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# QUARTERLY ENGAGEMENT REPORT

2020:1

*This report summarizes the shareholder engagement activities that Sustainalytics performed on behalf of Erste Asset Management during December 2019 to February 2020. Use of and access to this information is limited to clients of Sustainalytics and is subject to Sustainalytics legal terms and conditions.*

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# ENGAGEMENT BRIEF

## EXECUTIVE SUMMARY

Since May 2019, Sustainalytics developed Global Standards Engagement as an overlay to the Global Standards Screening service, including an expanded scope within the business ethics area, we have assessed the engagement potential of around 140 new engage cases. We also started engagements on several new companies involved in controversies that occurred during this period. All together, we decided to engage on around 110 issues. Several cases were closed after in-depth assessments and company dialogues, concluding that further engagement efforts were not warranted.

### **Concluded engagements**

In the last three months, we successfully concluded engagement with seven companies:

- A Brazilian company accused of corrupt practices.
- A tobacco company accused of labour right violations at plantations in Bangladesh and Indonesia.
- Two South-Korean companies involved in controversial project in Myanmar.
- A Chinese company involved in two fatal workplace accidents.
- A company linked to labour rights violation on Indonesian palm oil plantations.
- A US company which faced accusation of workplace harassment.

During the same period, Sustainalytics started engagements with 40 companies from different sectors over a range of issues. They include 25 companies accused of business ethics misconduct, two companies involved in environmental violations, 10 engagements on human rights and three companies linked to labour rights violations.

### ***Business ethics cases***

Since December, we initiated engagements with five companies involved in corrupt practices and three accused of money laundering. In addition, we started engaging with companies linked to accounting fraud, general fraud and competition. As a result, we entered into engagement dialogue with six companies accused of accounting fraud, four companies from financial sector involved in fraudulent practices in general and three accused of anti-competitive behaviour. Furthermore, additional four engagement cases on consumer fraud has started.

#### ***Environmental norms violations cases***

We initiated two new engagements on companies linked to deforestation, which is considered to have a strong contribution to climate change and negative impacts on biodiversity. One company supplies soy from South America, and another has been involved in illegal logging controversies in southeast Asian and African countries.

#### ***Human rights cases***

With regards to human rights, Sustainalytics started engagements with three companies, which are involved in operations in high-risk and conflict-affected countries. In addition, Sustainalytics started engaging with six companies involved in consumer rights controversies. This covers engagements with companies accused of product quality and safety breaches; product-related fatalities and consumer fraud. We are also initiating engagement with a Chinese company, providing critical telecommunications equipment and communications surveillance technology to states with poor human rights records.

#### ***Labour rights cases***

In the previous three months, we started engaging with three companies linked to labour rights violations such as poor working conditions, forced labour and a company involved in systemic health and safety workplace accidents.

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## BRF SA

### Corrupt Practices



**Enrique Figallo**  
Senior Associate

Status: Resolved

Contribution to SDGs:



BRF SA is an international producer of fresh and frozen animal protein foods. The product portfolio includes marinated, frozen, whole and cut meat, specialty meats, portioned products, and frozen prepared entrees.

In 2017, federal authorities in Brazil launched the investigation Operação Carne Fraca into a corruption scheme targeting the nation's largest meat producers, including BRF. Reportedly, BRF faced allegations of distributing contaminated meat products and bribing health inspectors to conceal the wrongdoing. A Brazilian police investigation claimed that four shipments of exported BRF meat contained salmonella and/or included adulterants to mask the meat's spoilage.

The investigation by the Brazilian authorities is ongoing, with BRF cooperating and discussing a potential leniency deal. As part of the cooperation, in October 2019, BRF admitted to paying about USD 4.5 million in bribes until 2017 to 57 federal auditors working for Brazil's MINISTRY OF AGRICULTURE in nine states. The company stated that the people involved in the scheme are no longer working at BRF.

Since the start of the police investigation, Sustainalytics was in dialogue with the company and had several conference calls and meetings onsite with BRF's compliance team to better understand the measures undertaken to improve the company's compliance system.

In 2018, BRF also clarified that it had an anti-corruption programme in place and was working on refining a number of initiatives designed to strengthen the company's ethics and integrity framework. During 2019, the company described that it had created a transparency committee to follow up on the internal investigation and a new compliance structure led by a chief compliance officer, and that it had developed an Integrity System including compliance-related risk assessments, a variety of internal controls and policies, online and onsite anti-corruption training for all employees, and a whistleblower system.

In February 2020, BRF explained that it has implemented new policies and procedures to address potential risks, improved internal controls when doing business with third parties, reduced the time to investigate and close cases reported through the whistle-blower system, and conducted an external assessment of its compliance system to identify potential gaps. Even though the investigation is still ongoing, BRF has shown



willingness to collaborate with authorities and investors to address any concerns.

Overall, these positive developments show that the company is more aware of its corruption risk exposure and it is implementing internal procedures and controls to better mitigate these risks as much as possible. Considering these improvements, Sustainalytics has decided to resolve the case on corruption practices. Meanwhile, Sustainalytics will continue engaging with the company regarding its food quality and safety policies and processes as part of the consumer fraud case.

## BRITISH AMERICAN TOBACCO PLC

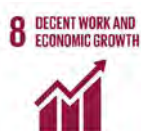
### Labour Rights Violations at Plantations



**Ewelina Łukasik-Morawska**  
Manager

Status: Resolved

Contribution to SDGs:



In 2016 and 2017, NGOs and the media reported labour rights violations in BRITISH AMERICAN TOBACCO's (BAT) supply chain in Bangladesh and Indonesia. The allegations included the use of child labour, debt bondage, as well as adverse health impacts of pesticides on workers.

Sustainalytics engaged with BAT following the reports. In response to Sustainalytics, BAT stated it had verified the allegations of labour rights violations with its local subsidiaries in Bangladesh. BAT explained that its internal investigation had not provided any evidence supporting the allegations presented in the report. In addition, BAT highlighted the fact that the annual self-assessment and on-site reviews conducted every four years by an independent body, AB SUSTAIN, did not reveal any noncompliance either. Furthermore, the company explained that it addresses social and environmental issues associated with growing and processing tobacco through its Social Responsibility in Tobacco Production Programme.

In 2019, BAT informed Sustainalytics about the progress made in implementing two programmes across its supply chain: the Sustainable Tobacco Programme (STP) and THRIVE, a sustainable agriculture and farmer livelihoods programme. BAT uses the results to develop action plans and targets including informing multi-stakeholder partnerships and community-based projects focused on longer-term issues and root causes. One of the main achievements of the STP programme is that all suppliers have been independently reviewed on site over the last three years. As such, around 98 per cent of BAT's farmer base have now been monitored.

Due to the measures taken by BAT to address labour issues, Sustainalytics regards the case as resolved.

## PETROCHINA CO LTD

### Fatal Accidents



**K Bruce Jackson**  
Associate Director

Status: Resolved

Contribution to SDGs:



PETROCHINA CO LTD (PetroChina) is the listed subsidiary of CHINA NATIONAL PETROLEUM CORP (CNPC). Based upon media reports, the company experienced two pipeline explosions in 2017 and 2018, both explosions took place on the same natural gas pipeline, in Qinglong county, Guizhou province in China, which is owned and operated by PetroChina.

The two explosions accounted for eight fatalities and over 60 injuries of which at least eight were considered critical. The causes of the accident were due to a pipe being crushed by a landslide and in the second incident a gas leak that was ignited.

In December 2019, the company provided extensive written answers to the questions raised on the agenda in relation to health and safety issues.

PetroChina has implemented a strict Health, Safety and Environment (HSE) Management System, which is overseen and monitored by an HSE Committee. The committee also oversees the investigation of major incidents. The company highlighted the importance of risk management and control, with a focus on enhancing execution and standardising its procedures. PetroChina undertakes training on system development, HSE system audits, safety management and emergency processing to employees. It has also strengthened its HSE training of suppliers and subcontractors. Sub-contractors are furthermore included in PetroChina's safety management and the company conducts full-process management of its access, selection, training, use, evaluation and assessment, guiding suppliers to operate in accordance with the law and standardising safety production. Also, HSE performance is reviewed regularly to prevent and reduce accidents by suppliers and contractors. The company has strengthened the trainings for contractors and unify the standards, requirements as well as rewards systems. It also carries out system audits twice a year on all units.

PetroChina's disclosure has improved and refers to the United Nations Sustainable Development Goals (UNSDGs) which it uses as a benchmark to assess company performance. It also reports on mental health along with safety and security in the latest ESG report. Based upon the considerable number of improvements undertaken by PetroChina in regards to governance, training combined with a general decline in HSE statistics in the last few years, Sustainalytics considers the case to be resolved.

## POSCO/

### POSCO INTERNATIONAL

Project Resulting in Environmental and Human Rights Impact



**Ewelina Łukasik-Morawska**  
Manager

Status: Resolved

Contribution to SDGs:



POSCO INTERNATIONAL, a subsidiary of POSCO, is the operator of the Shwe project relating to the production of petroleum and the offshore transportation of natural gas from the gas fields off the coast of Rakhine State in Burma. It also holds 25 per cent of the SOUTH-EAST ASIA GAS PIPELINE COMPANY (SEAGP), which is the operator of the overland pipeline that runs from Posco International's onshore gas terminal to the border between Burma and China.

In April 2013, the NGO EARTH RIGHTS INTERNATIONAL published a report claiming that the project disrupted traditional subsistence agriculture and fishing communities and was associated with human rights violations, and the displacement of villagers.

In January 2014, Posco International announced that it had launched production activities at the Shwe gas field. The company further stated it had reached an agreement with the farmers protesting over damages from the project and had paid compensation after a series of direct dialogues with the affected villagers. In 2018 and 2019, an Environmental and Social Impact Assessment (ESIA) Report was conducted to verify the potential influences of the second phase Shwe development project in Myanmar on the nearby natural environment and regional society and to prepare the methods and measures to mitigate such influences.

Over the course of the engagement, Sustainalytics held regular meetings and conference calls with Posco and Posco International. Following the accusations of human rights issues linked to the Shwe project, Posco International committed itself to preventing human rights abuses and to supporting the people in Myanmar in line with its Code of Corporate Conduct and Ethics. Posco International and its contractors have been minimising the impact of the development works on the local population and have compensated all affected communities. Also, the company has performed an Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) in the project areas to avoid or mitigate any anticipated social or environmental risks.

Posco International has performed all the procedures according to the Environmental Conservation Law and Guidelines of Myanmar and the MINISTRY OF NATURAL RESOURCES AND ENVIRONMENTAL CONSERVATION's (MONREC) Environmental Compliance Certificate (ECC). The reports conclude that no major impacts are anticipated from the project and all potential impacts have been properly mitigated.

Posco International has committed itself to minimising risks to the natural environment and indigenous people of the project area, and a continuous monitoring of any such risks during the progress of the development project. The company also periodically publishes an analysis report which presents the results of the monitoring outcomes. Since 2017, a grievance mechanism in project operated areas has been established and stakeholder engagement meetings have been organized with all relevant stakeholders. In June 2019, Posco International published a report titled EIA for the Exploration Drilling in Block A-3. The company is currently implementing the recommendations from the EIA report.

Even though the company is still in the process of implementing its commitments, Sustainalytics has evaluated the progress made as positive and has decided to resolve the case.

## WALT DISNEY CO

### Workplace Harassment



**Ellinor Haggebrink**  
Manager

Status: Resolved

Contribution to SDGs:



FOX NEWS (acquired by WALT DISNEY CO in March 2019) was associated with several instances of sexual harassment in the US between 2002-2017. In September 2016, the company issued a public apology and agreed to pay USD 20 million in a settlement that followed allegations from a former Fox News TV host. Allegedly, the TV host was wrongfully fired after she had rejected advances of Fox News' chairman and CEO. When the allegations surfaced, the executive resigned. Several other women also came forward with similar accusations against the ex-CEO, and some of them entered into smaller settlements with Fox News. There were allegations that other senior executives abetted his behaviour. Additionally, it was revealed that five women had received payments totalling about USD 13 million between 2002-2016 in exchange for agreeing not to pursue litigation related to sexual harassment or inappropriate behaviour against Fox News's top TV hosts.

Since the allegations appeared, Fox News has made several efforts to address the issues. The company has strengthened its Standards of Business Conduct, by adding specific information and content about sexual harassment and discrimination to training programmes both for corporate workers and top management. The company uses external hotline providers to manage incoming claims and discusses those claims during board meetings, which is a sign that it takes sexual harassment allegations seriously.

The efforts have led to improvements in the corporate culture and a drop in harassment and discrimination claims, with no severe allegations being reported since. Given the above developments and the fact that there are no outstanding issues, Sustainalytics has decided to resolve the case.

## WILMAR INTERNATIONAL LIMITED

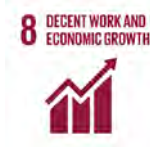
### Labour Rights Violations at Plantations



**Ewelina Łukasik-Morawska**  
Manager

Status: Resolved

Contribution to SDGs:



In December 2016, AMNESTY INTERNATIONAL (AI) reported labour rights violations on Indonesian palm oil plantations owned by subsidiaries and suppliers of WILMAR INTERNATIONAL LIMITED (Wilmar). AI interviewed 120 plantation workers, adults and children. Reportedly, many workers brought their children to help them in their work in order to meet high targets. AI's investigation also revealed: exposure to hazardous substances, such as paraquat which is banned in the European Union and restricted in several other countries; a lack of safety equipment; low wages and long working hours. Instances of forced labour were also allegedly found.

Over the course of the engagement, Sustainalytics held regular conference calls to discuss the company's efforts to address labour rights issues in its supply chain. Following the allegations, Wilmar launched an internal investigation to verify the labour issues raised in the AI report. Wilmar stated that it has committed to addressing the labour issues in its No Deforestation, No Peat and No Exploitation (NDPE) policy.

Wilmar has also established a grievance procedure, which allows any stakeholder to raise suspected breaches to Wilmar's NDPE Policy, including those related to human and labour rights. Currently, the company is focused on implementing a labour rights programme covering its entire oil palm growing operations in Indonesia. In November 2017, Wilmar launched a Child Protection Policy to protect children living in oil palm plantations where their parents work. The policy has been implemented throughout Wilmar's global operations, including its joint ventures, third-party suppliers and contractors.

Wilmar has actively addressed known issues and implemented policies and management systems to improve labour rights conditions in the supply chain. The company has due diligence and a set of comprehensive policies in place in relation to labour rights.

Due to the measures taken by Wilmar to address labour issues, Sustainalytics regards the case as resolved. However, Wilmar's ongoing involvement in controversies over land rights might indicate that the effectiveness and implementation of its policies could be strengthened further. Thus, Sustainalytics will continue engaging with the company on this specific issue.

## 1MDB GLOBAL INVESTMENTS

### Embezzlement



**David Frazer**  
Manager

Status: Engage

Contribution to SDGs:



Since 2015, 1MALAYSIA DEVELOPMENT BERHAD (1MDB), a state investment fund and the parent company of 1MDB GLOBAL INVESTMENTS, has been under investigation around the world over a multibillion-dollar global corruption and money laundering scandal.

As reported, between 2009 and 2015, about USD 4.5 billion of 1MDB's funds were allegedly misappropriated by its high-level officials, including Najib Razak, the former Prime Minister of Malaysia and the founder and chairman of 1MDB. According to the media, several corrupt 1MDB officials treated the fund as a personal bank account to finance their spending sprees and political initiatives.

At least ten countries' regulators, including the US DEPARTMENT OF JUSTICE (DOJ), launched investigations and have been trying to trace how money flowed through and around 1MDB and illegally into personal accounts. Reportedly, about USD 700 million landed in Najib's bank account. In addition, the DOJ identified about USD 1.7 billion in assets that had been illegally acquired through money diverted from 1MDB, including real estate, art and a luxury yacht. Najib lost the election in May 2018 and the newly appointed prime minister reopened a previously closed probe over the 1MDB scandal. Subsequently, Najib was arrested and over 40 criminal charges were laid against him in Malaysia.

Due to the severity of the accusations and the fact that the company does not have any proper policies and programmes related to corruption and embezzlement, Sustainalytics decided to engage with the company. The focus will be on executive oversight and internal controls to prevent embezzlement.



## 63 MOONS TECHNOLOGIES LTD

Fraud



**Olga Kostyurina**  
Manager

Status: Engage

Contribution to SDGs:



63 MOONS TECHNOLOGIES LTD (63 Moons) is an Indian financial services company formerly known as FINANCIAL TECHNOLOGIES INDIA LIMITED (FTIL). The company's activities are focused on computer programming, consultancy and related services. 63 Moons offers technology and expertise to create and trade on next-generation financial markets.

The NATIONAL SPOT EXCHANGE LIMITED (NSEL), a subsidiary of 63 Moons, was a commodity spot exchange based in India. In July 2013, after some members of the exchange defaulted, it was revealed that most of the underlying commodities traded in NSEL did not exist. Approximately 13,000 investors operating in the spot commodity exchange were affected, with losses estimated at INR 56 billion (USD 900 million).

Trading at NSEL has been suspended since this information came to light. In October 2013, several executives in NSEL were arrested for the systematic and premeditated fraud. Subsequently, the SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) declared that 63 Moons was ineligible to hold any stake in market infrastructure institutions and was ordered to divest from these institutions within four weeks. The SECURITIES APPELLATE TRIBUNAL dismissed 63 Moons's plea against the SEBI order.

After the case erupted, the MINISTRY OF CORPORATE AFFAIRS OF INDIA (MCA) issued a final order for the merger of scandal-hit NSEL and its parent FTIL. This compulsory amalgamation of these companies was challenged in court by 63 Moons. At the end of April 2019, the Supreme Court of India sided with 63 Moons as it did not consider the forced amalgamation to be in the public interest thereby undoing the original MCA decision. The merger order did not offer compensation to 63 Moons's shareholders and debtors, thereby failing a prerequisite for passing such an order.

Sustainalytics will approach 63 Moons to discuss its current involvement in exchange businesses and improvements in internal controls.

## AMAZON.COM INC

Workplace Accident(s)

AMAZON.COM INC's (Amazon) concerning record of health and safety issues and labour controversies has been persistent for a number of years. The issues primarily concern its facilities in the US but also show signs of being present in its global operations. They include employee fatalities, physical injuries at rates that



**Matthew Barg**  
Associate Director

Status: Engage

Contribution to SDGs:



reportedly exceed the industry average, local resident fatalities caused by contractor delivery truck drivers, as well as allegations of poor and stressful working conditions that negatively affect the mental health of staff. For many of the workers injured at work, the health impact was permanent and left them unable to work. Reportedly, Amazon has been at the center of thousands of workers' compensation lawsuits over the last several years. Some of them were by workers who were denied or faced delayed benefits after sustaining workplace injuries.

Amazon has also faced criticism by a range of social organizations. For two years in a row—2018 and 2019—Amazon was included in the Dirty Dozen report by the NATIONAL COUNCIL FOR OCCUPATIONAL SAFETY AND HEALTH, which each year lists the 12 most dangerous places to work in the US. The companies included in the report represented a range of industries and cases. However, the criteria for inclusion in the report included exposure to unnecessary and preventable risk, repeated citations by state and federal authorities, as well as a lack of activity to improve the situation and severity of injuries.

A pattern of labour issues in the company's record has continued for several years and includes a high number of fatalities and injuries for the retail industry. Amazon maintains a fair level of preparedness to address human rights in its supply chain and discloses some programs addressing occupational health and safety (OHS) risks in its warehouses. However, it has generally struck a tone of resistance when presented with allegations of issues within its own operations. The company's disclosure still shows gaps with respect to in-depth risk assessment and due diligence for worker safety. There is also room to provide transparency around relevant performance statistics and management systems.

Sustainalytics has decided to engage with Amazon as a result of the accumulation of ongoing health and safety impacts, employee lawsuits, and criticism from external stakeholders.

## BARCLAYS PLC

Corrupt Practices

BARCLAYS PLC is facing ongoing scrutiny over its whistleblower practices, as well as investigations and lawsuits related to market manipulation. In 2017, the bank was investigated over its CEO's attempts to identify an anonymous whistleblower who had raised concerns about a senior manager's recruitment.



**David Frazer**  
Manager

Status: Engage

Contribution to SDGs:



In 2018, Barclays settled with the UK's FINANCIAL CONDUCT AUTHORITY (FCA), reducing its CEO's bonus and agreeing to report annually on its whistleblower practices. However, Barclays was fined USD 15 million by US regulators in December 2018. The bank was required to report to the NEW YORK DEPARTMENT OF FINANCIAL SERVICES (NYDFS) on additional whistleblowing complainant details by end of March 2019. The NYDFS had not made that document public.

Sustainalytics has decided to focus engagement with Barclays on its whistleblower policies, with a goal of confirming the implementation of such policies.

## BEZEQ THE ISRAEL TELECOMMUNICATION CORPORATION LIMITED

Corrupt Practices



**Matthew Barg**  
Associate Director

Status: Engage

Contribution to SDGs:



BEZEQ THE ISRAEL TELECOMMUNICATION CORPORATION LIMITED (Bezeq) has been investigated by Israeli authorities in recent years in relation to corruption allegations and its acquisition of YES, a subscription TV company. The investigations have resulted in the arrests of the CEO, the chairman, a senior executive, and some government officials. The corruption case, dubbed Case 4000, pertains to allegations that between 2012 and 2017, Bezeq received favourable regulatory decisions from the Israeli MINISTRY OF COMMUNICATIONS. These decisions resulted in alleged improper benefits of approximately USD 285 million, in exchange for positive coverage of the Israeli Prime Minister (PM) and his family on the news site WALLA!, owned by Bezeq.

The favourable government decisions allegedly included the approval of Bezeq's USD 285 million acquisition of Yes in 2015, a company in which Bezeq's ex-chairman had an ownership stake. Case 4000, which originated from the ISRAEL SECURITIES AUTHORITY's accounting probe into the involvement of the ex-chairman and others in Bezeq's acquisition of Yes. In November 2019, Israel's Attorney General formally charged the PM.

Since the claims were brought against the company, it has replaced a considerable number of individuals in senior management, including its CEO and two non-independent board members. However, Bezeq has not been clear in how this case is being handled internally and has not made clear the improvements in its anti-corruption programme, guidelines for dealing with political parties, or on media ethics policies or programmes.

Sustainalytics has thus decided to engage with the company. We would like to see how the company implements an appropriate anti-corruption programme and internal control mechanisms, as well as how it ensures that its media ethics guidelines are sufficient to guard against similar subjective influence.

## BMW GROUP

### Antitrust Violations



**Joris Laseur**  
Manager

Status: Engage

Contribution to SDGs:



In April 2019, the EUROPEAN COMMISSION (EC) announced its preliminary conclusions that between 2006 and 2014, BMW GROUP (BMW), DAIMLER AG, and VOLKSWAGEN AG and its units AUDI AG and PORSCHE AG had breached EU antitrust rules by colluding to restrict competition on the development of technology to reduce NOx and dust particle emissions of petrol and diesel passenger cars. The proceedings are yet ongoing.

Furthermore, BMW was involved in another antitrust case. Reportedly, the company together with Daimler and Volkswagen met regularly with steel producers between 2004 and 2013 to discuss uniform surcharges for purchasing the raw material. Unlawful prices resulting from these cartel meetings were in place until at least 2016.

BMW firmly denies that it breached antitrust law and it did not apply for leniency. It has recognised a provision of EUR 1.4 billion in case it is fined. It has also been collaborating with the authorities. The alleged collusion on emission reduction technology ended in 2014.

The company has had a compliance committee reporting directly to the board since 2007 and it has now been taking a range of measures to reinforce compliance. In 2017, BMW introduced an approval process for exchange activities with competitors and sales partners. Top management regularly engages with relevant target groups to emphasize importance of compliance and consequences in case of infringements. In 2018, BMW also held an International Compliance Day.

While the developments and procedures in place are all positive, Sustainalytics is waiting for the outcome of the current investigations by EC and will keep monitoring BMW's compliance practices in order to ensure the effectiveness of the company's latest compliance measures. Specifically, we would like to see BMW demonstrate how its commitment to compliance is sufficiently supported by procedures and practices, as well as accountability at board level.

## CARGILL INC

### Deforestation



**Ewa Klewar**  
Senior Associate

Status: Engage

Contribution to SDGs:



Over recent years, CARGILL INC has faced ongoing criticism regarding deforestation in its supply chain, particularly concerning its soy suppliers in South America, including sensitive biomes in Brazil, such as the Gran Chaco and the Cerrado biome. The Gran Chaco biome in Brazil faces a great risk of permanently losing its genetic diversity due to the operations of industrial agribusinesses such as Cargill. According to data from NGO GLOBAL CANOPY's TRASE platform, Cargill was one of the largest soy exporters from the Cerrado in 2017.

In June 2019, Cargill announced an action plan to combat deforestation. The plan, however, lacks commitments to stop buying from producers that are involved in deforestation. Furthermore, the company dropped its commitment to eliminate deforestation in the supply chain by 2020. The commitment was endorsed by over 50 food companies in the New York Declaration on Forests in 2014.

Sustainalytics has contacted Cargill to learn about the company's plans to address deforestation issues within its supply chain. The company replied that it is committed to scaling out efforts across all of its commodity supply chains. In 2015, Cargill introduced a 'Cargill Policy on Forests' and since then the company has been working with more than 148,000 farmers and suppliers globally. In June 2019, Cargill updated its plans to eliminate deforestation in all of its agricultural supply chains by 2030.

Though Cargill has made a commitment to halve deforestation in its agricultural supply chain and to end deforestation completely by 2030, continued reports alleging deforestation in its supply chain raise significant reputational risks for the company and raise questions about whether Cargill is making suitable progress on its commitments. The company's latest released action plan was criticised by NGOs for lacking meaningful commitments.

Given the deficiencies in the company's preparedness Sustainalytics has decided to initiate engagement.

## CHANGSHENG BIO-TECHNOLOGY CO LTD

### Quality and Safety Breaches

In October 2018, the CHINA FOOD AND DRUG ADMINISTRATION, now known as the NATIONAL MEDICAL PRODUCTS ADMINISTRATION (NMPA), imposed a USD 1.3 billion penalty on CHANGCHUN CHANGSHENG LIFE SCIENCES, a business unit of CHANGSHENG BIO-TECHNOLOGY CO LTD, for manufacturing ineffective products and forging inspection records for a rabies



**Ewelina Łukasik-Morawska**  
Manager

Status: Engage

Contribution to SDGs:



vaccine regularly given to infants in China. In July 2018, the NMPA discovered that 113,000 doses of the rabies vaccine were affected due to manufacturing deficiencies. Reportedly, Changsheng arbitrarily changed process parameters and equipment during its production.

As ordered by the NMPA in July 2018, Changsheng Bio-technology stopped the production of all of its rabies vaccines and recalled them. That same month, the authority revoked the company's licence to manufacture and market the vaccine. Changsheng Bio-technology admitted to the allegations and apologised publicly for the incident. The company also stated that it would cooperate with Chinese drug regulators to conduct an internal investigation into its manufacturing process. Changsheng Bio-technology stated that it would pay consumers who had been injected with its rabies vaccines compensation of up to USD 94,000 each.

As a result of the investigation, Changsheng's chairwoman and 14 other executives have been barred from working in the vaccine industry and could face criminal charges. Also, the CHINA SECURITIES AND REGULATORY COMMISSION fined four of Changsheng's executives and banned them from entering the securities market for life due to the falsification of data for their rabies vaccine.

In October 2019, the SHENZHEN STOCK EXCHANGE announced that it had delisted Changsheng Bio-technology from the exchange. Changsheng Bio-technology is the first company that was delisted following strengthened delisting rules, that include endangering public safety as a new delisting criteria. In November 2019, Changchun Changsheng Life Sciences was declared bankrupt due to insolvency.

The recurrence of quality and safety incidents indicate gaps in the company's management of this issue. There is also a lack of transparency on the topic of product safety in the company's reporting, which could indicate poor product safety management. Based on these observations, Sustainalytics has decided to engage.

## **CHINA HUARONG ASSET MANAGEMENT CO LTD**

In 2019, Sustainalytics decided to engage with CHINA HUARONG ASSET MANAGEMENT CO LTD (Huarong). The company operates as an asset manager also providing financial services in China. It is a state-owned non-banking financial institution with



## Corrupt Practices



**Olga Kostyurina**  
Manager

Status: Engage

Contribution to SDGs:



approximately 30 branches across the country covering more than 25 provinces.

In April 2018, CHINA'S CENTRAL COMMISSION FOR DISCIPLINE INSPECTION (CCDI) reportedly started investigating the chairman of Huarong at the time. The chairman left his position the same month. Then, in November 2018, it was reported that Chinese authorities had accused him of using his various positions, including at Huarong, to take bribes of around USD 240 million. In February 2019, the SUPREME PEOPLE'S PROCURATORATE charged him with bribery and other forms of corruption. Moreover, in January 2019, prosecutors ordered the arrest of four former executives at four of Huarong's subsidiaries due to suspected bribery, without disclosing if these allegations were linked to the resigned chairman.

The incident suggests that there might be significant weaknesses in Huarong's corporate governance. The company's management of this controversy has been weak, as adequate anti-corruption policies and programmes are not reported.

Sustainalytics contacted Huarong in February 2019 and was referred to its future CSR report. Unfortunately, the report that was published later did not provide any further details on the improvements in anti-corruption practices.

Sustainalytics will engage with Huarong to better understand its approach to anti-corruption policies and procedures and the scope of their implementation. We would encourage the company to disclose the respective policies publicly and publish updates on their application.

## CHINA PETROLEUM & CHEMICAL CORP

Operations in Territories with Elevated Human Rights Risks

CHINA PETROLEUM & CHEMICAL CORP (Sinopec Corp.) is a listed subsidiary of CHINA PETROCHEMICAL CORPORATION (Sinopec Group), which is in turn owned by the Chinese state.

Sinopec Group undertakes operations in a number of high-risk and conflict-affected countries, including Sudan, South Sudan, Syria and Myanmar. Due to overlapping financial interests and corporate governance between Sinopec Group and Sinopec Corp, Sustainalytics consider Sinopec Corp. to be linked to these operations.



**Jonathan Kellar**  
Manager

Status: Engage

Contribution to SDGs:



For decades, Sudan and South Sudan have experienced significant conflict, in which state authorities, as well as various rebel groups, have been accused of gross human rights violations against civilian populations. Sinopec Group has a six per cent stake in an oil producing consortium (DAR PETROLEUM OPERATING COMPANY (DPOC)) in Sudan and South Sudan and Unipet, a wholly owned subsidiary of Sinopec Group, is the largest buyer of South Sudan's crude oil. These operations may make the companies complicit in human rights violations, as they generate substantial revenue that can be used by governments to fund the purchase of weapons that undermine peace, security and stability.

According to reports, Sinopec Group also currently holds stakes in two Syrian production-sharing agreements with the state oil company AL-FIRAT PETROLEUM COMPANY, and has acquired control of three oilfields in the east of Syria. In addition, Sinopec Group has onshore operations in Myanmar, where extractive industries have become intimately entwined with ethnic conflict over the last few decades.

During previous exchanges with the Sustainalytics research team, Sinopec Corp. has emphasised the position under the law that Sinopec Group holds the interests in these assets and insisted that it does not have operations in Sudan, South Sudan, Myanmar or Syria. However, we continue to believe that Sinopec Corp. has influence over these operations due to the sharing of senior personnel with its parent and that investors have an interest in engaging with Sinopec Corp. on this topic, not least due to the reputational risk that the company faces from its parent's involvement in these territories.

Sustainalytics will focus its engagement on Sinopec Corp. and seek to ensure that its practices are generally aligned with international best practice for respecting human rights. In particular, while operating in conflict-affected countries, we will encourage the company to undertake and respond appropriately to human rights due diligence, engage with governments and other stakeholders to encourage open and accountable management of production revenues and contribute to local peace efforts. We will also encourage the company to report clearly on these efforts.

## CITIGROUP INC

Sustainalytics has decided to engage with CITIGROUP INC (Citigroup) as a result of an admission by the company of 'wilfully

## Money Laundering



**David Frazer**  
Manager

Status: Engage

Contribution to SDGs:



failing to maintain an effective Anti-Money Laundering (AML) compliance program'. Citigroup's Mexican subsidiary BANAMEX was one of the bank's most profitable business segments. Banamex however, received over 18,000 suspicious transaction alerts but conducted less than ten investigations and filed only six reports to the authorities.

In May 2017, Citigroup paid USD 97 million to settle a US Department of Justice investigation into violations of AML laws at its US subsidiary, which admitted to violating them between 2007 and 2012. In addition, in January 2018, the US OFFICE OF THE COMPTROLLER OF THE CURRENCY imposed a USD 70 million fine on the bank for its failure to comply with a 2012 consent order related to AML deficiencies.

Sustainalytics has decided to focus engagement with Citigroup on the areas of money laundering oversight and controls. We have reached out to the company to discuss how the company intends to expand its AML programme to enable the company to avoid future regulatory action.

## COMMONWEALTH BANK OF AUSTRALIA

### Money Laundering



**Olga Kostyurina**  
Manager

Status: Engage

Contribution to SDGs:



The COMMONWEALTH BANK OF AUSTRALIA (CBA) is the country's second oldest and largest bank with operations spanning Australia, New Zealand, and Asia.

In June 2018, the CBA agreed to pay a record AUD 700 million (USD 530 million) fine to settle civil proceedings by the AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE (AUSTRAC), the federal financial intelligence agency. According to AUSTRAC, the CBA's intelligent deposit machines (IDMs), which are similar to ATMs but accept cash and cheque deposits, were used to launder the proceeds of criminal activity, including proceeds from the sale of illicit drugs and firearm importations.

The CBA admitted to late filing over 53,000 transaction reports for cash deposits through IDMs, totalling to about AUD 625 million (USD 440 million) between 2012 and 2015. The bank failed to fully implement appropriate compliance controls for IDMs until April 2018. The company maintained that the breaches were not deliberate and that they were due to a coding error in its IDM software.

Separately, in May 2018, the CBA reached an AUD 25 million (USD 19 million) settlement with the AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION (ASIC) over alleged

manipulation of the bank-bill swap rate. In February 2019, the CBA was targeted by a ROYAL COMMISSION inquiry into misconduct in the banking, superannuation and financial services industry, which has unveiled several instances of misconduct related to customer management, business ethics and compliance processes at the CBA.

The bank has been cooperating with AUSTRAC. The CBA acknowledged its failures and said that the settlement was an important step towards moving the bank forward. The CBA also apologised to the community for its compliance lapses. The CBA published all relevant anti-money laundering and counter-terrorism financing (AML/CTF) policies on its website and started disclosing the related metrics (number of cases, trainings, etc.).

Sustainalytics will engage with the CBA on its progress in improving AML/CTF processes, as well as the effectiveness of the board's oversight.

## CONVOY GLOBAL HOLDINGS LTD

Fraud



**Olga Kostyurina**  
Manager

Status: Engage

Contribution to SDGs:



CONVOY GLOBAL HOLDINGS LTD (Convoy) is a financial advisory firm in Hong Kong focusing on three core businesses: financial advisory, financial product manufacturing and FinTech. Convoy's key products are insurance, pensions, asset management, properties, retail brokerage and lending services.

In December 2017, Hong Kong's SECURITIES AND FUTURES COMMISSION (SFC) and the INDEPENDENT COMMISSION AGAINST CORRUPTION (ICAC) arrested three executives of Convoy, including the then-chairman on charges of corruption. This was a part of a joint investigation into an alleged market manipulation scheme known as the Enigma Network. The network included a group of public companies, licensed dealers and financial firms that were involved in a complex web of cross-shareholdings and were accused of stock manipulation.

After Convoy's executive directors were arrested by Hong Kong's ANTI-GRAFT AUTHORITY, Convoy immediately suspended them and started legal proceedings to recover the losses they had caused. In December 2017, Convoy filed a lawsuit against 28 former Convoy directors and executives from other companies for allegedly causing the firm substantial financial losses in 2015.

Another lawsuit filed by the company claims that HKD 45.5 million (USD 5.8 million) in fees from Convoy's bond sales in 2014 and 2015 were diverted to a company controlled by the then-

chairman. In February 2018, Convoy filed a third lawsuit, against one of the company's former directors, and 12 other parties, claiming they had engaged in transactions that led its subsidiary to suffer losses totalling HKD 715 million (USD 91.41 million).

In May 2019, the accused director was charged with conspiracy to defraud the company and the HONG KONG STOCK EXCHANGE between April 2016 and December 2017. The director allegedly had failed to disclose his 55 per cent shareholding in TRUE SURPLUS INTERNATIONAL (TSII) being acquired by Convoy's subsidiary, which allowed him to gain HKD 57 million (USD 7.2 million) from the transaction. In July 2019, the ICAC charged another four senior executives of Convoy who allegedly conspired with the then-chairman to defraud the company of USD 11.4 million through acquisition of TSII.

Convoy has been providing information about the ongoing litigation and suspension of trading. In January 2020, the company published the summary of the internal review of potential irregularities in its internal control systems. According to the report, the company had no major weaknesses. The remediation plan for minor issues was developed and is expected to be executed by March 2020.

Sustainalytics will reach out to Convoy to discuss the changes made after the incidents and encourage the company to disclose compliance policies and code of conduct publicly. The company should remediate the investors and ensure adequate risk management and internal controls.

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## DAIMLER AG

### Antitrust Violations



**Joris Laseur**  
Manager

Status: Engage

Contribution to SDGs:

Sustainalytics has recently initiated dialogue with DAIMLER AG (Daimler). MERCEDES-BENZ and SMART AUTOMOBILE are its subsidiaries. In April 2019, the EUROPEAN COMMISSION announced its preliminary conclusions that between 2006 and 2014 Daimler, BMW Group, and Volkswagen AG and its units Audi and Porsche had breached EU antitrust rules by colluding to restrict competition on the development of technology to reduce NOx and dust particle emissions of petrol and diesel passenger cars. The proceedings are yet ongoing.

As Daimler has applied for leniency, it does not expect to be fined. It has been collaborating with the authorities. The alleged collusion on emission reduction technology ended in 2014.



Daimler was also involved in other antitrust cases. Reportedly, BMW, Daimler and Volkswagen met regularly with steel producers between 2004 and 2013 to discuss uniform surcharges for purchasing the raw material. Unlawful prices resulting from these cartel meetings were in place until at least 2016. Furthermore, Daimler was involved in price fixing with other truck manufacturers until 2011.

Daimler has taken a range of measures to reinforce compliance, including an annual review of its compliance management system and participation of 220,000 employees in training programmes on integrity, compliance, data protection and antitrust law. Furthermore, there is a Business Partner Due Diligence Process and a whistle-blower mechanism in place.

While the developments and procedures in place are all positive, Sustainalytics is waiting for the outcome of the current investigations by the European Commission and will keep monitoring Daimler's compliance practices in order to ensure the effectiveness of the company's latest compliance measures. Specifically, we would like to see Daimler demonstrate how its commitment to compliance is sufficiently supported by procedures and practices, as well as accountability at board level.

## DNO ASA

Operations in Territories with Elevated Human Rights Risks



**Jonathan Kellar**  
Manager

Status: Engage

Contribution to SDGs:

DNO ASA (DNO) and its subsidiaries have operated in a number of politically and socially unstable regions, which puts it at risk of complicity in human rights abuses.

In 2014, military personnel guarding one of the company's facilities in south-east Yemen were killed by local tribesmen who opposed the company's presence in their territory. DNO has been operating in Iraqi Kurdistan since 2004, a region that has been fraught with conflicts between the central and regional governments regarding control over oil and gas fields. In particular, DNO has signed contracts with the KURDISTAN REGIONAL GOVERNMENT (KRG) for operations in a contested region.

Additionally, one of the company's subsidiaries was previously involved in exploration activities in a disputed territory in Somalia (currently Somaliland) under the protection of local security forces, which a 2013 UN Monitoring Group warned may be a serious threat to peace and stability in the region. As part of its exploration efforts in the region, the company signed





concession agreements with multiple regional governments, leading to political tensions.

In 2018, the company exited its operations in Somaliland, Oman and Tunisia as part of ongoing re-focusing efforts. Although the company is reducing its exposure to high-risk assets in certain regions, DNO still generates the majority of its revenues (97 per cent of FY2018 revenues) from its operations in Kurdistan.

While the company has been involved in exploration and production activities in Kurdistan since 2004, it lacks a human rights policy and due diligence measures addressing the human rights impacts of its activities in disputed regions.

Thus, Sustainalytics decided to engage with the company to encourage it to follow international best practice for respecting human rights. In particular, we will seek to ensure that while operating in Kurdistan Region of Iraq and other disputed or conflict-affected regions, it undertakes due diligence adapted to the specific situation of the region and act adequately on the findings. We would also like to see DNO engage with governments and other relevant stakeholders to encourage open and accountable management of the revenues it provides and contribute to local peace efforts.

## G4S PLC

### Forced Labour



**Ellinor Haggebrink**  
Manager

Status: Engage

Contribution to SDGs:

In November 2019, Norway's COUNCIL ON ETHICS FOR THE GOVERNMENT PENSION FUND GLOBAL (GPF), an independent body appointed by the Norwegian MINISTRY OF FINANCE to provide evaluations on the consistency of the Norwegian government's investments with ethical guidelines, made a public statement that it had decided to exclude G4S PLC from its investment portfolio. The decision was made due to a risk that the company contributes to systematic human rights violations, based on studies conducted by the Council on Ethics in Qatar and the United Arab Emirates (UAE) between 2016 and 2018.

G4S provides security services in over 90 countries and in the Middle East, the company makes extensive use of migrant workers. The on-site studies allegedly showed that workers from India, Pakistan and Nepal routinely paid fees to recruitment agencies hired by G4S, a practice that contravenes ILO conventions on labour rights. According to the Council's study, some of the workers had to take loans in their home countries to be able to afford these fees, and when they arrived in Qatar and the UAE, they had to spend a significant portion of their



salaries to pay off the debt. Additionally, many of the workers received far lower wages than agreed. Allegations also included G4S confiscating workers' passports; meaning employees cannot leave the country without its employer's consent. The Council on Ethic's investigations additionally revealed long working days, irregularities in overtime payments and instances of harassment.

Sustainalytics has initiated dialogue with G4S, which stated that it had investigated the Council on Ethic's findings and is making progress on improving its employment practices. The company is open and responsive and has shared detailed information on which measures it has taken, such as introducing a USD 400 cap on the recruitment fees. The practice of holding passports has ceased in both Qatar and the UAE, grievance mechanism opportunities have increased and a Migrant Worker Programme is to be implemented across all operations in the Middle East.

It is positive to see the measures taken by G4S to prevent and mitigate human rights violations. However, given the severity of the allegations, Sustainalytics has decided to engage with the company to further increase improvement and transparency in this area.

## HANERGY THIN FILM POWER GROUP LIMITED

### Accounting Fraud



**Olga Kostyurina**  
Manager

Status: Engage

Contribution to SDGs:

HANERGY THIN FILM POWER GROUP LIMITED (HTF) is a Hong Kong-based high-tech energy enterprise with operations focused on the thin-film solar value chain. The company manufactures solar modules and equipment. It is also involved in the construction of solar farms, rooftop power stations, household systems, small to medium-sized enterprises commercial systems, and sale of power stations.

In May 2015, HTF was accused of market manipulation and trading in HTF stock was suspended. It was triggered by an investigation by the Financial Times which revealed that the company's share price could have been inflated. Allegedly, 61 per cent of HTF's revenues were generated from sales to the parent company, HANERGY HOLDING GROUP, which controlled 73 per cent of HTF. Only 35 per cent of the sales to the parent company were paid and the rest were receivables. This raised concerns over the validity of the transactions.

The investigation also revealed that HTF's share price consistently increased ten minutes before the close of trading every day, suggesting possible market manipulation. In May 2015, following the rumours of an investigation by the



SECURITIES AND FUTURES COMMISSION OF HONG KONG (SFC), HTF's stock price suddenly plunged by 47 per cent causing a loss of USD 18.6 billion and a suspension of trading. In January 2017, SFC said that HTF had a business model which relied on selling products to connected parties, and it suspended the company's CEO along with four other directors from serving board positions.

In May 2019, after four years of trading suspension, HTF's shareholders approved a plan to delist the company from the HONG KONG STOCK EXCHANGE and try to re-list it in China. The stakes of the independent shareholders were transferred into a special purpose vehicle to be reacquired by an HTF entity prior to the listing, thus gaining an opportunity to trade their stock again.

Sustainalytics will approach the company and try to engage with a focus on strengthening the company's risk management and internal controls, as well as suggestions to improve disclosure on relevant policies and their implementation.

## INDIVIOR PLC

Consumer Fraud



**Enrique Figallo**  
Senior Associate

Status: Engage

Contribution to SDGs:



INDIVIOR PLC is a specialty and generic drug manufacturing company. The company is focused on the development, manufacture, and sale of prescription drugs based on buprenorphine for the treatment of opioid dependence.

In April 2019, the US Department of Justice indicted Indivior PLC, and its subsidiary, INDIVIOR INC (Indivior) on 28 counts, including conspiracy to commit, and commitment of, mail, wire and healthcare fraud in the US.

The authorities found the company guilty of fraudulently marketing Suboxone Film to healthcare providers and healthcare benefit programmes as safer, and less susceptible to illegal diversion and abuse than the tablet version, Suboxone. Suboxone is used to treat opioid dependency and Suboxone Film was a newer version of the drug that the company believed would be protected by patents. The scheme was developed as early as 2006 and was executed from 2010 in order to secure the company's revenues and a substantial market share of drugs for opioid dependence.

Indivior states in its public reporting that it continued to enhance its integrity and compliance programme through the implementation of different measures, but there is no detailed

information on how the company has strengthened this programme with an focus on ethical marketing sales practices, anti-competitive behaviour, labelling and the traceability of suspicious orders.

Sustainalytics will reach out to the company to better understand how it has developed and implemented ethical practices within its marketing and sales programmes as well as to better understand the preventative measures it has undertaken to be in compliance with regulatory requirements. Sustainalytics will engage with the company until the level of transparency by Indivior improves and we are satisfied that its practices address the issue and are considered effective enough to prevent a reoccurrence.

## INSYS THERAPEUTICS INC

### Corrupt Practices



**Enrique Figallo**  
Senior Associate

Status: Engage

Contribution to SDGs:



INSYS THERAPEUTICS INC is a specialty pharmaceutical company. It develops and commercialises innovative drugs and novel drug delivery systems of therapeutic molecules that improve patients' quality of life. The company derives revenue from selling two marketed products, Subsys and Syndros, in various dosing packages to wholesale pharmaceutical distributors and specialty retail pharmacies, on a wholesale basis.

In December 2016, six former Insys Therapeutics executives, including the former CEO and former vice president of sales, were charged with bribery and fraud by the US Department of Justice (DOJ) under the Racketeer Influenced and Corrupt Organizations Act. The indictment alleged that, between 2012 and 2016, the executives conspired to bribe practitioners in various states in order to induce them to prescribe the company's highly addictive, fentanyl-based opioid painkiller, Subsys.

In June 2019, Insys agreed to a global resolution with the DOJ to settle the government's separate criminal and civil investigations. The company agreed to pay USD 225 million and pleaded guilty to five counts of mail fraud. Also in June 2019, Insys filed for Chapter 11 bankruptcy protection in the US DELAWARE BANKRUPTCY COURT as a result of legal action related to the US opioid epidemic and was delisted from the NASDAQ STOCK EXCHANGE.

Meanwhile in January 2020, two former executives and the former CEO of the company were sentenced to more than two

years in a federal prison in a bribery and kickbacks scheme that helped fuel the opioid crisis.

Sustainalytics will reach out to the company to better understand the undergoing court-supervised sales process and the current operations under Chapter 11. This situation might pose some challenges for a constructive dialogue with the company at this stage. However, since the bribery scheme had a severe impact on the company and society, Sustainalytics will attempt to engage, until Insys has carried out a thorough investigation of the issue and has implemented a robust anti-corruption programme to prevent a reoccurrence.

## KANGDE XIN COMPOSITE MATERIAL GROUP CO LTD

### Accounting Irregularities



**K Bruce Jackson**  
Associate Director

Status: Engage

Contribution to SDGs:



KANGDE XIN COMPOSITE MATERIAL GROUP CO LTD (Kangde Xin) develops, produces and sells laminating film and laminating equipment. It manufactures and sells biaxially oriented polypropylene films, polyester films, pre-coated laminating machines, and other products. It markets its products throughout China.

Kangde Xin has been involved in a series of issues related to its accounting practices. In December 2019, the former chairman, who had a controlling 80 per cent of the company, was arrested. The company's auditor found Kangde Xin's corporate account at the BANK OF BEIJING was empty, while the missing money was in an account that connects the company with its controlling shareholder KANGDE INVESTMENT and the former chairman who had resigned in February 2019.

In October 2018, CHINA'S SECURITIES REGULATORY COMMISSION (CSRC) launched an investigation into potential disclosure violations on dealings amongst its shareholders. The CSRC reported in July 2019, that Kangde Xin had inflated its profits by CNY 11.9 billion (USD 1.7 billion) between 2015-2018. The company had allegedly increased its operating income via fictitious sales operations while inflating its operating and sales costs and other expenses. The CSRC's findings also revealed that the company failed to disclose that its controlling shareholder had embezzled funds.

In January 2019, Kangde Xin defaulted on a CNY 1 billion (USD 148 million) bond, citing a liquidity crunch, although it had previously reported sufficient liquidity in September 2018. Kangde Xin suspended its shares from trading in July 2019. In November 2019, the CSRC accused Kangde Xin of inflating its

overseas sales by falsifying documents. According to the CSRC, the company had misrepresented its overseas sales figures by falsifying shipments of its products. Kangde Xin denied the accusations.

The SHENZHEN STOCK EXCHANGE stated that upon confirmation of the fraud, it would decide whether to delist the company. In August 2019, the NATIONAL ASSOCIATION OF FINANCIAL MARKET INSTITUTIONAL INVESTORS (NAFMII), a bond market regulator, barred Kangde Xin from debt financing after findings that the company had engaged in fraud.

Considering the seriousness of the CSRC findings and the scale of fraudulent practices at Kangde Xin, Sustainalytics decide to engage with the company in order to assess the measures the company has in place or intends to have in place to prevent a reoccurrence in future.

## LU THAI TEXTILE

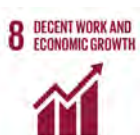
### Poor Working Conditions



**Joris Laseur**  
Manager

Status: Engage

Contribution to SDGs:



Sustainalytics has recently initiated dialogue with LU THAI TEXTILE (Luthai). Luthai is a Chinese manufacturer of yarn, dyed fabric and shirts. Allegedly, Luthai Textile factories in Cambodia and Myanmar have been employing workers under the age of 18 on the same conditions as adults, forcing overtime in periods of high demand, restricting sick leave, and violating the right to freedom of association. Furthermore, employees at one company plant in Myanmar reported limited access to sanitary facilities and drinking water, as well as harassment by supervisory staff, including physical abuse.

Luthai Textile denied some of the allegations and stated that a number of issues had already been addressed. Reportedly, ventilation has been improved in the factories in both Cambodia and Myanmar. However, the company denies that it employs workers under the age of 18 and it has not acknowledged that employees suffered from physical harassment and limited access to sanitary facilities and drinking water. Most of the workforce in Cambodia is unionised, but the company allegedly controls the largest union and interferes in the elections of representatives. The workforce in Myanmar has not been allowed to unionise.

In earlier correspondence with Sustainalytics, Luthai claimed to have established policies in accordance with local laws and regulations and relevant standards including SA8000. However, the company did not provide any copies and there are no policies available on the company's website. Furthermore, Luthai stated



that there are annual third-party audits at its factories. Luthai also stated that it provides health and safety training in the factories and it has established a channel for filing complaints anonymously.

Due to the persistent issues and limited transparency, Sustainalytics has decided to engage with Luthai on working conditions. Specifically, we would like to see measures to improve the working conditions in its factories in Cambodia and Myanmar in compliance with international standards. The company should implement, monitor and report on labour rights policies and procedures to address labour rights risks and impacts within its operations.

## MCKESSON CORP

### Consumer Fraud



**Enrique Figallo**  
Senior Associate

Status: Engage

Contribution to SDGs:



MCKESSON CORP (McKesson) is one of the largest and most complex of the leading third-party logistics providers in the healthcare sector. The company is engaged in services connected to wholesale pharmaceutical and medical products, including: sourcing, distribution and dispensing, contract manufacturing, and related IT services to acute care hospitals and health systems, independent and chain retail pharmacies in North America, Europe, and Canada. It is one of the largest distributors of opioids in the US.

McKesson has faced allegations of failing to report on excessive opioid orders and failure to detect tampered shipments distributed to pharmacies, which contributed to widespread opioid addiction in the US. In October 2018, the US Food and Drug Administration (FDA) issued a warning letter, noting that the company still lacked such a system. Following the company's inadequate response, the FDA issued another warning letter in February 2019, which claimed that the company had failed to identify, investigate and report tampering of its opioid shipments. Additionally, the company is facing prosecution in the National Prescription Opiates Multidistrict Litigation. As of October 2019, more than 2,600 lawsuits filed by multiple US cities and counties have been consolidated in a Cleveland Federal Court.

In October 2019, McKesson together with two other companies, has agreed to a USD 215 million settlement with two Ohio counties, Cuyahoga and Summit, in the first track of the multi-district opioid litigation. Although the company has disclosed all the forward-looking work it is carrying out to fight the opioid crisis, there is no detailed information about the progress on the

preventative measures stated in McKesson's response to the warning letter of the FDA.

McKesson is obliged to provide a secure channel to deliver opioid medications from the manufacturers to government-authorised pharmacies. Sustainalytics has established an initial dialogue with the company in order to better understand how it is implementing the preventative measures to meet the FDA requirements.

## **MITSUBISHI MATERIALS CORPORATION**

### Quality and Safety Violations



**Jonathan Kellar**  
Manager

Status: Engage

Contribution to SDGs:



MITSUBISHI MATERIALS CORPORATION (MMC) announced in November 2017 that its subsidiaries, MITSUBISHI CABLE INDUSTRIES (MCI) and MITSUBISHI SHINDOH CO (MSC) had falsified quality inspection data, impacting 274 corporate customers. In February 2018, MMC announced that it had found more cases of falsification at three other subsidiaries, MITSUBISHI ALUMINUM CO LTD (MAC), TACHIBANA METAL MANUFACTURING CO LTD (TMM) and DIAMET CORP (DM), raising the total number of impacted customers to over 750.

These latter three subsidiaries had been falsifying data until January 2018, even after the scandal was reported in November 2017, mostly due to the delay in the company's group-wide investigation until January. An internal guidance document for data falsification was found, with the earliest record dating back to May 1999, implying that the practice may have been conducted systematically for over two decades.

MCI's CEO resigned in December 2017, and MMC's chairman stepped down in April 2018, though he has remained as an advisor. MAC's ISO certifications were suspended in December 2017, while MCI's and MSC's ISO certifications were revoked in February 2018. In addition, the JAPANESE INDUSTRY STANDARDS (JIS) certifications for MAC and another subsidiary, TACHIBANA METAL MFG CO LTD (TMM) were revoked in January and February 2018, respectively. In June 2018, MMC lost its JIS certification for its Naoshima plant after more cases of misconduct were discovered at the plant.

As of November 2019, there had been no reports of safety issues among customers and end users, but in order to protect the company's stakeholders as well as its reputation, it is clearly imperative that MMC does not permit such issues to reoccur.

We note that the company has already taken some measures to respond to this controversy. In December 2017, MMC formulated measures to restructure the group's governance framework with respect to quality control, for example, by regularly reviewing production capabilities, providing training on quality awareness to all employees, introducing automated quality inspection equipment and establishing more robust quality audits. It periodically reports on the progress of the corrective measures.

Sustainalytics considers that the company should disclose further measures to restore trust among stakeholders, such as obtaining independent verification of the steps it has taken to improve its quality control framework. Our goal in this engagement will also be to ensure that MMC has in place suitable board-level oversight of quality control and takes steps to strengthen the quality control culture throughout the business. This may involve reviewing its remuneration framework to ensure a focus on promoting and ensuring quality.

## MTN GROUP LIMITED

Operations in Territories with Elevated Human Rights Risks



**Matthew Barg**  
Associate Director

Status: Engage

Contribution to SDGs:



MTN GROUP LIMITED (MTN)'s telecom services have been associated with human rights violations through their close operational relationships with authoritarian governments in Iran and Syria, as well as operations in other high-risk conflict zones.

MTN has operated in Syria since 2002 and in Iran since 2006. MTN SYRIA is 75 per cent owned by MTN. MTN IRANCELL is a joint venture, with MTN owning 49 per cent and the Iranian government owning 51 per cent through IRAN ELECTRONIC INDUSTRIES and the ISLAMIC REVOLUTION IRAN ELECTRONIC DEVELOPMENT CO.

Despite US and EU economic sanctions against Iran and Syria, MTN has continued to operate in these markets and has even extended some licences in the regions. Evidence suggests that communications in Iran and Syria are intercepted by the regimes in power, an action that is consistent with MTN's technological capabilities as a telecom service provider. MTN's telecom equipment is capable of surveillance and interception of subscribers' communications, which can be used to identify users who dissent and can facilitate the oppression of political opponents. The existing sanctions continue to restrict equipment for monitoring telecommunications in both Iran and Syria. As a result, the continued joint-venture status of MTN Irancell, coupled with evidence of ongoing citizen surveillance

through its telecom networks, indicate continued complicity in human rights violations.

Over the years, MTN has improved its disclosure related to privacy and freedom of expression, while failing to provide detail specific to the high-risk markets noted above. Furthermore, in 2014, the company renewed its operating licence in Syria for a 20-year period without performing issue specific due diligence, such as a human rights impact assessment. Overall, the company's strategic approach to establishing operations in high-risk and emerging markets exposes it to significant human rights related concerns that demand a robust management framework that has not been, so far, clearly disclosed.

Sustainalytics has decided to engage with the company on the basis that MTN's provision of telecommunications services in states with poor human rights records constitutes a significant concern. The engagement will focus on understanding the details of its approach to human rights due diligence and pushing for transparency around its management of human rights in high-risk jurisdictions.

## MUMIAS SUGAR

### Embezzlement



**Joris Laseur**  
Manager

Status: Engage

Contribution to SDGs:



Sustainalytics has recently initiated dialogue with MUMIAS SUGAR COMPANY LIMITED (Mumias Sugar). Mumias Sugar produces sugar and ethanol in Kenya.

Since 2014, Mumias Sugar's now former management has faced allegations of embezzling USD 23 million in the course of two decades, in part by making fictitious declarations to evade paying value added tax on non-exported products. After the scandal became public, it attempted to bribe investigators.

It is concerning that Mumias Sugar has not actively remediated the misconduct and has provided very limited transparency to stakeholders. It is yet unclear how the company can be revived. The most fundamental financial remediation does not appear to be on track. In September 2019, the company went into receivership and all employees were made redundant. In November 2019, the receiver manager appointed a new general manager. In January 2020, Mumias Sugar restarted its ethanol production in order to generate revenue for buying sugar cane from farmers for restarting its milling operations.

Sustainalytics has decided to engage with the company. Since earlier attempts to establish a dialogue were unsuccessful and

the company has yet to resume its milling operations, Sustainalytics will reach out again in next quarters. Specifically, we would like to see measures to compensate the dismissed staff and to prevent embezzlement (or other forms of fraud) from happening again. There is a need for better board oversight and initiatives to reinforce compliance, such as a more effective code of conduct, whistleblower mechanism, and structural compliance awareness training.

## OLYMPUS CORPORATION

### Product-Related Fatalities



**Joris Laseur**  
Manager

Status: Engage

Contribution to SDGs:



OLYMPUS CORPORATION (Olympus) manufactures and sells precision instruments for the healthcare industry, as well as digital cameras. It is a leading manufacturer of duodenoscopes. These are hollow, flexible, lighted tubes that allow doctors to diagnose and treat diseases such as cancer or gallstones in the pancreas and bile ducts. Duodenoscopes include reusable and hard-to-clean components and must be cleaned after each patient in order to be reused, known as reprocessing, through a lengthy procedure. Failure to correctly reprocess a duodenoscope could result in tissue or fluid from one patient remaining in a duodenoscope and potential for disease transmission.

A lawsuit in 2016 revealed that Olympus had failed to issue a timely warning for its duodenoscope product, despite its link to an antibiotic-resistant bacterium outbreak. The infection allegedly resulted in at least 35 deaths in the US, but Olympus may have exposed thousands of patients to the dangerous bacterium. In December 2018, besides settling two liability lawsuits, Olympus agreed to pay USD 85 million to settle a federal investigation in the US. OLYMPUS MEDICAL SYSTEMS agreed to retain an independent expert to review the company's policies and procedures. The expert will periodically report back to the authorities in the US for three years.

Olympus has taken steps to be more proactive in both identifying and subsequently addressing potential product issues. It has reinforced the process that all employees must follow to report complaints and it has introduced e-learning programmes for training in quality management systems adapted to local laws and regulations.

Furthermore, Olympus confirmed that it has obtained ISO 13485 certification for all its medical divisions and ISO 9001 certification for other divisions as appropriate. Improved duodenoscope reprocessing techniques and instructions have helped reduce

device contaminations and patient infections. In April 2019, the US Food and Drug Administration (FDA) disclosed that the number of incidents associated with the company's duodenoscopes had decreased by 62 per cent since 2015. Olympus continues to recall and buy back unsafe duodenoscope models. In February 2020, the FDA approved a new Olympus duodenoscope, featuring a disposable endcap.

While Olympus has made significant progress with improving the safety of its duodenoscope product, further improvement is needed. Therefore, Sustainalytics has decided to engage with the company. Specifically, we would like Olympus to enable healthcare professionals to clean fixed endcap duodenoscopes effectively before reuse and to transition to disposable endcap duodenoscopes. Progress could be demonstrated by further reduction in the residual contamination rate for high-concern organisms and/or the number of incidents associated with the company's duodenoscope products.

## PT TIGA PILAR SEJAHTERA FOOD TBK

### Consumer Fraud



**Ewelina Łukasik-  
Morawska**  
Manager

Status: Engage

Contribution to SDGs:



In July 2017, Indonesian authorities confiscated 1,000 tonnes of rice from INDO BERAS UNGGUL (IBU), a wholly owned subsidiary of PT TIGA PILAR SEJAHTERA FOOD TBK (TPSF) and began investigating the company for false labelling and misleading consumers about the quality of two rice brands. IBU was alleged to have breached Indonesian food and consumer legislation by selling state-subsidised rice as premium rice, at double the price.

In January 2018, the BEKASI DISTRICT COURT sentenced IBU's CEO to one year and four months in prison on charges of falsifying the labels on the rice sold by the company. In July 2018, trading of shares of TPSF was suspended by the INDONESIA STOCK EXCHANGE (IDX). Prior to the suspension, TPSF's share price had dropped by 88 per cent (from USD 0.16 in May 2017 to USD 0.01 in July 2018) as a result of the fraud investigation. TPSF informed the IDX that it lacked the funds to pay interest on bonds that would mature in July 2018.

In August 2018, three board members of TPSF were dismissed subsequent to a shareholder meeting. During the meeting, the company also revealed plans for settling the USD 143 million debt incurred as a result of the fraud, including converting the debt into shares. However, the implementation of these plans proved unsuccessful; in May 2019, the SEMARANG DISTRICT COURT declared four TPSF subsidiaries bankrupt, including IBU, due to the company's inability to pay its debts.



TPSF has not taken sufficient measures to ensure that it is less exposed to similar negative impacts. So far, the company's main focus has been to implement its plans for debt settlement, which has proved unsuccessful, as four of its subsidiaries, including IBU, were declared bankrupt in May 2019. The alleged mislabelling of subsidised rice, and the application for a delay in its debt repayment have had a severe impact on the company, its shareholders, and also has a socio-economic impact on Indonesian society, therefore Sustainalytics decided to engage with the company.

## PUNJAB NATIONAL BANK

Fraud



**Olga Kostyurina**  
Manager

Status: Engage

Contribution to SDGs:



PUNJAB NATIONAL BANK (PNB) is an Indian commercial bank with more than an 80 per cent stake controlled by the government. The bank operates its business in India and overseas with the majority of the revenues derived from India.

In February 2018, PNB's Brady House branch in Mumbai was accused of colluding with the managing director of GITANJALI GEMS, a jewellery retailer, and his nephew in a fraud that involved USD 2.1 billion in suspicious transactions between 2011 and 2017. PNB's Mumbai branch allegedly issued unauthorised Letters of Undertaking (LoU) for about 100 companies linked to these persons. The LoUs were used to obtain credit from foreign branches of Indian banks, without following proper procedures.

The transactions were not recorded in the SWIFT (a transaction standard) of PNB, due to which they went undetected. The funds raised through LoUs were routed through various companies, some of them were fictitious, and the ultimate beneficiary was the nephew of Gitanjali Gems himself or entities related to him. Among other usage, the funds were used to inflate the financials of the group companies.

In August 2018, criminal charges were laid on PNB's CEO after he was questioned by the SERIOUS FINANCIAL INVESTIGATION OFFICE and INDIA'S ENFORCEMENT DIRECTORATE. The company admitted that the bank's employees had colluded in the scheme and an internal investigation revealed that 54 employees were involved, 21 of whom have been suspended. In December 2018, the CENTRAL BUREAU OF INVESTIGATION (CBI) arrested eight PNB employees for the misuse of LoUs; afterwards, the government terminated two PNB executive directors for failing to prevent the fraud.

Finally, in March 2019, the RESERVE BANK OF INDIA (RBI) issued PNB a penalty of nearly USD 300,000 for non-compliance with its directive to strengthen SWIFT-related operational controls and a Delhi court summoned 11 top PNB officials for allegedly furnishing false statements and misleading the RBI.

PNB launched its own investigation, suspended or terminated the employees involved and admitted to wrongdoing. The company has stated that it will implement better checks and balances and its CEO has been cooperative with law enforcement agencies, regulators and other banks. However, PNB initially refused to pay back USD 2 billion in provisions (nearly 10 times its FY2016 profits), as was directed by the RBI. PNB also shifted the blame for the scandal on to other banks for not making adequate checks when sanctioning the loans. However, despite the initial pushback, the bank managed to return the entire sum within nine months.

PNB discloses its risk management framework and internal control system and provides compliance disclosure with a high level of transparency. Despite that, involvement of the bank's CEO in the misconduct raises concern over the senior management's level of oversight. The recent penalty issued by the RBI suggests that the company has not taken proper measures to reduce its exposure to similar potential impacts.

Sustainalytics will engage with PNB with the recommendation to improve its internal control systems by monitoring adherence to its policies, especially at the executive level and applying the directives issued by regulators and implementing a company-wide code of conduct.

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## **SAMLING GLOBAL LIMITED**

### Deforestation

SAMLING GLOBAL LIMITED (SGL) is a privately-owned Malaysian-based vertically-integrated timber company. It has been involved in illegal logging controversies, which have allegedly had substantial biodiversity impacts in Guyana, Malaysia, Papua New Guinea and Liberia. The incidents have occurred between 1991 and 2019, and as the company continues its operations more similar incidents may be reported. The areas in question cover extensive tracts of land, for example, in Malaysia the company has been accused of illegal logging in 1.61 million hectares of land, of which 210,000 hectares are in high conservation value



**Jonathan Kellar**  
Manager

Status: Engage

Contribution to SDGs:



areas. The scale of illegal logging has generated criticism from international NGOs, including FORESTS MONITOR, EARTHSIGHT, GLOBAL WITNESS, and GREENPEACE.

The allegations resulted in withdrawal of the company's FOREST STEWARDSHIP COUNCIL (FSC) certification. In addition, nine lawsuits were filed by local communities in Malaysia and Guyana, between 1998 and 2009, over land rights issues. Moreover, the destruction of land has caused significant environmental degradation which affected local villagers' livelihoods. An October 2018 report from the NGO Global Witness included claims that Samling Global continued to dominate the logging industry in Liberia with the help of alleged political connections and lobbying practices, and had taken control of Liberia's rich and diverse forest ecosystems at the expense of local communities.

Sustainalytics decided to engage with Samling and encourage the company to stop excessive and illegal logging practices, mitigate impacts to affected communities and promote significant reforestation of the affected areas. The company should also implement transparent and detailed forest management policies and systems aligned with the Statement of Principles on Forests, sufficient to regain FSC certification.

## SAUDI ARABIAN OIL CO

Complicity in State-Sponsored Human Rights Violations



**K Bruce Jackson**  
Associate Director

Status: Engage

Contribution to SDGs:

SAUDI ARABIAN OIL CO (Aramco), is the state-owned (97 per cent) and largest oil and gas producer of Saudi Arabia. The company generates substantial revenues for the government. In December 2019, Aramco listed three per cent of its stock on the Tadawul, the Saudi stock exchange. According to the prospectus for its initial public offering (IPO) 'the oil sector accounted for 64.2 per cent and 63.0 per cent of the government's total revenues in 2016 and 2017, respectively'. The prospectus also indicated that the Saudi government 'will receive all of the proceeds of the offering'.

The company has very close ties to the government, with several members of Aramco's Board of Directors holding senior government positions, including Ministries.

As reported, Saudi Arabia has been able to use the extensive funds from Aramco to impose numerous human rights restrictions in the country. These, according to the UN and many NGOs, include, restrictions on freedom of expression, association and assembly; persecution and intimidation of civil



society actors; and the detention of or threats against human rights defenders, women's rights advocates, journalists and dissidents. NGOs also report alleged torture, arbitrary detention, enforced disappearances and unfair trials.

In addition, Saudi Arabia is leading a coalition in a military campaign against Houthi rebels in Yemen, during which grave violations of human rights and international humanitarian law, as well as war crimes, are believed to have been committed. According to the UN Group of Regional and International Eminent Experts on Yemen, the Saudi Airforce led airstrikes which caused civilian deaths and may amount to war crimes. The Saudi-led coalition has also imposed naval and air restrictions on Yemen, which has prevented humanitarian aid, commercial trade and access to medical care.

Sustainalytics has downgraded the company to engage, due to the seriousness of the accusations of human rights violations. We are analysing the company's potential leverage to improve the human rights situations in Saudi Arabia.

## TELEFONAKTIEBOLAGET LM ERICSSON

### Corrupt Practices



**Matthew Barg**  
Associate Director

Status: Engage

Contribution to SDGs:



In December 2019, Swedish prosecutors opened a bribery probe into TELEFONAKTIEBOLAGET LM ERICSSON (Ericsson) after the company agreed to pay USD 1 billion in penalties in the same month to settle a US investigation into corruption. The company received a 15 per cent penalty reduction as partial credit for its cooperation in the US probe, but the penalty remained among the largest levied in a Foreign Corrupt Practices Act (FCPA) settlement at the time it was issued. Ericsson also entered a deferred prosecution agreement (DPA) requiring a three-year independent compliance monitor and improvements to its ethics & compliance programme.

The US Department of Justice (DOJ) and Securities and Exchange Commission (SEC) concluded in December 2019 that the company violated the FCPA by paying bribes and manipulating its records to win contracts across the Middle East, Africa and Asia between 2000 and 2016. For example, through its subsidiaries, Ericsson paid bribes to high-ranking government representatives in Djibouti and funded an account used to cover gifts, travel and entertainment expenses for officials in China. The company also made off-the-book payments to secure business in Indonesia, Vietnam and Kuwait.

In September 2019, Ericsson set aside approximately USD 1.2 billion to cover the penalties and took disciplinary action against 65 individuals involved, 49 of whom were either terminated or left voluntarily. The company also said that it has cooperated with the DOJ and SEC investigations since they began in 2015 and 2013, respectively. Ericsson has stated that it will invest in enhancements to its compliance programme and internal accounting controls.

Sustainalytics has decided to engage with the company on the basis that the alleged corrupt practices appear to have been systematic over an extended period of time. The engagement focus will be on how the company's anti-corruption and ethical compliance processes are strengthened after the latest allegations.

## THE GOLDMAN SACHS GROUP INC

### Corrupt Practices



**David Frazer**  
Manager

Status: Engage

Contribution to SDGs:



According to media reports in November 2018, a former Southeast Asia chairman of the THE GOLDMAN SACHS GROUP INC (Goldman Sachs) pleaded guilty to conspiring to launder money and conspiring to violate the US Foreign Corrupt Practices Act by paying bribes to various officials from Malaysia and the United Arab Emirates and circumventing internal accounting controls. The bribes were allegedly paid in order for Goldman to gain lucrative contracts with 1Malaysia Development Berhad (1MDB), Malaysia's investment development fund company.

This allegedly resulted in 1MDB awarding Goldman a role on three bond transactions, which yielded approximately USD 600 million in revenues for the company.

Sustainalytics has decided to discuss to engage with Goldman Sachs to see how it is strengthening certain policies related to bribery and money laundering. We will focus the engagement with Goldman Sachs on the following areas: money laundering controls, compliance, ethics, bribery and corruption programmes, and company culture.

## TONGAAT HULETT LIMITED

### Accounting Fraud

Sustainalytics has recently established a dialogue with TONGAAT HULETT LIMITED (Tongaat) to address a major accounting fraud incident. Tongaat produces starch and sugar in South Africa, Zimbabwe and Mozambique. It also operates a property development division.



**Joris Laseur**  
Manager

Status: Engage

Contribution to SDGs:



## TOSHIBA CORP

Accounting Fraud



After the CEO and CFO announced their resignation in August 2018, Tongaat appointed a new CEO in February 2019. The new CEO commissioned a forensic accountant, who revealed certain accounting practices that needed to be re-examined. In June 2019, the company warned the public that their previous financial figures could not be trusted and asked the LONDON STOCK EXCHANGE and JOHANNESBURG STOCK EXCHANGE to suspend trade in its stock.

In December 2019, Tongaat published a delayed earnings report restating its 2018 figures by the equivalent of USD 800 million and cutting operating profit from USD 130 million to only 10 million. There are indications that the irregular deceptive accounting practices might have actually lasted for several years.

The forensic auditor found that several senior executives at Tongaat helped inflate profits and assets by using undesirable accounting practices. A criminal investigation has been opened into one former executive of the company, who remains unnamed.

Tongaats has started restructuring its debt in South Africa and negotiated a debt standstill agreement with its lenders in Mozambique. In order to cut costs, the company sent retrenchment letters to approximately 5,000 – out of a total of more than 33,000 – employees in 2019. Tongaat has a code of conduct and a whistleblower mechanism in place. Furthermore, it has been making various changes to its governance setup, including appointment of a Chief Risk Officer, revision of the capital approval process, new accounting and enterprise risk procedures, and a cultural change initiative.

Considering Tongaat Hulett's serious exposure to accounting fraud and the alleged involvement of multiple senior executives, Sustainalytics has decided to engage. Specifically, we would like the company to ensure that its Code of Business Conduct and Ethics is observed throughout its entire organisation. The company should implement a dedicated programme to deliver on the commitment in the code to detect, prevent and combat corruption, and improve transparency in reporting on how it ensures compliance in this area.

Sustainalytics has decided to reopen its engagement case involving accounting fraud at TOSHIBA CORP (Toshiba). This decision follows the recent revelation of a new major incident.

Toshiba is one of Japan's largest diversified industrial conglomerates. It comprises five major segments: energy, infrastructure, retail and printing, storage and electronic



**Joris Laseur**  
Manager

Status: Engage

Contribution to SDGs:



## UNITECH LIMITED

Consumer Fraud

devices, and industrial ICT. In 2015, it was revealed that Toshiba had been overstating its profits by USD 1.22 billion between 2008 and 2014. Unrealistic financial targets posed by senior executives induced managers to falsify accounts to appear to have achieved their targets.

In January 2020, a new accounting fraud incident surfaced. Toshiba disclosed that it had received information from outside around the end of November 2019 that yet more fictitious transactions may have been conducted over multiple years. The irregularities at subsidiary TOSHIBA IT-SERVICES were confirmed through an in-house investigation joined by lawyers and certified accountants. The subsidiary booked fictitious sales worth USD 365 million. Reportedly, the scheme involved various other companies.

To recover from the original scandal, Toshiba had been making several significant steps, including reforming its reporting lines as well as hiring and firing several people to update its corporate culture. The company has also changed its accounting practices, particularly with respect to large infrastructure projects. The new internal control structure works with three lines of defence (business unit, cross-functional team, and internal audit). The company established a Risk Compliance Committee lead by the Chief Risk Compliance Management Officer, managing matters related to the Standards of Conduct for Toshiba Group; as well as an Accounting Compliance Committee lead by the COO, charged with detecting signs that might point to inappropriate financial reporting. The company introduced seminars, trainings and surveys not only for executives but also other employees. In January 2019, the chairman of the board met privately with 30 of Toshiba's largest shareholders to share more information about the company's strategy and governance. Toshiba plans to have such a meeting at least once per year going forward.

Considering Toshiba's apparent difficulties with preventing new accounting fraud, Sustainalytics has decided to re-engage with the company. Specifically, we would like to see that policies and internal controls addressing accounting fraud are implemented effectively throughout the organisation, including subsidiaries. In recent years, UNITECH LIMITED (Unitech) has experienced numerous delays in delivering its housing projects in India, which has resulted in a great number of complaints by affected homebuyers. The company allegedly misled 550 clients into making 90 per cent of their payments for flats that were to be delivered in 2013.



**Matthew Barg**  
Associate Director

Status: Engage

Contribution to SDGs:



Furthermore, in August 2016, the company declared that it did not have resources to refund homebuyers for delayed projects and filed repayment extensions. As such, Unitech faces 24 cases of criminal breach of trust, fraud and non-payment of USD 93 million in fixed deposits, promising 12 per cent returns.

A 2017 government report claimed that Unitech had diverted residential project funds to other entities. Unitech's managing directors were arrested in 2017 over non-delivery of the project, and were being held in judicial custody. In August 2018, Unitech was ordered by the SUPREME COURT OF INDIA to auction off land owned by the company and the unencumbered assets of its directors. This development was an escalation of previous attempts by the government to demand that the company repay buyers who had paid deposits on flats but had not received them by the agreed date.

In 2018, the Supreme Court ordered a forensic audit of Unitech and its subsidiaries' financial statements from January 2006 onwards. All company directors were ordered to furnish details of their personal assets by May 2018; however, this process was reportedly not adequately completed by the deadline. This led 100 clients to move an application in the Supreme Court asking for the Indian government to take over management of the firm, a motion that the Supreme Court appeared to adopt in January 2020 following its request to the government to create a plan for the potential taking over of the company's projects by a public sector construction company.

As a result of the fraud case, Unitech's business operations have largely been thrown into disarray as the Supreme Court has considered appropriate resolution. In January 2020, the Supreme Court accepted the national government's proposal to fully replace Unitech's board with new appointees tasked with streamlining the company's management and completing the stalled housing projects. Unitech's founders and former managing directors remained in jail without bail and have been removed from operations. It remained unclear how the reconstituted management would proceed on its responsibility.

Sustainalytics has decided to engage with the company on the basis that the business ethics and human rights impacts described were severe. To the extent that the company may be in a position to continue to complete existing, or undertake new, housing projects, establishment of clear practices to prevent similar controversies in future is important.

## WATCHSTONE GROUP PLC

### Accounting Irregularities



**Matthew Barg**  
Associate Director

Status: Engage

Contribution to SDGs:



Since May 2015, WATCHSTONE GROUP PLC (Watchstone) (formerly QUINDELL) has faced scrutiny over its business and accounting practices, after a PwC audit discovered financial anomalies.

In June 2015, Watchstone's shares were suspended after the release of the previous year's accounts had sparked investigations by the UK FINANCIAL CONDUCT AUTHORITY (FCA), the SERIOUS FRAUD OFFICE (SFO) and the FINANCIAL REPORTING COUNCIL (FRC). Watchstone reported a FY2013 EUR 67 million profit, which was later restated as a EUR 79 million loss. The company's FY2014 restatement revealed a EUR 37 million loss.

The company stated the losses were a consequence of impairment charges and a change in accounting practices and as such, did not admit wrongdoing. In June 2017, SLATER & GORDON'S (S&G) UK subsidiary, which acquired Watchstone's professional services unit in 2015, filed a EUR 712 million lawsuit against Watchstone for financial misrepresentation related to the EUR 1.1 billion acquisition which was made prior to news of Watchstone's overstated profits being released. Watchstone counter-sued S&G in August 2019. The FCA dropped its investigation in light of the ongoing SFO probe, while the S&G lawsuit was scheduled for October 2019, but the companies settled prior to proceedings. In late 2019, Watchstone resolved the lawsuits between it and S&G in a settlement where no guilt was admitted by either party. Leading up to this settlement, the company maintained no contingency for the lawsuit.

While Watchstone has adopted the QUOTED COMPANIES ALLIANCE (QCA) Corporate Governance Code and maintains an audit committee, it fails to make important disclosures that would reassure external stakeholders. These include a company specific code of conduct or ethics as well as guidance on how internal financial controls have improved to avoid a reoccurrence of misreporting in the future.

Sustainalytics has decided to engage with the company on the basis that Watchstone Group has not satisfactorily clarified that it has adequate risk management systems and internal controls. While the SFO investigation has not yet concluded with any formal charges and the company appears oriented towards selling its remaining businesses, it is expected that it should demonstrate an effective compliance programme and code of conduct.

## WESTPAC BANKING CORPORATION

### Money Laundering



**Olga Kostyurina**  
Manager

Status: Engage

Contribution to SDGs:



WESTPAC BANKING CORPORATION (Westpac) is Australia's oldest bank and financial services group, with a significant franchise in Australia and New Zealand in the consumer, small business, corporate, and institutional sectors, in addition to its major presence in wealth management. It is the second largest bank in Australia by assets.

In November 2019, the AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE (AUSTRAC) filed a civil lawsuit against Westpac alleging that it violated anti-money laundering (AML) laws on 23 million occasions, involving over USD 7.5 billion in transactions, between 2013 and 2019.

In 2018, Westpac self-disclosed to AUSTRAC that it had not reported some transactions. The investigation that followed discovered further AML violations and eventually led to the lawsuit. Most of the violations (19.5 million) pertained to international funds transfer instructions (IFTIs), which were allegedly not reported to AUSTRAC on time, and a relatively small fraction of the transfers lacked information about the origin of the money. Furthermore, around 3.5 million violations concerned deleting records of incoming transactions too early.

The bank also failed to report more than 2,300 outgoing transfer instructions delivered through its LitePay service. Moreover, Westpac allegedly did not carry out appropriate due diligence on 12 customers connected with risk of child exploitation in south-east Asia, including the Philippines; these customers made over 3,000 transactions amounting to around USD 480,000. Westpac also failed to monitor high-risk transactions to countries where terrorists are known to be active.

Westpac has been following the responsible course of action since 2018, when the company initially detected, disclosed and self-reported to AUSTRAC some of the issues. The CEO and chairman of the board resigned from their positions. In November 2019, Westpac published its Response Plan. According to the bank, some of the actions aimed at improving the bank's AML measures have already been completed, while still there several gaps and areas where improvements are needed. Also, Westpac will make public the recommendations of the external expert.

Sustainalytics will engage with Westapc on its progress in AML/CFT processes improvement, as well as effectiveness of the board oversight.

## WILMAR INTERNATIONAL LIMITED

Violations of the Rights of Indigenous People



**Anita Nagarajan**  
Manager

Status: Engage

Contribution to SDGs:



For the last couple of years, WILMAR INTERNATIONAL LIMITED (Wilmar) has faced criticism from local communities and NGOs for alleged controversial land acquisitions and development in Africa and Southeast Asia, which have had negative human rights impacts. The claims against the company include improper land acquisition and improper compensation, depriving communities of their livelihoods, and impacting communities' cultural heritage. In July 2018, the NGO FRIENDS OF THE EARTH reported that subsidiaries of Wilmar International had been involved in unlawful land acquisitions and conflicts with communities in several parts of Indonesia and Nigeria between 1996 and 2018.

Also, in July 2018, Liberian communities called on banks to cancel a USD 1.5 billion loan to Wilmar, unless it addressed community grievances related to its 27 per cent owned subsidiary, SIFCA. In August 2018, Nigerian communities filed a complaint against Wilmar with NATIONAL ASSEMBLY OF THE FEDERAL REPUBLIC OF NIGERIA over unlawful land acquisition and pollution. A November 2019, a NGO report summarising complaints made by 50 communities in West Sumatra, Indonesia, regarding Wilmar and its suppliers' operations, concluded that all communities reported a loss of access and control of their customary lands.

Wilmar International has a set of comprehensive policies and due diligence in place in relation to human rights. There is a grievance mechanism in place. The company also engages with external stakeholders to provide feedback on the further development of the grievance system. Wilmar is striving to make improvements in its handling of community relations issues. However, Wilmar's ongoing involvement in controversies over land rights and consultation might indicate that the effectiveness and implementation of its policies could be strengthened further. Therefore, Sustainalytics has decided to initiate engagement with the company on the above issues.

## WOCKHARDT LIMITED

### Quality and Safety Breaches



**Enrique Figallo**  
Senior Associate

Status: Engage

Contribution to SDGs:



WOCKHARDT LIMITED is a major drug manufacturing company with a focus on pharmaceutical and biotechnology products.

Since 2013, the US Food and Drug Administration (FDA) has issued several warning letters to Wockhardt Limited alleging significant violations of current good manufacturing practices. The FDA pointed to inefficient procedures to prevent drug product contamination, poor aseptic practices in the manufacture of sterile drugs, data manipulation and destruction, and deficient in-process testing practices, which might result in products that are harmful to human health. The FDA imposed import bans on the company's Indian Chikalthana and Waluj plants in Aurangabad in 2013, as well as on its plant in Ankleshwar in 2016.

The company does have an internal risk management policy intended to institutionalise the risk management framework, which includes the identification, review and reporting of material risks. Furthermore, the company states that corrective measures for FDA clearance are progressing with significant automation, technology upgrades and the rollout of best practices at its manufacturing facilities. However, there is no detailed information on how the company is achieving this.

Sustainalytics has decided to engage with the company to better understand how it has implemented good manufacturing practices to ensure international quality compliance standards and obtain FDA clearance.

## ZHEJIANG HUAHAI PHARMACEUTICAL CO LTD

### Consumer Fraud



**Enrique Figallo**  
Senior Associate

Status: Engage

ZHEJIANG HUAHAI PHARMACEUTICALS CO LTD (Zhejiang Huahai) is a Chinese-listed pharmaceutical company with an international presence, it manufactures, packages and trades in chemical and biological medicines. In 2018, the company announced that it had found an impurity called N-nitrosodimethylamine (NDMA) a possible carcinogen, in its valsartan active pharmaceutical ingredients (API). The EUROPEAN MEDICINES AGENCY (EMA) linked the valsartan contamination to a change in the company's manufacturing processes since 2012.

Following the detection of the issue, the EMA and US Food and Drug Administration (FDA) recalled several affected medications. In May 2019, FDA laboratory testing and records from manufacturers suggested that impurities may have been present



Contribution to SDGs:



in valsartan drugs for four years. Investigations by the FDA and EMA are ongoing.

Zhejiang Huahai discloses information about its research and development, but there is little or no disclosure on product quality or control. The company should consider how it ensures that its production facilities do not cause contamination of any of its products in the future.

Sustainalytics has decided to engage with the company to better understand how it is implementing a product quality risk management system and good manufacturing practices to ensure compliance with recognised quality standards.

## ZTE CORPORATION

Human Rights Impacts of Surveillance Systems



**Matthew Barg**  
Associate Director

Status: Engage

Contribution to SDGs:



ZTE CORPORATION (ZTE) has been repeatedly flagged as providing critical telecommunications equipment and communications surveillance technology to states with poor human rights records. In 2012, Reuters reported that ZTE had sold surveillance systems to Iran's state-owned telecom firm, which allowed for the monitoring of citizens, resulting in a federal investigation by US regulators.

In March 2017, ZTE pleaded guilty to illegally shipping US telecommunications equipment to Iran and North Korea between 2010 and 2016, in breach of US trade sanctions. This admission, along with subsequent failure to comply with the settlement, led to fines totalling USD 2 billion along with a USD 400 million deposit in suspended penalty money. Moreover, ZTE was ordered to replace its entire board of directors within 30 days and to retain a team of specialists selected by and answerable to US authorities for a period of ten years. In November 2018, US senators asked US secretaries of state to investigate whether ZTE had violated sanctions and helped Venezuela set up a database that monitors the behaviour of its citizens.

More recently, in August 2019, the US government prohibited federal agencies from acquiring telecommunications equipment and services produced or provided by certain companies, including ZTE Corporation.

ZTE acknowledged the mistakes the company made in dodging the US sanctions and has made important investments in export compliance controls, established compliance oversight, and

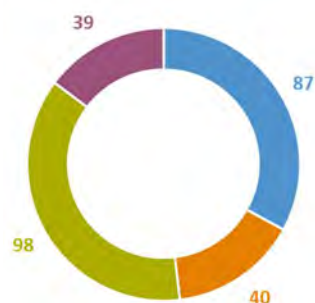
terminated business relationships with the sanctioned territories.

According to ZTE, the company forbids any export of controlled items without a licence and prohibits the use of products for military purposes, monitoring or other human right violation purposes. However, the company does not present any policies with regard to human rights issues. ZTE claims to do business with respect for human rights and act in accordance with all relevant laws, without providing further information on the topic.

Sustainalytics has decided to engage with ZTE on the basis that the company has sold its telecommunications equipment and surveillance technology to states with poor human rights records and has a perceived lack of preparedness for dealing with such risks. The engagement will focus on understanding the details of its approach to human rights due diligence and transparency around its human rights risks.

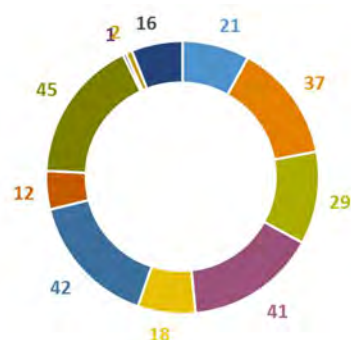
# ENGAGEMENT SUMMARY REPORT

NORM AREA BREAKDOWN



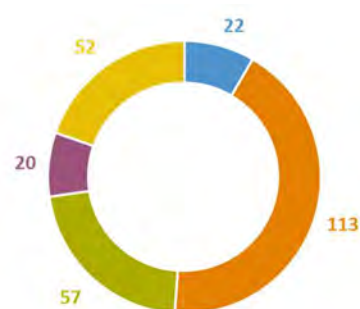
- Business Ethics
- Environment
- Human Rights
- Labour Rights

INDUSTRY SECTOR BREAKDOWN



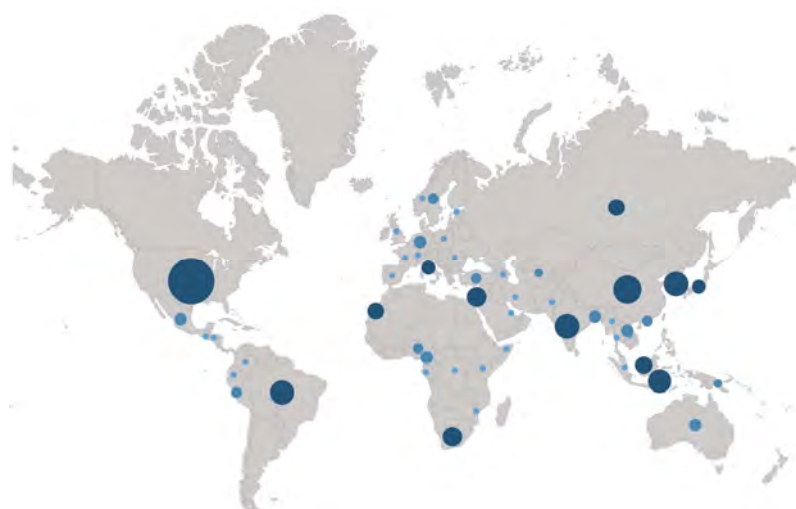
- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Healthcare
- Industrials
- Information Technology
- Materials
- Real Estate
- Telecommunication Services
- Utilities

GEOGRAPHIC BREAKDOWN



- Africa / Middle East
- Asia / Pacific
- Europe
- Latin America and Caribbean
- United States and Canada

## ENGAGEMENT MAP




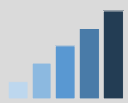
During December 2019 – February 2020, Sustainalytics worked on **264** issues related to Global Standards Engagement.

In **204** *Engage* cases, we have continued our dialogue to track specified engagement goals and to seek measurable results of business conduct changes.

In **60** *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.

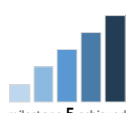



# COMPANY DIALOGUE & PROGRESS SUMMARY

## HOW TO READ THIS REPORT

<b>Country</b>	<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>
<b>Year</b>	<p>The year shows when the case was upgraded to Engage status.</p>
<b>Response</b>	<p>The indicator describes how the company responds to Sustainalytics' inquiries.</p> <ul style="list-style-type: none"> <li>● excellent</li> <li>● good</li> <li>● standard</li> <li>● poor</li> <li>● none</li> </ul>
<b>Progress</b>	<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"> <li>↑ excellent</li> <li>↗ good</li> <li>→ standard</li> <li>↘ poor</li> <li>↓ none</li> </ul>
<b>Performance</b>	<p>The indicator describes the combined company progress and response performance.</p> <ul style="list-style-type: none"> <li>▲ High performance: good or excellent response and / or progress of the business conduct issue</li> <li>▶ Medium performance: standard level of response and progress</li> <li>▼ Low performance: poor or no response in combination with poor or no progress</li> </ul> <p><b>new, same, better or worse</b> – indicates the change in either Response or Progress since the last quarterly report.</p>
<b>Time</b>	<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 Sustainalytics and a disengage recommendation can be issued if all other engagement options are ineffective</p> </div>
<b>Milestone</b>	<p>The indicator describes the milestone achieved from 1 to 5.</p> <div>  </div>

# RESOLVED LIST

## ASIA / PACIFIC

<b>PetroChina Co Ltd</b> (2018) <i>Fatal Accident(s)</i>	China	Sustainalytics decided to resolve this case based on the extensive information that PetroChina provided on its health and safety management systems and relevant improvements it introduced in that area, including enhanced training for suppliers and subcontractors, monitoring and audits and improved disclosure. The efficiency of listed improvements is reflected in a general decline in PetroChina's H&S statistics from the last few years.	 milestone 5 achieved
<b>POSCO</b> (2010) <i>Pipeline Project Resulting in Negative Environmental and Human Rights Impacts</i>	South Korea	Posco International, a subsidiary of POSCO, has performed all the procedures according to the Environmental Conservation Law and Guidelines of Myanmar and the Environmental Compliance Certificate. Posco International has committed itself to minimising the influence on the natural environment and indigenous people of the project area, and continuous monitoring on the influences in the progress of the development project. Since 2017, a grievance mechanism in project operated areas has been established and stakeholders' engagement meetings have been organised with all relevant stakeholders. Thus, Sustainalytics evaluated the progress made as positive and decided to resolve the case.	 milestone 5 achieved
<b>POSCO INTERNATIONAL Corp.</b> (2010) <i>Project Resulting in Negative Environmental and Human Rights Impacts</i>	South Korea	Posco International has performed all the procedures according to the Environmental Conservation Law and Guidelines of Myanmar and the Environmental Compliance Certificate. The company has committed itself to minimising the influence on the natural environment and indigenous people of the project area, and continuous monitoring on the influences in the progress of the development project. Since 2017, a grievance mechanism in project operated areas has been established and stakeholders' engagement meetings have been organized with all relevant stakeholders. Thus, Sustainalytics evaluated the progress made as positive and decided to resolve the case.	 milestone 5 achieved
<b>Wilmar International Limited</b> (2017) <i>Labour Rights Violations at Plantations</i>	Singapore	Wilmar has been actively addressing known issues and implementing policies and management systems to improve labour rights conditions in the supply chain. The company has a set of comprehensive policies and due diligence in place in relation to labour rights. There is a grievance mechanism in place which has been communicated and implemented across its operations. The company also engage with external stakeholders to provide feedback on the further development of the grievance system. Due to the measures taken by Wilmar to address labour issues, Sustainalytics regards the case as resolved.	 milestone 5 achieved

## EUROPE

**British American Tobacco p.l.c.**  
(2017)  
*Labour Rights Violations at Plantations*

United  
Kingdom

BAT has addressed known issues and implemented its Code of Business Conduct and management systems to improve labour rights conditions in the supply chain. The company has a human rights policy and due diligence in place in relation to labour and human rights. There is a grievance mechanism in place which has been communicated and implemented across its operations. The company also engages with external stakeholders to provide feedback on the further development of the existing reporting mechanisms. Due to the measures taken by BAT to address labour issues, Sustainalytics regards the case as resolved.



## LATIN AMERICA AND CARIBBEAN

**BRF S.A. (2018)**  
*Corrupt Practices*

Brazil

BRF has created a Transparency Committee to follow up on its internal investigations and it has implemented an Integrity System managed by a compliance team and Chief Compliance Officer. This Integrity System includes risk assessment, monitoring, training, due diligence of business partners and a robust whistleblower system to detect, investigate and remediate compliance-related complaints. The company has also carried out an external assessment of its Integrity System to identify potential gaps. Based on these measures, Sustainalytics decided to resolve the case.



## UNITED STATES AND CANADA

**Walt Disney Co (2017)**  
*Workplace Harassment*

United States

Since the allegations of sexual harassment, Fox News, acquired by Walt Disney in 2019, has made several efforts to address the issues. The company has strengthened its policies and implemented relevant programs in order to ensure compliance, at the same time improving reporting systems and training of employees on related matters. The efforts have led to improvements in the corporate culture and a drop in harassment and discrimination claims, with no severe allegations reported since. Given the above developments and no outstanding issues, Sustainalytics has decided to resolve the case.





## ARCHIVED

<b>Agricultural Bank of China Limited</b> (2017) <i>Corrupt Practices</i>	China	Sustainalytics decided to archive this case on corrupt practices and will continue its engagement with Agricultural Bank of China under a <i>Money laundering</i> case.
<b>Banco Safra S.A.</b> (2016) <i>Corrupt Practices</i>	Brazil	The chairman and majority owner of Banco Safra S.A. was indicted for corruption by Brazilian prosecutors in 2016. Sustainalytics was in dialogue with Banco Safra in relation to the incident in 2017. The bank has adequate policies in place and the code of conduct was updated in 2019 to account for bribery. Given the corporate structure of Banco Safra Group and allegations targeting directly the owner, as well as further dismissal of the case by the authorities, Sustainalytics decided that there is no sufficient engagement potential. Sustainalytics decided to archive this engagement case.
<b>Boston Scientific Corporation</b> (2019) <i>Product-Related Incidents</i>	United States	Boston Scientific Corporation has been involved in product quality and safety issues linked to the use of its medical mesh device. Since the side effects of the product was reported, the company has engaged with the regulator and voluntarily recalled the faulty products. As of October 2019, the company settled almost all lawsuits and following the FDA recommendations that the transvaginal mesh device itself was linked with elevated risks, the company decided to stop production and sale of the device. In addition, BSC has a code of conduct in place and a rigorous safety monitoring process that includes post-market surveillance studies, patient registry information and quality systems feedback. Sustainalytics decided to archive the case.
<i>* includes the related company:</i>		
<b>EndoChoice Holdings, Inc.</b>		
<b>Cargill, Inc.</b> (2012) <i>Labour Rights Violations in Supply Chain</i>	Uzbekistan	According to the 2019 ILO and Trafficking in Person reports, the systematic and systemic use of child labour and forced labour in Uzbekistan's cotton industry has come to an end, with the government of Uzbekistan making significant efforts to end trafficking. Based on this and Cargill's lack of direct investments in Uzbekistan, as well as the fact that the volume of cotton sourced by the company from the country is low, Sustainalytics has decided to archive the case.
<b>Centrais Elétricas Brasileiras S.A. - Eletrobras</b> (2018) <i>Project Resulting in Adverse Human Rights Impacts</i>	Brazil	Sustainalytics has decided to archive the engagement case as the company showed it has a strategy in place to strengthen its human rights performance and has committed to report regularly on the topic. Current commitments include implementing human rights due diligence of company's joint ventures and launching stakeholder engagement for new projects at the early phases.
<b>Hyundai Motor Company</b> (2010) <i>Labour Rights Violations at Company Operations</i>	South Korea	Hyundai Motor has been involved in multiple labor relations incidents. However, the company managed to settle with workers and avoid the annual strikes in South Korea for the first time in 2019. It is the company's priority to avoid strikes in the future. Moreover, Hyundai has established a human rights policy, including a statement on freedom of association. It reports that it actively communicates with its employees and labor unions through various channels. Considering these positive developments, Sustainalytics has decided to archive the case.
<b>Indofood Agri Resources Ltd</b> (2016) <i>Activities Resulting in Negative Environmental and Human Rights Impacts</i>	Indonesia	Sustainalytics decided to archive this case on <i>Activities Resulting in Negative Environmental and Human Rights Impacts</i> , but will continue its engagement with Indofood Agri Resources under a <i>Labour Rights Violations at Plantations</i> .

<p><b>Italian-Thai Development Public Company Limited (2011)</b>  <i>Project With Environmental and Human Rights Risks</i></p>	Myanmar	<p>The Dawei project has repeatedly been stalled since 2013, and still to date has not been initiated. In January 2020, the Dawei management committee said changes had been made to the contractual agreements with ITD for the development of the initial industrial estate. According to the amendment, ITD and other investors must compensate and resettle villagers affected by industrial zone project, while also adhering to international environmental standards, and with additional provisions under discussion. However, there has been a lack of further concrete information and updates during the latest years, and the project is yet to be initiated. Based on these circumstances Sustainalytics has decided to archive the case.</p>
<p><b>Lotte Fine Chemical Co. Ltd. (2018)</b>  <i>Fraud</i></p>	South Korea	<p>Sustainalytics decided to merge this case on <i>Fraud</i> with another one related to <i>Embezzlement</i>.</p>
<p><b>Unitech Limited (2019)</b>  <i>Fraud</i></p>	India	<p>Given the close link between the human rights impact and the business ethics issues that resulted from this consumer fraud case, it will be merged with the ongoing engagement case on the business ethics, where the objective is for Unitech to demonstrate that the company can either complete the stalled housing projects or otherwise provide remedy to the impacted customers.</p>
<p><b>Uchumi Supermarkets Limited (2018)</b>  <i>Fraud</i></p>	Kenya	<p>Uchumi's senior management had engaged in corrupt procurement of goods and services and made fraudulent payments to suppliers owned by Uchumi's senior managers or their relatives, which ultimately led to substantial losses for the company. The amount of debt owed as well as the alleged involvement of top management in systemic corrupt and fraudulent practices, has ultimately led to the company's very difficult financial situation. Furthermore, the company, at the time, did not disclose any anti-corruption policies, nor any policies related to how supplier procurement contracts were awarded. As there is no functional website and the company has deactivated its contact email addresses, engagement is deemed impossible. Thus, Sustainalytics has decided to archive the case until more information about the company's situation is available to better understand the status of Uchumi's operations.</p>
<p><b>Universal Health Services, Inc. (2017)</b>  <i>Activities Resulting in Adverse Human Rights Impacts</i></p>	United States	<p>Universal Health Services has been involved in ongoing individual lawsuits alleging poor quality and safety of the services offered by the company at some of its facilities. Since the issues were revealed the company has implemented quality and safety measures, including risk assessments and employee training, and has certified its facilities according to quality standards. As the company has introduced corrective measures, Sustainalytics decided to archive the case. However, Sustainalytics will continue monitoring the company's operations and will reconsider this conclusion should there be any indication to the contrary.</p>

*The above engagement cases have been archived but Sustainalytics will reassess these conclusions if new information emerges.*

*The purpose of the Global Standards Engagement product is to create an engagement overlay to the Global Standards Screening, which in turn provides an assessment of a company's impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. After assessing whether further engagement on the issue is required, the decisions to close cases are made independently from the company status in the Global Standards Screening.*

# ENGAGE LIST

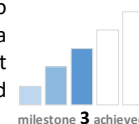
## AFRICA / MIDDLE EAST

**Bank Hapoalim B.M. (2010)**  
*Financing of Illegal Settlements in Occupied Territories*

Palestinian Authority

### Change objective

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.

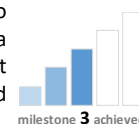


● good ➔ poor ► same

**Bank Leumi le- Israel B.M (2010)**  
*Financing of Illegal Settlements in Occupied Territories*

Palestinian Authority

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 ➔ poor ► same

**Bezeq The Israel Telecommunication Corporation Limited (2019)**  
*Corrupt Practices*

Israel

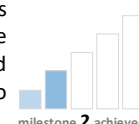
Bezeq should implement and demonstrate an appropriate anti-corruption programme and internal control mechanisms. It should further ensure that its media ethics guidelines are sufficient to guard against similar subjective influence and cooperate with the authorities on the ongoing investigations.

**new**

**Eskom Holdings SOC Limited (2019)**  
*Air Pollution*

South Africa

Eskom should make sure that more extensive maintenance programme is introduced to its plants and the implementation of environmental offset programmes in the communities is confirmed. It should prioritise the plants which will remain operational for a longer time and be able to prove it takes all the possible actions to minimise the impacts of its operations.

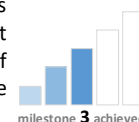


● standard ➔ standard ► better

**First International Bank of Israel Ltd (2011)**  
*Financing of Illegal Settlements in Occupied Territories*

Palestinian Authority

First International Bank of Israel 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 ➔ poor ► same

**Harmony Gold Mining Company Limited (2015)**  
*Fatal Accident(s)*

South Africa

Harmony Gold should make sure that families to the decedent workers have received financial support. The company should also demonstrate that the causes of the accidents have been fully investigated and that safety management systems are improved in accordance with the findings. The company's efforts should be independently third party verified.

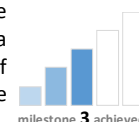


● good ➔ standard ▲ same

**Israel Discount Bank Limited (2010)**  
*Financing of Illegal Settlements in Occupied Territories*

Palestinian Authority

Israel Discount 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 ➔ poor ► same

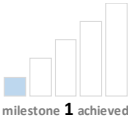
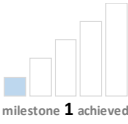
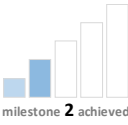
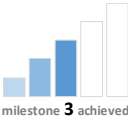
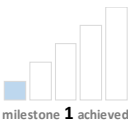
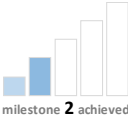
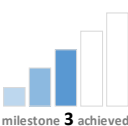
**Mizrahi Tefahot Bank Ltd. (2010)**  
*Financing of Illegal Settlements in Occupied Territories*

Palestinian Authority

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 ➔ poor ► same

<b>MTN Group Limited (2019)</b> <i>Operations in Territories With Elevated Human Rights Risks</i>	South Africa	MTN Group should implement a robust human rights due diligence programme to improve its business policies and practices in line with internationally accepted standards. The company should also provide transparent reporting on human rights issues and show evidence of its continued adherence to improved human rights management and its related exposure in high-risk markets.	
<b>Mumias Sugar Company Limited (2019)</b> <i>Accounting Fraud</i>	Kenya	Mumias Sugar should reinforce board oversight and compliance measures, such as a more effective code of conduct, whistleblower mechanism, and structural compliance awareness training. Furthermore, the company should take measures to compensate the dismissed staff.	
<b>OCP S.A. (2016)</b> <i>Operations in Occupied Territories</i>	Western Sahara	OCP should demonstrate how its activities in Western Sahara will continue in line with international law as well as 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.	
<b>Saudi Arabian Oil Co. (2019)</b> <i>Operations in Territories With Elevated Human Rights Risks</i>	Kenya	Sustainalytics is analysing the company's potential leverage to improve the human rights situation in Saudi Arabia.	
<b>Sibanye-Stillwater (2018)</b> <i>Recurring Workplace Accidents</i>	South Africa	Sibanye-Stillwater should, based upon a review of the incidents, seek to identify the main causes of the accidents and to put into place improvements in its health and safety training and working practices to develop an enhanced health and safety culture at its operations. Sibanye-Stillwater's safety performance will be monitored by Sustainalytics for at least two years and is expected to show decreasing figures during the time.	
<b>Teva Pharmaceutical Industries Limited (2019)</b> <i>Price-Fixing Violations</i>	United States	Teva should take appropriate actions by investigating the alleged misconduct internally and cooperate with authorities to address the issue. The company should also develop and implement a drug pricing model that ensure equitable access to medicine and implement in competition guidelines.	
<b>The Okomu Oil Palm Co PLC (2019)</b> <i>Activities Resulting in Adverse Human Rights Impacts</i>	Nigeria	Okomu should ensure that affected communities are consulted according to the principle of Free, Prior and Informed consent. It should also implement its human rights policy and demonstrate human rights due diligence in its operations to prevent adverse human rights impacts.	
<b>Tiger Brands Limited (2019)</b> <i>Product-Related Fatalities</i>	South Africa	Tiger Brands should ensure that it has taken appropriate actions to responsibly address the impacts of the incident. Tiger Brands should also demonstrate that it has taken adequate measures to improve consistency of operational practices and procedures for product safety across the group.	
<b>Tongaat Hulett Limited (2019)</b> <i>Accounting Fraud</i>	South Africa	Tongaat Hulett should ensure its Code of Business Conduct and Ethics is observed throughout its entire operations. The company should implement a dedicated program to deliver on the commitment in the Code to detect, prevent and combat corruption, and improve transparency in reporting on how it ensures compliance in this area.	

## ASIA / PACIFIC

**63 Moons Technologies Ltd (2020)**  
*Fraud*

India

### Change objective

63 Moons should implement robust countermeasures, strengthen its internal controls and reimburse affected investors.

**new**

**Adani Enterprises Limited (2016)**  
*Project With Environmental and Human Rights Risks*

Australia

Adani should respect the rights of the indigenous people living in the project's area by obtaining their consent for the land use. The company should prevent the projected environmental impacts of the Carmichael mine and, in case this is proven to be impossible, withdraw from the project.

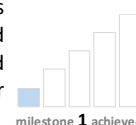


● standard ↗ good ▲ same

**Aekyung Industrial Co., Ltd. (2019)**  
*Quality and Safety Violations*

South Korea

Aekyung Industrial Co. should disclose the findings of any internal and external investigations into the disinfectant issue. It should respond appropriately to these findings, including reviewing, upgrading and externally assuring its quality and safety management system as needed, and disclosing outcomes of product safety audits. It should also ensure suitable compensation of victims and/or their families.

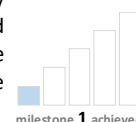


● none ↓ none ▼ new

**Agricultural Bank of China Limited (2018)**  
*Money Laundering*

United States

The Agricultural Bank of China should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. The bank should ensure that the board has sufficient and effective oversight of the business.

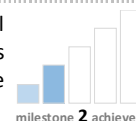


● none ↓ none ▼ same

**AMP Limited (2019)**  
*Consumer Fraud*

Australia

AMP should ensure that robust policies and internal controls addressing product governance and business ethics are implemented, universally applied and where appropriate, disclosed.

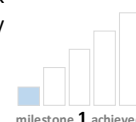


● standard → standard ► same

**Anbang Insurance Group Co., Ltd. (2019)**  
*Fraud*

China

Anbang Insurance Group should demonstrate business ethics - related policies and programmes (such as Code of Conduct, Anti-Fraud Policy, Compliance and Risk Management processes) that are robust and universally applied across the company.



● none ↘ poor ▼ worse

**AviChina Industry & Technology Company Limited (2019)**  
*Operations in Territories With Elevated Human Rights Risks*

China

AviChina should establish clear criteria to identify high-risk destination countries and human rights due diligence procedures to be applied to military equipment sales deals.

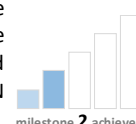


● none ↓ none ▼ same

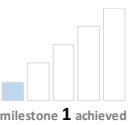
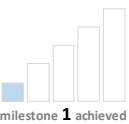
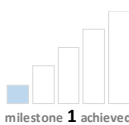
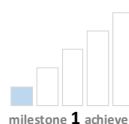
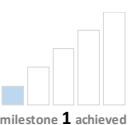
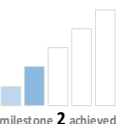
**Bharat Heavy Electricals Limited (2017)**  
*Project With Environmental and Human Rights Risks*

Bangladesh

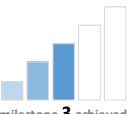
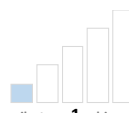
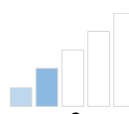


BHEL should align its operations with WHC and IUCN recommendations regarding pollution from coal ash by air, pollution from wastewater and waste ash, increased shipping and dredging, and the cumulative impact of industrial and related development infrastructure. The original WHC and IUCN recommended was that the Rampal project should be cancelled and relocated to avoid negative impact on the Sundarbans but WHC and IUCN may find other mitigation efforts satisfactory.



● standard ↘ poor ► better

<b>Changsheng Bio-technology Co., Ltd.</b> (2019) <i>Quality and Safety Breaches</i>	China				Changsheng Bio-technology must implement a remediation plan for the victims. It should cooperate with regulators in the investigation into its manufacturing process and implement an adequate remediation plan across its units. It should improve and certify its quality management system and disclose the information about its product quality risk management and manufacturing practices to ensure international quality compliance standards.	
				<b>new</b>		
<b>China Energy Engineering Corporation Ltd</b> (2019) <i>Fatal Workplace Accident(s)</i>	China				China Energy Engineering Corporation (CEEC) should carry out an internal investigation into the causes of the accident and accordingly strengthen its control risk management process of construction sites. CEEC should also disclose how it has improved its safety management system across its operations and subsidiaries.	 milestone 1 achieved
		● none	↘ poor	▼ new		
<b>China Huarong Asset Management Co Ltd</b> (2019) <i>Corrupt Practices</i>	China				Huarong should ensure that it has anti-corruption policies and procedures in place, which are fully integrated into its businesses and its subsidiaries. The company should disclose the respective policies publicly and provide details on their implementation.	 milestone 1 achieved
		● poor	↘ poor	▼ new		
<b>China National Chemical Corp.</b> (2019) <i>Quality and Safety Breaches</i>	China				ChemChina should, through its wholly-owned subsidiary Syngenta, address the environmental and/or health impacts of its products. We are seeking Syngenta to fully disclose all research material on these chemicals and their impacts and to have a process of seeking independent product reviews before the market release of any new products.	 milestone 1 achieved
		● none	↓ none	▼ new		
<b>China North Industries Corp.</b> (2019) <i>Operations in Territories With Elevated Human Rights Risks</i>	China				China North Industries should establish clear criteria to identify high-risk destination countries and human rights due diligence procedures to be applied to military equipment sales deals.	 milestone 1 achieved
		● none	↓ none	▼ new		
<b>China Northern Rare Earth (Group) High-Tech Co Ltd</b> (2019) <i>Project Resulting in Negative Environmental and Human Rights Impacts</i>	China				China Northern Rare Earth (Group) High-Tech Co should publish a robust and comprehensive tailings management policy and a satisfactory strategy to minimise further environmental contamination. It should display a comprehensive program to address the health, community and environmental impacts of the tailings site.	 milestone 1 achieved
		● none	↓ none	▼ new		
<b>China Petroleum &amp; Chemical Corp.</b> (2019) <i>Operations in Territories With Elevated Human Rights Risks</i>	China				China Petroleum & Chemical Corp. should ensure its practices are generally aligned with international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake and respond appropriately to human rights due diligence. It should also engage with governments and other stakeholders to encourage open and accountable management of production revenues and contribute to local peace efforts. The company should report clearly on these efforts.	
<i>* includes the related company Sinopec Kantons</i>						
				<b>new</b>		
<b>China Railway Group Ltd</b> (2019) <i>Forced Evictions</i>	Democratic Republic of the Congo				China Railway Group should compensate the affected communities and create an anti-harassment and discrimination policy adapted to its risk exposure. The company should also ensure that its corporate culture supports the policy and has mechanisms in place to monitor the related compliance.	 milestone 2 achieved
		● poor	↘ poor	▼ same		
					low performance	

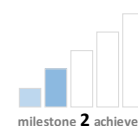


<b>China Railway Group Ltd (2014)</b> <i>Recurring Workplace Accidents</i>	China	China Railway Group should reevaluate its existing health and safety policies and practices, and prevent future accidents by aligning its management systems with international standards, such as ILO Convention 167 on safety and health in construction, and ILO Convention 174 on prevention of major industrial accidents.	 milestone 3 achieved
● standard → poor ▶ better			
<b>Coal India Limited (2016)</b> <i>Recurring Workplace Accidents</i>	India	Coal India should strengthen both its health and safety management systems resulting in a material and sustained decrease in accident rate and examine and investigate root causes of past accidents, and subsequently identify and correct gaps in its systems. Meanwhile, the company should align its practices to relevant IFC Standards, in particular those related to consultation, resettlement and compensation.	 milestone 1 achieved
● poor ↓ none ▼ same			
<b>Commonwealth Bank of Australia (2019)</b> <i>Money Laundering</i>	Australia	Commonwealth Bank of Australia should ensure it is not complicit in any money laundering. The company should strengthen its AML/CFT processes and implement all improvements suggested by the Australian regulator. The company should ensure it has robust internal controls, risk management, sufficient and effective board oversight.	
new			
<b>Convoy Global Holdings Ltd (2019)</b> <i>Fraud</i>	Hong Kong	Convoy should implement the remediation programme to eliminate irregularities in the company. The legal proceedings against the former executives should be pursued to recover the losses and provide necessary compensation to the investors. Furthermore, the company should ensure adequate risk management and internal controls.	
new			
<b>Export-Import Bank of India (2017)</b> <i>Project With Environmental and Human Rights Risks</i>	Bangladesh	Export Import Bank of India should ensure that the project is aligned with the UNESCO World Heritage Committee (WHC) and the International Union for Conservation of Nature (IUCN) recommendations regarding pollution from coal ash by air, pollution from wastewater and waste ash, increased shipping and dredging, and the cumulative impact of industrial and related development infrastructure.	 milestone 2 achieved
● poor ↓ none ▼ better			
<b>FGV Holdings Bhd. (2017)</b> <i>Labour Rights Violations at Company Operations</i>	Malaysia	FGV Holdings Bhd should establish a social and human rights due diligence programme to identify, prevent and mitigate any social and/or human rights impacts caused, or, contributed by its own activities or its business partners. The company should also develop supplier guidelines for responsible business conduct at all levels, including business partners and contractors.	 milestone 4 achieved
* includes the related company MSM <b>Malaysia Holdings Bhd</b>			
● good ↗ good ▲ same			
<b>Habib Bank Limited (2019)</b> <i>Money Laundering</i>	Pakistan	Habib Bank should implement appropriate risk management systems and internal controls that address financial crime, including money laundering and terrorist financing, as well as demonstrate that they are robust and universally applied.	 milestone 1 achieved
● standard → standard ▶ new			
<b>Hanergy Thin Film Power Group Limited (2019)</b> <i>Accounting Fraud</i>	Hong Kong	Hanergy Thin Film should ensure that the investors have access to their holdings in the company. The company should strengthen its risk management and internal controls and improve disclosure on relevant policies and their implementation.	
new			

**Hangzhou Hikvision Digital Technology Co Ltd (2019)** China  
*Human Rights Impacts of Surveillance Systems*

● standard ↘ poor ▶ new

Hikvision should implement a robust human rights due diligence program to improve its business policies and practices in line with internationally accepted standards, such as the UN Guiding Principles on Business and Human Rights. The company should also provide transparent reporting on human rights issues and show evidence of its continued adherence to improved human rights management.



**Hyundai Motor Company (2018)** South Korea  
*Corrupt Practices*

● good ↗ good ▲ same

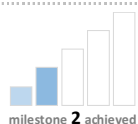
Hyundai Motor should improve its anti-corruption programme in order to reflect its corruption risk exposure. The company should also ensure that the bribery scheme has been investigated thoroughly and that its anti-corruption programme is transparent in terms of allocated resources, implementation, follow-up mechanisms, corrective actions and external verification. The company should further ensure that its anti-corruption policies are properly implemented, monitored and reported.



**Indofood Agri Resources Ltd (2018)** Indonesia  
*Labour Rights Violations at Plantations*

● standard → standard ▶ same

IndoAgri should adopt and implement a social and human right due diligence programme to identify, prevent and mitigate any social and/or human rights impacts. The company should also adopt a grievance mechanism.

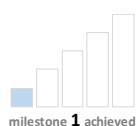


**Industrial And Commercial Bank Of China Ltd (2018)** Spain  
*Money Laundering*

● poor ↓ none ▼ same



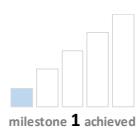
ICBC should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. It should ensure that the board has sufficient and effective oversight of the business.



**Inner Mongolian Baotou Steel Union Co Ltd (2019)** China  
*Environmental Pollution*

● none ↓ none ▼ new

Inner Mongolian Baotou Steel Union should publish a robust and comprehensive tailings management policy and a satisfactory strategy to minimise further environmental contamination. It should display a comprehensive programme to address the health, community and environmental impacts of the tailings site.



**Kangde Xin Composite Material Group Co., Ltd. (2019)** China  
*Accounting Irregularities*

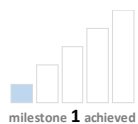
new

Kangde Xin should ensure that an independent investigation is held into the alleged financial mismanagement at the company. The company should seek to have the embezzled funds returned where practical. It should also ensure that its business transactions are verifiable by third party auditors and that it has the protocols in place to prevent recurrence of similar incidents.

**Kangmei Pharmaceutical Co Ltd (2019)** China  
*Accounting fraud*

● none ↓ none ▼ new

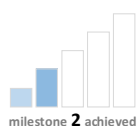
Kangmei Pharmaceutical should improve its corporate governance and culture. Also, it needs to establish adequate compliance risk management systems and internal controls. Understand the cause take appropriate actions by investigating the alleged misconduct internally.

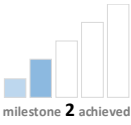
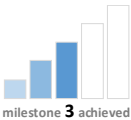
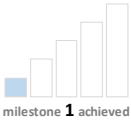
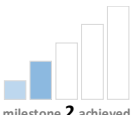
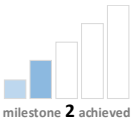
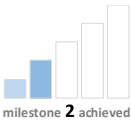


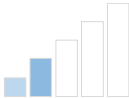
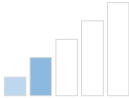
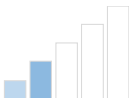
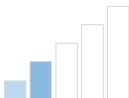
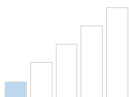

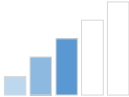
**Korea Electric Power Corporation (2019)** Laos  
*Incident Resulting in Negative Human Rights Impacts*

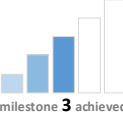
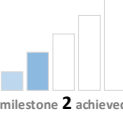
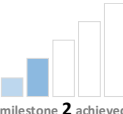
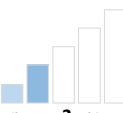
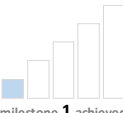

● standard ↘ poor ▶ same

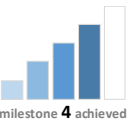

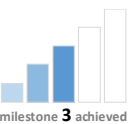

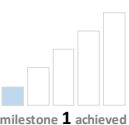
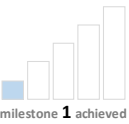
Korea Electric Power Corporation's subsidiary should use its leverage to ensure that project-affected communities are adequately compensated and consulted, and make sure that a transparent process for grievance and compensation is established for the project. Once the project is running, it should ensure the continuance of the mitigation measures established for the communities. It should have an ongoing human rights due diligence process to identify, prevent and mitigate its impact on human rights in future projects.



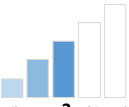
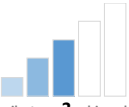
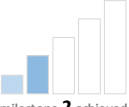



<b>Korea Western Power Co., Ltd. (2019)</b> <i>Incident Resulting in Negative Human Rights Impacts</i>	Laos	<p>Korea Western Power Co. should use its leverage to ensure that project-affected communities are adequately compensated and consulted, and make sure that a transparent process for grievance and compensation is established for the project. Once the project is running, it should ensure the continuance of the mitigation measures established for the communities. It should have an ongoing human rights due diligence process to identify, prevent and mitigate its impact on human rights in future projects.</p>	 <p>milestone 2 achieved</p>
● standard    ↘ poor    ► same			
<b>Korean Air Lines Co., Ltd. (2019)</b> <i>Embezzlement</i>	South Korea	<p>Korean Air should adopt an anti-corruption policy and implement a programme to ensure monitoring and compliance, including detailed guidelines for facilitation payments, political and charitable contributions, and gifts. The company should also ensure that the internal audit committees have the proper oversight and capacity to carry out its functions properly and strengthen Board independence.</p>	 <p>milestone 3 achieved</p>
● good    → standard    ▲ better			
<b>Lotte Corp (2019)</b> <i>Embezzlement</i>  <i>* includes the related companies Lotte Chemical Corp, Lotte Chilsung Beverage Co Ltd, Lotte Confectionery, Lotte Fine Chemical Co., Ltd., Lotte Food Co., Ltd., LOTTE Himart Co. Ltd., Lotte Non-Life Insurance Co., Ltd. and Lotte Shopping Co., Ltd.</i>	South Korea	<p>Lotte should adopt an anti-corruption policy and implement a programme to ensure monitoring and compliance, including detailed guidelines for facilitation payments, political and charitable contributions, and gifts. Further, Lotte should also ensure that the internal audit committees have the mandate and capacity to carry out its functions properly and strengthen Board independence.</p>	 <p>milestone 1 achieved</p>
● none    ↘ poor    ▼ same			
<b>Lu Thai Textile Co., Ltd. (2019)</b> <i>Poor Working Conditions</i>	Myanmar	<p>Lu Thai Textile should improve the working conditions in its factories in Cambodia and Myanmar in compliance with international standards. It should implement, monitor and report on labour rights policies and procedures to address labour rights risks and impacts within its operations.</p>	 <p>milestone 2 achieved</p>
● standard    → standard    ► new			
<b>Mitsubishi Materials Corporation (2019)</b> <i>Quality and Safety Violations</i>	Japan	<p>Mitsubishi Materials Corporation should ensure that it has in place suitable board-level oversight of quality control and take steps to strengthen the quality control culture throughout the business. It should obtain independent verification of the steps it has taken to improve its quality control framework.</p>	
new			
<b>NTPC Limited (2017)</b> <i>Project With Environmental and Human Rights Risks</i>	Bangladesh	<p>NTPC should align its operations with WHC and IUCN recommendations regarding pollution from coal ash by air, pollution from wastewater and waste ash, increased shipping and dredging, and the cumulative impact of industrial and related development infrastructure. The original WHC and IUCN recommended was that the Rampal project should be cancelled and relocated to avoid negative impact on the Sundarbans but WHC and IUCN may find other mitigation efforts satisfactory.</p>	 <p>milestone 2 achieved</p>
● poor    ↘ poor    ▼ same			
<b>NTPC Limited (2018)</b> <i>Recurring Workplace Accidents</i>	India	<p>NTPC should make sure that families to the decedent workers have received financial support. The company should also demonstrate that the causes of the accidents have been fully investigated and that safety management systems are improved in accordance with the findings.</p>	 <p>milestone 2 achieved</p>
● poor    ↘ poor    ▼ same			

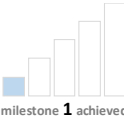
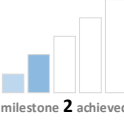

<b>Oil and Natural Gas Corporation Limited</b> (2019) <i>Operations in Territories With Elevated Human Rights Risks</i>	India	<p>ONGC should follow international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake due diligence adapted to the specific situation of the region and act adequately on the findings. The company should also engage with governments and other relevant stakeholders to encourage open and accountable management of the revenues it provides and contribute to local peace efforts.</p>	 milestone 2 achieved
● standard → standard ► new		<p>Olympus should continue to improve the safety of its duodenoscopes by enabling health care professionals to clean fixed endcap duodenoscopes effectively before re-use and to transition to disposable endcap duodenoscopes. Progress could be demonstrated by further reduction in the residual contamination rate for high-concern organisms and/or the number of incidents associated with the company's duodenoscope products.</p>	 milestone 2 achieved
<b>Olympus Corporation</b> (2019) <i>Product-Related Fatalities</i>	United States		
● standard → standard ► new		<p>PetroChina should ensure that it has anti-corruption policies and procedures in place, which are fully integrated into its businesses and its subsidiaries. The company should indicate the nature of any anti-corruption training undertaken and how the effectiveness of the training is monitored. The company should increase its level of disclosure on ESG matters.</p>	 milestone 2 achieved
<b>PetroChina Co Ltd</b> (2017) <i>Corrupt Practices</i>	China		
● standard ↘ poor ► better		<p>PetroChina should follow the international best-practice for respecting human rights. While operating in conflict-affected countries, it should undertake the due diligence adapted to the specific situation of the region and act adequately on the findings. The company should also engage with the governments and other relevant stakeholders to encourage open and accountable management of the revenues it provides and contribute to local peace efforts.</p>	 milestone 2 achieved
<b>PetroChina Co Ltd</b> (2019) <i>Operations in Territories With Elevated Human Rights Risks</i>	China		
● standard ↘ poor ► new		<p>Petronas should follow international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake due diligence adapted to the specific situation of the region and act adequately on the findings. The company should also engage with the governments and other relevant stakeholders to encourage open and accountable management of the revenues it provides and contribute to local peace efforts.</p>	 milestone 1 achieved
<b>Petroliam Nasional Berhad</b> (2019) <i>Operations in Territories With Elevated Human Rights Risks</i>	Malaysia		
* includes the related company <b>Petronas Global Sukuk Ltd.</b>			
● none ↓ none ▼ new		<p>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.</p>	 milestone 3 achieved
<b>POSCO</b> (2012) <i>Labour Rights Violations in Supply Chain</i>	Uzbekistan		
● standard → standard ► same			

<b>POSCO INTERNATIONAL Corp. (2012)</b> <i>Labour Rights Violations in Supply Chain</i>	Uzbekistan	POSCO INTERNATIONAL Corp. 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			
<b>PT Indofood Sukses Makmur Tbk (2018)</b> <i>Labour Rights Violations at Plantations</i>	Indonesia	Indofood Sukses Makmur should adopt and implement a social and human right due diligence programme to identify, prevent and mitigate any social and/or human rights impacts. The company should also adopt a grievance mechanism.	 milestone 2 achieved
● standard → standard ► same			
<b>PT Perusahaan Perkebunan London Sumatra Indonesia Tbk (2019)</b> <i>Labour Rights Violations at Plantations</i>	Indonesia	Lonsum should take responsibility for addressing labour rights incidents at its plantations. Lonsum should adopt and implement a human rights due diligence programme to identify, prevent and mitigate any human rights impacts. Lonsum should also improve the existing Sustainable Palm Oil Policy.	 milestone 2 achieved
● standard → standard ► better			
<b>PT Salim Ivomas Pratama Tbk (2019)</b> <i>Labour Rights Violations at Plantations</i>	Indonesia	Salim Ivomas should take responsibility for addressing labour rights incidents at its plantations. The company should adopt and implement a human rights due diligence programme to identify, prevent and mitigate any human rights impacts. Salim Ivomas should also improve the existing Sustainable Palm Oil Policy.	 milestone 2 achieved
● standard → standard ► better			
<b>PT Tiga Pilar Sejahtera Food Tbk (2019)</b> <i>Consumer Fraud</i>	Indonesia	PT Tiga should ensure that it implements adequate risk management processes and internal controls meant to reduce compliance breaches, and regulatory action, and disclose the results where appropriate. The anti-corruption programme should be reported on and transparent in terms of implementation, follow-up mechanisms, corrective actions and external verification.	
		<b>new</b>	
<b>Punjab National Bank (2019)</b> <i>Fraud</i>	India	PNB should improve its internal control systems by monitoring adherence to its policies, especially at the executive level, applying the directives issued by regulators and implementing a company-wide code of conduct.	
		<b>new</b>	
<b>Ratch Group Public Co. Ltd. (2019)</b> <i>Incident Resulting in Negative Human Rights Impacts</i>	Laos	Ratch should ensure that a comprehensive assessment of the safety and stability of the project is conducted, together with independent experts and that appropriate mitigation measures are taken. It should use its leverage to ensure adequate consultations with, and compensation to, project-affected communities and a transparent process for grievance and compensation. It should have an ongoing human rights due diligence process to identify, prevent and mitigate its impact on human rights.	 milestone 1 achieved
● none ↓ none ▼ same			
		 6 months low performance	

<b>Samling Global Limited (2019)</b> <i>Deforestation</i>	Malaysia	Samling Global should cease excessive and illegal logging practices. It should mitigate impacts to affected communities and promote significant reforestation of affected areas. The company should implement transparent and detailed forest management policies and systems aligned with the Statement of Principles on Forests, sufficient to regain FSC certification.	
	<b>new</b>		
<b>Samsung Electronics Co., Ltd. (2017)</b> <i>Corrupt Practices</i>	South Korea	Samsung should adopt detailed policies for political, charitable contributions, facilitation payments, gifts and travel expenses. The company should further ensure that its anti-corruption policies are properly implemented and monitored. Samsung should increase independence of its board of directors and assure its audit and related party committees are fully independent.	 milestone 4 achieved
● good ↗ good ▲ same			
<b>Singapore Technologies Engineering Limited (2017)</b> <i>Corrupt Practices</i>	Singapore	ST Engineering should update its anti-corruption policy to reflect its risk exposure and commit to preventing further incidents in the future. Policies on facilitation payments, gifts, entertainment, travel expenses and sales practices should be detailed and reflect the context in which the company operates. The company should further ensure that its anti-corruption policies are properly implemented, through training of the staff, as well as monitored and reported.	 milestone 4 achieved
● good ↗ good ▲ same			
<b>SK Discovery Co Ltd (2019)</b> <i>Quality and Safety Violations</i>	South Korea	SK Discovery should disclose the findings of any internal and external investigations into the disinfectant issue. It should respond appropriately to these findings, including reviewing, upgrading and externally assuring its quality and safety management system as needed, and disclosing outcomes of product safety audits. It should also ensure suitable compensation of victims and/or their families.	 milestone 3 achieved
* includes the related company <b>SK Chemicals Co. Ltd.</b>			
● standard → standard ► new			
<b>SK Holdings Co Ltd (2019)</b> <i>Incident Resulting in Negative Human Rights Impacts</i>	Laos	SK Holdings' subsidiary should conduct a comprehensive assessment of the safety and stability of the project, together with independent experts and take appropriate mitigation measures. It should use its leverage to ensure adequate consultations with, and compensations to, project-affected communities and a transparent process for grievance and compensation. The company should have an ongoing human rights due diligence process to identify, prevent and mitigate its impact on human rights.	 milestone 2 achieved
● standard ↘ poor ► same			
<b>Steel Authority of India Limited (2019)</b> <i>Fatal Workplace Accident(s)</i>	India	Bhilai Steel Plant should establish a safety committee which would be responsible for the implementation of robust occupational safety norms.	 milestone 1 achieved
● none ↓none ▼ same			
<b>Suruga Bank Ltd. (2019)</b> <i>Fraud</i>	Japan	Suruga Bank should ensure that robust policies and programs related to business ethics, policies, compliance processes, governance controls and risk management systems are in place to prevent recurrence of loans falsification.	 milestone 1 achieved
● none ↓none ▼ new			



<p><b>Tokyo Electric Power Company Holdings, Incorporated</b> (2011) <i>Incident Resulting in Negative Environmental and Human Rights Impacts</i></p> <p>● standard ➔ poor ► same</p>	Japan	TEPCO should ensure it operates its nuclear power plants safely, that any contamination is contained to the affected area and monitoring is in place to measures both environmental and health effects and that a compensation programme is in place as and when the effects of accidents are identified.	 <p>milestone 3 achieved</p>
<p><b>Toshiba Corp.</b> (2020) <i>Accounting Fraud</i></p> <p>new</p>	Japan	Toshiba should ensure that robust policies and internal controls addressing business ethics – and accounting fraud especially – are implemented effectively throughout the organization, including subsidiaries.	
<p><b>Unitech Limited</b> (2019) <i>Consumer Fraud</i></p> <p>new</p>	India	Unitech should demonstrate its ability to meet contractual obligations, such as action to complete the stalled housing projects, or otherwise compensate home buyers and investors for their losses. Unitech should also reform its corporate governance strategy and internal control mechanisms and show evidence of its successful implementation.	
<p><b>Vedanta Limited</b> (2019) <i>Community Protests</i></p> <p>* includes the related company <b>Hindustan Zinc Limited</b></p> <p>● good ➔ standard ▲ same</p>	India	Vedanta should analyse the root causes of the protests in Tuticorin and address the identified issues in cooperation with the local communities. It should develop a framework for improving its communication with stakeholders with the aim of applying it across operations. The company should also launch the process of becoming a signatory of The Voluntary Principles on Security and Human Rights.	 <p>milestone 3 achieved</p>
<p><b>Westpac Banking Corporation</b> (2019) <i>Money Laundering</i></p> <p>new</p>	Australia	Westpac should ensure it is not complicit in any money laundering. The company should strengthen its AML/CFT processes and implement all improvements in accordance with the Response Plan. The company should ensure it has robust internal controls, risk management, sufficient and effective board oversight.	
<p><b>Wilmar International Limited</b> (2019) <i>Violations of the Rights of Indigenous Peoples</i></p> <p>● good ↗ good ▲ new</p>	Indonesia	Wilmar should resolve active complaint cases in Indonesia, Liberia, Nigeria and Uganda and take appropriate measures against any identified gaps. The company should also strengthen implementation of its policies by reporting more regularly on progress and the outcomes of site audits.	 <p>milestone 2 achieved</p>
<p><b>Wockhardt Limited</b> (2019) <i>Quality and Safety Breaches</i></p> <p>● none ➔ poor ▼ new</p> 	India	Wockhardt should meet international regulatory requirements to obtain clearance on its manufacturing sites. Wockhardt should also disclose information about its product quality risk management system and good manufacturing practices to ensure compliance with international quality standards.	 <p>milestone 1 achieved</p>
<p><b>Yahoo Japan Corp</b> (2016) <i>Illegal Trading</i></p> <p>● good ↗ good ▲ better</p>	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.	 <p>milestone 4 achieved</p>

<b>Zhejiang Huahai Pharmaceutical Co., Ltd.</b> (2019) <i>Consumer Fraud</i>	China	Zhejiang Huahai should meet international regulatory requirements in order to receive a clearance on its products. Zhejiang should also disclose information about its product quality risk management system and good manufacturing practices to ensure compliance with international quality standards.	
<div> <span>● none</span> <span>↓ none</span> <span>▼ new</span> </div> <b>Zijin Mining Group Company Limited</b> (2015) <i>Activities Resulting in Negative Environmental Impacts</i>	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, and ensure that it is reported in a publicly available strategy. Zijin should adopt a policy of prohibiting the future use of riverine tailings disposal.	
<div> <span>● standard</span> <span>↘ poor</span> <span>▶ same</span> </div> <b>Zijin Mining Group Company Limited</b> (2015) <i>Activities Resulting in Adverse Human Rights Impacts</i>	Papua New Guinea	Zijin Mining Corp should demonstrate that it has initiated a process to align its practices to international human rights standards.	
<b>ZTE Corporation (2015)</b> <i>Human Rights Impacts of Surveillance Systems</i>	Ethiopia	ZTE should take steps to ensure its technology products and services, particularly those providing surveillance or monitoring capabilities, are not complicit in the violation of human rights. The company should implement a robust human rights due diligence programme to improve its business policies and practices in line with internationally accepted standards, particularly for its activities in high risk countries. The company should also provide transparent reporting on human rights issues that provides insight into its management of these issues and exposure in high-risk markets.	<div> <span>new</span> </div>

## EUROPE

**AB Volvo (publ) (2019)**

*Operations in Territories With Elevated Human Rights Risks*

Israel

### Change objective

Volvo should use its leverage with importers and distributors in high-risk locations to reduce the risk of its products getting implicated in human rights violations. It should establish clear criteria to identify high-risk countries and collaborate with local business partners to conduct human rights due diligence.



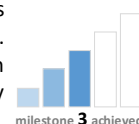
● good → standard ▲ same

**Andritz AG (2010)**

*Project Resulting in Negative Environmental and Human Rights Impacts*

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.



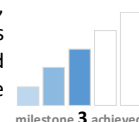
● standard ↘ poor ► worse

**Atlantia S.p.A. (2018)**

*Quality and Safety Violations*

Italy

Atlantia needs to identify the cause of the bridge collapse, assess projects within its control to prevent similar failures in the future, develop a remedial strategy for the affected people, ensure project monitoring and maintenance systems and emergency procedures are in place.



● good → standard ▲ same

**Barclays PLC (2019)**

*Corrupt Practices*

United Kingdom

Barclays should ensure on-going implementation of whistle-blower policies as mandated by regulators. The company should also implement best practices regarding whistle-blower protections and procedures, ensure that whistle-blower bodies have the appropriate independence and provide disclosures regarding the on-going enforcement of whistle-blower policies.

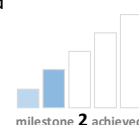
new

**Bayer AG (2018)**

*Concealing Data on Product-Related Toxicity*

United States

Bayer (formerly Monsanto) should ensure that it has a policy and procedure for the disclosure of health, safety, and environmental data to both regulators and consumers.



\* includes the related company **Bayer CropScience Limited**

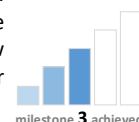
● standard → standard ► same

**Bayer AG (2019)**

*Quality and Safety Breaches*

United States

The company needs to ensure that it has suitable systems for identifying and communicating the side effects of its products to regulators, health professionals, and patients. The company should ensure that customer complaints are reviewed by an independent third-party that can review product quality and safety in relation to customer complaints.



\* includes the related company **Bayer CropScience Limited**

● standard → standard ► new

**BMW Group (2019)**

*Antitrust Violations*

Germany

BMW should ensure that it is not complicit in any antitrust violations. It should demonstrate how its commitment to compliance is sufficiently supported by procedures and practices, as well as accountability at board level. Furthermore, it should continue to collaborate with the authorities in order to enable the European Commission to conclude its investigation.



\* includes the related company **BMW Canada Auto Trust**

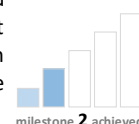
● standard → standard ► new

**Bollore (2019)**

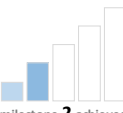
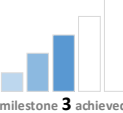
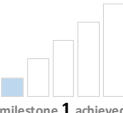
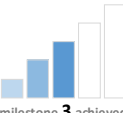
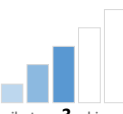
*Activities Resulting in Adverse Human Rights Impacts*

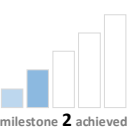
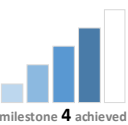
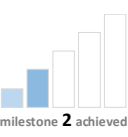
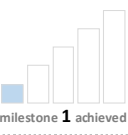
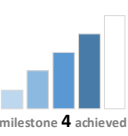
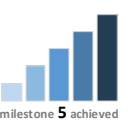
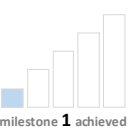

Cameroon



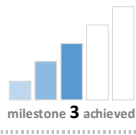
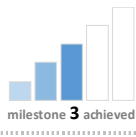
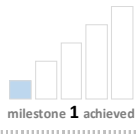

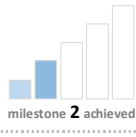

Bollore should ensure that affected communities are consulted according to the principle of free, prior and informed consent. The company should also implement its human rights policy and demonstrate due diligence in its different business relationships to prevent adverse human rights impacts.

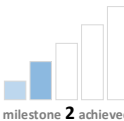
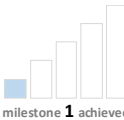

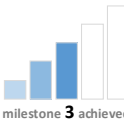
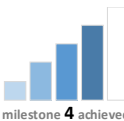


● standard ↘ poor ► same

<b>Credit Suisse Group (2019)</b> <i>Fraud</i>	Switzerland	Credit Suisse should ensure that it reviews all of its operations with regard to anti-money laundering. Credit Suisse should implement robust policies, programs, compliance processes and risk management systems that prevent anti-money laundering (AML) and corruption throughout the entire company and where appropriate, disclose these policies.	 milestone 3 achieved
● good    ↗ good    ▲ better			
<b>Daimler AG (2019)</b> <i>Antitrust Violations</i>	Germany	Daimler should ensure that it is not complicit in any antitrust violations. It should demonstrate how its commitment to compliance is sufficiently supported by procedures and practices, as well as accountability at board level. Furthermore, it should continue to collaborate with the authorities in order to enable the European Commission to conclude its investigation.	 milestone 2 achieved
* includes the related company <b>Mercedes-Benz Finance Co., Ltd.</b>			
● standard    → standard    ► new			
<b>Danske Bank A/S (2018)</b> <i>Money Laundering</i>	Estonia	Danske Bank should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. Danske Bank should ensure that the board has sufficient and effective oversight of the business.	 milestone 3 achieved
● standard    → standard    ► same			
<b>Deutsche Bank AG (2019)</b> <i>Money Laundering</i>	Russia	Deutsche Bank should ensure that robust policies, programmes, compliance processes and risk management systems addressing anti-money laundering (AML), Know-Your-Customer (KYC), and sanctions issues are in place.	 milestone 2 achieved
● standard    → standard    ► same			
<b>DNO ASA (2019)</b> <i>Operations in Territories With Elevated Human Rights Risks</i>	Norway	DNO should follow international best practice for respecting human rights. While operating in Kurdistan Region of Iraq and other disputed or conflict-affected regions, it should undertake due diligence adapted to the specific situation of the region and act adequately on the findings. The company should also engage with the governments and other relevant stakeholders to encourage open and accountable management of the revenues it provides and contribute to local peace efforts.	 milestone 1 achieved
● none    ↓ none    ▼ new			
<b>Enel Green Power S.p.A. (2019)</b> <i>Operations in Occupied Territories</i>	Western Sahara	Enel Green Power SpA 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 3 achieved
● good    ↗ good    ▲ same			
<b>Enel SpA (2019)</b> <i>Operations in Occupied Territories</i>	Western Sahara	Enel Green Power SpA, a subsidiary of Enel SpA, 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 3 achieved
● good    ↗ good    ▲ same			
<b>G4S PLC (2019)</b> <i>Forced Labour</i>	Qatar	G4S should ensure it is not complicit in any forced labour. The company should assure its Supplier Code of Conduct and Migrant Worker Policy are implemented throughout its global operations, including subsidiaries. G4S shall show it has accurate processes to manage grievances and improve transparency in reporting on how it ensures compliance in this area.	
new			

<b>Genel Energy plc (2019)</b> <i>Operations in Territories With Elevated Human Rights Risks</i>	Somalia	<p>Genel should ensure its practices are aligned to international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake and respond adequately to human rights due diligence. It should also engage with governments and other stakeholders to encourage open and accountable management of production revenues and contribute to local peace efforts. The company should report clearly on these efforts.</p>	 <p>milestone 2 achieved</p>
● standard → standard ► new			
<b>HeidelbergCement AG (2015)</b> <i>Illegal Exploitation of Natural Resources</i>	Palestinian Authority	<p>Heidelberg Cement 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.</p>	 <p>milestone 4 achieved</p>
● excellent ↗ good ▲ same			
<b>Indivior PLC (2019)</b> <i>Consumer Fraud</i>	United States	<p>Indivior should develop and implement ethical practices within its marketing and sales programmes. The company should also demonstrate the preventative measures it has undertaken are to be in compliance with regulatory requirements.</p>	
new			
<b>ING Groep N.V. (2019)</b> <i>Money Laundering</i>	Russia	<p>ING should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. ING should ensure that the board has sufficient and effective oversight of the business.</p>	 <p>milestone 2 achieved</p>
* includes the related company <b>ING Bank Slaski SA</b>			
● standard → standard ► same			
<b>Irkut Corporation (2019)</b> <i>Operations in Territories With Elevated Human Rights Risks</i>	Russia	<p>Irkut should establish clear criteria to identify high-risk destination countries and human rights due diligence procedures to be applied to military equipment sales deals.</p>	 <p>milestone 1 achieved</p>
● none ↓ none ▼ new			
<b>Leonardo S.p.a. (2013)</b> <i>Corrupt Practices</i>	India	<p>Leonardo 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.</p>	 <p>milestone 4 achieved</p>
● good ↗ good ▲ same			
<b>Mining and Metallurgical Company NORILSK NICKEL PJSC (2010)</b> <i>Activities Resulting in Negative Environmental and Human Rights Impacts</i>	Russia	<p>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 Convention on Biological Diversity.</p>	 <p>milestone 5 achieved</p>
● good → standard ▲ worse			
<b>Mozambique Ematum Finance 2020 BV (2019)</b> <i>Asset Misappropriation</i>	Mozambique	<p>Mozambique Ematum should ensure transparency in its financial practices and treatment of labor in accordance with international standards.</p>	 <p>milestone 1 achieved</p>
● none ↘ poor ▼ same			
	 <p>3 months low performance</p>		

<b>Nordea Bank Abp (2015)</b> <i>Money Laundering</i>	Sweden	Nordea should ensure that the issues raised by the Swedish Financial Supervisory Authority are 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			
<b>Rostec Corporation (2019)</b> <i>Operations in Territories With Elevated Human Rights Risks</i>	Russia	Rostec should establish clear criteria to identify high-risk destination countries and human rights due diligence procedures to be applied to military equipment sales deals.	 milestone 1 achieved
● none ↓ none ▼ new			
<b>Siemens Aktiengesellschaft (2017)</b> <i>Operations in Occupied Territories</i>	Western Sahara	Siemens 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 3 achieved
● poor → standard ► worse			
<b>Siemens Gamesa Renewable Energy, S.A. (2018)</b> <i>Operations in Occupied Territories</i>	Western Sahara	Siemens Gamesa Renewable Energy 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 3 achieved
● poor → standard ► worse			
<b>SOCFIN Societe Financiere des Caoutchoucs (2019)</b> <i>Activities Resulting in Adverse Human Rights Impacts</i>	Cameroon	Socfin should ensure that affected communities are consulted according to the principle of free, prior and informed consent. The company should also implement its human rights policy and demonstrate due diligence in its different business relationships to prevent adverse human rights impacts.	 milestone 1 achieved
● poor ↘ poor ▼ better			
<b>Socfin SA (2019)</b> <i>Activities Resulting in Adverse Human Rights Impacts</i>	Cameroon	Socfin should ensure that affected communities are consulted according to the principle of free, prior and informed consent. The company should also implement its human rights policy and demonstrate due diligence in its different business relationships to prevent adverse human rights impacts.	 milestone 1 achieved
* includes the related company <i>Socfinasia S.A.</i>			
● none ↘ poor ▼ same			
<b>Steinhoff International Holdings N.V. (2019)</b> <i>Accounting Fraud</i>	South Africa	Steinhoff should demonstrate that it has taken sufficient measures to recover from the fraud and to prevent recurrence. Also, Steinhoff should disclose more details about its Remediation Plan and report on its progress.	 milestone 2 achieved
* includes the related company <i>Pepkor Holdings Ltd.</i>			
● poor → standard ► same			
<b>Swedbank AB (2019)</b> <i>Money Laundering</i>	Sweden	Swedbank should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. It should also ensure that the board has sufficient and effective oversight of the business.	 milestone 3 achieved
● standard → standard ► same			

<b>Syngenta AG (2019)</b> <i>Quality and Safety Breaches</i>	Thailand	Syngenta should address the environmental and/or health impacts of its products. We are seeking Syngenta to fully disclose all research material on these chemicals and their impacts and to have a process of seeking independent product reviews before the market release of any new products.	 milestone 2 achieved
● standard ↘ poor ► same			
<b>Telefonaktiebolaget LM Ericsson (2019)</b> <i>Corrupt Practices</i>	Sweden	Ericsson should continue to strengthen its anti-corruption and ethical compliance processes in accordance with its public commitments and the settlement with US authorities. Ericsson should maintain transparency regarding the implementation of these improvements or any new concerns that arise.	
new			
<b>United Aircraft Corporation (2019)</b> <i>Operations in Territories with Elevated Human Rights Risks</i>	Russia	United Aircraft should establish clear criteria to identify high-risk destination countries and human rights due diligence procedures to be applied to military equipment sales deals.	 milestone 1 achieved
● none ↓ none ▼ new			
<b>Vedanta Resources PLC (2019)</b> <i>Community Protests</i>	India	Vedanta should analyse the root causes of the protests in Tuticorin and address the identified issues in cooperation with the local communities. It should develop a framework for improving its communication with stakeholders with the aim of applying it across operations. The company should also launch the process of becoming a signatory of The Voluntary Principles on Security and Human Rights.	 milestone 3 achieved
● good → standard ▲ same			
<b>Volkswagen AG (2016)</b> <i>Activities Resulting in Negative Environmental and Human Rights Impacts</i>	United States	VW should ensure that it has adequate risk management systems and internal controls and that the Supervisory Board has sufficient oversight, independence and skills in order to prevent future violations. Furthermore, VW should demonstrate that it has improved its corporate culture.	 milestone 4 achieved
● good ↗ good ▲ better			
<b>Watchstone Group PLC (2019)</b> <i>Accounting Irregularities</i>	United Kingdom	Watchstone Group should ensure that it has adequate risk management systems and internal controls. It should demonstrate that its compliance programme and code of conduct work effectively in practice. Also, the company should cooperate with authorities to resolve outstanding investigations or legal proceedings.	
new			



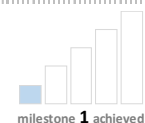
## LATIN AMERICA AND CARRIBEAN

**1MDB Global Investments Ltd. (2019)**  
*Embezzlement*

Malaysia

### Change objective

1MDB should ensure it has robust policies to prevent embezzlement, and executive misconduct, and where appropriate, disclose these findings.



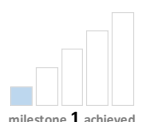
new

**Andrade Gutierrez SA (2019)**  
*Corrupt Practices*

Brazil



Andrade Gutierrez (AG) should investigate the alleged misconduct and take appropriate measures against any identified gaps, as well as cooperating with authorities to address the issue. AG should also demonstrate the effectiveness of its ethics and compliance work by improving its disclosure.



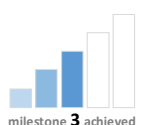
● none ↓ none ▼ new

**BRF S.A. (2019)**  
*Consumer Fraud*

Brazil

\* includes the related company **BFF International Ltd.**

BRF should ensure that the failure to meet food safety standards due to a bribery scheme has been investigated thoroughly and that its food quality and safety policies and management systems are properly implemented, monitored and reported.

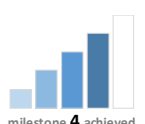


● standard → standard ► new

**CEMEX, S.A.B. de C.V. (2016)**  
*Operations in Occupied Territories*

Palestinian Authority

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.

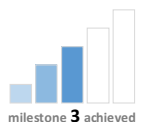


● good ↗ good ▲ same

**Eldorado Brasil Celulose S.A. (2019)**  
*Corrupt Practices*

Brazil

Eldorado Brasil Celulose SA should ensure that the bribery schemes have 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.

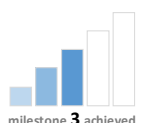


● standard → standard ► same

**Empresas Publicas de Medellin E.S.P. (2019)**  
*Project Resulting in Adverse Human Rights Impacts*

Colombia

EPM should conduct a comprehensive assessment of the safety and stability of the dam, together with independent experts. The company should take appropriate mitigation measures as a result, both on legacy issues and identified impacts and risks. The company should make sure consultations with, and compensation to, project-affected communities are aligned with international norms, such as the IFC performance standards or similar and put in place relevant processes to ensure compliance with international norms for future projects.

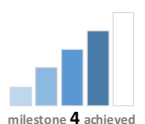


● standard → standard ► same


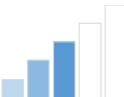
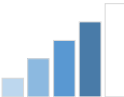
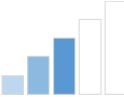
**Grupo México, S.A.B. de C.V. (2016)**  
*Project Resulting in Adverse Human Rights Impacts*

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.



● good ↗ good ▲ same

<b>JBS S.A. (2017)</b> <i>Corrupt Practices</i>	Brazil	<p>JBS 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.</p>	 milestone 4 achieved
● good → standard ▲ same	United States	<p>JBS should take responsibility for addressing the frequent health and safety (H&amp;S) incidents at its subsidiaries. It should further develop H&amp;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.</p>	 milestone 3 achieved
● good → standard ▲ better	Mexico	<p>PEMEX should mitigate environmental and health impacts from the spills. The company should trace the causes of spills and strengthen its internal programmes, leak control and monitoring systems to minimise likelihood of new spills. The company should also exert its influence on all stakeholders to counter oil theft activity and its related impacts.</p>	 milestone 4 achieved
● good → standard ▲ same	Brazil	<p>In order to prevent future worker or community fatalities and damage to the environment, the company should: commission an external technical review into the causes of the dam collapse; strengthen its management and monitoring of its tailings storage facilities using the best available technology; adopt a policy of designing future tailings facility based upon safety first and cost second; ensure that it has in place the necessary remedial programmes to address the socio-economic and environmental impacts of the collapse; and, the company should bring experienced mining professionals on to its board and ensure proper reporting lines are enabled to ensure issues are reported and remedial measures identified and undertaken in a timely manner.</p>	 milestone 3 achieved
<p>* includes the related company <b>PT Vale Indonesia Tbk</b></p>			
● standard → standard ► same			

## UNITED STATES AND CANADA

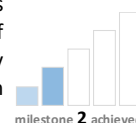
**3M Co (2019)**

*Activities Resulting in Negative  
Environmental and Human Rights Impacts*

United States

### Change objective

3M Co. should provide greater clarity and public disclosure on its PFAS stewardship initiative and how it is mitigating potential liability from the historic sale/use of its products outside of the US. In addition, the company should explain how it is applying the lessons learnt from PFAS to its product development.



● standard → standard ► new

**Amazon.com Inc (2020)**

*Workplace Accident(s)*

United States

Amazon should take steps to understand the health and safety risks faced by its workers. It should introduce appropriate improvements involving H&S policies and practices aligned with international standards, including proactively mitigating hazards and improving working conditions. The company should report on its H&S performance and consider independent third-party verification of its management system.

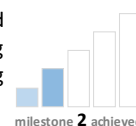
new

**Bausch Health Companies Inc (2019)**

*Price Discrimination*

United States

Bausch Health should restore trust of customers and authorities by establishing a responsible drug pricing policy and improving its disclosure on its pricing practices.



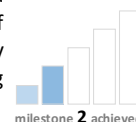
● standard → standard ► same

**Bausch Health Companies Inc (2019)**

*Accounting Fraud*

United States

Bausch Health should ensure that it has adequate risk management systems and internal controls. It should demonstrate that its compliance program and code of conduct work effectively in practice. Also, the company should cooperate with authorities to resolve outstanding legal proceedings.



● standard → standard ► same

**Bunge Limited (2017)**

*Deforestation*

Brazil

Bunge should develop a time-bound no-deforestation policy that excludes high conservation value or land under conservation and high carbon stock land or peatland from exploitation, and which requires the free, prior and informed consent of local people. The company should also ensure effective implementation of the policy across its supply chain.



● good → standard ▲ better

**Cargill, Inc. (2020)**

*Deforestation*

Brazil

Cargill should demonstrate a clear action plan and targets in relation to deforestation, for both the company and its suppliers. It should establish a monitoring and verification system for supplier's compliance and disclose progress against its company and supplier targets. In Brazil, it should support soy moratorium for the Cerrado biome or take other meaningful action to limit its forest loss.

new

**Citigroup, Inc. (2020)**

*Money Laundering*

United States

Citigroup should implement on-going systematic controls related to money laundering and disclose these controls whenever appropriate.

\* includes the related company **Associates  
First Capital Corporation**

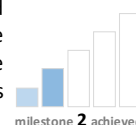
new

**CoreCivic Inc (2019)**

*Forced Labour*

United States

CoreCivic should ensure its Human Rights Policy is implemented throughout the entire operations, and show it has proper mechanisms in place to manage complaints. The company should also improve transparency in public reporting on how it ensures compliance with the Human Rights Policy.



● standard → standard ► same

**Corteva Inc (2019)**  
*Product-Related Incidents*

United States



Corteva Agriscience should address how it is preparing itself to address the potential future liabilities in relation to its chlorpyrifos product. And, how the company has amended its research and development in order to mitigate the potential impacts of future products.

● none    ↓ none    ▼ same

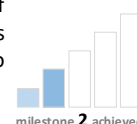

**Dow Inc (2019)**  
*Quality and Safety Violations*

United States

Dow should address how it is addressing the environmental and health legacy associated with its long-term production, marketing and associated use of its chlorpyrifos chemical. And what, if any, changes it has introduced to its research and development protocols to mitigate the potential impacts of future products.

\* includes the related company **Union Carbide Corp.**

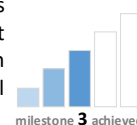
● standard    → standard    ► new


**DuPont de Nemours Inc (2018)**  
*Activities Resulting in Negative Environmental and Human Rights Impacts*

United States

DuPont should address legacy issues in relation to pollution on its existing operations and show that its current waste practices comply with international best practice, in order to prevent future liabilities arising from potential detrimental human health or environmental impacts.

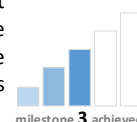
● standard    → standard    ► same


**Edison International (2019)**  
*Product-Related Fatalities*

United States

Edison should address the impacts of the incidents and ensure that remedial measures are in place. It should have comprehensive practices to mitigate wildfire and other physical risks, based on long-term scenario analysis and report transparently on the progress against clearly defined goals. It should also establish wide collaboration with communities, authorities and rescue forces to ensure integrated efforts to minimize the risks of future wildfires.

● good    ↗ good    ▲ new


**Enbridge Inc (2016)**  
*Violations of the Rights of Indigenous Peoples*

United States

Enbridge should enter into a reconciliation dialogue with Standing Rock on the Dakota Access Pipeline. It should adopt a human rights policy and establish a due diligence process to align with international norms on indigenous peoples' rights across its operations, as well as on security and human rights.

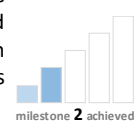
● good    ↗ good    ▲ same


**Energy Transfer LP (2016)**  
*Violations of the Rights of Indigenous Peoples*

United States

Energy Transfer LP should enter into a reconciliation dialogue with Standing Rock on the Dakota Access Pipeline. It should adopt a human rights policy and establish a due diligence process to align with international norms on indigenous peoples' rights across its operations, as well as on security and human rights.

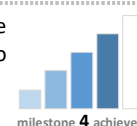
● standard    ↘ poor    ► same


**Equifax Inc (2018)**  
*Data Breaches*

United States

Equifax should ensure that it puts in place adequate internal controls and risk management procedures to manage cybersecurity risks.

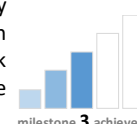
● excellent    ↗ good    ▲ same

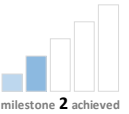

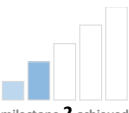
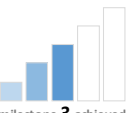



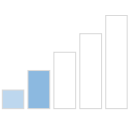

**Facebook Inc (2018)**  
*Privacy Breaches*

United States

Facebook should implement its commitments to privacy and data security by ensuring that it has in place adequate internal controls systems and risk management procedures to manage the cybersecurity risks. Specifically, the company should ensure an adequate protection level for personal data. Facebook should increase transparency in reporting on the management of data security and users' privacy.

● standard    → standard    ► same



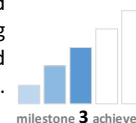
<b>GEO Group, Inc. (2019)</b> <i>Forced Labour</i>	United States	Geo Group should ensure its Human Rights Policy is implemented throughout the entire operations, and show it has proper mechanisms in place to manage complaints. The company should also improve transparency in public reporting on how it ensures compliance with the Human Rights Policy.	 milestone 2 achieved
● standard → standard ► same			
<b>INSYS Therapeutics, Inc. (2020)</b> <i>Corrupt Practices</i>	United States	Insys should ensure that the bribery scheme has been thoroughly investigated and the lessons learnt used to develop and implement an anti-corruption programme in alignment with its corruption risk exposure. The anti-corruption programme should be reported and transparent in terms of allocated resources, implementation, follow-up mechanisms, corrective actions and external verification.	
new			
<b>Johnson &amp; Johnson (2018)</b> <i>Product-Related Incidents</i>	United States	Johnson and Johnson should ensure that the lessons learned from the numerous product quality issues have been incorporated into its protocols and procedures, to minimise the risk of future litigation.	 milestone 3 achieved
● standard ↘ poor ► same			
<b>McDonald's Corp (2015)</b> <i>Labour Rights Violations at Contractors</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
● poor ↘ poor ▼ same			
<b>McKesson Corp (2019)</b> <i>Consumer Fraud</i>	United States	McKesson should implement the necessary enhancements to its anti-diversion systems in compliance with regulatory requirements. McKesson should also demonstrate how it has implemented the preventative measures in response to the FDA's warning letter.	 milestone 3 achieved
* includes the related company <b>McKesson Europe AG</b>			
● standard → standard ► new			
<b>Pan American Silver Corp. (2019)</b> <i>Violations of the Rights of Indigenous Peoples</i>	Guatemala	Pan American Silver should align policies and practices to international human rights norms, in particular with regards to security and human rights and community relation, and in particular with regards to the Escobal mine.	 milestone 2 achieved
● good → standard ▲ same			
<b>Patterson-UTI Energy, Inc. (2018)</b> <i>Fatal Workplace Accident(s)</i>	United States	Patterson-UTI should show how it has acted upon the recommendations of the Chemical Safety Board investigation report into the January 2018 incident, and how it is using its influence within the International Association of Drilling Contractors (IADC) to address the industry-wide recommendations.	 milestone 3 achieved
● standard → standard ► same			
<b>PG&amp;E Corp (2019)</b> <i>Product-Related Fatalities</i>	United States	PG&E should address the impacts of the incident and ensure that suitable remedial measures have been put in place. The company should also develop a comprehensive, risk-based, safety strategy. The company-wide strategy should address the employee, contractor and public safety and consider future potential risks, including those related to changing climate conditions. The company should also establish a process for monitoring the execution of the strategy.	 milestone 3 achieved
● standard → standard ► same			
<b>Phillips 66 (2016)</b> <i>Violations of the Rights of Indigenous Peoples</i>	United States	Phillips 66 should enter into a reconciliation dialogue with Standing Rock on the Dakota Access Pipeline. It should adopt a human rights policy and establish a due diligence process to align with international norms on indigenous peoples' rights across its operations, as well as on security and human rights.	 milestone 2 achieved
● standard → standard ► same			

**Pilgrim's Pride Corporation (2015)**  
*Recurring Workplace Accidents*

United States

Pilgrim's Pride should address the identified health and safety (H&S) shortcomings at its processing facilities. It should implement H&S policies and practices aligned with ILO standards, including proactively mitigating hazards and improving working conditions, and ensuring timely medical referrals for workplace injuries. The company should report on its H&S performance.

● standard → standard ► better

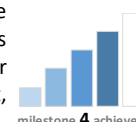


**Southern Copper Corporation (2016)**  
*Project Resulting in Adverse Human Rights Impacts*

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.

● good ↗ good ▲ better



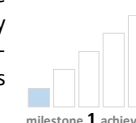
**Stryker Corporation (2019)**  
*Quality and Safety Breaches*

United States



Stryker should take appropriate actions to responsibly address the negative impacts of its products. The company should continue to improve quality and safety of its devices and improve the disclosure of all product-related data to ensure that relevant information is communicated to the public.

● none ↓ none ▼ new

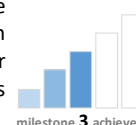


**TC Energy Corp. (2018)**  
*Pipeline Project Resulting in Negative Environmental and Human Rights Impacts*

United States

TC Energy should ensure that an appropriate ESIA has been conducted along the full length of the proposed pipeline. In addition, it should disclose preventive and mitigating measures in relation to long-term harm to the environment and people dependent upon impacted natural resources. In particular, a best-practice system to detect leakages should be put in place, as should a robust emergency spill response plan. In addition, the company should demonstrate that its consultation process addresses not just landowners, but the wider potentially affected community, including indigenous peoples.

● standard → standard ► same

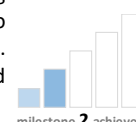


**Tesla Inc (2018)**  
*Labour Rights Violations at Company Operations*

United States

Tesla should cease the alleged practices of hindering freedom of association. The company should adhere to the US National Labor Relations Board's decisions. Tesla's management of labour rights should be aligned with the US National Labor Relations Act 1935.

● standard → standard ► same

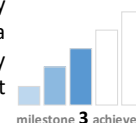


**The Boeing Company (2019)**  
*Quality and Safety Breaches*

United States

Boeing should accomplish the safe return of the 737 MAX aircraft to commercial flight (i.e. re-certified and flight bans lifted). It should ensure that the people affected by the two accidents are appropriately supported and compensated. Boeing should adopt a robust, precautionary approach to product quality management at all of its commercial aircraft manufacturing facilities.

● good → standard ▲ better



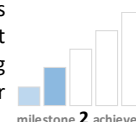
**The Chemours Co (2018)**  
*Activities Resulting in Negative Environmental and Human Rights Impacts*

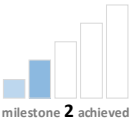
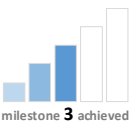
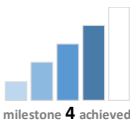
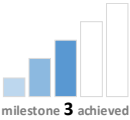
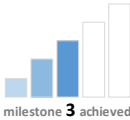
United States



Chemours should address legacy issues in relation to pollution on its existing operations and show that its current waste practices comply with international best practice, in order to prevent future liabilities arising from potential detrimental human health or environmental impacts.

● poor ↘ poor ▼ same



<b>The Goldman Sachs Group, Inc. (2019)</b> <i>Corrupt Practices</i>  <i>* includes the related company CMC Markets PLC, Jany Sukuk Co. Ltd.</i>	Malaysia	Goldman Sachs should implement on-going systematic controls related to money laundering, corruption and bribery and disclose these controls whenever appropriate.	
● standard   ➤ poor   ➤ new			
<b>Uber Technologies, Inc. (2019)</b> <i>Privacy Breaches</i>	United States	Uber Technologies should improve its privacy program in line with regulatory requirements and international norms including implementation of measures to ensure and monitor compliance with global privacy and data protection laws and standards, respect for customer privacy, security of user data, and appropriate processing and use of data. Uber should also improve public disclosure to provide transparency on its progress toward improvement and preparedness to manage its related risk exposure.	
● good   ↗ good   ▲ new			
<b>Walmart Inc. (2017)</b> <i>Recurring Labour Rights Violations</i>	United States	Walmart should cease and mitigate non-compliance in areas related to labour rights and strengthen its policies and guidelines on these issues.	
● good   ↗ good   ▲ same			
<b>Wells Fargo &amp; Company (2019)</b> <i>Fraud</i>	United States	Wells Fargo should ensure that it implements adequate risk management processes and internal controls meant to reduce compliance breaches, and regulatory action, and disclose the results where appropriate.	
● good   ↗ good   ▲ better			
<b>Wolverine World Wide, Inc. (2019)</b> <i>Activities Resulting in Negative Health Impacts</i>	United States	Wolverine World Wide, Inc. should ensure that a compensation strategy is sought for the residents affected by the contamination from Wolverine's sites. The company should also have remedial measures in place to mitigate the identified contamination and to ensure that similar incidents do not reoccur in the future.	
● poor   ➔ standard   ➤ better			



# EVALUATE LIST

## AFRICA / MIDDLE EAST

Minrav Holdings Ltd.; Shapir Engineering and Industry Ltd; Transnet SOC Limited; Union Bank of Israel Ltd.

## ASIA / PACIFIC

British American Tobacco Bangladesh Co Ltd; China Petroleum & Chemical Corp.; China Railway Group Ltd; CK Hutchison Holdings Limited; Coromandel International Limited; Imperial Pacific International Holdings Limited; Indian Oil Corp. Ltd.; Oil and Natural Gas Corporation Limited; Oji Holdings Corporation; Panasonic Corporation; Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara; POSCO; POSCO International Corp.; Power Construction Corporation of China Ltd; PT Pertamina (Persero); Samsung Electronics Co., Ltd.; Sinofert Holdings Ltd; Sumitomo Corp; The Tata Power Company Limited

## EUROPE

A.P. Møller - Mærsk A/S; Areva SA; Electricite de France SA; Eni SpA; Fiat Chrysler Automobiles N.V.; Grupa Azoty S.A.; J Sainsbury plc; NorgesGruppen ASA; Renault SA; Rheinmetall AG; Robert Bosch GmbH

## LATIN AMERICA AND CARIBBEAN

Banco Nacional de Desenvolvimento Econômico e Social; Grupo México, S.A.B. de C.V.; JBS S.A.; Petroleos Mexicanos S.A. de C.V.; TPI - Triunfo Participações e Investimentos SA

## UNITED STATES AND CANADA

Bombardier Inc.; Costco Wholesale Corporation; DXC Technology Co; Energy Transfer LP; Frontera Energy Corporation; Johnson & Johnson; Pilgrim's Pride Corporation; Stryker Corporation; Tenneco Inc.; Tyson Foods Inc; Valero Energy Corporation

# DISENGAGE LIST

## AFRICA / MIDDLE EAST

<b>Elbit Systems Ltd.</b> <i>Operations in Occupied Territories</i>	Palestinian Authority
<b>Industrial Building Corp. Ltd.</b> <i>Operations in Occupied Territories</i>	Palestinian Authority
<b>Israel Aerospace Industries Ltd.</b> <i>Involvement in Cluster Munitions</i>	Israel
<b>Jerusalem Economy Ltd.</b> <i>Operations in Occupied Territories</i>	Palestinian Authority
<b>Makina Ve Kimya Endustrisi Kurumu</b> <i>Involvement in Cluster Munitions</i>	Turkey
<b>Roketsan A.S</b> <i>Involvement in Cluster Munitions</i>	Turkey
<b>Türkiye Halk Bankası AS</b> <i>Financing of Controversial Project</i>	Turkey

## ASIA / PACIFIC

<b>Abdul Qader Khan Research Laboratories (AQKRL)</b> <i>Nuclear Weapons Development</i>	Pakistan
<b>Aerospace Long-March International Trade Co., Ltd.</b> <i>Involvement in Cluster Munitions</i>	China
<b>Anhui GreatWall Military Industry Co., Ltd.</b> <i>Involvement in Cluster Munitions</i>	China
<b>Bharat Dynamics Limited</b> <i>Nuclear Weapons Development</i>	India
<b>CH. Karnchang Public Company Limited</b> <i>Project With Environmental and Human Rights Risks</i>	Laos
<b>China Aerospace Science &amp; Technology Corp.</b> <i>Involvement in Cluster Munitions</i>	China
<b>China North Industries Corp.</b> <i>Involvement in Cluster Munitions</i>	China
<b>Defense Research &amp; Development Organization</b> <i>Inhumane Weapons</i>	India
<b>Hanwha Corp</b> <i>Involvement in Cluster Munitions</i>	South Korea
<b>Larsen &amp; Toubro Limited</b> <i>* includes the related companies L&amp;T Finance Holdings Ltd, L&amp;T Technology Services Ltd. and Larsen &amp; Toubro Infotech Limited</i> <i>Nuclear Weapons Development</i>	India

<b>LIG Nex1 Co Ltd</b> <i>Involvement in Cluster Munitions</i>	South Korea
<b>Metallurgical Corporation of China Ltd.</b> <i>Environmental Impacts from Waste Practices</i>	Papua New Guinea
<b>MindTree Limited</b> <i>Nuclear Weapons Development</i>	India
<b>National Development Complex</b> <i>Involvement in Cluster Munitions</i>	Pakistan
<b>National Engineering &amp; Scientific Commission</b> <i>Nuclear Weapons Development</i>	Pakistan
<b>National Engineering &amp; Scientific Commission</b> <i>Involvement in Cluster Munitions</i>	Pakistan
<b>Nelco Ltd.</b> <i>Nuclear Weapons Development</i>	India
<b>Pakistan Ordnance Factories</b> <i>Involvement in Cluster Munitions</i>	Pakistan
<b>Poongsan Corporation</b> <i>Involvement in Cluster Munitions</i>	South Korea
<b>Poongsan Holdings Corporation</b> <i>Involvement in Cluster Munitions</i>	South Korea
<b>S&amp;T Corp.</b> <i>Involvement in Land Mines</i>	South Korea
<b>S&amp;T Dynamics Co. Ltd.</b> <i>Involvement in Land Mines</i>	South Korea
<b>S&amp;T Holdings Co., Ltd.</b> <i>Involvement in Land Mines</i>	South Korea
<b>State Oil Company of Azerbaijan Republic</b> <i>Recurring Workplace Accidents</i>	Azerbaijan
<b>The Tata Power Company Limited</b> <i>Nuclear Weapons Development</i>	India
<b>Walchandnagar Industries Ltd.</b> <i>Nuclear Weapons Development</i>	India

## EUROPE

<b>Aeroteh SA</b> <i>Involvement in Cluster Munitions</i>	Romania
<b>Cia Nationala ROMARM SA</b> <i>Involvement in Cluster Munitions</i>	Romania
<b>Rostec Corporation</b> <i>Involvement in Cluster Munitions</i>	Russia
<b>San Leon Energy Plc</b> <i>Operations in Occupied Territories</i>	Western Sahara

<b>Splav State Research &amp; Production Association Fsue</b> <i>Involvement in Cluster Munitions</i>	Russia
<b>Tactical Missiles Corp. JSC</b> <i>Involvement in Cluster Munitions</i>	Russia

## LATIN AMERICA AND CARIBBEAN

<b>Avibras Industria Aeroespacial S/A.</b> <i>Involvement in Cluster Munitions</i>	Brazil
<b>Petróleos de Venezuela S.A.</b> <i>Recurring Workplace Accidents</i>	Venezuela
<b>Petróleos de Venezuela S.A.</b> <i>Corrupt Practices</i>	Venezuela
<b>Petróleos de Venezuela S.A.</b> <i>Oil Spill(s)</i>	Venezuela

## UNITED STATES AND CANADA

<b>Mil-spec Industries Corp.</b> <i>Involvement in Cluster Munitions</i>	United States
<b>Mil-spec Industries Corp.</b> <i>Involvement in Land Mines</i>	United States
<b>Motorola Solutions, Inc.</b> <i>Operations in Occupied Territories</i>	Palestinian Authority
<b>The Day &amp; Zimmermann Group, Inc.</b> <i>Involvement in Cluster Munitions</i>	United States

## OUR APPROACH

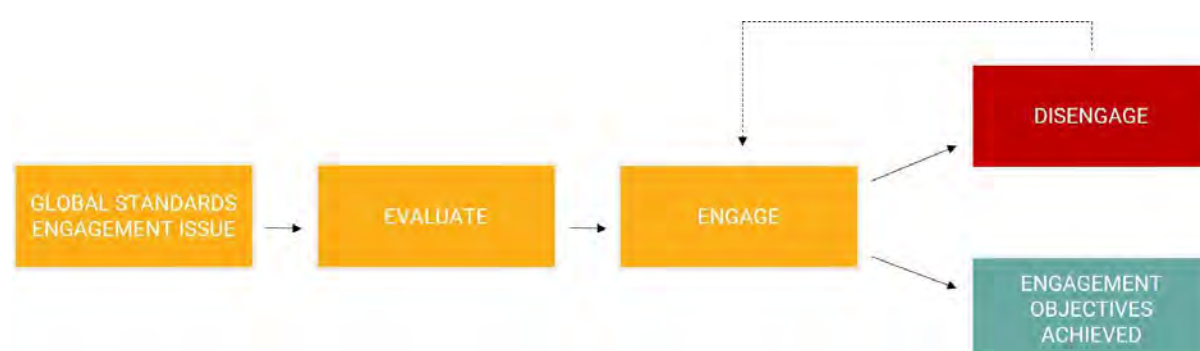
We believe that changes in business conduct drive changes in corporate value. Consequently, we seek to instigate changes in business conduct through engagement dialogue where deemed necessary.

We engage with companies on behalf of our investor clients. 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; and
- 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



## ABOUT ERSTE ASSET MANAGEMENT

Since 2008 Erste Asset Management GmbH coordinates and is responsible for all asset management activities within Erste Group Bank AG. As fully-owned subsidiary, we currently manage assets of about EUR 57.77bn (12/31/2018). More than 300 employees develop and manage investment solutions for our institutional investors. As part of Erste Group Bank AG, Erste Asset Management is one of the leading asset managers in Central Europe and operates across seven countries.

This way we combine the flexibility of a boutique manager with the size and clout of an international financial service provider.



# About Sustainalytics

Sustainalytics is a leading global provider of ESG and corporate governance products and services, supporting investors around the world in the development and implementation of responsible investment strategies. For over 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors.

Today, Sustainalytics works with hundreds of the world's leading pension funds and asset managers who incorporate ESG and corporate governance information and assessments into their investment processes. With 16 offices globally, Sustainalytics has ~600 staff members, including over 200 analysts with varied multidisciplinary expertise across more than 40 industry groups.

Over the last three consecutive years, investors named Sustainalytics among the top three firms for both ESG and corporate governance research in the Independent Research in Responsible Investment Survey.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



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