA NATIONAL PETROLEUM CORPORATION** (CNPC) signed the Sales and Purchase Agreement for gas to be supplied via the Power of Siberia pipeline. Gazprom has signed a contract to supply 38 billion cubic metres of gas a year to China over 30 years

STEWARDSHIP & RISK ENGAGEMENT

via the Power of Siberia pipeline, although initially the volumes will be smaller. The construction of the Power of Siberia's section from the Chayanda field to Blagoveshchensk started in 2014. It is among priority facilities of the Eastern route and is planned to be operational by the end of 2019. In 2015, Gazprom and CNPC signed the Agreement to design and construct a cross-border section of the Power of Siberia gas pipeline, including its submerged crossing under the Amur River.

The Power of Siberia, being a large scale infrastructural project, has significant economic and social importance and its purpose is to facilitate social and economic development of the Russian Far East. It is also expected that it will create an environment for more gas supply and related infrastructure, new modern gas processing facilities, better living standards and a higher level of employment among the local population. China's gas consumption will grow with environmental pressure acting as a key catalyst, as China seeks to reduce its reliance on coal and diversify into gas, renewables and nuclear power. However, although the outlook for gas in the emerging Chinese energy economy looks promising for Russia, gas continues to face cost challenges. Will Russia be still up to the challenge?

For further information, please contact:



Ewelina Łukasik-Morawska
Engagement Manager

GES' HYDROPOWER POSITION PAPER

Updated version issued

In the last few months, GES has carried out an extensive review of its position paper in relation to controversial hydropower projects. As a result, we have updated our position paper on the topic.

Without comprehensively managing environmental, social and governance (ESG) risks of hydropower projects and operations, material risks and actual impacts are likely to prevail. It is not uncommon that controversial hydropower projects have been delayed and disrupted by blockades and other protests from local communities and other opponents. Due to the severe social and environmental damage sometimes associated to these projects, legal proceedings may be filed against associated companies. Environmental licenses are routinely contested in court. Therefore, companies run the risk of costly delays, adding to the fact that many hydropower projects are already experiencing large cost overruns.

Hydropower generation is expected to double between now and 2050. Presuming that future projects are of the same size as they are today, it would mean that an additional 9,000 dams would be built by 2050. At an average cost of USD 3 million per installed megawatt, that would result in a total investment of USD 3.3 trillion. Thus, the development of the hydropower sector involves large-scale investments and big opportunities when the associated high risks are managed adequately.

The updated version of GES' hydropower position paper seeks to capture developments in a dynamic and changing sector. Narrowing down and sharpening our dialogue and engagement to companies with the most leverage to strengthen ESG practices has been the main goal of our review.

An important change in our updated position is how GES assesses the leverage among suppliers to hydropower operators. From our own extensive experience of engaging with various companies and discussing this with hydropower experts, the updated position includes an understanding that it

STEWARDSHIP & RISK ENGAGEMENT

is unrealistic for hydropower suppliers to push the operator (i.e. their client) towards substantial changes in ESG practices. However, if a supplier is identified as being systematically involved in controversial hydropower projects, a decision will be made as to whether GES will commence analysis and engagement. If engagement and analysis are started, the dialogue and engagement in such cases will focus on strengthening the company's ESG risk assessment systems.



GES Engagement trip to Belo Monte hydropower dam, Brazil

By improving our engagement, GES is able to intensify its dialogue and engagement with the companies that have the most leverage, such as owners and lead operators, lead financiers and lead insurers. The new paper also includes guidelines on when hydropower cases are upgraded to engage status and what engagement objectives are typically set for such cases.

With the new position in place, GES is reviewing ongoing hydropower cases to align them with our new position. More reporting on specific hydropower cases will be communicated continuously (via email notifications) to GES clients, as well as in the next Quarterly Engagement Report. Please find attached to this report GES' Hydropower Position Paper.

For further information, please contact:

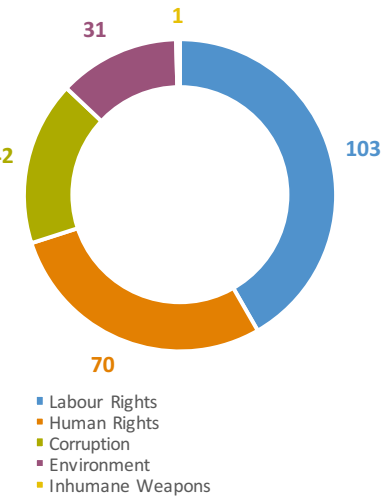


Stina Nilsson

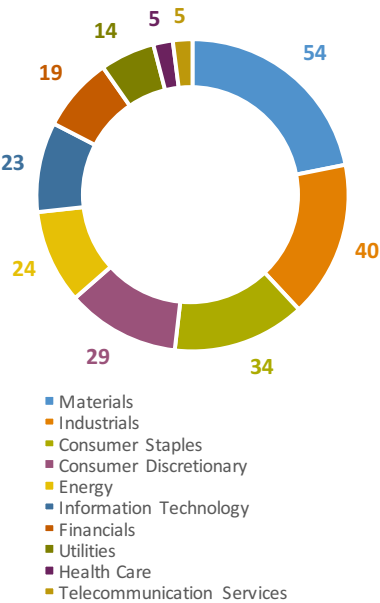
Senior Engagement Manager

ENGAGEMENT SUMMARY REPORT

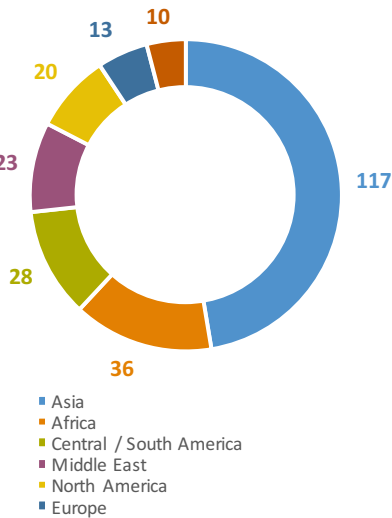
NORM AREA BREAKDOWN



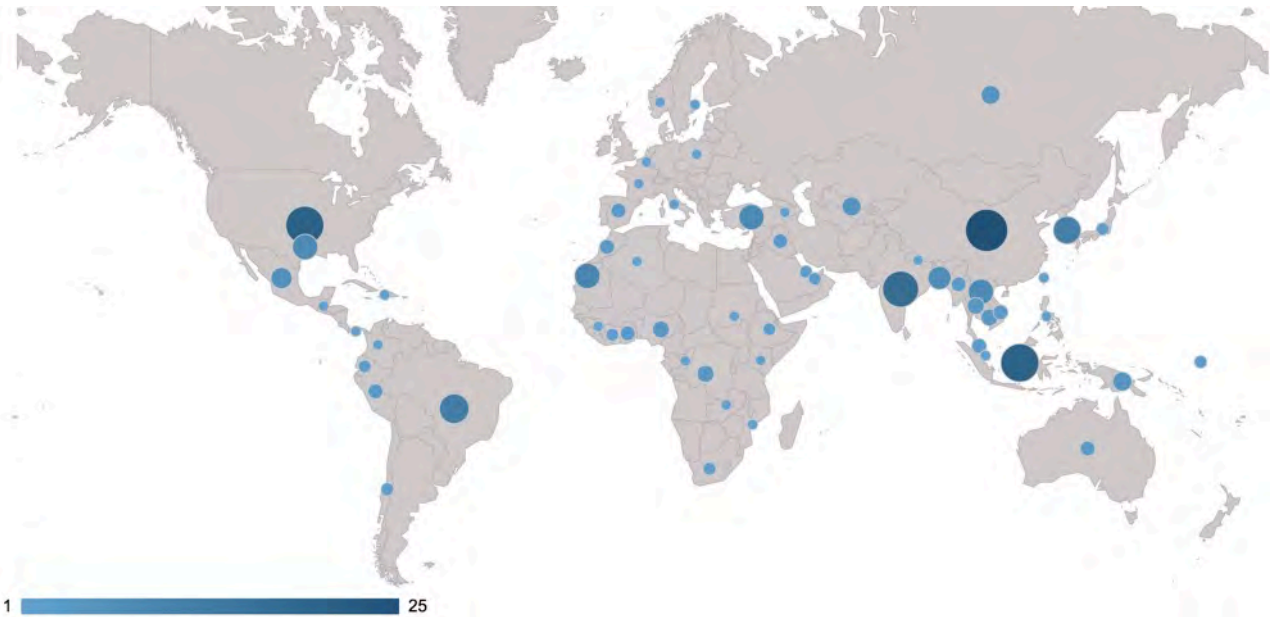
INDUSTRY SECTOR BREAKDOWN



GEOGRAPHIC BREAKDOWN



ENGAGEMENT MAP




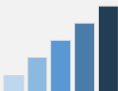
During Q3 2016 GES has been in active dialogue with companies as well as external sources associated to **247** business conduct issues.

In **84** “engage” cases we have continued our dialogue to track bespoke engagement goals and to seek measurable results of business conduct changes.

In **163** “evaluate” cases the objective of the dialogue is to bring the amount of credible information to a level that allows issuance of the next recommendation; either to archive the case or, to further engage with the company - if it is a case with severe consequences for the environment or humans.

COMPANY DIALOGUE & PROGRESS SUMMARY

HOW TO READ THIS REPORT

| | |
|-------------|--|
| Country | <p>The country in the list indicates where the business conduct issue occurred.</p> <p>The breakdown into the regions Africa, Asia, Central/South America, Europe, Middle East, North America and Oceania is based on where the company headquarter is.</p> |
| Response | <p>The indicator describes how the company responds to GES' inquiries.</p> <ul style="list-style-type: none">● excellent● good● standard● poor● none |
| Progress | <p>The indicator describes whether or not the violation continues, or how the company's work to prevent future violations is developing.</p> <ul style="list-style-type: none">↑ excellent↗ good→ standard↘ poor↓ none |
| Performance | <p>The indicator describes the combined company progress and response performance.</p> <ul style="list-style-type: none">▲ High performance: good or excellent response and / or progress of the business conduct issue▶ Medium performance: standard level of response and progress▼ Low performance: poor or no response in combination with poor or no progress <p>new, same, better or worse – indicates the change in development since the last quarterly report.</p> |
| Time | <p>The indicator describes the time elapsed with low performance. One piece equals three months.</p> <div><p>After two years the case will be reviewed by GES and a disengage recommendation can be issued if all other engagement options are ineffective.</p></div> |
| Milestone | <p>The indicator describes the milestone achieved.</p> <div><ul style="list-style-type: none">Milestone 1: Initial communication sent to the engagement companyMilestone 2: Dialogue establishedMilestone 3: Company commits to address issueMilestone 4: Company develops a strategy to address issue(s)Milestone 5: Issue(s) resolved / strategy effective</div> |

AFRICA

EVALUATE LIST

ANGLOGOLD ASHANTI, IMPALA PLATINUM

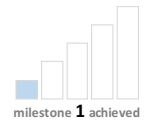
ENGAGE LIST

ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED (2015)
Association to damaging ecosystem and affecting communities

India

Change objective

APSEZ should adhere to the court's orders and restore the damaged ecology in Mundra. APSEZ should strictly follow the environmental clearance conditions granted for the Mundra port. The company should improve local fishermen's livelihood and engage in stakeholder dialogue. All the company's efforts in Mundra should be clearly communicated to stakeholders.



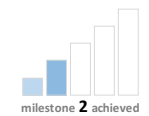
● poor → poor ▼ same



BANGKOK BANK PUBLIC (2014)
Association to financing controversial dam project on Mekong River

Laos

Bangkok Bank must ensure that impacts from the Xayaburi dam are in line with international standards, before continuing financing the project. If not, the bank should withdraw its credit. To prevent financing of future similar projects the bank should adopt corporate policies that address environmental and social risks in infrastructure projects, e.g. the Equator Principles.

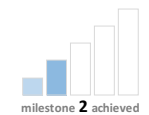


● standard → poor ► same

CHINA RAILWAY CONSTRUCTION CORP (2011)
Association to human rights violations and environmental degradation

Ecuador

CRCC should be transparent and inform its stakeholders on how it views the allegations surrounding the Mirador mining project in Ecuador. Furthermore, the company should demonstrate that it has implemented the necessary policies and programmes to properly assess and mitigate social and environmental risks of all its projects, including of its subsidiaries.



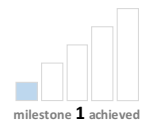
● poor ↓ none ▼ same



CHINA RAILWAY GROUP (2014)
Association to severe construction accidents

China

China Railway Group should re-evaluate its existing health and safety policies and practices, and prevent future accidents by aligning its management systems with international standards, such as ILO Convention 167 on safety and health in construction, and ILO Convention 174 on prevention of major industrial accidents.



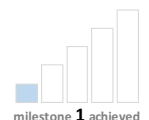
● poor ↓ none ▼ same



COAL INDIA LIMITED (2016)
Association to repeated deadly accidents at workplace

India

Coal India should adequately strengthen its health and safety management systems to an extent that would result in a material and sustained decrease in accident rates. The company should also demonstrate that it has thoroughly examined and investigated the root causes of past accidents, and subsequently identified and corrected gaps in its systems.

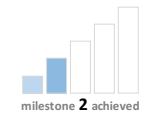


● standard → standard ► same

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (2013)
Association to threatening livelihood and forced relocation relating to dam project

Ethiopia

ICBC is to ensure that its Green Credit Policy is in line with international standards, such as the Equator Principles. ICBC should also ensure that ESG-risk is appropriately assessed as part of its financial viable of the project assessment process.

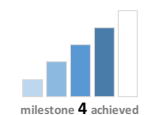


● standard → standard ► same

KASIKORNBANK (2014)
Association to financing controversial dam project on Mekong River

Laos

Kasikornbank should ensure that impacts from the Xayaburi dam are in line with international standards, before continuing financing the project. If not, the bank should withdraw its credit. To prevent financing of future similar projects the bank should adopt corporate policies that address environmental and social risks in infrastructure projects, e.g. the Equator Principles.

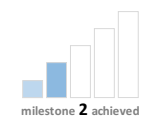


● good → standard ▲ same

KRUNG THAI BANK (2014)
Association to financing controversial dam project on Mekong River

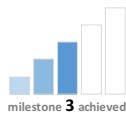

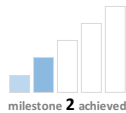
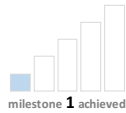

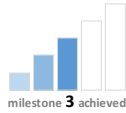

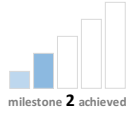
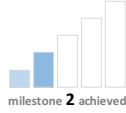

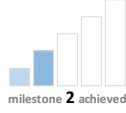

Laos

Krung Thai Bank should ensure that impacts from the Xayaburi dam are in line with international standards, before continuing financing the project. If not, the bank should withdraw its credit. To prevent financing of future similar projects the bank should adopt corporate policies that address environmental and social risks in infrastructure projects, e.g. the Equator Principles.



● standard ↓ none ► same

| | | | | |
|--|-------------------|--|--|--|
| PEGATRON (2015) <i>Association to systematic labour and environmental violations</i> | China | Pegatron should prevent labour rights violations and ensure that it follows industry standards, such as the EICC's Code of Conduct. The company should be more transparent about actions it takes towards incidents, enforcement and remedial measures as well as audits. The company should also strengthen its reporting practices and disclose more viable information. | <div> ● standard ● standard ▶ same </div> | |
| POSCO (2010) <i>Association to environmental and human rights violations in steel project</i> | India | POSCO should conduct comprehensive environmental and human rights impact assessments in consultation with local communities and ensure that it takes all steps to become aware of, prevent and address the adverse environmental and human rights impacts linked to the Odisha project. It should also align its group-wide policies with the UN Guiding Principles on Business and Human Rights. | <div> ● standard ↘ poor ▶ same </div> | |
| POSCO (2010) <i>Association to human rights abuses in relation to pipeline project</i> | Burma/ Myanmar | POSCO should ensure that Daewoo prevents negative human rights and environmental impacts of the Shwe project, and verify that the company and its contractors and subcontractors are not complicit in human rights abuses such as forced labour or illegal confiscation of land. POSCO should further encourage Daewoo to cooperate with the independent third-parties monitoring the project. | <div> ● standard ↘ poor ▶ same </div> | |
| POSCO (2012) <i>Association to worst forms of child labour and forced labour</i> | Uzbekistan | POSCO should cease its operations linked to Uzbek cotton or demonstrate how its subsidiary Daewoo is having a concrete positive impact on the harvesting practices in the country. POSCO should also align its group-wide policies with the UN Guiding Principles on Business and Human Rights and the ILO core conventions, especially conventions 138 and 182 on child labour and forced labour. | <div> ● standard → standard ▶ same </div> | |
| POSCO DAEWOO (2010) <i>Association to human rights abuses in relation to pipeline project</i> | Burma/ Myanmar | Daewoo should prevent negative human rights and environmental impacts of the Shwe Project, and ensure that neither the company itself or its contractors and subcontractors are complicit in human rights abuses such as forced labour or illegal confiscation of land. In addition, Daewoo should cooperate with independent, verifiable, third-parties monitoring the project. | <div> ● standard → standard ▶ same </div> | |
| POSCO DAEWOO (2010) <i>Association to worst forms of child labour and forced labour</i> | Uzbekistan | Daewoo should implement a supply chain management system aligned with the ILO core conventions, especially conventions 138 and 182, and use its leverage in Uzbekistan to push for better labour practices. If Daewoo is not able to guarantee that the cotton supplied to it is produced without forced labour, it should develop a timeline for withdrawing from Uzbekistan. | <div> ● standard → standard ▶ same </div> | |
| PTT PCL (2011) <i>Association to biodiversity and food security impacts related to dam project on the Mekong River</i> | Laos | PTT should demonstrate that the dam is operated as designed regarding environmental and social risk mitigation. This includes flow management which prioritises the integrity of impacted fish populations and sediment flow above power production. | <div> ● standard → standard ▶ same </div> | |
| SAMSUNG ELECTRONICS (2014) <i>Association to worst forms of child labour and forced labour</i> | China | Samsung Electronics should ensure that its commitments on labour rights and the Supplier Code of Conduct are implemented and fulfilled throughout the organisation and its suppliers. Samsung should strengthen its monitoring and systematic auditing, including risk assessment, enforcement and remedial actions. The company should be more transparent with reporting. | <div> ● good → standard ▲ same </div> | |

| | | | |
|---|---|--|---|
| SEVEN & I HOLDINGS CO (2015) <i>Association to labour rights violations in multiple franchises</i> | United States | <p>Seven & I should ensure its franchisees are aware of and follow the company's Corporate Action Guidelines and the Code of Corporate Conduct. Moreover, the company should expand the scope of its Business Partner Action Guidelines to include franchisees. Seven & I should also develop better monitoring systems to detect, inter alia, potential labour law violations or payroll frauds within franchisees' operations.</p> |  <p>milestone 3 achieved</p> |
| <p>● poor ↓ none ▼ same</p> |  <p>6 months low performance</p> | | |
| SIAM COMMERCIAL BANK (2014) <i>Association to financing controversial dam project on Mekong River</i> | Laos | <p>Siam Commercial Bank should ensure that impacts from the Xayaburi dam are in line with international standards, before continuing financing the project. If not, the bank should withdraw its credit. To prevent financing of future similar projects the bank should adopt corporate policies that address environmental and social risks in infrastructure projects, e.g. the Equator Principles.</p> |  <p>milestone 2 achieved</p> |
| <p>● standard ↘ poor ► same</p> | | | |
| SUN HUNG KAI PROPERTIES (2016) <i>Association to human rights abuses in various countries</i> | Nauru | <p>Sun Hung Kai Properties should adhere to international human rights standards and comply with the UNHCR's recommendations to provide those detained within the centres with humane conditions. Ultimately, the company should end its involvement in the detention centres.</p> |  <p>milestone 1 achieved</p> |
| <p>● poor ↓ poor ▼ new</p> |  <p>6 months low performance</p> | | |
| TOKYO ELECTRIC POWER COMPANY (2011) <i>Association to unsafe nuclear power production</i> | Japan | <p>TEPCO should ensure it operates its nuclear power plants safely, safely decommissions Fukushima Dai-ichi and that the negative effects from the Fukushima Dai-ichi nuclear accidents are remediated and compensated. Ensure that the company considers all options for future power production in order for nuclear to get a balanced role.</p> |  <p>milestone 3 achieved</p> |
| <p>● standard → standard ► same</p> | | | |
| VEDANTA LIMITED (2010) <i>Association to systematic environmental and human rights violations in mining project</i> | India | <p>Vedanta Limited should respect indigenous peoples' rights at its Odisha operations. The company should include human and indigenous rights and environmental impact assessments in its project management process. The human rights policy should be mainstreamed throughout the Vedanta Group, including subsidiaries and the supply chain.</p> |  <p>milestone 4 achieved</p> |
| <p>● excellent ↗ good ▲ same</p> | | | |
| YAHOO JAPAN CORP (2016) <i>Association to diminishing populations of endangered species</i> | Japan | <p>Yahoo Japan should prevent controversial activities at its websites by ensuring rigorous monitoring systems and adhering not only to local laws, but also international environmental standards. The company should strengthen its environmental policies and be more transparent with reporting on the actions taken towards incidents.</p> |  <p>milestone 2 achieved</p> |
| <p>● standard → standard ► same</p> | | | |
| ZIJIN MINING GROUP (2015) <i>Association to environmental impact in mining project</i> | Papua New Guinea | <p>Zijin should exert pressure on Barrick to ensure responsible management of tailings and to address potential long-term legacy issues at Porgera. Zijin should adopt a policy of prohibiting the future use of riverine tailings disposal.</p> |  <p>milestone 2 achieved</p> |
| <p>● none ↘ poor ▼ same</p> |  <p>9 months low performance</p> | | |
| ZIJIN MINING GROUP (2015) <i>Association to human rights violations</i> | Papua New Guinea | <p>Zijin Mining Corp should demonstrate that an effective remedy framework is in place to compensate women who were sexually abused by security personnel at Porgera. The company should also demonstrate compliance with the Voluntary Principles on Security and Human Rights. Policies and procedures should be aligned with international standards on resettlement and compensation.</p> |  <p>milestone 2 achieved</p> |
| <p>● none ↘ poor ▼ same</p> |  <p>9 months low performance</p> | | |

EVALUATE LIST

ANGLOGOLD ASHANTI, IMPALA PLATINUM, ADARO ENERGY PT, ALUMINUM CORPORATION OF CHINA, ASUSTEK COMPUTER INC, BANK OF CHINA, BHARAT HEAVY ELECTRICALS LIMITED, BYD COMPANY, CATCHER TECHNOLOGY, CHINA NATIONAL BUILDING MATERIAL COMPANY LTD, CHINA PETROLEUM & CHEMICAL CORP, CHINA RAILWAY GROUP, CHINA STEEL, COAL INDIA LIMITED, DAELIM INDUSTRIAL, DMCI HOLDINGS, ELECTRIC POWER DEVELOPMENT, ELECTRICITY GENERATING, FAST RETAILING CO, FELDA GLOBAL VENTURES, GAIL INDIA, GOLDEN AGRI-RESOURCES, GUANGZHOU AUTOMOBILE GROUP, HANWHA CHEMICAL CORP, HINDALCO, HON HAI PRECISION INDUSTRY CO, HONDA MOTOR CO, HTC CORP, HYUNDAI ENGINEERING & CONSTRUCTION, HYUNDAI HEAVY INDUSTRIES CO LTD, HYUNDAI STEEL CO, IJM CORPORATION BERHAD, INDOFOOD SUKSES MAKMUR, INDUSTRIAL AND COMMERCIAL BANK OF CHINA, IOI CORP, ITOCHU CORP, KOREA ELECTRIC POWER, KT&G, KUALA LUMPUR KEPONG, LG CHEMICAL, LG ELECTRONICS, MARUTI SUZUKI INDIA, NINTENDO CO, NTPC, OIL & NATURAL GAS CORPORATION, OLYMPUS CORP, PETROCHINA, POSCO, POSCO DAEWOO, QUANTA COMPUTER, RICOH CO LTD, SAMSUNG C&T, SINGAPORE TECHNOLOGIES ENGINEERING, SK HYNIX INC, TATA POWER, TATA STEEL, THAI UNION GROUP, WILMAR INTERNATIONAL LIMITED, WISTRON CORP, ZHEN DING TECHNOLOGY HOLDING, ZTE

DISENGAGE LIST

| | |
|--|-------------|
| HANWHA CORPORATION <i>Association to marketing of cluster munitions</i> | South Korea |
| SINGAPORE TECHNOLOGIES ENGINEERING <i>Association to manufacturing of anti-personnel mines</i> | Singapore |

CENTRAL / SOUTH AMERICA

ENGAGE LIST

Change objective

CEMEX (2016)
Association to supporting construction of illegal settlements in occupied territories

Palestine

Cemex should demonstrate that its operations on Occupied Palestinian Territory are in compliance with international humanitarian law. A structured dialogue with relevant stakeholders as well as an effective grievance mechanism are key elements needed to achieve that.

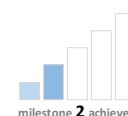


● standard → standard ► same

ELETROBRAS (2016)
Association to corruption

Brazil

Eletrobras should ensure that the bribery scheme has been investigated thoroughly and it should cooperate with the investigating authorities. Its anti-corruption programme should be strengthened in order to reflect its corruption risk exposure. Allocated resources, implementation, corrective actions and external verification in relation to the programme should be communicated.



● standard ↘ poor ► new

ELETROBRAS (2011)
Association to violation of indigenous rights

Brazil

Eletrobras should recognise the rights of indigenous peoples as stipulated in relevant international norms. The company should also ensure that resettled people and other people affected by the dam are compensated and consulted in accordance with international norms. Appropriate environmental mitigation programmes should be carried out and verified by an independent third party.

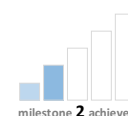


● good ↗ good ▲ same

GRUPO MEXICO (2016)
Association to violent protests against mining project

Peru

Grupo Mexico should align its practices to the Voluntary Principles on Security and Human Rights, or similar. The company should demonstrate that an adequate and continuous consultation process is being carried out in the communities nearby the project, as well as have a water management system in place for the Tia Maria project, aligned with international standards.

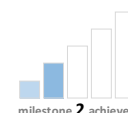


● standard → standard ► same

JBS SA (2015)
Association to repeated health and safety violations

United States

JBS should review and upgrade its health and safety codes and practices to ensure compliance with ILO standards. JBS SA should focus on proactively mitigating hazards at all JBS SA's facilities.

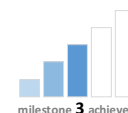


● standard ↘ poor ► worse

PETROBRAS (2015)
Association to corrupt practices

Brazil

Petrobras should ensure that the bribery scheme has been investigated thoroughly and it should cooperate with the investigating authorities. Its anti-corruption programme should be strengthened in order to reflect its corruption risk exposure. Allocated resources, implementation, corrective actions and external verification in relation to the programme should be communicated.

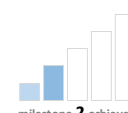


● standard → standard ► same

SOUTHERN COPPER CORPORATION (2016)
Association to violent protests against mining project

Peru

SCC should align its practices to the Voluntary Principles on Security and Human Rights, or similar. The company should demonstrate that an ongoing and adequate consultation process is in place in the communities nearby the project, as well as have a water management system in place for the Tia Maria project, aligned with international standards.

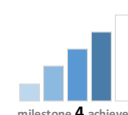


● standard → standard ► same

VALE SA (2016)
Association to deadly accident

Brazil

Vale should identify the cause(s) of the dam failure, assess all dams within its control to prevent similar failures in the future, develop a remedial strategy for the affected communities and the environment and ensure that dam monitoring and maintenance systems and emergency procedures are in place.



● good → standard ▲ better

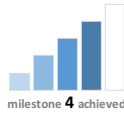
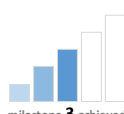
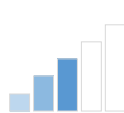
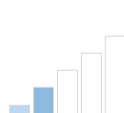
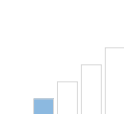



EVALUATE LIST

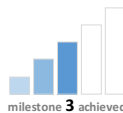
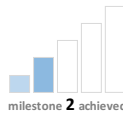
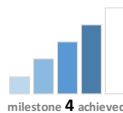
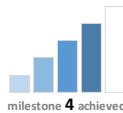
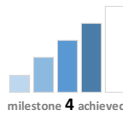
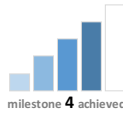
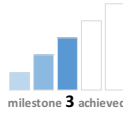
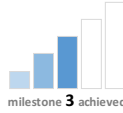
BANCO BRADESCO, COMPANHIA SIDERURGICA NACIONAL, GERDAU PN, GRUPO MEXICO, MEXICHEM SAB DE CV, PETROBRAS, SOUTHERN
COPPER CORPORATION, SUZANO PAPEL E CELULOSE

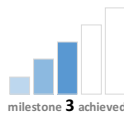
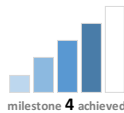
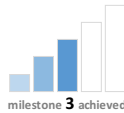
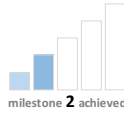
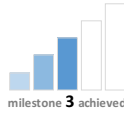
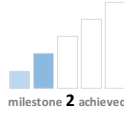
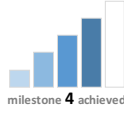

EUROPE

ENGAGE LIST

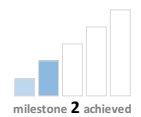
Change objective

| | | | |
|---|---------------|---|---|
| ALSTOM (2007) <i>Association to complicity in human rights violations in hydro-electric project</i> | Sudan | Alstom should communicate how it has cooperated with its business partner(s) and stakeholders in the remediation of human rights impacts at the hydropower operation Sudan. The company should also strengthen its corporate human rights due diligence across operations, in particular in high risk regions. |  milestone 4 achieved |
| ● standard → good ▲ same | | | |
| ANDRITZ AG (2010) <i>Association to hydro power project breaching World Bank environmental and social standards</i> | Turkey | Andritz should adopt corporate policies that address environmental and social risks in infrastructure projects. The policies should advocate a precautionary approach and require that projects comply with internationally proclaimed environmental and social standards. |  milestone 3 achieved |
| ● standard → poor ► same | | | |
| BARRY CALLEBAUT AG (2010) <i>Association to child labour in the cocoa industry</i> | Ivory Coast | Barry Callebaut should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up. |  milestone 3 achieved |
| ● standard → standard ► same | | | |
| DEUTSCHE POST (2015) <i>Association to violation of international labour standards</i> | India | Deutsche Post should ensure its Code of Conduct is observed throughout its global operations, including subsidiaries. This refers to the CoC generally and freedom of association specifically. DP should ensure it has accurate processes to manage employee complaints, and report more transparently on the number of complaints and the measures taken to ensure compliance with the code. |  milestone 2 achieved |
| ● standard → standard ► worse | | | |
| DEUTSCHE TELEKOM (2016) <i>Association to anti-union practices</i> | United States | Deutsche Telekom should ensure that the alleged practices of hindering freedom of association at T-Mobile US (TMUS) will cease and the subsidiary will engage in a dialogue with employees supporting unionisation. Deutsche Telekom should assure that TMUS' management of labour rights is aligned with the ILO core conventions. |  milestone 2 achieved |
| ● standard → standard ► new | | | |
| ENI (2015) <i>Association to corruption</i> | Nigeria | ENI should demonstrate that its code of conduct, due diligence and risk management processes in the areas of acquisitions and divestments are robust and universally applied. |  milestone 3 achieved |
| ● poor → standard ► same | | | |
| FERROVIAL (2015) <i>Association to human rights abuses in various countries</i> | Nauru | Ferrovial should adhere to international human rights standards and comply with the UNHCR's recommendations to provide those detained within the centres with humane conditions. Ultimately, the company should end its involvement in the detention centres. |  milestone 2 achieved |
| ● standard → standard ► new | | | |
| G4S (2011) <i>Association to complicity in human rights violations in occupied territories</i> | Palestine | G4S should properly investigate and address its activities allegedly in breach of International Humanitarian Law. The company should implement measures to prevent such allegations in the future and improve the risk assessment of its activities in high risk zones. |  milestone 4 achieved |
| ● excellent → good ▲ same | | | |

| | | | |
|---|----------------|--|---|
| GLAXOSMITHKLINE (2015) <i>Association to corruption</i> | China | GlaxoSmithKline should improve its anti-corruption programme in order to reflect its corruption risk exposure. The anti-corruption programme should be transparent in terms of allocated resources, implementation, follow-up mechanisms, corrective actions and external verification. |  milestone 3 achieved |
| ● standard → standard ► same | | | |
| GLENCORE PLC (2015) <i>Association to illegal exploration of natural resources</i> | Western Sahara | Glencore should demonstrate how its activities in Western Sahara are in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights. Should this not be possible, the company should withdraw from Western Sahara. |  milestone 2 achieved |
| ● standard ↓ none ► same | | | |
| GLENCORE PLC (2013) <i>Association to lead contamination from mining and processing</i> | Australia | Glencore should show that lead from the Mt Isa Mine is no longer a concern to the local community and should manage any issues in an appropriate manner. At McArthur River there should be a costed and practical remediation plan for the mine addressing potential legacy issues e.g. acid rock discharge. |  milestone 4 achieved |
| ● standard → standard ► same | | | |
| HEIDELBERGCEMENT (2015) <i>Association to violations of international law in occupied territories</i> | Palestine | HeidelbergCement should be able to demonstrate that its operations on Occupied Palestinian Territory are in compliance with international humanitarian law. A structured dialogue with relevant stakeholders as well as an effective grievance mechanism are key elements needed to achieve that. |  milestone 4 achieved |
| ● excellent ↗ good ▲ same | | | |
| HENNES & MAURITZ (2010) <i>Association to various violations in the cotton supply chain</i> | Uzbekistan | H&M should take all appropriate measures to trace its cotton back to the source in order to proactively address social risks at different stages within its supply chain. In particular, the company should ensure that it does not source any cotton originating from Uzbekistan, or otherwise produced using forced labour. |  milestone 4 achieved |
| ● good ↗ good ▲ same | | | |
| HSBC HOLDINGS (2016) <i>Association to recurring incidents of money laundering</i> | United States | HSBC should implement systems and controls that prevent financial crime and money laundering and demonstrate that they are robust and universally applied. |  milestone 4 achieved |
| ● good → standard ▲ same | | | |
| LEONARDO - FINMECCANICA SPA (2013) <i>Association to corrupt practices</i> | India | Leonardo-Finmeccanica should adopt an anti-corruption policy that includes a zero tolerance for bribery, and should improve its anti-corruption programme in order to reflect its corruption risk exposure. The programme should be transparent in terms of allocated resources, implementation, follow-up mechanisms, corrective actions and external verification. |  milestone 3 achieved |
| ● good ↗ good ▲ same | | | |
| LINDT & SPRUENGLI AG (2011) <i>Association to child labour in cocoa industry</i> | Ghana | Lindt & Spruengli should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up. |  milestone 3 achieved |
| ● excellent ↗ good ▲ same | | | |

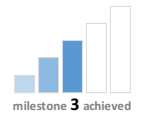
| | | | |
|--|--------------------|--|---|
| NESTLE SA (2009) <i>Association to child labour in cocoa industry</i> | Ghana | Nestlé should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up. |  |
| ● excellent ↗ good ▲ same | | | |
| NORDEA BANK (2015) <i>Association to poor governance and control to prevent money laundering</i> | Sweden | Nordea should ensure that the issues raised by the Swedish Financial Supervisory Authority is addressed and managed in a responsible manner in order to manage the risks of contributing to illegal Money Laundering and facilitating financing of illegal activities such as terrorism. |  |
| ● standard → standard ► same | | | |
| NORILSK NICKEL (2010) <i>Association to environmental and health impacts from metal extraction operations</i> | Russian Federation | Norilsk Nickel should ensure for its Polar division that operations related health impacts are properly managed, that emissions will not cause excessive harm to the environment and that historical impacts are properly remediated. Operations should align with the Russian environmental regulations, the CLRTAP, the Espoo Convention and the UN CBD. |  |
| ● standard → standard ► same | | | |
| ROYAL DUTCH SHELL (2015) <i>Association to corruption</i> | Nigeria | Shell should demonstrate that its code of conduct, due diligence and risk management processes in the areas of acquisitions and divestments are robust and universally applied. |  |
| ● standard → standard ► same | | | |
| ROYAL DUTCH SHELL (2009) <i>Association to human rights violations resulting from pollution and environmental damage</i> | Nigeria | Shell should have a detailed program in place to address the recommendations of the UNEP's Environmental Impact Assessment of Ogoniland, and demonstrate that regular progress is being made towards achieving the objectives. The company should communicate the plan and progress transparently to shareholders. Shell should also exert its influence on all stakeholders to counter oil theft activity and its related social and environmental impacts. |  |
| ● good → standard ▲ same | | | |
| SEVERSTAL PAO (2016) <i>Association to deadly work accidents</i> | Russian Federation | Severstal to acknowledge failures in health and safety system and to implement and validate changes to mine safety. |  |
| ● standard → standard ► same | | | |
| TELIA COMPANY AB (2012) <i>Association to corruption in several countries</i> | Uzbekistan | Telia Company should deploy an anti-corruption programme adapted to its corruption risk exposure. The anti-corruption programme should be transparent in terms of allocated recourses, implementation, follow-up mechanisms, corrective actions and external verification. |  |
| ● excellent ↗ good ▲ same | | | |
| VINCI (2015) <i>Association to labour rights violations</i> | Qatar | Vinci should adopt a human rights policy in line with the UN Global Compact and the basic ILO conventions on labour rights. The policy should cover the company's worldwide operations, including subsidiaries and subcontractors. In addition, the company should make sure it has the appropriate systems in place to make sure the policy is followed at all its operations. |  |
| ● good ↗ good ▲ same | | | |

| | | |
|---|---------------|--|
| VOLKSWAGEN (2016) <i>Association to violations of environmental norms</i> | United States | VW should ensure the Supervisory Board has the necessary skills and independence and ensure oversight of the company's risk and its management systems. Furthermore, VW needs to appoint a management board executive accountable for environment and consumer protection. |
|---|---------------|--|



● standard ↘ poor ► same

| | | |
|---|---------|--|
| VTB BANK (2011) <i>Association to a mining project with expected vast environmental impacts</i> | Armenia | VTB Bank should strengthen its risk assessment process and monitoring process in large projects and should sign the Equator Principles. The company should also ensure that the operating company, Vallex Group, adopts a precautionary principle approach since the mining project is located in a sensitive biodiversity area. |
|---|---------|--|



● standard ↘ poor ► same

EVALUATE LIST

AIRBUS GROUP, ALSTOM, ANDRITZ AG, ARCELORMITTAL, BAE SYSTEMS, BOLIDEN, BRITISH AMERICAN TOBACCO, ELECTRICITE DE FRANCE, ENGIE, ENI, FIAT CHRYSLER AUTOMOBILES, GLENCORE PLC, HENNES & MAURITZ, HOCHTIEF, INVESTOR AB, KONINKLIJKE AHOLD DELHAIZE NV, LUKOIL, MARKS & SPENCER GROUP, NESTLE SA, NOVARTIS AG, PETROFAC, POLSKIE GORNICTWO NAFTOWE I GAZOWNICTWO SA, RECKITT BENCKISER, RENAULT, REPSOL SA, ROSNEFT, SAINSBURY, SAIPEM, SIEMENS, STANDARD CHARTERED PLC, STATOIL ASA, TELENOR, TELIA COMPANY AB, TENARIS SA, TESCO PLC, THALES, THYSSENKRUPP, WARTSILA OYJ ABP, VOLKSWAGEN AG

DISENGAGE LIST

| | |
|--|--------|
| AIRBUS GROUP <i>Association to nuclear weapon programmes</i> | France |
|--|--------|

| | |
|---|----------------|
| BAE SYSTEMS <i>Association to nuclear weapon programmes</i> | United Kingdom |
|---|----------------|

| | |
|---|--------|
| LEONARDO - FINMECCANICA SPA <i>Association to nuclear weapon programmes</i> | France |
|---|--------|

| | |
|--|--------|
| SAFRAN GROUP <i>Association to nuclear weapon programmes</i> | France |
|--|--------|

MIDDLE EAST

ENGAGE LIST

Change objective

AKBANK (2010)
Association to hydro power project
breaching World Bank environmental and
social standards

Turkey

Akbank should adopt corporate policies that address environmental and social risks in infrastructure projects. The policies should advocate a precautionary approach and require that projects comply with internationally proclaimed environmental and social standards.

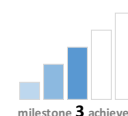


● standard ↘ poor ► same

BANK HAPOALIM (2010)
Association to financing illegal settlements
in occupied territories

Palestine

Bank Hapoalim should cease providing financial support to activities that are linked to violations of the Fourth Geneva Convention. The bank should adopt a corporate policy that supports the protection of internationally proclaimed human rights and the humanitarian law.



● good ↓ none ► same

BANK LEUMI (2010)
Association to financing illegal settlements
in occupied territories

Palestine

Bank Leumi should cease providing financial support to activities that are linked to violations of the Fourth Geneva Convention. The bank should adopt a corporate policy that supports the protection of internationally proclaimed human rights and the humanitarian law.

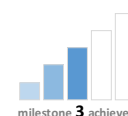


● good ↓ none ► same

MIZRAHI TEFAHOT BANK LTD (2010)
Association to financing illegal settlements
in occupied territories

Palestine

Mizrahi Tefahot Bank should cease providing financial support to activities that are linked to violations of the Fourth Geneva Convention. The bank should adopt a corporate policy that supports the protection of internationally proclaimed human rights and the humanitarian law.



● good ↓ none ► same

TURKIYE GARANTI BANKASI (2010)
Association to hydro power project
breaching World Bank environmental and
social standards

Turkey

Turkiye Garanti Bankasi should adopt corporate policies that address environmental and social risks in infrastructure projects. The policies should advocate a precautionary approach and require that projects comply with internationally proclaimed environmental and social standards.



● good → standard ▲ same

EVALUATE LIST

ARABTEC HOLDING

DISENGAGE LIST

TURKIYE HALK BANKASI
Association to hydro power project breaching World Bank
environmental and social standards

Turkey

NORTH AMERICA

RESOLVED LIST

FREEPORT MCMORAN (2008)
Association to recurring fatal accidents

Indonesia

Change objective

Freeport McMoRan has undertaken noticeable improvements in health and safety awareness and training both at Grasberg and globally. The number of fatalities has decreased significantly since the case was opened, and the nature of the accidents in 2015, were not due to the systems in place.



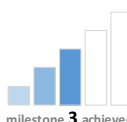
ENGAGE LIST

AES CORP (2008)
Association to violation of indigenous rights

Panama

Change objective

AES should demonstrate and implement a plan for how to, within its sphere of influence, ensure the respect of the rights of the indigenous communities around its operations and that mitigation measures are taken to protect biological diversity. Moreover, the company should adopt a human rights policy in line with international norms.

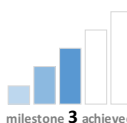


● standard → standard ► same

AGRIUM (2014)
Association to illegal exploitation of natural resources

Western Sahara

Agrium should create and implement a plan on how to cease its imports of phosphates from Western Sahara, or demonstrate how the exploitation is in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights.

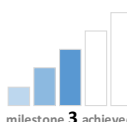


● standard → poor ► same

APPLE INC (2009)
Association to poor labour and environmental practices at suppliers

Taiwan

Apple should prevent labour rights violation in its supply chain and ensure that its commitments on labour rights are implemented and fulfilled throughout the organisation and its suppliers. The company should be more transparent about the actions it takes towards incidents and engage in stakeholder dialogue.

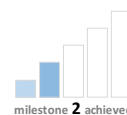


● poor → standard ► same

BARRICK GOLD CORP (2009)
Association to complicity in human rights abuses

Papua New Guinea

Barrick should demonstrate that an effective remedy framework is in place to compensate women who were sexually abused by security personnel at Porgera. The company should also demonstrate compliance with the Voluntary Principles on Security and Human Rights. Policies and procedures should be aligned with international standards on resettlement and compensation.



● standard → standard ► better


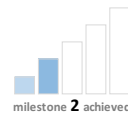
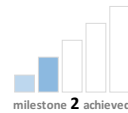
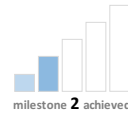

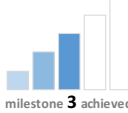


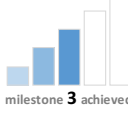
BARRICK GOLD CORP (2009)
Association to environmental impact in mining project

Papua New Guinea

Barrick should manage their tailings at Porgera responsibly and commit to remediating the impacted environment. Barrick should address the remediation required of the two erodible dumps to prevent sediment wash into the river, and address long-term potential legacy issues e.g. acid mine discharges.



● standard → standard ► better

| | | | | |
|--|---------------|--|---|---|
| CROWN HOLDINGS (2016) <i>Association to anti-union practices in several countries</i> | Turkey | <p>Crown Holdings needs to make sure that its policies and processes are in compliance with ILO conventions referring to the right to organize and collective bargaining.</p> |  |  |
| <p>● poor ↘ poor ▼ better</p> | | | low performance | |
| FREEPORT MCMORAN (2009) <i>Association to environmental impact from mining activity</i> | Indonesia | <p>Freeport should manage their tailings at Grasberg responsibly and commit to remediating the impacted environment. Freeport should address the remediation the waste rock dumps and address long-term potential legacy issues such as acid mine discharges.</p> | |  |
| <p>● standard ↘ poor ► same</p> | | | | |
| FREEPORT MCMORAN (2009) <i>Association to mine site security concerns</i> | Indonesia | <p>Freeport should demonstrate that its regular payments to Indonesian police and military are being administered in a fully transparent manner and do not contribute to human rights abuses. The company should demonstrate implementation of the Voluntary Principles on Security and Human Rights.</p> | |  |
| <p>● standard ↘ poor ► same</p> | | | | |
| GOLDCORP (2008) <i>Association to inadequate consideration for the human rights of indigenous people</i> | Guatemala | <p>Goldcorp should, as a part of integrating human rights due diligence at its operations, ensure adequate representation of indigenous communities in all consultation processes and implement grievance mechanisms. As requested in the revised precautionary measures by the Inter-American Commission on Human Rights, Goldcorp should provide local communities with potable water of good quality.</p> | |  |
| <p>● good ↗ good ▲ same</p> | | | | |
| HERSHEY (2010) <i>Association to child labour in cocoa industry</i> | Ivory Coast | <p>Hershey should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up.</p> | |  |
| <p>● standard → standard ► same</p> | | | | |
| MATTEL (2010) <i>Association to poor working conditions at suppliers</i> | China | <p>Mattel should prevent labour rights violations in its supply chain through effective implementation and proactive enforcement of its Responsible Supply Chain Standards at all Mattel-owned factories as well as vendors. The company should also be more transparent about the auditing process and findings.</p> | |  |
| <p>● standard → standard ► better</p> | | | | |
| MCDONALD'S CORP (2015) <i>Association to labour rights violations</i> | United States | <p>McDonald's should actively promote the company's Standard of Business Conduct among its franchisees, and ensure franchisees live up to this especially with regards to labour rights. Efforts taken by the company to ensure compliance in this area should be transparently reported to relevant stakeholders.</p> | |  |
| <p>● standard ↘ poor ► same</p> | | | | |
| MONDELEZ INTERNATIONAL (2009) <i>Association to child labour in the cocoa industry</i> | Ghana | <p>Mondelez should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up.</p> | |  |
| <p>● excellent ↗ good ▲ same</p> | | | | |

MOTOROLA SOLUTIONS (2010)

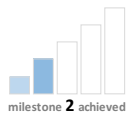
Association to assisting in human rights violations in occupied territories

Palestine

Motorola Solutions should cease the provisioning of surveillance systems for protecting illegal Israeli settlements in the OPT. The company should also widen the scope of its Human Rights policy to fully conform to international human rights and IHL and address specific risks associated to how its products are used.



● poor ↓ none ▼ same

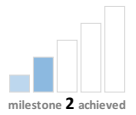
**POTASH CORP SASKATCHEWAN (2010)**

Association to illegal exploitation of natural resources

Western Sahara

PotashCorp should create and implement a plan on how to cease its imports of phosphates from Western Sahara, or demonstrate how the exploitation is in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights.

● standard ↓ none ► same

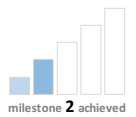
**STARBUCKS CORP (2014)**

Association to anti-union practices

Chile

Starbucks should prevent labour rights violations and ensure that no anti-union practices take place at either its own stores or licensees. In this work, the company shall make clear commitments to comply with international norms such as the ILO conventions. Its efforts should also be transparently reported to relevant stakeholders.

● standard ↗ good ▲ same

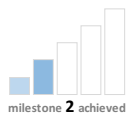
**T-MOBILE US (2016)**

Association to anti-union practices

United States

T-Mobile US (TMUS) should cease the alleged practices of hindering freedom of association at the company and engage in a dialogue with employees supporting unionisation. The company should adhere to the US National Labor Relations Board's decisions. TMUS' management of labour rights should be aligned with the ILO core conventions.

● standard → standard ► new



EVALUATE LIST

AMAZON.COM, BRISTOL-MYERS SQUIBB CO, CISCO SYSTEMS, COSTCO WHOLESALE CORP, DOW CHEMICAL CO, EXXON MOBIL, FLUOR CORP, GAP, GENERAL ELECTRIC, GENERAL MOTORS, GOODYEAR TIRE & RUBBER, HASBRO, HEWLETT PACKARD ENTERPRISE, LOBLAW, LOCKHEED MARTIN, MCDONALD'S CORP, MERCK & CO, ORACLE CORP, PEPSICO, TWENTY-FIRST CENTURY FOX, TYSON FOODS, UNITED CONTINENTAL HOLDINGS, WALT DISNEY COMPANY, VF CORP

DISENGAGE LIST

BOEING CO

Association to nuclear weapon programmes

United States

CHEVRON

Association to environmental damage in Amazon jungle

Ecuador

FLUOR CORP

Association to development of nuclear weapon

United States

GENERAL DYNAMICS CORP

Association to involvement in cluster munitions

United States

| | |
|---|----------------|
| GENERAL DYNAMICS CORP <i>Association to nuclear weapon programmes</i> | United States |
| HONEYWELL INTERNATIONAL <i>Association to nuclear weapon programmes</i> | United States |
| JACOBS ENGINEERING GROUP <i>Association to nuclear weapon programmes</i> | United Kingdom |
| L-3 COMMUNICATIONS HLDGS <i>Association to complicity in human rights abuses in several countries</i> | Iraq |
| L-3 COMMUNICATIONS HLDGS <i>Association to marketing of cluster munitions</i> | United States |
| LOCKHEED MARTIN <i>Association to manufacture and marketing of cluster munitions</i> | United States |
| LOCKHEED MARTIN <i>Association to nuclear weapon programme</i> | United Kingdom |
| NORTHROP GRUMMAN CORP <i>Association to nuclear weapon programme</i> | United States |
| RAYTHEON COMPANY <i>Association to nuclear weapon programmes</i> | United States |
| TEXTRON <i>Association to development and marketing of cluster munitions</i> | United States |
| WAL-MART STORES INC <i>Association to dangerous sandblasting practice in supply chain</i> | China |
| WAL-MART STORES INC <i>Association to fire safety negligence and fire</i> | Bangladesh |
| WAL-MART STORES INC <i>Association to inadequate pay in supply chain</i> | Haiti |
| WAL-MART STORES INC <i>Association to violations of labour standards in various countries</i> | United States |

OCEANIA

RESOLVED LIST

Change objective

| | | |
|--|-----------|--|
| RIO TINTO (2016) <i>Association to recurring fatal accidents</i> | Indonesia | Rio Tinto has assisted in the improvements to health and safety awareness and training at Grasberg. The number of fatalities has decreased significantly since the case was opened, and the nature of the accidents in 2015, were not due to the systems in place. |
|--|-----------|--|



ENGAGE LIST

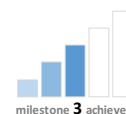
Change objective

| | | |
|---|--------|--|
| BHP BILLITON (2016) <i>Association to deadly accident</i> | Brazil | BHP needs to: identify the cause(s) of the dam failure, assess all dams within its control to prevent similar failures in the future; develop a remedial strategy for the affected communities and the environment; ensure dam monitoring and maintenance systems and emergency procedures are in place. |
|---|--------|--|



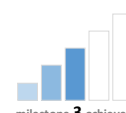
● good → standard ▲ better

| | | |
|--|----------------|--|
| INCITEC PIVOT LTD (2009) <i>Association to illegal exploitation of natural resources</i> | Western Sahara | Incitec Pivot should create and implement a plan on how to cease its imports of phosphates from Western Sahara, or demonstrate how the exploitation is in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights. |
|--|----------------|--|



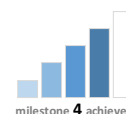
● standard ↓ none ► same

| | | |
|---|-----------|---|
| RIO TINTO (2008) <i>Association to environmental impact caused by mining activities</i> | Indonesia | Rio Tinto should exert pressure on Freeport to ensure responsible management of tailings and to address potential long-term legacy issues at Grasberg. Rio Tinto should adopt a policy of prohibiting the future use of riverine tailings disposal. |
|---|-----------|---|



● good → standard ▲ same

| | | |
|---|----------------|---|
| WESFARMERS (2007) <i>Association to illegal exploitation of natural resources</i> | Western Sahara | Wesfarmers/CSBP should commit to entirely and permanently ending its imports of phosphate rock from Western Sahara, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. |
|---|----------------|---|



● standard ↗ good ▲ same

EVALUATE LIST

CIMIC GROUP, RIO TINTO, WESFARMERS, WOOLWORTHS LTD



Use of and access to this information is limited to clients of GES International AB.

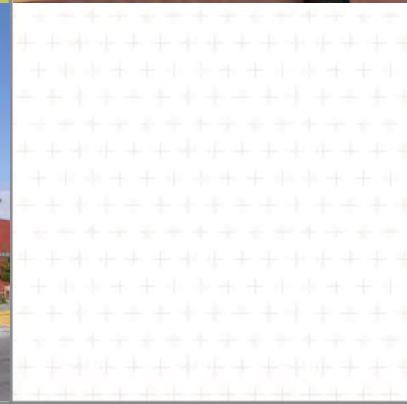
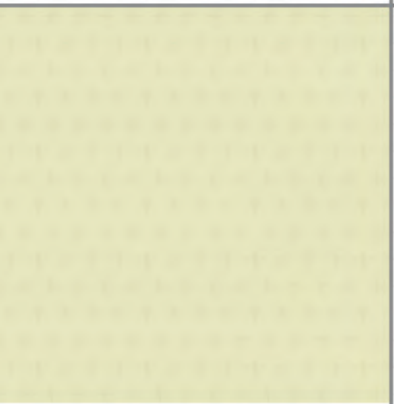
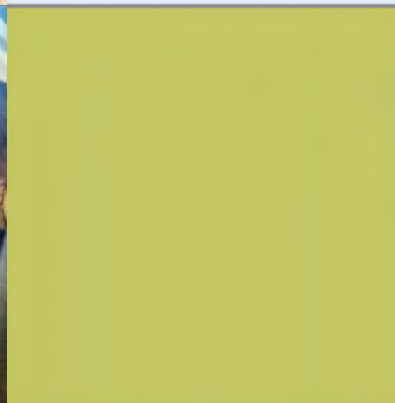
The information may not be reproduced, transmitted, redistributed, translated, sold, exploited commercially or otherwise reused in any way whatsoever without GES International AB's prior written consent, unless compelled by binding law.

All copyright, database rights and other proprietary rights in the information remain the property of GES International AB.

QUARTERLY ENGAGEMENT REPORT

GES BUSINESS CONDUCT ENGAGEMENT

Q4 2016



| | |
|-------------------------------------|----|
| OUR APPROACH | 3 |
| ENGAGEMENT BRIEF | 4 |
| ENGAGEMENT SUMMARY REPORT | 23 |
| COMPANY DIALOGUE & PROGRESS SUMMARY | 24 |

This report summarises the shareholder engagement activities that GES has performed on behalf of Erste Asset Management during the fourth quarter of 2016.



ABOUT ERSTE ASSET MANAGEMENT

Erste Asset Management is an international asset management company with a strong position in Central and Eastern Europe. Our activities are backed by the financial strength of Erste Group Bank AG.

We offer our clients a broad spectrum of high-quality investment funds and asset management solutions. We apply the highest quality to our clients' assets. This also goes for the comprehensive risk management of Erste Asset Management, which covers all our business areas.

Erste Asset Management attaches particular importance to providing responsible products and services. As a company we have dedicated ourselves to socially and environmentally agreeable behaviour.

We are proud of our employees and have become the employer of choice for specialists who wish to prove their talent in the various departments of Erste Asset Management.

OUR APPROACH

In principle, the sustainability approach of Erste Asset Management is based on a three-dimensional structure. The dimensions of criteria definition, best-in-class and engagement / active ownership mutually enhance each other within an integrated process. A variety of approaches to sustainable investments are combined in this way in order to join somewhat restrictive elements with active, positive and dialog-based elements.

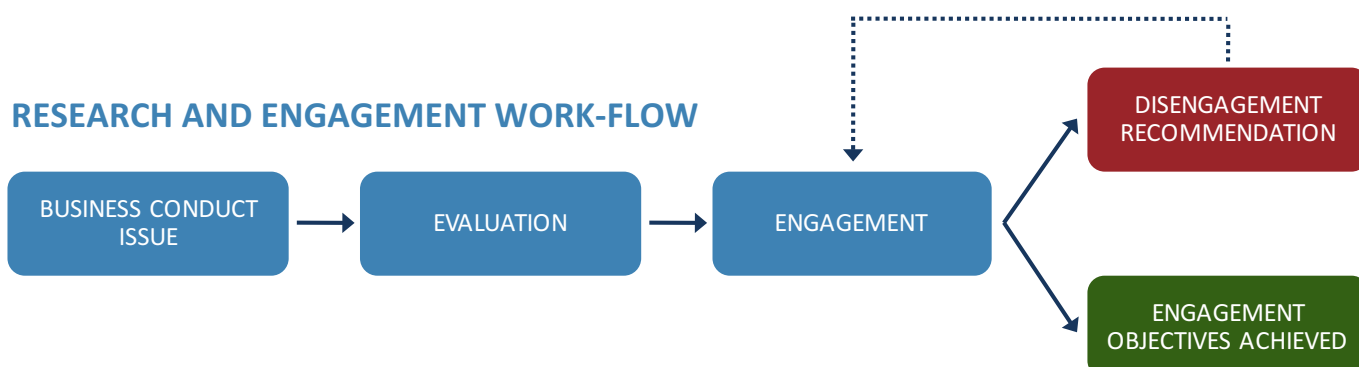
The dialog with the companies and the use of our own voting rights lie at the core of our active ownership policy. In both cases, the engagement serves to improve the future viability of the companies. Moreover, the engagement results are integrated into the company selection as well.

We believe that changes in business conduct drives changes in corporate value. Consequently, we seek to instigate changes in business conduct through engagement dialogue where deemed necessary.

We engage with companies in collaboration with our service provider GES. The engagement process is based on the findings from a systematic screening of companies regarding their compliance with well-established international conventions and guidelines on environmental, social and governance (ESG) issues. By way of example this includes:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- Human rights conventions
- Environmental conventions

We will start engagement with companies that are, or have been involved in systematic business conduct issues or, an isolated issue that has severe consequences for the environment or humans.



ENGAGEMENT BRIEF

Index of companies mentioned in this engagement brief

| | | | |
|---|----|---|----|
| AES CORP | 6 | ISRAEL DISCOUNT BANK | 17 |
| AES PANAMA | 6 | JBS SA | 8 |
| ALSTOM | 14 | JBS USA HOLDINGS INC. | 8 |
| ANDRITZ | 15 | LUKOIL | 22 |
| ASTRA AGRO LESTARI | 18 | MCDONALD'S | 20 |
| BANK HAPOALIM | 16 | MIZRAHI TEFAHOT BANK | 17 |
| BANK LEUMI | 16 | NESTLÉ | 12 |
| CARGILL | 12 | PILGRIM'S PRIDE CORP | 8 |
| CHINA RAILWAY CONSTRUCTION CORP | 13 | SAMARCO | 19 |
| CHINA RAILWAY GROUP | 13 | SEVERSTAL PAO | 7 |
| DONGFANG | 14 | SIME DARBY | 18 |
| ECUACORRIENTE SA | 13 | TONGLING NONFERROUS METALS GROUP | 13 |
| ETHIOPIAN ELECTRIC POWER CORPORATION | 14 | UNILEVER | 18 |
| FIRST INTERNATIONAL BANK OF ISRAEL | 17 | VEDANTA LIMITED | 8 |
| GENERAL ELECTRIC | 14 | VEDANTA RESOURCES | 8 |
| HEIDELBERG CEMENT | 16 | VORKUTAUGOL COAL | 7 |
| ICBC | 15 | WELLS FARGO | 9 |
| IJM PLANTATIONS | 18 | | |

BUSINESS CONDUCT ENGAGEMENT

AES CORP

Violation of indigenous peoples' rights – Resolved

After many years of engaging with **AES CORP**, including a field visit to the company's controversial hydropower operation in Panama, GES regards the related case as resolved.

AES PANAMA, a subsidiary of AES Corp., constructed and operates the Chan 75 hydroelectric dam on the Changuinola River in Panama. It was questionable if free, prior and informed consent was obtained. Furthermore, resettlement and compensation processes with the indigenous Ngöbe people were handled poorly by the company.



GES visiting Chan 75 hydropower operation

As a result, the **UN SPECIAL RAPPORTEUR** on the rights of indigenous peoples publicly declared, in 2008, that human rights violations had occurred in connection with the project. The **UNESCO'S WORLD HERITAGE COMMITTEE** has also expressed concern over the project's potential impact on the World Heritage-listed La Amistad National Park on the border of Panama and Costa Rica. However, in 2014, the then Special Rapporteur on the rights of indigenous peoples concluded that most of the families affected by Chan 75 had reached agreements with the Panamanian government and with AES, the terms of which have been made public. AES has subsequently confirmed to GES that the company has agreements in place with all families in the communities directly affected by the operation.

In September 2016, the Chan 75 director confirmed to GES that the construction of the station for fish reproduction close to the hydropower dam was completed. The house constructions in resettlement areas are almost finalised. The few per cent remaining are under construction and their completion is regulated in an agreement between the Chan 75 management, community representatives and the Panamanian government.



School constructed by AES in project affected community

A 2016 field report on behalf of **UNESCO** noted that impacts from Chan 75 are measurable, but still limited. The report did not notice any current conflict, protests, strikes or claims, and states that although complaints were made about the relocation scheme for affected people, none of these complaints were made by the affected people.

Due to the company's measures to address human rights and environmental concerns, GES regards the company's response to the situation to be satisfactory and regards the case as resolved.

For further information, please contact:



Stina Nilsson

Senior Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

SEVERSTAL PAO

Recurring fatal accidents – Resolved

In February 2016, an explosion occurred in **SEVERSTAL PAO**'s subsidiary **VORKUTAUGOL COAL**'s Severnaya mine in Russia. Initially, it was thought to have killed four people and trapped a further 26. Rescue attempts commenced to free the trapped miners. Three days later, a further explosion killed six miners who were helping to free the trapped miners. The second explosion was so severe that the 26 miners that were trapped by the initial explosion were also reported as dead. This was the second major accident to occur at a Severstal mine in three years, following an explosion in 2013 at the nearby Vorkutinskaya mine, which resulted in 19 fatalities.

Although the original GES Business Conduct Engagement case regarding the 2013 explosions had been resolved, it was re-opened following the explosions in February 2016.

Our engagement concentrated on the following goals: ensuring compensation was paid to the families of the deceased and to those that had long-term injuries because of the explosions; identification of the cause(s) of the explosion; and the implementation of measures to mitigate similar risks in the future.

Severstal was very open to dialogue and exceptionally responsive to our requests for information. They stated that the families had all agreed to and received payments with additional state benefits, including banks settling outstanding family debts. Severstal also introduced new and more sensitive monitors in their mines, which would improve coalface-to-surface monitoring and forewarn the build-up of noxious and/or potentially explosive gases.

In terms of the cause of the explosion, **ROSTECHNADZOR**, Russia's industrial safety watchdog, reported the probable cause as being damaged and exposed wiring, possibly a result of rockfall. When the explosive gases built up, they might have caused the explosion. The exact cause of the explosions may never be confirmed due to the lack of access to the site. Following the

explosions, underground fires broke out inside the mine and the decision was taken to flood the mine in order to put the fires out.

Consequently, Severstal has increased the number of mine inspectors and inspections in each of its mines. State inspectors have also increased the numbers of visits conducted on Severstal's mine comparable to previous years.

During the summer of 2016, monitoring of the underground mine recorded temperatures of 400 degrees Celsius in some parts, which indicates that isolated fires were still burning. In September 2016, a technical council that included representatives of the Vorkutaugol coal company, Rostekhnadzor and the **EMERGENCY SITUATIONS MINISTRY** decided to close the Severnaya mine for an indefinite amount of time, potentially permanently, which would impact some 900 workers.

The company told GES that a range of measures were in place to alleviate the impact on the workforce, including job relocation within Severstal and retraining opportunities provided by Severstal and local authorities. In the worst-case scenario, the company made redundancy payments to affected workers. The local authorities also helped those made redundant to find new employment opportunities.

Methane build-up and explosions will always be a key risk for coal mines. GES considers the improvement measures put in place by Severstal will mitigate the risk in future and regards the case resolved.

For further information, please contact:



Bruce Jackson

Senior Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

VEDANTA LIMITED and VEDANTA RESOURCES

Environmental and human rights violations in mining project – Resolved

After several years of engaging with the Vedanta group companies, including meetings in India, GES regards the case related to the companies' Odisha operation as resolved.

VEDANTA LIMITED is a subsidiary of **VEDANTA RESOURCES** and the operator of an aluminium production complex in Odisha state in India. The production complex consists of an aluminium refinery and initially a bauxite mine was also to be established in the close vicinity. When commencing the project, the company allegedly contributed to environmental problems and human rights abuses, including violence and intimidation of local residents. Furthermore, the company failed to respect the right to free, prior and informed consent of the indigenous group in the area.

In January 2014, after the local indigenous group and its village councils decided not to give their consent to the bauxite mine, the **INDIAN MINISTRY OF ENVIRONMENT AND FORESTS** turned down Vedanta's proposal to establish a mine in the area. Vedanta subsequently made a public statement stating it would refrain from mining at the site unless there was consent from the local community.

After a comprehensive review of Vedanta's ESG management by an external consultant, policies and procedures have substantially improved. Among the most important outcomes was the development of several internal technical standards on key ESG topics, including on indigenous peoples and vulnerable tribal groups. With regards to bauxite supply for the Odisha refinery, Vedanta will conduct an environmental and social impact assessment (ESIAs) for all sites.

Furthermore, Vedanta has adopted a Human Rights policy for all its group companies. The policy has been made operational throughout the group's companies. By committing to conduct its own ESIAs when cooperating with other companies to secure its supplies, Vedanta also

applies the policy to its supply chain, provides human rights training and conducts risk assessments of its supply chain. Suppliers are also encouraged to adopt Vedanta's sustainability approach.

Due to the commitment to refrain from mining in the disputed area, combined with improvements in its ESG management at a corporate level to prevent similar situations in the future, GES regards measures taken by the company to be satisfactory and regards the case as resolved.

For further information, please contact:



Stina Nilsson

Senior Engagement Manager

JBS SA and PILGRIM'S PRIDE CORP

Repeated labour rights violations – Confirmed

In recent years, the **US OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION** (OSHA) has repeatedly fined poultry production and processing facilities owned by **PILGRIM'S PRIDE CORP** and **JBS USA HOLDINGS INC.**, both subsidiaries of **JBS SA** (JBS).

Among the health and safety (H&S) violations discovered by OSHA are unsafe working conditions, failure to conduct adequate testing and labelling of electrical equipment, failure to implement proper standard operating procedures with accurate information on safety systems, exposing workers to electric shock hazards and failing to make timely medical referrals for workplace injuries. These have led to recurring fines, including several in 2016. Between 2011 and 2014, there were also four fatal accidents at Pilgrim's Pride facilities and one at JBS USA.

Likewise, authorities in different Brazilian states have found various labour rights violations ranging from child labour to excessive overtime and from faulty equipment to dangerous ammonia leakage. These findings have led to several legal cases and

BUSINESS CONDUCT ENGAGEMENT

fines in 2015 and 2016 relating to JBS' subsidiaries in Brazil.

JBS states that it is cooperating with OSHA and the Brazilian public labour prosecutor to address the identified incidents. However, breaches have continued to be reported and the company has not been able to point GES to a person who could discuss its group-wide H&S management in more detail, which in itself is concerning. JBS provides little reassurance regarding enforcing H&S standards at subsidiaries or improving working conditions across the group.

Furthermore, when it comes to Pilgrim's Pride, the fact that OSHA has on several occasions identified repeated violations, indicates that the company's efforts not only to prevent but also to act on known problems are insufficient. Similarly, OSHA has found that Pilgrim's Pride has failed to ensure that employees are referred to medical care in a timely manner following accidents.

Apart from the authorities, **OXFAM AMERICA** has alleged labour rights breaches in the US poultry sector, including low wages, a climate of fear in the workplace, and elevated rates of occupational disabilities such as repetitive strain injuries and musculoskeletal disorders. In May 2016, the NGO also released a report accusing US poultry producers including Pilgrim's Pride of denying bathroom breaks to their employees. According to the interviewed workers, supervisors did not allow workers to go to the bathroom, made them wait a very long time, or threatened them with punishment or firing if they did go, which led to people urinating or defecating while standing on the production line or wearing diapers.

OSHA notes that the incidence rate of occupational illness cases reported by employers in the poultry industry is more than six times the average for all US industries. Despite the elevated risks, there appear to be serious shortcomings in JBS and Pilgrim's Pride's risk awareness and H&S oversight, and the repeated breaches could have an increasingly material impact given that the OSHA penalties have recently been increased by 78 per cent. Based on the findings by the US and Brazilian authorities, GES concludes that JBS and

Pilgrim's Pride are systematically neglecting their responsibilities and failing to take appropriate measures to respect workers' rights and protect them from hazards. Accordingly, GES has confirmed the two companies as acting in breach of international norms relating to healthy and safe working conditions.

GES has a conference call scheduled with Pilgrim's Pride on 17 January 2017 and interested clients are welcome to join.

For further information, please contact:



Tytti Kaasinen
Senior Engagement Manager

WELLS FARGO & CO

Workplace harassment and retaliation – New Engage Case / Corporate Governance Engagement

In September 2016, the **US CONSUMER FINANCIAL PROTECTION BUREAU** (CFPB) issued **WELLS FARGO** with a record fine – USD 185 million – for its staff opening more than two million deposit and credit card accounts across the country without customers' permission. Staff created fake email addresses for customers and PIN numbers without informing customers. In some cases, customers' funds were even moved around without their knowledge and/or customers were charged a fee for the unauthorised accounts.

Prior to the fine and settlement, Wells Fargo was the top US bank in terms of market capitalisation and was known for employing a sales technique referred to as 'cross-selling' – where a company sells different products to existing customers. This was an integral part of the bank's strategy and thought to be partially responsible for the bank's success in recent years in the United States.

In order to support its cross-selling strategy, the bank set sales goals and created sales incentives to increase the number of products sold to its

BUSINESS CONDUCT ENGAGEMENT

existing customers. Thousands of Wells Fargo's employees took part in improper sales practices. Between 1 January 2011 and 8 September 2016, over 5,300 employees were fired for engaging in improper sales practices. That represents approximately 2 per cent of the bank's worldwide headcount.

Following the news of Wells Fargo's fine and settlement with the CFPB, former employees began to come forward with allegations suggesting that:

- employees worked extra hours without pay to meet aggressive sales quotas;
- employees were wrongfully dismissed for not meeting aggressive sales quotas or for reporting misconduct;
- employees reported sales misconduct through Wells Fargo's whistleblowing facilities, but that they were ignored, coerced into retracting their claims or even dismissed; and
- Wells Fargo retaliated against employees that reported misconduct by placing a negative mark on their Financial Industry Regulatory Authority (FINRA) U5 Form (a termination notice sent to FINRA when a registered individual leaves a bank that explains the reason for departure), which usually makes it very difficult for those individuals to find a job in the US banking industry.

In addition, there are a number of class action lawsuits being filed against the company by former employees that allege wrongful termination and unpaid wages for overtime. In September 2016, two former employees filed a class action lawsuit on behalf of employees that had worked for Wells Fargo in California over the past 10 years. The lawsuit alleges that Wells Fargo failed to pay overtime and wages and engaged in wrongful termination, linking this to the bank's cross-selling strategy, sales quotas and fraudulent account opening. The class action is seeking USD 2.6 billion in damages.

Wells Fargo has announced a number of measures to rectify the situation, including carrying out a review by a third party into the opening of the deposit and credit card accounts, refunding fees

to customers who have been affected, eliminating product sales goals in the retail banking business and launching an independent investigation into sales practices.

Furthermore, the company announced in late September 2016 that it would clawback some of the remuneration of key executives, in particular then CEO and Chairman John Stumpf and the former head of the community bank Carrie Tolstedt. John Stumpf resigned in October 2016. Tim Sloan, who previously was Wells Fargo's President and Chief Operating Officer, replaced him as CEO. Stephen Sanger, previously the lead director of the board, took the role of Chairman.

While the company has seemingly taken some action to address the numerous issues, it was slow to act. It was revealed during US Senate hearings that the company knew about the problems back in 2013 (which is when the story of an investigation by the US CFPB initially broke in an article in the Los Angeles Times).



Wells Fargo's headquarters in San Francisco

Many shareholders have expressed concern about the incident and the board's management of the issues in particular. There have been a number of shareholder proposals filed for inclusion on the company's agenda for its 2017 Annual General Meeting, such as calling for a review and report on business standards, linking executive pay to ethical business conduct and sustainability and requesting the separation of the roles of CEO and Chairman.

BUSINESS CONDUCT ENGAGEMENT

With regard to the labour rights issues, the company has not explicitly addressed these allegations, other than suggesting that some workers who were fired for not meeting their performance targets may be able to be re-employed by the bank.

Overall, the bank seems to have underestimated shareholder and stakeholder reactions. The company's initial actions to address the scandal were revised up to three times following the initial announcement about the settlement – culminating in the resignation of the CEO and Chairman. This was primarily due to pressure from US lawmakers and regulators that the bank's initial proposed course of action was not sufficient to address the underlying corporate culture issues.

In early November 2016, GES wrote to the current Chairman, where we highlighted our concerns about the bank's corporate culture; questioned the effectiveness of the board's oversight and emphasised its accountability for the scandal; queried how the bank was remedying its risk management and internal controls; and raised concerns about employment practices and remuneration. Given the systematic nature of the issue and severity of the allegations, GES upgraded this case to engage at the end of November 2016. We have not yet heard back from the company.

This Business Conduct Engagement will be run in tandem with GES' Corporate Governance Engagement with the company, as the labour rights issues and corporate culture issues are interrelated. The overall engagement will focus on ensuring that Wells Fargo implements and monitors systems and procedures that protect employees from workplace harassment and retaliation. In addition, we will emphasise the need for the bank to re-align its corporate culture in order to restore trust with customers, employees, shareholders and other stakeholders.

For further information, please contact:



Kate Jalbert
Engagement Manager

ENGAGEMENT TRIP TO CÔTE D'IVOIRE

Status and actions against child labour and rural poverty among cocoa farmers

In October 2016, GES together with a group of investor clients travelled to Abidjan, Côte d'Ivoire to participate in a conference and attend meetings on sustainability in the cocoa sector. The group also made a brief visit to a cocoa-growing community in the country.



GES visiting a cocoa farm in Côte d'Ivoire

IMF projected a growth rate of 8.5 per cent in 2016, making Côte d'Ivoire the fastest growing economy in Africa. The Ivorian government has set the goal of making the country an emerging economy by 2020. There is no doubt there is a fair level of enthusiasm in relation to the country's improving economic prosperity.

Côte d'Ivoire is also the world's largest cocoa producing nation and from the conference we heard clear voices, among others, from the national authority regulating and managing coffee and cocoa production, that it is time to develop domestic processing capacity, rather than letting the added value of processing be earned abroad. Consumption in the country is needed to support such a development.

On the social side, a new law is being implemented in Côte d'Ivoire where the minimum working age has changed from 14 to 16 years. There is now also compulsory basic education, although under implementation. Such reforms are key to combatting child labour in cocoa-growing communities, and crucial to transforming economic growth into improved quality of life for the Ivorian population, and building a strong country for the future.

BUSINESS CONDUCT ENGAGEMENT

During our week in Abidjan, it was frequently said that building and running schools is the responsibility of the government, but many companies participate in school construction in cooperation with the government. **CARGILL** for example argued that its incentive to build schools and run initiatives in cocoa growing communities is that it wants to have a good reputation in the communities and to be able to continue working with them to supply its products 20 years from now. Another company, **NESTLÉ**, has built more than 40 schools within the Nestlé Cocoa Plan.



Posters raising awareness against child labour in a cocoa growing community

A root cause of child labour is poverty. According to the NGO network **THE VOICE**, cocoa is too cheap to be sustainable. Companies should pay a fair price to farmers and the NGO argues this is not the case currently. Initiatives to improve farmer livelihoods were often mentioned at the conference, in particular through productivity and income generating activities. Initiatives directed to women have proven more effective in terms of ensuring that additional income is harnessed for the wellbeing of cocoa-growing families.

Many participants at the conference spoke up on the professionalisation of cocoa farming. The industry initiative **COCOACTION** has developed an economic model to understand input and output for cocoa farmers and to find ways to make cocoa farming a profitable business. Further innovations on mechanisation, fertilisation and breeding are underway and will be important to spur this development.

Child labour monitoring and remediation systems (CLMRS) are also gaining ground quickly. After

INTERNATIONAL COCOA INITIATIVE (ICI)

and Nestlé initiated CLMRS a few years ago, CLMRS are now being rolled out by several companies and they are a mandatory part of the CocoaAction framework. A child labour community committee with members responsible for community liaison constitutes the centre of CLMRS. Remediation measures in the CLMRS are tied to the causes of child labour, which can vary from poverty to lack of understanding of what constitutes child labour to the lack of a birth certificate, which is a formal requirement for a child to complete school. Accordingly, remediation measures range from assisting in setting up income generating activities, to awareness raising on what constitutes child labour to making sure a child is able to go to school.

All efforts described above show a high level of engagement by the cocoa industry, governments and stakeholders to develop a more sustainable cocoa production. However, estimates have it that such initiatives reach roughly 20-30 per cent of cocoa-growing communities in Côte d'Ivoire. Step by step more and more of the cocoa supply chain is being reached, but for many cocoa farmers close to nothing has changed. At the conference, the president of the **WORLD COCOA FOUNDATION** continuously called for a scale-up and urged more companies, including small and medium sized cocoa companies, to get involved in industry sustainability efforts. He also called for stronger partnerships with international financial institutions and donors and emphasised an increased need for collaboration with host governments, as well as more participation by civil society.

There is definitely a role for investors to play in helping to spread good corporate practices, such as encouraging the whole industry to follow current leaders towards further scale-ups. There is also an opportunity to spread good practices in the cocoa sector to other cash crop industries.

For further information, please contact:



Stina Nilsson

Senior Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

CHINA RAILWAY CONSTRUCTION CORP and CHINA RAILWAY GROUP

Dialogue with Chinese companies re-established

China's position as the second largest economy is also reflected by its position as the country with the highest number of companies in Fortune's Global 500 list, second only to the US. The importance of China as a global player can also be seen through the lenses of the constructions industry. Engineering News-Record – an American magazine best known for its index of the world's largest construction companies by contracting revenue – has listed **CHINA RAILWAY GROUP** (CRG) and **CHINA RAILWAY CONSTRUCTION CORP** (CRCC) as number 1 and 3, respectively in its 2015 index. This brought a broad range of new opportunities of international expansion for Chinese companies but also a number of new challenges. State owned enterprises that were used to operate only in heavily government controlled China, now had to adapt to international rigours and international investors' concern for ESG.

A 2010 report issued by Ecuadorian NGO **CEDHU** alleged that more than 40 families of indigenous descent were forcibly evicted to make room for the Mirador mining project in Ecuador. Later, in 2015, new reports alleged that 26 additional families were evicted to make room for the same project, operated by **ECUACORRIENTE SA**, which is owned as of 2009 by **CRCC** in a 30-70 joint venture with **TONGLING NONFERROUS METALS GROUP**.

GES met with CRCC in Beijing in November 2016 after three years since our last conference call. It is no secret that it can be challenging to have a meaningful engagement with Chinese companies via email or phone. CRCC has been no exception to this "rule", but in the face-to-face meeting the company met us with about ten staff members from relevant departments to share their views on the allegations and provide detailed input on practices and policies. They highlighted that CRCC sought to buy the lands needed for its mining projects but in some instances negotiations have failed. Therefore, CRCC filed several expropriation requests based on its right to servitude, a legal instrument under the Ecuadorian law allowing the

concessionaire of a mining site to temporarily use lands adjacent to the concession. CRCC added that even so, it sought to compensate fairly those that saw their lands expropriated.

CRCC also explained to GES that prior to entering new projects it engages in human rights due diligence processes that follow the Environmental and Social Performance Standards developed by the **INTERNATIONAL FINANCE CORPORATION**. In addition, for the Mirador project it has established a community relations team that oversees the dialogue between the company and the local communities, and creates awareness of issues such as health and safety and environmental protection.

After engaging with mainland-based companies, GES flew to one of China's Special Administrative Regions, Hong Kong, to meet with **HILL+KNOWLTON STRATEGIES** – a firm that manages stakeholder engagement on **CRG's** behalf. CRG is associated with multiple issues including severe construction accidents (China), corruption (China) and forced evictions (Congo) and there was not enough time to cover all these issues during our meeting. Nevertheless, during the visit we learned from CRG's IR Director, who joined via teleconference – establishing thus a first direct contact between CRG and GES – that following the accidents, the company added further guidance to its risk assessment processes and that safety performance is factored in management compensation. Yet, many outstanding issues remained, so a follow up email was sent to CRG.

Overall, Chinese companies may not be as versed as their western counterparts when it comes to addressing the concerns of global responsible investors but throughout this latest trip, GES observed an increasing interest in addressing these concerns. Therefore, we look forward to more productive engagement activities in 2017.

For further information, please contact:



Alexandru Giurgilă
Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

HYDROPOWER

Case changes after the update of GES' Hydropower Position Paper

In the previous Quarterly Engagement Report, GES communicated changes in its Hydropower Position Paper. Consequently, GES reviewed existing cases and concluded status changes for cases on **ALSTOM, DONGFANG, ICBC** and **ANDRITZ**.

As has previously been reported, an important change in our updated position is how GES assesses the leverage among suppliers to hydropower operators. From our own extensive experience of engaging with various companies and discussing this with hydropower experts, the updated position includes an understanding that it is unrealistic for hydropower suppliers to push the operator (i.e. its client) towards substantial changes in its ESG practices. However, if a supplier is identified as being systematically involved in controversial hydropower projects, a decision will be made as to whether GES will commence analysis and engagement. If analysis and engagement is started, the dialogue and engagement in such cases will focus on strengthening the company's ESG risk assessment systems.

With a slightly more focused scope, GES is able to intensify its dialogue and engagement with the companies with the most leverage, such as owners and lead operators, lead financiers and lead insurers. The case status changes are related to this change in position and are further explain below.

ALSTOM

Involvement in a controversial hydropower project in Sudan

Alstom no longer has a presence in Sudan. The company has also stated that it will not have any presence there until the international community is satisfied with the situation in the country. With regards to resettlements and compensation to local communities in the area, Alstom has referred to the operator of the Merowe hydropower operation, which in 2005 and 2007 informed stakeholders that the resettlement plan had been implemented and that all the affected people had

been re-housed. This information is however not externally verified and the **UNITED NATIONS** is not allowed into the area to report on the status of human rights.

Alstom has strengthened its corporate human rights due diligence processes in general and its ESG risk assessment for hydropower operations in particular. Alstom's hydropower personnel and knowledge have been transferred to the joint venture formed with **GENERAL ELECTRIC** in late 2015. Due to the company's improved ESG risk assessments and given a hydropower supplier's limited leverage towards the operator and owner of a hydropower project, GES regards measures taken by the company to be satisfactory and regards the case to be resolved.



GES visiting a hydropower dam under construction in Brazil

DONGFANG

Involvement in a controversial hydropower project in Ethiopia

Dongfang was contracted on to the Gibe III project, as the supplier of the turbines, only after the planning stage and the preparation of the Environmental Social Impact Assessment (ESIA). Dongfang has not been involved in any further construction of the project. The **ETHIOPIAN ELECTRIC POWER CORPORATION** is the sole owner and operator. Even though Dongfang was a materially important supplier to the Gibe III dam, it is highly unlikely that Dongfang had either sufficient leverage or was involved early enough in the project to have a material impact on the design and location of the dam or the ESIA. The company has stated that following the project tender phase, it undertakes a more comprehensive

BUSINESS CONDUCT ENGAGEMENT

assessment and takes measures to manage economic and environmental issues. Input from the company's project financiers are also taken into account in the assessment.

In GES' opinion, any supplier should undertake a thorough ESG due diligence check before becoming involved in a potentially controversial project. If suppliers are repeatedly involved in projects that violate international norms, GES will engage those suppliers to strengthen their ESG due diligence. GES will continue to monitor Dongfang and its possible relationship to future hydropower projects. GES still assesses the Gibe III dam project as a breach of several international norms. However, GES also recognises that suppliers, such as Dongfang in this case, have limited leverage on how social and environmental impacts from hydropower projects and operations are managed. GES has therefore decided to archive this case.

ICBC

Involvement in a controversial hydropower project in Ethiopia

ICBC was involved in the project indirectly through financing Dongfang, which supplied electrical and mechanical equipment for the Gibe III dam, and therefore had limited leverage on the project owners. GES still assesses the Gibe III dam project as a breach of several international norms. However, GES also recognises that minor financiers to hydropower projects, such as ICBC in this case, have very limited leverage to influence the management of social and environmental impacts. Thus, GES has decided to archive this case. According to the company, it always assesses environmental impacts before a project loan is given. GES will continue to monitor ICBC and its possible relationship to future hydropower projects.

ANDRITZ

Turbine supplier to the Ilisu hydropower project in Turkey

GES assesses that the Ilisu project breaches several international norms. Andritz entered the Ilisu dam project after the planning stage and has stated it will not be involved during the operational phase. Even though Andritz is one of the main suppliers of the Ilisu dam project, the

company's leverage is too limited for it to engage and affect the current location or the effects of the dam once it is in operation.



The Tigris running close to the town of Hasankeyf (Turkey), much of which will be flooded by the filling of the Ilisu dam

However, Andritz is also involved in the criticised hydro power project Xayaburi in Laos and in the criticised Belo Monte dam in Brazil. This indicates that Andritz is systematically involved in controversial hydropower projects. GES hence concludes that the company systematically fails to manage its project risk assessment and that the company should strengthen its policy and processes to avoid future involvement in projects that can be associated to violations of international norms such as the International Covenant on Economic, Social and Cultural Rights and the precautionary principle of the Convention on Biological Diversity.

For further information, please contact:



Stina Nilsson
Senior Engagement Manager



Bruce Jackson
Senior Engagement Manager



Aurora Samuelsson
Senior Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

GES' ENGAGEMENT TRIP TO ISRAEL

Together with several of our clients, GES travelled in April 2013 to Israel and Palestine to meet with Israeli and international companies operating on occupied Palestinian territories. In order to manage this dialogue in a comprehensive way GES decided to meet with as many stakeholders in this region as possible. This resulted in around 20 meetings with Israeli NGOs, authorities, companies and Israelis living in settlements on occupied Palestinian territory. GES also met with Palestinian investors, agricultural workers and representatives from the Palestinian civil society and passed through one of several check points close to Bethlehem to better understand the local context. It is evident that some things cannot be properly understood if they are not experienced first-hand. It is also easier to be correctly understood and to explain our position and analysis when meeting in person. The issue of companies associated to operations in the occupied Palestinian territories is sensitive in many aspects due to the complex nature where certain national laws and practices are not in line with international norms. This can lead to companies being associated to violations of international norms.

Since 2013, GES has continued its engagement with companies operating in this context. Most of the dialogues have improved significantly even though there are still examples of some companies that prefer not to have a dialogue due to unknown reasons. In the complex nature of the local context, and the sometimes quite polarised debate in general, several companies have expressed that GES' balanced and pragmatic approach in the engagement process is much appreciated. That was also one of the main reasons to why GES was invited to participate and speak at the first international CSR conference in Israel, "The Israeli CSR Experience" organised by **MAALA, UN GLOBAL COMPACT**'s regional network representative in November 2016.

GES was asked to present how dialogue is used by investors to engage with companies to enhance ESG risks and opportunities. GES' understanding is that this approach is not very common within the Israeli investor community yet, therefore it was

important to ensure that GES' work was presented in the best possible way in order to ensure it is correctly understood by as many stakeholders as possible. We find that it can sometimes be more efficient and concrete to use a real example presented by a company itself to describe GES' engagement process rather than to talk about it in general terms. Therefore, one of the companies GES has engaged with for many years, a Turkish bank, was asked to join GES in a panel session called "Engaging Investors". To complete the panel and to bring it into the local context, the organiser also invited an Israeli company to share its experience of having an active dialogue with its investors on ESG issues.



GES speaking at "The Israeli CSR Experience" conference in Tel Aviv – Credits: Aslak Skancke, Etikkrådet

After the session both international and local conference participants expressed that investor engagement in this way was new to several of them. Furthermore, several conference participants voiced that it had been very interesting to learn about investor's view on ESG and international norms in general, and in the Turkish and Israeli experience specifically.

While in Israel, GES also took the opportunity to meet in person with several of the companies that we have an ongoing engagement dialogue with. Together with investor clients we met with both representatives from **HEIDELBERG CEMENT**'s Israeli and its newly started Palestinian subsidiary. Furthermore, GES also met with the **ASSOCIATION OF BANKS IN ISRAEL** and representatives from **BANK HAPOLIM, BANK LEUMI, FIRST**

BUSINESS CONDUCT ENGAGEMENT

INTERNATIONAL BANK OF ISRAEL, ISRAEL DISCOUNT BANK and MIZRAHI TEFAHOT BANK. All companies expressed that they appreciate investors' and GES' effort to once again meet in person and for the respectful, balanced and good dialogue. During the visit, it was once again confirmed that dialogue and engagement is a way for investors to ensure companies mitigates ESG risks in line with international norms no matter in what context a company is operating. And at its best, a challenge that is managed correctly can transform into an opportunity.

2017 will mark the 50th year of the occupation of the Palestinian territories and GES expect that this will not pass unnoticed by various NGOs, stakeholders and policymakers. It is expected that there could be an increased focus on investors and their actions, or inactions, connected to this region. GES has a good understanding of the context and welcomes any questions from investors in relation to this.

On 25 January 2017, GES will organise a client webinar where it will share more of its overall view from its latest engagement trip to Israel. GES welcomes all clients to join.

For further information, please contact:



Flemming Hedén
Senior Engagement Manager



Aurora Samuelsson
Senior Engagement Manager

PALM OIL UPDATE

Discussion on deforestation in Southeast Asia

End of September 2016, GES travelled to Southeast Asia to meet with different stakeholders in the palm oil industry. One of the main events was the Innovation Forum conference in Singapore on deforestation in Asia, which had a strong focus on how palm oil producers and buyers, as well as NGOs and investors, can tackle the issue.

The forest fires in Indonesia in 2015, which were the worst fires since 1997, burned about 261,000 hectares of forests and peat land and sent haze across Malaysia, Indonesia and Singapore for weeks. According to the **WORLD RESOURCES INSTITUTE**, the fires emitted more CO₂ than the whole US economy alone.



Palm fruit and kernel section

In order to prevent this in the years to come, the conference participants discussed how to assist smallholders, who often use burning as a method to clear land for cultivation. As few smallholders have the equipment or financial means to cut trees instead of burning them, solutions were proposed by large palm oil producers to cooperate more with smallholders and try to help them find financial solutions at local banks. This will be a difficult process as relatively few local banks seemed interested in extending credit to smallholders.

Besides the carbon emissions, the fires also caused serious health problem for the people in the region. Researchers from Harvard and Columbia estimated there were close to 100,000 early deaths in Indonesia, Singapore and Malaysia.

BUSINESS CONDUCT ENGAGEMENT

According to the Indonesian authorities, the haze related death toll is only 19 though.

During the trip, GES met with **SIME DARBY** and **IJM PLANTATIONS** in Kuala Lumpur, **UNILEVER** in Singapore and **ASTRA AGRO LESTARI** in Jakarta.

The meeting with Indonesia's second largest trading plantation company by crude palm oil volume, Astra Agro Lestari, was interesting as the company has made good progress: it is working with the **CONSORTIUM OF RESOURCE EXPERTS** to implement the Sustainability Policy it developed in 2015. The policy is ambitious and includes commitments to no deforestation, conservation of peatlands and respecting human rights.

The discussions around carbon emissions, peat land protection and restoration of peat lands often touched upon the methods used to actually calculate how much carbon is present in a concession and what "no deforestation" actually means. Fortunately, in November 2016, the two methods used, the so-called High Carbon Stock (HCS) approach and the HCS+ Science Study merged into the HCS Convergence Agreement, which means that consensus had been reached on the HCS methodology, as well as protection of high conservation value areas and agreement around free, prior and informed consent requirements such as participatory mapping.

Overall much progress has been made in 2016 but there is obviously still a long way to go towards implementing these new agreements and policies in order to protect peatlands, reduce carbon emissions and assist smallholders.

For further information, please contact:



Nathalie Rasmussen
*Head of Business Conduct
Engagement*

THE ETHICS OFFICERS COALITION

GES' contribution to UNGC initiative in Poland

Responsible management of ESG topics has been attracting growing attention in the international arena, gradually becoming an indicator of a comprehensive strategy for a company's development. In the last few years, Poland has been adapting to this international trend. The development of good business practices in the country has been facilitated mostly by an increasing participation of multinational corporations in the Polish market and by local initiatives. GES supports these local efforts and in 2016 we decided to join the **ETHICS OFFICERS COALITION** launched by the **UN GLOBAL COMPACT POLAND**.

The main goal of the Ethics Officers Coalition is to promote and implement principles of business ethics in Polish companies and institutions. The Coalition was established at the Global Compact Conference in 2014 and now it comprises more than 70 businesses entities and organisations, including the **NATIONAL BANK OF POLAND**, the **NATIONAL FUND FOR ENVIRONMENTAL PROTECTION AND THE SOCIAL INSURANCE INSTITUTION**.

At the core of the initiative is a long-term programme and its first phase is due to be complete in 2020.

In 2016, in close cooperation with the **POLISH OMBUDSMAN**, experts in the field, representatives of public administration and business partners, the coalition defined the main challenges and discussed possible strategies to create a uniform ethical standard and methods to implement these in Polish enterprises.

Activities under the Ethics Officers' programme are an example of cooperation between many companies across different sectors, which over the long term has an ambition to address the following goals: gender equality, decent work as well as economic growth. In order to address the above-mentioned goals in a systematic manner, in 2016 the Coalition started working on a Management Standard for Ethical Programmes which could be implemented in Polish companies and institutions. To further enhance knowledge

BUSINESS CONDUCT ENGAGEMENT

exchange, a dedicated platform was launched and the Coalition members agreed to create the **ASSOCIATION OF ETHICS OFFICERS**, the purpose of which is to conduct educational activities for Ethics Officers as a professional group. It was also agreed that the Coalition will issue an annual report summarising the work undertaken and specifying further actions and recommendations for the upcoming year.

In December 2016, the Coalition presented the final version of the Management Standard for Ethical Programmes and over the long term it intends to make the Standard applicable for use internationally. Throughout this process, the Coalition's working group is compiling practical solutions and experiences. As the Standard is planned to be implemented in a number of Polish industries, the Coalition is planning to engage with different industries to analyse the challenges that might arise within specific sectors.

The Coalition was initiated by a handful of companies, but today the programme brings together representatives of virtually all economic sectors as well as relevant public institutions. The Coalition serves as an effective platform for both companies seeking to better manage business ethics and those more experienced in doing so. GES is happy to be an active member and provider of expertise and experience in the field.

For further information, please contact:



Ewelina Łukasik-Morawska
Engagement Manager

THE ICMM REVIEW OF TAILINGS MANAGEMENT

The **INTERNATIONAL COUNCIL ON MINING AND METALS** (ICMM) is an international organisation comprising 23 mining and metals companies and 34 regional and commodities associations established in 2001 with one of its goals being to establish a safer industry. The ICMM's tailings management review was announced in December 2015 following **SAMARCO's** Fundão dam collapse and the Mount Polley collapse in 2014. It should be noted that the review focuses on "catastrophic failures" and its objective is to move to a "zero catastrophic failure" industry.

The review has been prepared by **GOLDERS ASSOCIATES** with input from ICMM member companies. It addresses tailings management guidelines and makes recommendations for improvement.

The codes of the **MINING ASSOCIATION OF CANADA** (MAC) and the **CANADIAN DAM ASSOCIATION** (CDA) taken together have been identified as providing the best practice guidance in tailings containment facilities. Although change management (i.e. how changes to the dam design are planned, instituted and monitored) is not named per se, it is implicit in the use of checklists within the codes ensuring consistency throughout the lifecycle. Following the Mount Polley collapse, the Province of British Columbia implemented changes to its mining code which defines the role of the Engineer of Record (i.e. the responsible engineer) and when an independent review is required and this precedent is considered to represent current good practice.

The **AUSTRALIAN NATIONAL COMMITTEE ON LARGE DAMS** (ANCOLD) code and South African National Standards (SANS) were also considered to be adequately aligned with good practice, although neither have a specific requirement for change management.

The primary conclusion is that a tailings management framework, supported by a governance framework that meets minimal requirements should be adopted by all ICMM's

BUSINESS CONDUCT ENGAGEMENT

members. The second step is to implement assurance protocols to ensure a tailings management framework is in place. The review also lists five recommendation improvements:

- There should be a tailings storage facility classification system based upon consequences of a failure, with commensurate safety standards;
- A formal change management process to ensure material changes are fully considered and adopted and embedded into operations, maintenance and surveillance;
- Prescriptions for formal communication between engineers, operators and owners to share understanding of intent and design constraints and operations;
- A formal risk assessment by suitably qualified persons; and
- An independent review by suitably qualified and experienced professionals.

The ICMM has also issued a position paper, making a commitment from member companies “to implement practices consistent with the Tailings Governance Framework to minimise the risk of catastrophic failure” and identifies six key areas of management and governance:

- accountability, responsibility and competency;
- planning and resourcing;
- risk management;
- change management;
- emergency preparedness and response; and
- review and assurance.

GES has one concern: a similar exercise was undertaken by the **INTERNATIONAL COMMISSION ON LARGE DAMS** (ICOLD) in 2001 following a trend of reported failures in the preceding years. The 145-page report concluded, based on 221 case studies, that there were four main causes for all failures:

- lack of control of the water balance;
- lack of construction control;
- a general lack of understanding of the features that control safe operations; and
- lack of responsibility and ownership by operators.

ICOLD concluded that:

“...effective reduction of the cost of risk and failure can only be achieved by a commitment from Owners to the adequate and enforced application of available engineering technology to the design, construction and closure of tailings dams and impoundments over the entire period of their operating life”.

Is this not stating the same as the ICMM’s conclusion, that the governance exercised by owners and operators should be improved?

So, 15 years later is history repeating itself? Potentially yes, but since Samarco, there is a greater awareness within much of the mining industry that, in the future, the financial and reputational damage from a preventable catastrophic failure is too great to ignore.

For further information, please contact:



Bruce Jackson

Senior Engagement Manager

MCDONALD’S

Reflections after GES’ updated policy on franchisors’ responsibility

Since 2015, GES has engaged **MCDONALD’S** regarding labour rights violations such as wage issues, working time arrangements and under-aged staff working hours later than permitted by child labour laws taking place at the company’s franchisees in various countries of operations.

In the dialogue with GES, McDonald’s has continuously stated that due to the corporate structure, the company has no responsibility at all for employee relations at its franchisees as they are completely independent in the sense that employee contracts are directly between the franchisee and its employees. Thus, the inclusion and promotion of labour right standards are also up to the franchisee, McDonald’s holds.

BUSINESS CONDUCT ENGAGEMENT

Not only media has disputed the company's approach, but the **US NATIONAL LABOR RELATIONS BOARD** (NLRB) has issued complaints naming McDonald's as a "joint employer" of workers at its franchisees, implying the company could be held liable for labour violations by franchisees. The NLRB said in its investigation that McDonald's, through its franchise relationship and its use of tools, resources and technology, "engages in sufficient control over its franchisees' operations, beyond protection of the brand, to make it a putative joint employer with its franchisees, sharing liability for violations" of labour law the agency enforces.



Typical US McDonald's outlet

Early 2016, McDonald's and NLRB met in court where an administrative law judge began hearings in this suit that could have wide-ranging consequences for McDonald's franchising model. The court case is currently still ongoing. In the dialogue with GES, the company has not been willing to comment on what an outcome stating McDonald's shall be seen as a 'joint employer' would imply for the company.

This raises the issue of the franchisors' responsibility over the franchisees' operations, and in the last few months GES has carried out a review of this. Franchisors are expected to formalise systems and procedures so that it can be taught to and implemented by franchisees. In addition, it is the franchisors' responsibility to support the operations of their franchisees.

A current engagement case like McDonald's suggest that the company would also be responsible for incidents occurring at all entities performing activities within the company's value chain, including franchisees, as underlined by applicable international norms.

The **OECD** Guidelines for Multinational Enterprises (OECD Guidelines) stipulate that

enterprises should avoid causing or contributing to adverse impacts on matters covered by the OECD Guidelines. This includes labour rights through the company's own activities, but also states companies should encourage business partners to apply principles of responsible business conduct compatible with the OECD Guidelines. The OECD further clarifies that companies' own activities include activities in the supply chain and that relationships in the supply chain can take a variety of forms including franchising.

The **UN** Guiding Principles on Business and Human Rights (UNGP) stipulate that enterprises should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved. In this context, human rights should be understood as those expressed in the International Bill of Human Rights and the **INTERNATIONAL LABOUR ORGANIZATION**'s Declaration on Fundamental Principles and Rights at Work. The interpretative guide to the UNGP even goes one step further by specifying that, whilst business enterprises can have various structures including franchise models, the structure itself does not make any difference to whether entities within the group should respect human rights.

Taking into account the OECD Guidelines and the UNGP, GES concludes that companies are responsible for ensuring that their franchisees have business operations that are in line with international norms. This is particularly important for companies that derive the biggest share of their revenues through franchise agreements, such as McDonald's where franchisees constitute more than 80 per cent of the company's more than 14,000 US restaurants, and around 90 per cent of all restaurants worldwide. The outcome of the NLRB case might reconfirm this responsibility that the OECD Guidelines and UNGP already have outlined; the ruling is expected during 2017.

For further information, please contact:



Ellinor Hågebrink
Engagement Manager

EMERGING MARKETS ENGAGEMENT PROGRAMME

88 face-to-face meetings in 2016

EMERGING MARKET ENGAGEMENT PROGRAMME

- Established in 2009
- The goals with the EME programme are to:
 - Support investor clients in understanding and integrating ESG issues into investments in EM
 - Drive positive change on how EM companies mitigate ESG risks and explore ESG opportunities
 - Give investor clients unique market insight
- 88 face-to-face meetings in 2016
- More than 120 active engagement cases in 13 countries
- Engagement trips in 2016 to:
 - Mexico, Brazil, Argentina, South Africa, India, Russia, Hong Kong, Thailand, the Philippines, China Mainland, and South Korea.

In the past year, we broke our record for face-to-face meetings within the Emerging Market Engagement (EME) programme. GES managed to meet with 88 companies to discuss ESG risk assessment and mitigation. This is not good for our own carbon footprint, but we honestly believe that it is a “carbon investment” worth making, taking into account the influence that we are having on these companies.

Most of these companies essentially want to be responsible businesses, living up to responsible investors’ concerns. But they need clear guidance on what these concerns are and what can be done in practice to satisfy investor scrutiny on ESG policies, practices, performance and disclosure. That does not come out by sending standard questionnaires around the world. You can best influence and effect change when you have invested in building trust and an understanding of the organisation and business that you are engaging with.

What is interesting about the development of ESG and sustainability in the emerging markets is that

even though the markets in the past years have been experiencing major economic difficulties, the individual companies’ focus on developing practices in this area has not suffered set-backs at an equivalent scale. Yes, focus might be redirected to more short term financial issues and new initiatives might be put on hold, but the ESG awareness does not go away and as soon as ESG risk mitigation is built into the management systems with proper accountability, it becomes part of the value system of the organisation and not something to throw away when the company is meeting some headwind.



GES visiting the underground of a South African platinum mine

Russian oil company **LUKOIL** is one such case; it has traditionally released sustainability reports every second year, which is not satisfactory ESG disclosure for investors, particularly for oil companies. Within the EME, GES has met with Lukoil in Moscow five times since 2011. In 2015, the company finally made a commitment to GES that it would produce annual sustainability reports moving forward. Then the sanctions against Russia combined with a low oil price hit Lukoil, budgets were cut and the company had to put the plan for annual sustainability reports on hold. The commitment to ESG and engaging with responsible investors was, however, not scrapped.

In a recent meeting in Moscow, Lukoil was engaged as usual and addressed our questions and concerns. There is good progress in reducing the legacy issues with contaminated land and the plans to reduce carbon emissions and improve disclosure within the CDP framework are still on track. Moving forward, GES will continue the

STEWARDSHIP & RISK ENGAGEMENT

engagement with Lukoil to maintain the commitment to continuous improvements in ESG performance and to support Lukoil by making our priorities clear.

The EME programme has been growing over the years and seems to continue the trend with increased client interest in engaging proactively with high risk companies in emerging markets. Besides checking in and continuing the dialogue with all the existing engagement cases, we expect to add Taiwan to the list of EME trips in 2017. All clients interested in knowing more about the programme or interested in getting first-hand experience by joining one of the engagement trips, are welcome to contact us.

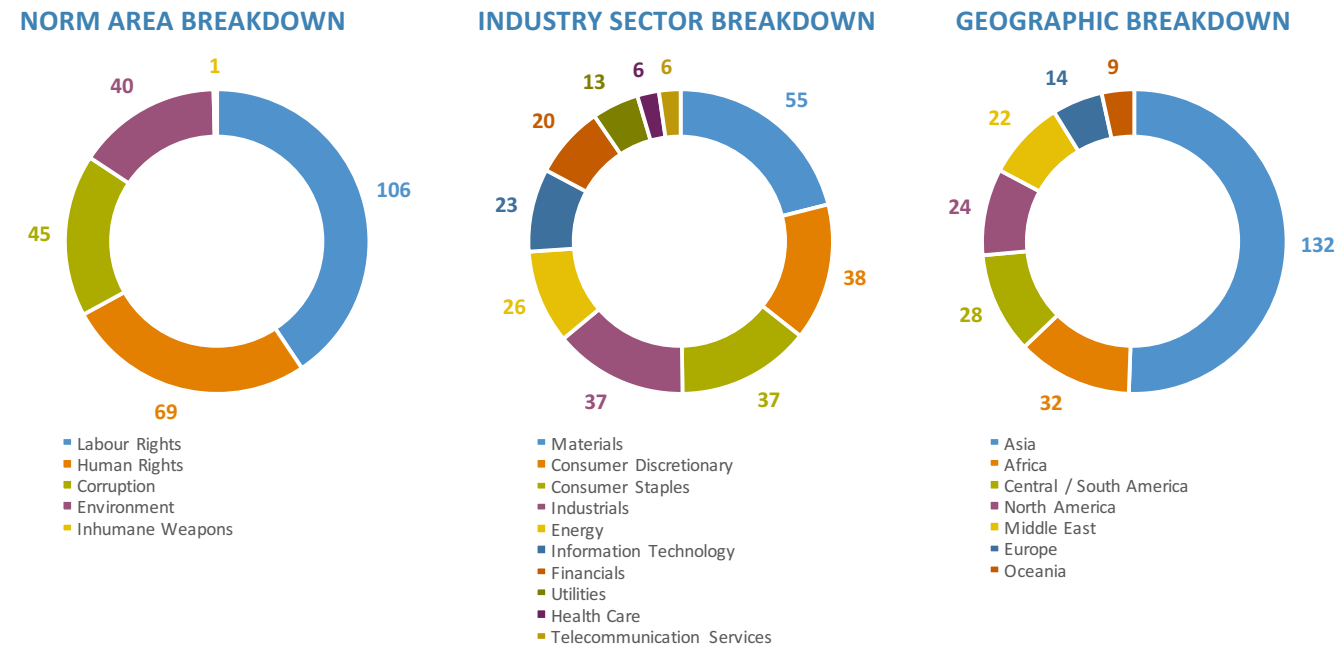
For further information, please contact:



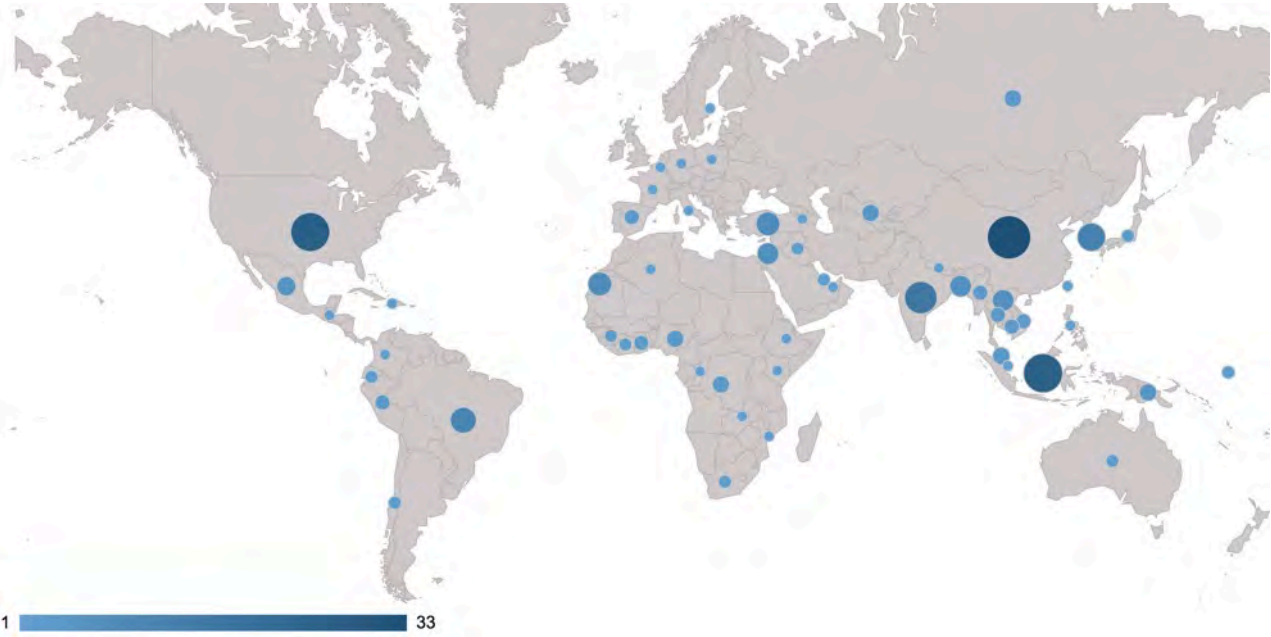
Palle Ellemann

*Head of Emerging Markets
Engagement*

ENGAGEMENT SUMMARY REPORT



ENGAGEMENT MAP



During Q4 2016 GES has been in active dialogue with companies as well as external sources associated to **261** business conduct issues.

In **84** “engage” cases we have continued our dialogue to track bespoke engagement goals and to seek measurable results of business conduct changes.

In **177** “evaluate” cases the objective of the dialogue is to bring the amount of credible information to a level that allows issuance of the next recommendation; either to archive the case or, to further engage with the company - if it is a case with severe consequences for the environment or humans.

COMPANY DIALOGUE & PROGRESS SUMMARY

HOW TO READ THIS REPORT

| | |
|-------------|---|
| Country | <p>The country in the list indicates where the business conduct issue occurred.</p> <p>The breakdown into the regions Africa, Asia, Central/South America, Europe, Middle East, North America and Oceania is based on where the company headquarter is.</p> |
| Year | <p>The year shows when the case was upgraded to Engage status.</p> |
| Response | <p>The indicator describes how the company responds to GES' inquiries.</p> <div><div></div> excellent</div> <div><div></div> good</div> <div><div></div> standard</div> <div><div></div> poor</div> <div><div></div> none</div> |
| Progress | <p>The indicator describes whether or not the violation continues, or how the company's work to prevent future violations is developing.</p> <div><div></div> excellent</div> <div><div></div> good</div> <div><div></div> standard</div> <div><div></div> poor</div> <div><div></div> none</div> |
| Performance | <p>The indicator describes the combined company progress and response performance.</p> <div><div></div> High performance: good or excellent response and / or progress of the business conduct issue</div> <div><div></div> Medium performance: standard level of response and progress</div> <div><div></div> Low performance: poor or no response in combination with poor or no progress</div> <p>new, same, better or worse – indicates the change in development since the last quarterly report.</p> |
| Time | <p>The indicator describes the time elapsed with low performance. One piece equals three months.</p> <div><div></div><p>After two years, the case will be reviewed by GES and a disengage recommendation can be issued if all other engagement options are ineffective.</p></div> |
| Milestone | <p>The indicator describes the milestone achieved.</p> <div><div></div><p>Milestone 1: Initial communication sent to the engagement company Milestone 2: Dialogue established Milestone 3: Company commits to address issue Milestone 4: Company develops a strategy to address issue(s) Milestone 5: Issue(s) resolved / strategy effective</p></div> |

AFRICA

EVALUATE LIST

ANGLOGOLD ASHANTI, IMPALA PLATINUM

ASIA

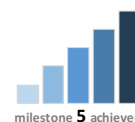
RESOLVED LIST

VEDANTA LIMITED (2010)
Environmental and human rights violations
in mining project

India

Change objective

Vedanta Limited has publicly stated it will not source bauxite from the disputed area without consent from the indigenous communities. After a comprehensive review of Vedanta's ESG management by an external consultant, policies and procedures have substantially improved.



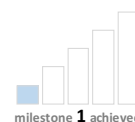
ENGAGE LIST

ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED (2015)
Environmental and human rights violations
in port project

India

Change objective

APSEZ should adhere to the court's orders and restore the damaged ecology in Mundra. The company should strictly follow the environmental clearance conditions granted for the Mundra port. APSEZ should improve local fishermen's livelihood and engage in stakeholder dialogue. All the company's efforts in Mundra should be clearly communicated to stakeholders.



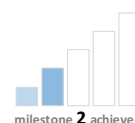
● poor ↘ poor ▼ same



BANGKOK BANK PUBLIC (2014)
Financing of a dam project with
environmental and human rights risks

Laos

Bangkok Bank should ensure that impacts from the Xayaburi dam are in line with international standards, before continuing financing the project. If not, the bank should withdraw its credit. To prevent financing of future similar projects the bank should adopt corporate policies that address environmental and social risks in infrastructure projects, e.g. the Equator Principles.

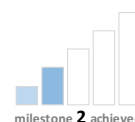


● standard ↘ poor ► same

CHINA RAILWAY CONSTRUCTION CORP (2011)
Forced evictions

Ecuador

CRCC should be transparent and inform its stakeholders on how it views the allegations surrounding the Mirador mining project in Ecuador. Furthermore, the company should demonstrate that it has implemented the necessary policies and programmes to properly assess and mitigate social and environmental risks of all its projects, including of its subsidiaries.

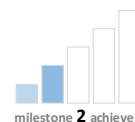


● standard → standard ► better

CHINA RAILWAY GROUP (2014)
Recurring fatal workplace accidents

China

China Railway Group should re-evaluate its existing health and safety policies and practices, and prevent future accidents by aligning its management systems with international standards, such as ILO Convention 167 on safety and health in construction, and ILO Convention 174 on prevention of major industrial accidents.

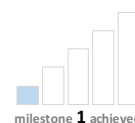


● standard ↘ poor ► better

COAL INDIA LIMITED (2016)
Deadly accidents at workplace

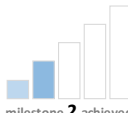
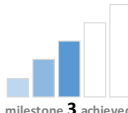
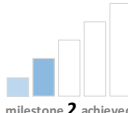
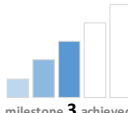
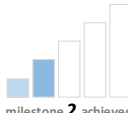
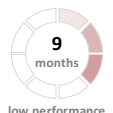
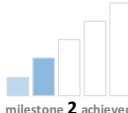
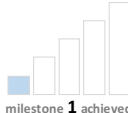
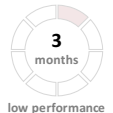
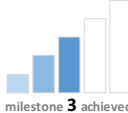
India

Coal India should adequately strengthen its health and safety management systems to an extent that would result in a material and sustained decrease in accident rates. The company should also demonstrate that it has thoroughly examined and investigated the root causes of past accidents, and subsequently identified and corrected gaps in its systems.



● standard → standard ► same

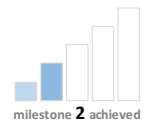
| | | | |
|--|-------------------|--|--|
| FAST RETAILING CO (2016) <i>Labour rights violations in supply chain</i> | China | Fast Retailing should further develop and implement measures to prevent labour rights violations across its supply chain, and ensure that these commitments are fulfilled throughout both the organisation and its suppliers. The company should also be more transparent regarding its actions to mitigate labour rights-related risk, and addressing any shortcomings in this area | <div> <div>● standard → standard ► new</div> <div>milestone 4 achieved</div> </div> |
| HYUNDAI HEAVY INDUSTRIES CO LTD (2016) <i>Recurring workplace accidents</i> | South Korea | Hyundai Heavy Industries should fully address and improve gaps in the company's health & safety management systems. It should also be more transparent with regards to publicly available information on its HSE performance. | <div> <div>● standard → standard ► new</div> <div>milestone 2 achieved</div> </div> |
| KASIKORNBANK (2014) <i>Financing of a dam project with environmental and human rights risks</i> | Laos | Kasikornbank should ensure that impacts from the Xayaburi dam are in line with international standards, before continuing financing the project. If not, the bank should withdraw its credit. To prevent financing of future similar projects the bank should adopt corporate policies that address environmental and social risks in infrastructure projects, e.g. the Equator Principles. | <div> <div>● good → standard ▲ same</div> <div>milestone 4 achieved</div> </div> |
| KRUNG THAI BANK (2014) <i>Financing of a dam project with environmental and human rights risks</i> | Laos | Krung Thai Bank should ensure that impacts from the Xayaburi dam are in line with international standards, before continuing financing the project. If not, the bank should withdraw its credit. To prevent financing of future similar projects the bank should adopt corporate policies that address environmental and social risks in infrastructure projects, e.g. the Equator Principles. | <div> <div>● standard ↓ none ► same</div> <div>milestone 2 achieved</div> </div> |
| PEGATRON (2015) <i>Poor working conditions</i> | China | Pegatron should prevent labour rights violations and ensure that it follows industry standards, such as the EICC's Code of Conduct. The company should be more transparent about actions it takes towards incidents, enforcement and remedial measures as well as audits. The company should also strengthen its reporting practices and disclose more viable information. | <div> <div>● standard ● standard ► same</div> <div>milestone 3 achieved</div> </div> |
| POSCO (2010) <i>Environmental and human rights violations in steel project</i> | India | POSCO should conduct comprehensive environmental and human rights impact assessments in consultation with local communities and ensure that it takes all steps to become aware of, prevent and address the adverse environmental and human rights impacts linked to the Odisha project. It should also align its group-wide policies with the UN Guiding Principles on Business and Human Rights. | <div> <div>● standard ↘ poor ► same</div> <div>milestone 2 achieved</div> </div> |
| POSCO (2010) <i>Human rights and environmental violations in a pipeline project</i> | Burma/ Myanmar | POSCO should ensure that Daewoo prevents negative human rights and environmental impacts of the Shwe project, and verify that the company and its subcontractors are not complicit in human rights abuses such as forced labour or illegal confiscation of land. POSCO should further encourage Daewoo to cooperate with the independent third-parties monitoring the project. | <div> <div>● standard ↘ poor ► same</div> <div>milestone 2 achieved</div> </div> |
| POSCO (2012) <i>Child labour and forced labour in cotton supply chain</i> | Uzbekistan | POSCO should cease its operations linked to Uzbek cotton or demonstrate how its subsidiary Daewoo is having a concrete positive impact on the harvesting practices in the country. POSCO should also align its group-wide policies with the UN Guiding Principles on Business and Human Rights and the ILO core conventions, especially conventions 138 and 182 on child labour and forced labour. | <div> <div>● standard → standard ► same</div> <div>milestone 3 achieved</div> </div> |

| | | | |
|---|---|--|---|
| POSCO DAEWOO (2010) <i>Human rights and environmental violations in a pipeline project</i> | Burma/ Myanmar | Daewoo should prevent negative human rights and environmental impacts of the Shwe Project, and ensure that neither the company itself or its contractors and subcontractors are complicit in human rights abuses such as forced labour or illegal confiscation of land. In addition, Daewoo should cooperate with independent, verifiable, third-parties monitoring the project. |  milestone 2 achieved |
| ● standard → standard ► same | | | |
| POSCO DAEWOO (2010) <i>Child labour and forced labour in cotton supply chain</i> | Uzbekistan | Daewoo should implement a supply chain management system aligned with the ILO core conventions, especially conventions 138 and 182, and use its leverage in Uzbekistan to push for better labour practices. If Daewoo is not able to guarantee that the cotton supplied to it is produced without forced labour, it should develop a timeline for withdrawing from Uzbekistan. |  milestone 3 achieved |
| ● standard → standard ► same | | | |
| PTT PCL (2011) <i>Biodiversity and food security impacts related to dam project on the Mekong River</i> | Laos | PTT should demonstrate that the dam is operated as designed regarding environmental and social risk mitigation. This includes flow management which prioritises the integrity of impacted fish populations and sediment flow above power production. |  milestone 2 achieved |
| ● standard → standard ► same | | | |
| SAMSUNG ELECTRONICS (2014) <i>Poor working conditions in various countries</i> | China | Samsung should ensure that its commitments on labour rights and the Supplier Code of Conduct are implemented and fulfilled throughout the organisation and its suppliers. The company should strengthen its monitoring and systematic auditing, including risk assessment, enforcement and remedial actions. The company should be more transparent with reporting. |  milestone 3 achieved |
| ● good → standard ▲ same | | | |
| SEVEN & I HOLDINGS CO (2015) <i>Labour rights violations at franchisees</i> | United States | 7&i should ensure its franchisees are aware and follow the company's Corporate Action Guidelines and Code of Corporate Conduct. Moreover, the company should expand the scope of its Business Partner Action Guidelines to include franchisees. 7&i should also develop better monitoring systems to detect, inter alia, potential labour law violations or payroll frauds within franchisees' operations. |  milestone 2 achieved |
| ● poor ↓ none ▼ same | | | |
| |  | | |
| SIAM COMMERCIAL BANK (2014) <i>Financing of a dam project with environmental and human rights risks</i> | Laos | Siam Commercial Bank should ensure that impacts from the Xayaburi dam are in line with international standards, before continuing financing the project. If not, the bank should withdraw its credit. To prevent financing of future similar projects the bank should adopt corporate policies that address environmental and social risks in infrastructure projects, e.g. the Equator Principles. |  milestone 2 achieved |
| ● standard ↘ poor ► same | | | |
| SUN HUNG KAI PROPERTIES (2016) <i>Human rights violations in various countries</i> | Nauru | Sun Hung Kai Properties should adhere to international human rights standards and comply with the UNHCR's recommendations to provide those detained within the centres with humane conditions. Ultimately, the company should end its involvement in the detention centres. |  milestone 1 achieved |
| ● poor ↓ poor ▼ same | | | |
| |  | | |
| TOKYO ELECTRIC POWER COMPANY (2011) <i>Unsafe nuclear power production</i> | Japan | TEPCO should ensure it operates its nuclear power plants safely, safely decommissions Fukushima Dai-ichi and that the negative effects from the Fukushima Dai-ichi nuclear accidents are remediated and compensated. Ensure that the company considers all options for future power production in order for nuclear to get a balanced role. |  milestone 3 achieved |
| ● standard → standard ► same | | | |

YAHOO JAPAN CORP (2016)
Environmental impact caused by online trade of endangered species

Japan

Yahoo Japan should prevent controversial activities at its websites by ensuring rigorous monitoring systems and adhering not only to local laws, but also international environmental standards. The company should strengthen its environmental policies and be more transparent with reporting on the actions taken towards incidents.

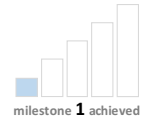


● standard → standard ► same

ZIJIN MINING GROUP (2015)
Environmental impacts from waste practices

Papua New Guinea

Zijin should exert pressure on Barrick to ensure responsible management of tailings and to address potential long-term legacy issues at Porgera. Zijin should adopt a policy of prohibiting the future use of riverine tailings disposal.

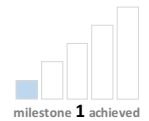


● none → standard ► better

ZIJIN MINING GROUP (2015)
Human rights violations in mining operation

Papua New Guinea

Zijin Mining Corp should demonstrate that an effective remedy framework is in place to compensate women who were sexually abused by security personnel at Porgera. The company should also demonstrate compliance with the Voluntary Principles on Security and Human Rights. Policies and procedures should be aligned with international standards on resettlement and compensation.



● none ↗ good ► better

EVALUATE LIST

ADARO ENERGY PT, AGRICULTURAL BANK OF CHINA, ALUMINUM CORPORATION OF CHINA, ASUSTEK COMPUTER INC, BHARAT HEAVY ELECTRICALS LIMITED, BYD COMPANY, CHINA COMMUNICATIONS CONSTRUCTION CO, CHINA PETROLEUM & CHEMICAL CORP, CHINA RAILWAY GROUP, CHINA STEEL, COAL INDIA LIMITED, DMCI HOLDINGS, ELECTRIC POWER DEVELOPMENT, ELECTRICITY GENERATING, FELDA GLOBAL VENTURES, GOLDEN AGRI-RESOURCES, GUANGZHOU AUTOMOBILE GROUP, HANWHA CHEMICAL CORP, HINDALCO, HINDUSTAN PETROLEUM CORP, HON HAI PRECISION INDUSTRY CO, HONDA MOTOR CO, HTC CORP, HYUNDAI ENGINEERING & CONSTRUCTION, HYUNDAI HEAVY INDUSTRIES CO LTD, HYUNDAI MOTOR COMPANY, IJM CORPORATION BERHAD, INDOFOOD SUKSES MAKMUR, INDUSTRIAL AND COMMERCIAL BANK OF CHINA, IOI CORP, ITOCHU CORP, KOREA ELECTRIC POWER CORPORATION, KT&G, KUALA LUMPUR KEPONG, LG CHEMICAL, LG CORP, LG ELECTRONICS, NINTENDO CO, NTPC, OIL & NATURAL GAS CORPORATION, OLYMPUS CORP, PANASONIC CORPORATION, PETROCHINA, POSCO, POSCO DAEWOO, RELIANCE INDUSTRIES, SAMSUNG C&T, SAMSUNG ELECTRONICS, SAMSUNG SDI, SINA CORP, SINGAPORE TECHNOLOGIES ENGINEERING, SK HOLDINGS, TATA POWER, TATA STEEL, TDK CORP, THAI UNION GROUP, TOYOTA MOTOR CORPORATION, WILMAR INTERNATIONAL LIMITED, ZTE

DISENGAGE LIST

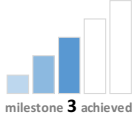
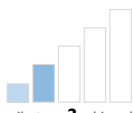
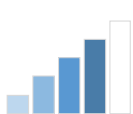

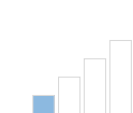
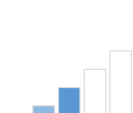

HANWHA CORPORATION

Involvement in cluster munitions

South Korea

CENTRAL / SOUTH AMERICA

ENGAGE LIST

| | | Change objective | |
|--|---------------|---|---|
| CEMEX (2016) <i>Illegal settlements in occupied territories</i> | Palestine | Cemex should demonstrate that its operations on Occupied Palestinian Territory are in compliance with international humanitarian law. A structured dialogue with relevant stakeholders as well as an effective grievance mechanism are key elements needed to achieve that. |  milestone 3 achieved |
| ● standard → standard ► same | | | |
| ELETROBRAS (2016) <i>Corruption practices</i> | Brazil | Eletrobras should ensure that the bribery scheme has been investigated thoroughly and it should cooperate with the investigating authorities. Its anti-corruption programme should be strengthened in order to reflect its corruption risk exposure. Allocated resources, implementation, corrective actions and external verification in relation to the programme should be communicated. |  milestone 2 achieved |
| ● standard → standard ► better | | | |
| ELETROBRAS (2011) <i>Violation of indigenous peoples' rights</i> | Brazil | Eletrobras should recognise the rights of indigenous peoples as stipulated in relevant international norms. The company should also ensure that resettled people and other people affected by the dam are compensated and consulted in accordance with international norms. Appropriate environmental mitigation programmes should be carried out and verified by an independent third party. |  milestone 4 achieved |
| ● good ↗ good ▲ same | | | |
| GRUPO MEXICO (2016) <i>Human rights violations in mining project</i> | Peru | Grupo Mexico should align its practices to the Voluntary Principles on Security and Human Rights, or similar. The company should demonstrate that an adequate and continuous consultation process is being carried out in the communities nearby the project, as well as have a water management system in place for the Tia Maria project, aligned with international standards. |  milestone 2 achieved |
| ● standard → standard ► same | | | |
| JBS SA (2015) <i>Repeated labour rights violations</i> | United States | JBS should take responsibility for addressing the frequent health and safety (H&S) incidents at its subsidiaries. It should further develop H&S policies and practices aligned with ILO standards, and ensure their enforcement across the group. This should include proactively assessing risks and mitigating hazards, and be complemented with an appropriate disclosure. |  milestone 2 achieved |
| ● standard ↘ poor ► same | | | |
| PETROBRAS (2015) <i>Corrupt practices</i> | Brazil | Petrobras should ensure that the bribery scheme has been investigated thoroughly and it should cooperate with the investigating authorities. Its anti-corruption programme should be strengthened in order to reflect its corruption risk exposure. Allocated resources, implementation, corrective actions and external verification in relation to the programme should be communicated. |  milestone 3 achieved |
| ● standard → standard ► same | | | |
| SOUTHERN COPPER CORPORATION (2016) <i>Human rights violations in mining project</i> | Peru | SCC should align its practices to the Voluntary Principles on Security and Human Rights, or similar. The company should demonstrate that an ongoing and adequate consultation process is in place in the communities nearby the project, as well as have a water management system in place for the Tia Maria project, aligned with international standards. |  milestone 2 achieved |
| ● standard → standard ► same | | | |

VALE SA (2016)

*Environmental and human rights
violations caused by dam collapse*

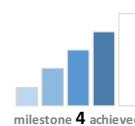
Brazil

Vale should identify the cause(s) of the dam failure, assess all dams within its control to prevent similar failures in the future; develop a remedial strategy for the affected communities and the environment; ensure dam monitoring and maintenance systems and emergency procedures are in place.

● good

→ standard

▲ same



EVALUATE LIST

BRASKEM SA, CEMEX, COMPANHIA SIDERURGICA NACIONAL, GERDAU PN, GRUPO MEXICO, MEXICHEM SAB DE CV, PETROBRAS, SOUTHERN COPPER CORPORATION, SUZANO PAPEL E CELULOSE

EUROPE

RESOLVED LIST

| | | |
|--|-------|---|
| ALSTOM (2007) <i>Human rights violations in hydropower project</i> | Sudan | Change objective Alstom is no longer present in Sudan and has stated that it will not have any presence there until the international community is satisfied with the situation in the country. Alstom has strengthened its corporate human rights due diligence processes. |
|--|-------|---|



| | | |
|---|--------------------|---|
| SEVERSTAL PAO (2016) <i>Recurring fatal accidents</i> | Russian Federation | Change objective Severstal paid compensation to the families of the deceased and to those that had long-term injuries as a result of the explosions; possible causes of the explosion have been proposed but cannot be confirmed due to lack of access; and implementation of measures to mitigate similar risks in the future have been or are being out in place. |
|---|--------------------|---|



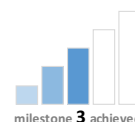
ENGAGE LIST

| | | |
|---|--------|---|
| ANDRITZ AG (2010) <i>Supplying to dam projects resulting in breaches of international standards</i> | Turkey | Change objective Andritz should adopt corporate policies that address environmental and social risks in infrastructure projects. The policies should advocate a precautionary approach and require that projects comply with internationally proclaimed environmental and social standards. |
|---|--------|---|



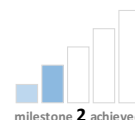
● standard ➤ poor ► same

| | | |
|---|-------------|---|
| BARRY CALLEBAUT AG (2010) <i>Child labour in the cocoa industry</i> | Ivory Coast | Barry Callebaut should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up. |
|---|-------------|---|



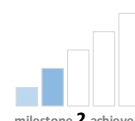
● standard ➔ standard ► same

| | | |
|--|-------|--|
| DEUTSCHE POST (2015) <i>Anti-union practices</i> | India | Deutsche Post should ensure its Code of Conduct is observed throughout its global operations, including subsidiaries. This refers to the CoC generally and freedom of association specifically. DP should ensure it has accurate processes to manage employee complaints, and report more transparently on the number of complaints and the measures taken to ensure compliance with the code. |
|--|-------|--|

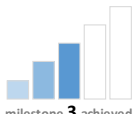
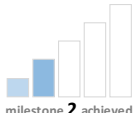
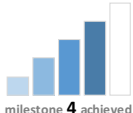
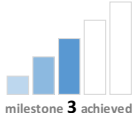
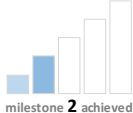
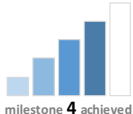
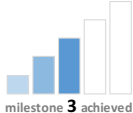
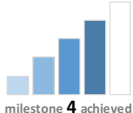


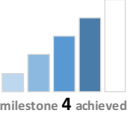

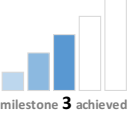
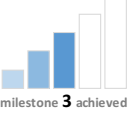



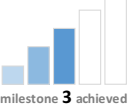
● standard ➔ standard ► worse



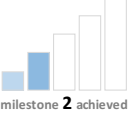

| | | |
|---|---------------|---|
| DEUTSCHE TELEKOM (2016) <i>Anti-union practices at subsidiary</i> | United States | Deutsche Telekom should ensure that the alleged practices of hindering freedom of association at T-Mobile US (TMUS) will cease and the subsidiary will engage in a dialogue with employees supporting unionisation. Deutsche Telekom should assure that TMUS' management of labour rights is aligned with the ILO core conventions. |
|---|---------------|---|



● standard ➔ standard ► same

| | | | |
|--|----------------|--|---|
| ENI (2015) <i>Corrupt practices</i> | Nigeria | ENI should demonstrate that its code of conduct, due diligence and risk management processes in the areas of acquisitions and divestments are robust and universally applied. |  milestone 3 achieved |
| ● standard → standard ► better | | | |
| FERROVIAL (2015) <i>Human rights violations in various countries</i> | Nauru | Ferrovial should adhere to international human rights standards and comply with the UNHCR's recommendations to provide those detained within the centres with humane conditions. Ultimately, the company should end its involvement in the detention centres. |  milestone 2 achieved |
| ● standard → standard ► same | | | |
| G4S (2011) <i>Human rights violations in occupied territories</i> | Palestine | G4S should properly investigate and address its activities allegedly in breach of International Humanitarian Law. The company should implement measures to prevent such allegations in the future and improve the risk assessment of its activities in high risk zones. |  milestone 4 achieved |
| ● excellent ↗ good ▲ same | | | |
| GLAXOSMITHKLINE (2015) <i>Corrupt practices</i> | China | GlaxoSmithKline should improve its anti-corruption programme in order to reflect its corruption risk exposure. The anti-corruption programme should be transparent in terms of allocated resources, implementation, follow-up mechanisms, corrective actions and external verification. |  milestone 3 achieved |
| ● standard → standard ► same | | | |
| GLENCORE PLC (2015) <i>Operations in occupied territory</i> | Western Sahara | Glencore should demonstrate how its activities in Western Sahara are in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights. Should this not be possible, the company should withdraw from Western Sahara. |  milestone 2 achieved |
| ● standard ↓ none ► same | | | |
| GLENCORE PLC (2013) <i>Environmental impact from pollution incidents</i> | Australia | Glencore should show that lead from the Mt Isa Mine is no longer a concern to the local community and should manage any issues in an appropriate manner. At McArthur River, there should be a costed and practical remediation plan for the mine addressing potential legacy issues e.g. acid rock discharge. |  milestone 4 achieved |
| ● standard → standard ► same | | | |
| HEIDELBERGCEMENT (2015) <i>Violations of international law in occupied territories</i> | Palestine | HeidelbergCement should be able to demonstrate that its operations on Occupied Palestinian Territory are in compliance with international humanitarian law. A structured dialogue with relevant stakeholders as well as an effective grievance mechanism are key elements needed to achieve that. |  milestone 3 achieved |
| ● excellent ↗ good ▲ same | | | |
| HENNES & MAURITZ (2010) <i>Recurring violations in the cotton supply chain</i> | Uzbekistan | H&M should take all appropriate measures to trace its cotton back to the source in order to proactively address social risks at different stages within its supply chain. In particular, the company should ensure that it does not source any cotton originating from Uzbekistan, or otherwise produced using forced labour. |  milestone 4 achieved |
| ● good ↗ good ▲ same | | | |

| | | | |
|---|--------------------|--|---|
| HSBC HOLDINGS (2016) <i>Recurring incidents of money laundering in various countries</i> | United States | HSBC should implement systems and controls that prevent financial crime and money laundering and demonstrate that they are robust and universally applied. |  milestone 4 achieved |
| ● good → standard ▲ same | | | |
| LEONARDO - FINMECCANICA SPA (2013) <i>Corrupt practices</i> | India | Leonardo-Finmeccanica should adopt an anti-corruption policy that includes a zero tolerance for bribery, and should improve its anti-corruption programme in order to reflect its corruption risk exposure. The programme should be transparent in terms of allocated resources, implementation, follow-up mechanisms, corrective actions and external verification. |  milestone 3 achieved |
| ● good ↗ good ▲ same | | | |
| LINDT & SPRUENGLI AG (2011) <i>Child labour in cocoa industry</i> | Ghana | Lindt and Spruengli should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up. |  milestone 3 achieved |
| ● excellent ↗ good ▲ same | | | |
| NESTLE SA (2009) <i>Child labour in cocoa industry</i> | Ghana | Nestlé should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up. |  milestone 3 achieved |
| ● excellent ↗ good ▲ same | | | |
| NORDEA BANK (2015) <i>Money laundering</i> | Sweden | Nordea should ensure that the issues raised by the Swedish Financial Supervisory Authority is addressed and managed in a responsible manner in order to manage the risks of contributing to illegal money laundering and facilitating financing of illegal activities such as terrorism. |  milestone 4 achieved |
| ● standard → standard ► same | | | |
| NORILSK NICKEL (2010) <i>Environmental and health impacts from metal extraction operations</i> | Russian Federation | Norilsk Nickel should ensure for its Polar division that operations-related health impacts are properly managed, that emissions will not cause excessive harm to the environment and that historical impacts are properly remediated. Operations should align with the Russian environmental regulations, the CLRTAP, the Espoo Convention and the UN CBD. |  milestone 3 achieved |
| ● standard → standard ► same | | | |
| ROYAL DUTCH SHELL (2015) <i>Corrupt practices</i> | Nigeria | Shell should demonstrate that its code of conduct, due diligence and risk management processes in the areas of acquisitions and divestments are robust and universally applied. |  milestone 2 achieved |
| ● standard → standard ► same | | | |
| ROYAL DUTCH SHELL (2009) <i>Human rights violations resulting from pollution and environmental damage</i> | Nigeria | Shell should have a detailed program in place to address the recommendations of the UNEP's Environmental Impact Assessment of Ogoniland, and demonstrate that regular progress is being made towards achieving the objectives. The company should communicate the plan and progress transparently to shareholders. Shell should also exert its influence on all stakeholders to counter oil theft activity and its related social and environmental impacts. |  milestone 3 achieved |
| ● good → standard ▲ same | | | |

| | | | |
|---|---------------|---|--|
| TELIA COMPANY AB (2012) <i>Corrupt practices</i> | Uzbekistan | Telia Company should deploy an anti-corruption programme adapted to its corruption risk exposure. The anti-corruption programme should be transparent in terms of allocated recourses, implementation, follow-up mechanisms, corrective actions and external verification. |  milestone 4 achieved |
| ● excellent ↗ good ▲ same | | | |
| VINCI (2015) <i>Exploitation of migrant workers</i> | Qatar | Vinci should adopt a human rights policy in line with the UN Global Compact and the basic ILO conventions on labour rights. The policy should cover the company's worldwide operations, including subsidiaries and subcontractors. In addition, the company should make sure it has the appropriate systems in place to make sure the policy is followed at all its operations. |  milestone 4 achieved |
| ● good ↗ good ▲ same | | | |
| VOLKSWAGEN (2016) <i>Environmental impact caused by emissions defeat device</i> | United States | VW should ensure the Supervisory Board has the necessary skills and independence and ensure oversight of the company's risk and its management systems. Furthermore, VW needs to appoint a management board executive accountable for environment and consumer protection. |  milestone 2 achieved |
| ● standard ↘ poor ► same | | | |
| VTB BANK (2011) <i>Financing of project with environmental risks</i> | Armenia | VTB Bank should strengthen its risk assessment process and monitoring process in large projects and should sign the Equator Principles. The company should also ensure that the operating company, Vallex Group, adopts a precautionary principle approach since the mining project is located in a sensitive biodiversity area. |  milestone 3 achieved |
| ● standard ↘ poor ► same | | | |

EVALUATE LIST






AIRBUS GROUP, ALSTOM, AP MOLLER MAERSK, ARCELORMITTAL, BAE SYSTEMS, BASF, BOLIDEN, BRITISH AMERICAN TOBACCO, ELECTRICITE DE FRANCE, ENEL, ENGIE, ENI, EUTELSAT COMMUNICATIONS, FIAT CHRYSLER AUTOMOBILES, GLENCORE PLC, HENNES & MAURITZ, HOCHTIEF, INDITEX, INVESTOR AB, KGHM, LUKOIL, MARKS & SPENCER GROUP, NESTLE SA, NOVARTIS AG, RECKITT BENCKISER, RENAULT, REPSOL SA, ROSNEFT, SAINSBURY, SAIPEM, SHIRE PLC, SIEMENS, STANDARD CHARTERED PLC, TELENOR, TELIA COMPANY AB, TENARIS SA, THALES, THYSSENKRUPP, UNILEVER, WARTSILA OYJ ABP, VOLKSWAGEN AG

DISENGAGE LIST

| | |
|---|----------------|
| AIRBUS GROUP <i>Nuclear weapons programmes</i> | France |
| BAE SYSTEMS <i>Nuclear weapons programmes</i> | United Kingdom |
| LEONARDO - FINMECCANICA SPA <i>Nuclear weapons programmes</i> | France |
| SAFRAN GROUP <i>Nuclear weapons programmes</i> | France |

MIDDLE EAST

ENGAGE LIST

| | | Change objective | |
|---|-----------|--|---|
| AKBANK (2010) <i>Financing of a dam project resulting in breaches of environmental standards</i> | Turkey | Akbank should adopt corporate policies that address environmental and social risks in infrastructure projects. The policies should advocate a precautionary approach and require that projects comply with internationally proclaimed environmental and social standards. |  milestone 4 achieved |
| ● standard ↘ poor ► same | | | |
| BANK HAPAOALIM (2010) <i>Financing of illegal settlements in occupied territories</i> | Palestine | Bank Hapoalim should cease providing financial support to activities that are linked to violations of the Fourth Geneva Convention. The bank should adopt a corporate policy that supports the protection of internationally proclaimed human rights and the humanitarian law. |  milestone 3 achieved |
| ● good ↓ none ► same | | | |
| BANK LEUMI (2010) <i>Financing of illegal settlements in occupied territories</i> | Palestine | Bank Leumi should cease providing financial support to activities that are linked to violations of the Fourth Geneva Convention. The bank should adopt a corporate policy that supports the protection of internationally proclaimed human rights and the humanitarian law. |  milestone 3 achieved |
| ● good ↓ none ► same | | | |
| MIZRAHI TEFAHOT BANK LTD (2010) <i>Financing of illegal settlements in occupied territories</i> | Palestine | Mizrahi Tefahot Bank should cease providing financial support to activities that are linked to violations of the Fourth Geneva Convention. The bank should adopt a corporate policy that supports the protection of internationally proclaimed human rights and the humanitarian law. |  milestone 3 achieved |
| ● good ↓ none ► same | | | |
| TURKIYE GARANTI BANKASI (2010) <i>Financing of a dam project resulting in breaches of environmental standards</i> | Turkey | Turkiye Garanti Bankasi should adopt corporate policies that address environmental and social risks in infrastructure projects. The policies should advocate a precautionary approach and require that projects comply with internationally proclaimed environmental and social standards. |  milestone 4 achieved |
| ● good → standard ▲ same | | | |

EVALUATE LIST

GLOBAL TELECOM HOLDING SAE

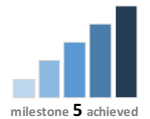
DISENGAGE LIST

| | |
|---|-----------|
| ELBIT SYSTEMS <i>Security systems for illegal separation barrier in occupied territories</i> | Palestine |
| TURKIYE HALK BANKASI <i>Financing of a dam project resulting in breaches of environmental standards</i> | Turkey |

NORTH AMERICA

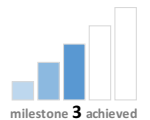
RESOLVED LIST

| | | |
|--|--------|--|
| AES CORP (2008) <i>Violation of indigenous peoples' rights</i> | Panama | AES has addressed critical issues related to the dam, in particular in relation to resettlements, agreements with indigenous peoples in the area and environmental impacts. International bodies have confirmed improvements. AES Panama has also strengthened its human rights due diligence processes. |
|--|--------|--|



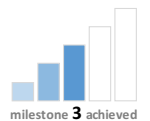
ENGAGE LIST

| | | |
|---|----------------|---|
| AGRIUM (2014) <i>Operations in occupied territory</i> | Western Sahara | Agrium should create and implement a plan on how to cease its imports of phosphates from Western Sahara, or demonstrate how the exploitation is in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights. |
|---|----------------|---|



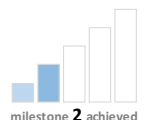
● standard → poor ► same

| | | |
|---|--------|--|
| APPLE INC (2009) <i>Labour rights violations at suppliers</i> | Taiwan | Apple should prevent labour rights violation in its supply chain and ensure that its commitments on labour rights are implemented and fulfilled throughout the organisation and its suppliers. The company should be more transparent about the actions it takes towards incidents and engage in stakeholder dialogue. |
|---|--------|--|



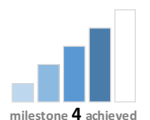
● poor → standard ► same

| | | |
|---|------------------|--|
| BARRICK GOLD CORP (2009) <i>Human rights violations in mining operation</i> | Papua New Guinea | Barrick should demonstrate that an effective remedy framework is in place to compensate women who were sexually abused by security personnel at Porgera. The company should also demonstrate compliance with the Voluntary Principles on Security and Human Rights. Policies and procedures should be aligned with international standards on resettlement and compensation. |
|---|------------------|--|



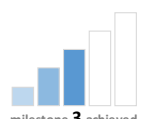
● standard → standard ► same

| | | |
|--|------------------|---|
| BARRICK GOLD CORP (2009) <i>Environmental impacts from waste practices</i> | Papua New Guinea | Barrick should manage its tailings at Porgera responsibly and commit to remediating the impacted environment. Barrick should address the remediation required of the two erodible dumps to prevent sediment wash into the river, and address long-term potential legacy issues e.g. acid mine discharges. |
|--|------------------|---|

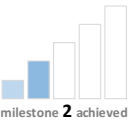
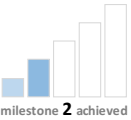
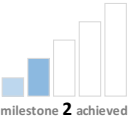
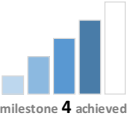
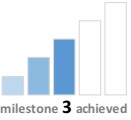

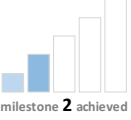
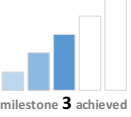



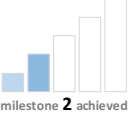
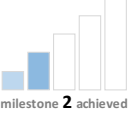
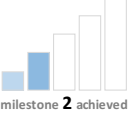
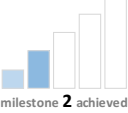
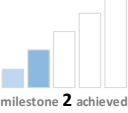

● standard → standard ► same

| | | |
|--|--------|--|
| CROWN HOLDINGS (2016) <i>Anti-union practices in several countries</i> | Turkey | Crown Holdings needs to make sure that its policies and processes are in compliance with ILO conventions referring to the right to organise and collective bargaining. |
|--|--------|--|



● poor → standard ► better

| | | | |
|---|---------------|---|---|
| ENBRIDGE (2016) <i>Violations of indigenous peoples' rights</i> | United States | Enbridge should make sure that the Dakota Access Pipeline project is compliant with international norms with regards to indigenous peoples' rights as well as the right to freedom of peaceful assembly. It should attempt to participate in dialogues with US authorities, the Standing Rock Sioux tribe and other relevant stakeholders, to find a common solution to disparities. |  milestone 2 achieved |
| ● standard ↓ none ► new | | | |
| FREEPORT MCMORAN (2009) <i>Environmental impacts from waste practices</i> | Indonesia | Freeport should manage its tailings at Grasberg responsibly and commit to remediating the impacted environment. Freeport should address the remediation required of the two erodible dumps to prevent sediment wash into the river, and address long-term potential legacy issues e.g. acid mine discharges. |  milestone 2 achieved |
| ● standard ↘ poor ► same | | | |
| FREEPORT MCMORAN (2009) <i>Human rights violations by security forces</i> | Indonesia | Freeport should demonstrate that its regular payments to Indonesian police and military are being administered in a fully transparent manner and do not contribute to human rights abuses. The company should demonstrate implementation of the Voluntary Principles on Security and Human Rights. |  milestone 2 achieved |
| ● standard ↘ poor ► same | | | |
| GOLDCORP (2008) <i>Violations of indigenous peoples' rights</i> | Guatemala | Goldcorp should, as a part of integrating human rights due diligence at its operations, ensure adequate representation of indigenous communities in all consultation processes and implement grievance mechanisms. As requested in the revised precautionary measures by the Inter-American Commission on Human Rights, Goldcorp should provide local communities with potable water of good quality. |  milestone 4 achieved |
| ● good ↗ good ▲ same | | | |
| HERSHEY (2010) <i>Child labour in cocoa industry</i> | Ivory Coast | Hershey should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up. |  milestone 3 achieved |
| ● standard → standard ► same | | | |
| MATTEL (2010) <i>Poor working conditions at supplier factories</i> | China | Mattel should prevent labour rights violations in its supply chain through effective implementation and proactive enforcement of its Responsible Supply Chain Standards at all Mattel-owned factories as well as vendors. The company should also be more transparent about the auditing process and findings. |  milestone 4 achieved |
| ● standard → standard ► same | | | |
| MCDONALD'S CORP (2015) <i>Labour rights violations at franchisees</i> | United States | McDonald's should actively promote the company's Standard of Business Conduct among its franchisees, and ensure franchisees live up to this especially with regards to labour rights. Efforts taken by the company to ensure compliance in this area should be transparently reported to relevant stakeholders. |  milestone 2 achieved |
| ● standard ↘ poor ► same | | | |
| MONDELEZ INTERNATIONAL (2009) <i>Child labour in the cocoa industry</i> | Ghana | Mondelez should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up. |  milestone 3 achieved |
| ● excellent ↗ good ▲ same | | | |

| | | | | |
|--|----------------|--|--|---|
| MOTOROLA SOLUTIONS (2010) <i>Human rights violations in occupied territories</i> | Palestine | Motorola Solutions should cease the provisioning of surveillance systems for protecting illegal Israeli settlements in the OPT. The company should also widen the scope of its Human Rights policy to fully conform to international human rights and IHL and address specific risks associated to how its products are used. |  <div> ● poor ↓ none ▼ same </div> |  <div>milestone 2 achieved</div> |
| PHILLIPS 66 (2016) <i>Violations of indigenous peoples' rights</i> | United States | Phillips 66 should make sure that the Dakota Access Pipeline project is compliant with international norms with regards to indigenous peoples' rights as well as the right to freedom of peaceful assembly. It should attempt to participate in dialogues with US authorities, the Standing Rock Sioux tribe and other relevant stakeholders, to find a common solution to disparities. | <div> ● standard ↓ none ▶ new </div> |  <div>milestone 2 achieved</div> |
| POTASH CORP SASKATCHEWAN (2010) <i>Operations in occupied territory</i> | Western Sahara | PotashCorp should create and implement a plan on how to cease its imports of phosphates from Western Sahara, or demonstrate how the exploitation is in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights. | <div> ● none ↓ none ▼ worse </div> |  <div>milestone 2 achieved</div> |
| STARBUCKS CORP (2014) <i>Anti-union practices</i> | Chile | Starbucks should prevent labour rights violations and ensure that no anti-union practices take place at either its own stores or licensees. In this work, the company should make clear commitments to comply with international norms such as the ILO conventions. Its efforts should also be transparently reported to relevant stakeholders. | <div> ● standard ↗ good ▲ same </div> |  <div>milestone 2 achieved</div> |
| T-MOBILE US (2016) <i>Anti-union practices</i> | United States | T-Mobile US (TMUS) should cease the alleged practices of hindering freedom of association at the company and engage in a dialogue with employees supporting unionisation. The company should adhere to the US National Labor Relations Board's decisions. TMUS' management of labour rights should be aligned with the ILO core conventions. | <div> ● standard → standard ▶ same </div> |  <div>milestone 2 achieved</div> |
| WELLS FARGO & CO (2016) <i>Workplace harassment and retaliation</i> | United States | Wells Fargo should ensure that it implements and monitors systems and procedures that protect employees from workplace harassment and from retaliation in cases where misconduct is reported. To support these systems and procedures, Wells Fargo should re-align its corporate culture so as to regain a sense of purpose and integrity, to redefine banking and restore trust with customers, employees and other stakeholders. | <div> ● none ↓ none ▼ new </div> |  <div>milestone 1 achieved</div> |

EVALUATE LIST

AMAZON.COM, ARCHER DANIELS MIDLAND, BRISTOL-MYERS SQUIBB CO, CISCO SYSTEMS, COLGATE-PALMOLIVE, COSTCO WHOLESALE CORP, EXXON MOBIL, FLUOR CORP, GAP, GENERAL ELECTRIC, GENERAL MOTORS, GOODYEAR TIRE & RUBBER, HASBRO, HEWLETT PACKARD ENTERPRISE, JM SMUCKER COMPANY, JOHNSON & JOHNSON, JPMORGAN CHASE & CO, KELLOGG CO, LOCKHEED MARTIN, MCDONALD'S CORP, MERCK & CO, PEPSICO, PROCTER & GAMBLE CO, THE WILLIAMS COMPANIES, TWENTY-FIRST CENTURY FOX, TYSON FOODS, WALT DISNEY COMPANY, VF CORP, ZIMMER BIOMET HOLDINGS INC

DISENGAGE LIST

BOEING CO
Nuclear weapons programmes
United States

CHEVRON
Environmental damage in Amazon jungle
Ecuador

FLUOR CORP
Nuclear weapons development
United States

GENERAL DYNAMICS CORP
Nuclear weapons programmes
United States

HONEYWELL INTERNATIONAL
Nuclear weapons programmes
United States

HUNTINGTON INGALLS INDUSTRIES
Nuclear weapons development
United States

JACOBS ENGINEERING GROUP
Nuclear weapons programmes
United Kingdom

L-3 COMMUNICATIONS HLDGS
Human rights abuses in several countries
Iraq

LOCKHEED MARTIN
Nuclear weapons programmes
United Kingdom

NORTHROP GRUMMAN CORP
Nuclear weapons programmes
United States

RAYTHEON COMPANY
Nuclear weapons programmes
United States

TEXTRON
Involvement in cluster munitions
United States

WAL-MART STORES INC
Dangerous sandblasting practice in supply chain
China

WAL-MART STORES INC
Inadequate workplace safety at suppliers
Bangladesh

WAL-MART STORES INC
Inadequate pay in supply chain
Haiti

WAL-MART STORES INC
Labour rights violations in various countries
United States

OCEANIA

ENGAGE LIST

BHP BILLITON (2016)
Environmental and human rights violations caused by dam collapse

Brazil

Change objective

BHP needs to identify the cause(s) of the dam failure; assess all dams within its control to prevent similar failures in the future; develop a remedial strategy for the affected communities and the environment; ensure dam monitoring and maintenance systems and emergency procedures are in place.



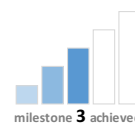
● good → standard ▲ same

INCITEC PIVOT LTD (2009)
Operations in occupied territory

Western Sahara



IPL should create and implement a plan on how to cease its imports of phosphates from Western Sahara, or demonstrate how the exploitation is in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights.



● none ↓ none ▼ worse

RIO TINTO (2008)
Environmental impacts from waste practises

Indonesia

Rio Tinto should exert pressure on Freeport to ensure responsible management of tailings and to address potential long-term legacy issues at Grasberg. Rio Tinto should adopt a policy of prohibiting the future use of riverine tailings disposal.

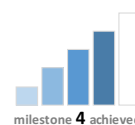


● good → standard ▲ same

WESFARMERS (2007)
Operations in occupied territory

Western Sahara

Wesfarmers/CSBP should commit to entirely and permanently ending its imports of phosphate rock from Western Sahara, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.



● standard ↗ good ▲ same

EVALUATE LIST

CIMIC GROUP, RIO TINTO, WOOLWORTHS LTD



Use of and access to this information is limited to clients of GES International AB.

The information may not be reproduced, transmitted, redistributed, translated, sold, exploited commercially or otherwise reused in any way whatsoever without GES International AB's prior written consent, unless compelled by binding law.

All copyright, database rights and other proprietary rights in the information remain the property of GES International AB.