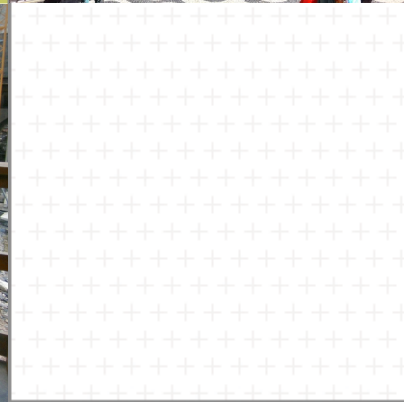
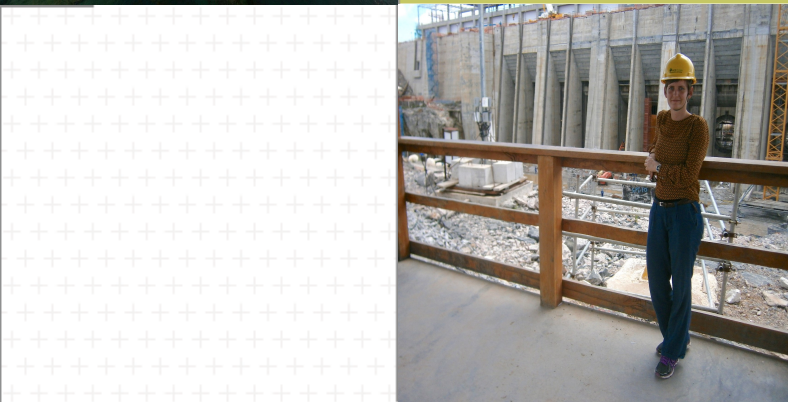
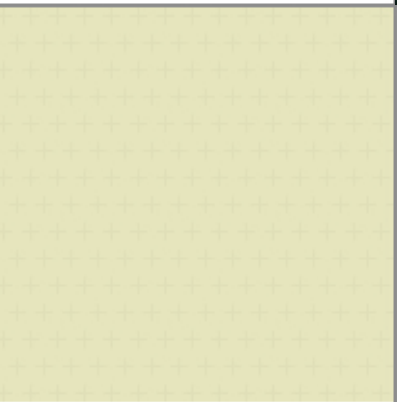


QUARTERLY ENGAGEMENT REPORT

Q1 2015



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This report summarises the shareholder engagement activities that GES has performed on behalf of investor clients during the first quarter of 2015.



ABOUT ERSTE ASSET MANAGEMENT

Erste Asset Management (EAM) coordinates and is responsible for all asset management activities within Erste Group. We manage assets worth approx. 50.5 billion Euros (per 30 June 2014) in our locations in Austria, Croatia, Czech Republic, Germany, Hungary, Romania, and Slovakia.

OUR APPROACH

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

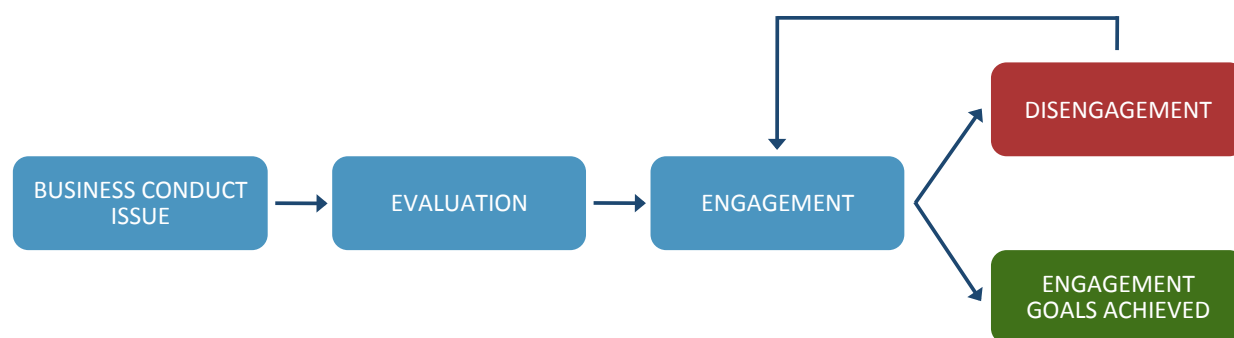
We believe that changes in business conduct drives changes in corporate value. Consequently, we seek to instigate changes in business conduct through engagement dialogue where deemed necessary. We engage with companies in collaboration with our service provider GES. The engagement process is based on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

By way of example this includes:

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

EAM 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 WORKFLOW



ENGAGEMENT BRIEF

ANADARKO PETROLEUM

Resolved case after five years of engagement

ANADARKO PETROLEUM is a mid-sized, Houston-based oil company, which was a 25 per cent partner in **BP**'s ill-fated Macondo Gulf of Mexico oil well project, which experienced the worst oil spill in US history in 2010. GES commenced engagement with Anadarko shortly after the incident, as serious deficiencies in the company's approach and management systems for sustainability were identified.

For approximately half of the engagement period, Anadarko was resistant to communicating lessons-learned and undertaking changes, preferring instead to blame the incident on other parties. Despite this, the company made an USD four billion settlement with BP to pay damages and relinquish its share in the project during this time. Anadarko also often referred to industry learnings and initiatives, to which it had contributed, following the incident, which gave GES an indication that the company probably did have lessons to communicate, but was constrained in saying so due to ongoing legal actions.



Anadarko headquarter in The Woodlands, Texas

Throughout the engagement GES requested that Anadarko adopt best practise health, safety and environmental (HSE) policies and communicate them clearly on their website. The company's standard reply was that it was considering these requests, but no changes were forthcoming.

Tangible change started to occur in 2013, when Anadarko decided to make a comprehensive review of its sustainability practises. A reputable external consulting firm was engaged by the company to conduct the review, and an internal Head of Social Responsibility was appointed. Anadarko also established a Corporate Social Responsibility Board. The review resulted in the setting of a new strategic direction by Anadarko. HSE policies were brought into line with international standards, and a new CEO-endorsed strategy, as well as other supporting material which has been reviewed by GES, is now posted on Anadarko's new company website. Anadarko had not recorded any major incidents since the Macondo blow-out, which is an indication that the new approach has resulted in better HSE performance at the company. GES has therefore decided to resolve the case and end the active engagement with Anadarko.

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ASTRA AGRO LESTARI

Palm oil laggard excluded

In 2009, **WETLANDS INTERNATIONAL** and several other NGOs, including **GREENPEACE UK**, accused **ASTRA AGRO LESTARI** (AAL) of destroying rainforest habitat of the critically endangered orangutans in the Tripa swamp forest in Aceh Province, Indonesia. The Indonesian palm oil company is a subsidiary of **ASTRA INTERNATIONAL**, which is owned by the UK-based company **JARDINE MATHESON**. In 2010, AAL sold off the controversial plantation though it has not publically stated the reasons for doing so or communicated how the company will prevent such a situation in the future.

Furthermore, as AAL is not a member of the **ROUNDTABLE ON SUSTAINABLE PALM OIL** (RSPO) and it has not made a commitment to conducting environmental impact assessments nor ruled out expansion to high conservation value forests, the risk of further violations remains.

In 2014, GES decided to close the cases on Astra International and Jardine Matheson as the issue was much less material for these companies, being conglomerates involved in other sectors, such as the automotive industry and the financial sector. Agriculture and palm oil is only a minor part of these companies.

Since 2010, GES has tried to establish a dialogue with AAL to ensure the company's environmental risk assessment identifies and prevents such incidents in the future. However, AAL has not properly responded or improved. AAL is still not a member of RSPO and has not shown any improvement regarding ESG issues and reporting. Therefore, when relevant, GES recommends clients to exclude the company from their investment universe.

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BP PLC

Resolved case after five years of engagement

BP PLC is the operator of the Macondo oil exploration lease in the Gulf of Mexico, which in April 2010 experienced a major blowout during well drilling, resulting in significant loss of life and environmental impact. Several US government investigations found that BP was negligent in its conduct of the drilling program and that there were deficiencies in the rig's equipment and contractor management. In total, the incident cost BP well over USD 40 billion, including:

- Several billion dollars on environmental clean-up;
- Settlement of felony charges with the **US DEPARTMENT OF JUSTICE** for USD 4.5 billion (2012);
- Approximately USD 11.6 billion in compensation to individuals and businesses (2014); and
- Substantial fines of up to USD 13.5 billion under the US Clean Water Act (likely in 2015).

GES has been engaging with BP since the incident in 2010. The company prepared and published its incident report within a reasonable timeframe following the incident, and committed to improving the management of health, safety and environment (HSE) and risk company-wide. This included the creation of an internal Safety and Operational Risk function to oversee all operations, a new internal Global Wells organisation to oversee oil and gas well standards and practises, redoubled efforts to roll out the company's Operational Management System globally, and changes to key staff including replacing both the head of exploration and company CEO. BP also participates in industry initiatives to improve deep-water oil well drilling technologies and procedures.



Macondo well in the Gulf of Mexico

At the company's annual sustainability day in London, attended by GES at the end of 2014, BP communicated that 97 per cent of the incident report recommendation tasks were complete. The remaining work is being executed as planned, with full completion expected in early 2016. BP has been highly transparent with investors throughout the engagement process.

The above actions combined with HSE performance which now matches peer companies, have resulted in GES resolving the case and ceasing the active engagement with the company.

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CH. KARNCHANG PUBLIC CO

Thai construction company excluded for hydropower in Laos

In August 2011, the NGO **INTERNATIONAL RIVERS**, which focuses on social and environmental justice related to dam issues, reported that construction of the Xayaburi hydroelectric dam on the Mekong River in Laos was continuing despite the fact that the project had been suspended by the **MEKONG RIVER COMMISSION**, an inter-governmental agency that works directly with the **GOVERNMENTS OF LAOS, CAMBODIA, THAILAND** and **VIETNAM**.

CH. KARNCHANG PUBLIC CO is the main developer of the dam with a 30 per cent share in the project, according to its own reporting in September 2013. According to International Rivers, the project will directly affect over 200,000 people and threatens the existence of critically endangered fish species and migratory fish species through a blocked fish migration route. These impacts in turn will affect the livelihoods and food security of millions of people from Thailand, Laos, Cambodia and Vietnam. In October 2011, the Laotian government informed CH. Karnchang that independent consultants would review the environmental impact assessment, which according to the **LAOS DEPARTMENT OF ELECTRICITY** would take between six and twelve months. During this time, the construction of the Xayaburi dam should be on hold. However, CH. Karnchang has allegedly continued construction, which according to International Rivers, was 40 per cent completed in December 2014. Commercial operation is planned for 2020.

After an unsuccessful dialogue, the company declined a face-to-face meeting with GES in Bangkok in November 2014. As a final reach out, GES wrote a letter to CH. Karnchang's Board of Directors end October 2014 to which no reply was received. Due to the company's lack of transparency, the violation of international standards by the impact the Xayaburi dam will have on the environment and the local population, combined with the company's unwillingness to engage in fruitful dialogue, when relevant, GES recommends clients to exclude the company from their investment universe.

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CHINA RAILWAY GROUP

Confirmed case: Association to severe construction accidents

China Railway Group is the main constructor of the Lanxin railway in northwestern China where, in 2011 and 2012, two serious accidents took place. The company, through its wholly owned subsidiaries, was linked by local authorities to breaches of health and safety standards, which led to the accidents that resulted in 20 fatalities. According to the **GANSU PROVINCIAL ADMINISTRATION OF WORK SAFETY**, inadequate accident prevention caused a tunnel collapse in the province of Gansu in April 2011. In December 2012, another accident in the province of Shanxi was investigated by the **WORK SAFETY COMMITTEE OF THE STATE COUNCIL**, which concluded that safety negligence and illegal blasting conducted by workers were the main causes of the accident.

The reported practices can be associated to a violation of UN Global Compact Principle 1 addressing safe and healthy working conditions, as well as the corresponding Guideline V of the OECD Guidelines for Multinational Enterprises, and Chapter 2 of the UN Guiding Principles for Business and Human Rights.

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CLOETTA

Resolved case and continuing engaging with the world's largest cocoa companies

GES has, for many years, been engaging with the cocoa industry on the issue of child labour among cocoa farmers in West Africa, where 70 per cent of the world's cocoa beans are produced. The beans are usually grown on small-scale farms and are then passed through a complex supply chain. Since the problem with child labour is widespread and therefore concerns the whole industry, GES includes some of the largest cocoa traders, processing companies and chocolate manufacturers in its analysis and engagement.



Cocoa trees

A lot of efforts have been made by the industry and individual companies, among other things to:

- Assist farmer organisations and providing training in better agricultural practices.
- Assist in improving educational and health services in cocoa communities.
- Develop KPIs to measure the impact of its actions to develop a more sustainable cocoa supply chain;
- Sensitise farmers on the issue of child labour as well as develop and roll out Child Labour Monitoring Systems; and
- Implement independent verification systems in parts of the cocoa supply chain.

However, there is a concern that the extensive efforts are not reflected in improved farmer livelihoods and a decrease in the prevalence of child labour. Thus, GES is refocusing its cocoa engagement to the following new engagement goal:

1. The company should show that its farmer programmes and other initiatives are effective in increasing income for cocoa farmers, improving access to school for children in cocoa communities and strengthening child labour remediation systems.
2. The company should increase such efforts to reach more farmers and should be ready to discuss and disclose future plans for further scale-up.

GES will continue to engage with the largest traders, processing companies and chocolate companies in the cocoa industry towards the new goal.

NESTLÉ, MONDELEZ, HERSHEY, LINDT & SPRUENGLI AG, BARRY CALLEBAUT, OLAM, CARGILL and **MEIJI** are all included in this engagement. An investor letter will be sent to the companies, reflecting the new engagement goal. Several GES clients are already involved in the engagement and GES welcomes others to join as well.

At the same time, GES has decided to conclude its analysis and engagement with **CLOETTA**. In March 2015, the company confirmed to GES that all cocoa beans purchased by the company are **UTZ** certified. Cloetta is also participating in industry organisations working for improved livelihood for cocoa farmer. Given the company's limited market share, GES concludes that Cloetta has taken a responsible cause of action and has contributed a solution to eliminate child labour among cocoa farmers. Thus, the case on Cloetta is resolved.

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PETROBRAS

At the center of the widespread corruption scandal in Brazil

Last year, an alleged kick-back scheme with **PETROBRAS** as the key player was revealed. A former Petrobras executive admitted in a **BRAZILIAN FEDERAL COURT** in October 2014 the existence of the scheme at the company between 2004 and 2012. He stated that, at the time, three per cent kickbacks of contracts with third parties had been commonly paid to members of the ruling **WORKERS' PARTY** in his and other divisions of the company, as well as at its subsidiary **TRANSPETRO**. He testified that more than 40 politicians were involved in the scheme and admitted to taking bribes himself. Allegedly, as part of that scheme, Petrobras suppliers paid kickbacks to some of Petrobras' executives and funnelled a portion of the money from the contracts to Brazilian political parties. The amount of overall money diverted in the scandal could surpass USD 28 billion, making it Brazil's biggest-ever corruption probe.

An extensive police investigation is being undertaken by the **BRAZILIAN FEDERAL POLICE**. The police investigation is still growing and is likely to go on for many years together with the subsequent legal process. In November 2014, US legal authorities also opened a criminal investigation to determine whether Petrobras violated the Foreign Corrupt Practices Act, which makes it illegal to bribe foreign officials to win or retain contracts. There are now also legal processes in the US alleging Petrobras of failing to disclose losses from the kick-back in its financial results.

In December 2014, prosecutors had charged almost 40 people, including Petrobras' executives and more than 20 executives from six of Brazil's leading construction companies. In March 2015, the **BRAZILIAN SUPREME COURT** ruled that 54 top politicians were to be investigated for alleged ties to the kickback scheme. President Dilma Rousseff is not being investigated, although she was chairwoman of the Petrobras board for several years as the kickback scheme played out. Some of the suspects and former Petrobras employees have admitted parts of the charges.

Auditor **PWC** in November 2014 declined to certify the company's accounts until Petrobras determined how much the value of its assets had been inflated due to the corruption. In January 2015, Petrobras presented its delayed Q3 earnings, but without accounting for losses from the corrupt practices. As of March 2015, the company had still not accounted for the losses and stated to GES that it would most likely release those figures before end of May 2015.



In front of the Petrobras headquarter in Rio

Between September 2014 and February 2015, the shareprice of Petrobras had decreased by 62 per cent. In February 2015, the credit rating agency **MOODY'S** cut its ratings of state-controlled oil company Petrobras to junk status, citing the corruption scandal at the company.

GES Engagement Manager in Brazil is closely monitoring the development and is engaging with Petrobras to strengthen its corruption preventions measures. Meetings were held with the company in December 2014 and February 2015 to discuss further steps taken by the company in combatting corruption and bribery. During the meetings, Petrobras communicated that the following measures have been taken by the company as a response to the scandal:

- Petrobras is implementing a new Corruption Prevention Program, adopted in December 2014.

- A new governance, risk and compliance directorship is being put in place. The directorate will be supervising all projects before they are passed to the executive board and will have a power of veto. Mr Joao Adalberto Elek Junior took on this new position as director of Governance, Risk and Compliance, on 19 January 2015. He is now also responsible for the company's anti-corruption programme.
- Petrobras has instigated an investigation by two law firms, one Brazilian and one US, specialised in investigating corruption issues.
- Key position employees suspected to be involved in the scheme have been suspended.
- The former CEO left her position in February 2015 in the wake of the scandal.
- Petrobras has temporarily blacklisted top construction firms linked to the kickback scandal. The list includes 23 firms that would be temporarily prevented from new contracts and from participating in Petrobras tenders.
- In February 2015, Luiz Navarro, a lawyer who has specialised in anti-corruption legislation, was elected to Petrobras board of directors.

GES will continue to engage the company and will request a follow-up meeting at its headquarter in Rio in May 2015. Evaluate cases have also been opened on **SBM OFFSHORE NB, AP MOLLER MAERSK** and **SKANSKA** for their alleged involvement in the corruption scandal as business partners to Petrobras.

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PROSEGUR

Clients encouraged to get involved in engaging

In 2010, security provider **PROSEGUR** allegedly paid USD 2,000 to those of its employees who chose to sign a “Pacto Colectivo” with the company, an individual agreement suggested by the company as opposed to the union’s suggestion, directed at non-union members, and those who signed the Pacto Colectivo were not allowed to become union members. Allegedly, Prosegur also stated that it would give preference on new job openings to the children of non-union members who signed the Pacto Colectivo. The **COLOMBIAN SUPREME COURT** ruled that the agreement was discriminatory and illegal. In June 2014, a Colombian judge ordered a five days arrest for two legal representatives of Prosegur in Colombia for not complying with a judicial order. According to the judge, the company has not offered reasons as to why they have not made the payment to unionised workers. Instead of complying with the judicial order, Prosegur allegedly continued with the same practice of paying a bonus to non-union requesting workers to sign a new Pacto Colectivo in December of 2013, this time giving non-union labour a sign-on bonus of USD 1,000. In the court decision from June 2014, Prosegur is obliged to pay this bonus, plus any other benefits given to non-union workers, to the members of the union as well.

In July 2012, Prosegur security guards in Paraguay went out striking after seven months of unsuccessful negotiations with the company. Concerns from the workers were excessive and under-compensated working hours, unsafe working conditions, persecution of trade unionists and lack of job protection. The strike ceased after the Paraguayan Minister of Labour offered to mediate in the conflict and the company called the union back into negotiations later the same month. The company fired 327 of the employees who were members of the Paraguayan union **SITEPROPASA**.

In November 2013, **UNI GLOBAL UNION** filed a complaint to the **SPANISH NATIONAL CONTACT POINT (NCP)** for the OECD Guidelines for Multinational Enterprises regarding the situation in Colombia and Paraguay.

UNI also accused the company of having repeatedly violated the OECD Guidelines for Multinational Enterprises in Peru and Brazil, where, among other things, union leaders and striking workers have been fired.

GES has been in dialogue with Prosegur for a few years, but the company has not been willing to provide much information about the severe labour rights allegations. The company has also declined a request for a conference call with GES.

Thus, GES will intensify its engagement efforts with the company and will shortly put together a collaborative investor letter to the company. It will focus on clarifying the company's point of view of the allegations above as well as attempts by the company to improve security for unionised employees being victims to acts of intimidation around several Prosegur operations, as well as ask for transparency in the investigation carried out by the company on labour rights concerns. Lastly, the letter will recommend Prosegur to participate in the process to solve the OECD-complaint against the company in Spain. GES encourages and welcomes its clients to become involved in the engagement with the company and to sign the letter. A separate invitation will be sent out shortly to GES Engagement Forum clients on the matter.

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STORA ENSO

Corporate Human Rights Assessment

In February 2015, **STORA ENSO**'s CEO together with its expert consultant the **DANISH INSTITUTE FOR HUMAN RIGHTS (DIHR)** invited investors to its presentation of its new corporate human rights assessment. The assessment was carried out at all its operations worldwide during 2014. Key human rights risks are identified and action plans to mitigate those risks are to be concluded during 2015.

The human rights assessment is an important step forward in Stora Enso's strengthened efforts on human rights. GES will continue its engagement with the company and follow up on the implementation of the action plans and on specific issues such as child labour and community rights concerns at Stora Enso operations. GES clients are welcome and encouraged to continue their engagement with the company in a collaborative manner.

GES is in dialogue with Stora Enso to schedule a meeting, most likely in Stockholm in May, with the company's new Head of Global Responsibility as soon as he has taken his position.

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BELO MONTE

GES Engagement trip to the hydropower project in the Brazilian amazon

GES visited the **BELO MONTE** hydropower project in February 2015, hosted by the consortium **NORTE ENERGIA**, in which **ELETROBRAS** has a close to 50 per cent stake.

GES also has cases on seven other companies (**ALSTOM**, **ANDRITZ**, **ARCADIS**, **BTG PACTUAL**, **BANCO DO BRAZIL**, **CAIXA ECONÓMICA FEDERAL** and **MAPFRE**) supplying turbines, providing engineering services, financing or insuring the project. The project is projected to start operations in 2019 and is at the moment under construction and awaiting its final Operational Licence.



GES Engagement Manager Stina Nilsson visiting a Belo Monte dam construction site

The **INTER-AMERICAN COMMISSION ON HUMAN RIGHTS** (IACHR) has recommended Brazil to adopt measures to protect the life, health and safety of members of indigenous communities affected by the project. **ILO** has also invited the Brazilian government to indicate the manner in which the effective protection is ensured of the rights of indigenous communities. The project has, for decades, been subjects to criticism from various environmental, human rights and indigenous organisations in Brazil.

Norte Energia was transparent in showing GES around the various construction sites where GES also met with consortium representatives responsible for mitigating environmental and social impacts. Norte Energia has finished many of the requirements set out in the Installation License by the national environmental authority in Brazil, **IBAMA**. Among other things, the consortium has completed a number of infrastructure services in the city and smaller towns close to Belo Monte. It is also well on track to fulfil the specific requirements regarding indigenous people's rights. Without fulfilling the requirements set by IBAMA, it will not gain the operational license needed to commence energy production at Belo Monte.

During the visit to Belo Monte, GES also met with **ISA**, a Brazilian organisation working for the rights of traditional communities in the country, and also actively campaigning on the environmental and social impacts from Belo Monte for many years. Some of the key concerns from ISA are impacts on fish habitats, unfulfilled requirements on Norte Energia regarding settlers on indigenous communities and complaints on compensation from some of the people having to move due to the dam project.



New resettlement houses for families

GES is still concerned about the extent to which it is possible to mitigate impacts on fish species and if Norte Energia has fully understood what the worst-case scenario for such impacts is. GES will continue the dialogue directly with Norte Energia on this matter, as well as some outstanding matters in relation to indigenous people's rights and complaints from some of the people being resettled as a result from the project.

GES also met with Eletrobras at its headquarter in Rio in February 2015. Environmental and social risk assessments for new hydropower projects were discussed to better understand if the company is prepared to handle such issues. In particular, the company's basic studies regarding new hydropower dams in the Brazilian amazon were brought up. The legal requirements are quite rigorous for impact studies for such projects, there are however concerns about the aggregated effects from many planned projects in the Brazilian amazon and its impacts on indigenous territories and livelihoods.



Inside a flora rescue and restoration site

GES is involved in a follow conversation with the company on these matters and will request a new meeting with the company in Rio in May.

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DOING BUSINESS IN BURMA/ MYANMAR

GES webinar

A few years after EU and US sanctions on Burma were suspended, the country is still facing challenges driven by political instability and the risks for investors remain high. GES has for many years engaged with Burma-based companies to enhance their human rights risk preparedness. Building on the investor field trip to the country late last year, GES hosted a webinar in March with **KLP KAPITALFORVALTNING** (KLP), one of the investors that joined the trip, and **MYANMAR CENTRE FOR RESPONSIBLE BUSINESS** (MCRB) and **ERICSSON**, who GES met in the country. The presenters described the current situation in Burma from different perspectives of responsible business and highlighted issues of concern, in particular labour conditions and safety, land rights, ethnic minority and post-conflict areas, the absence of effective stakeholder or community engagement, as well as corruption.

Vicky Bowman, Director of MCRB, an initiative aiming to encourage and promote responsible business practices in Burma, underlined that the emerging environmental and social impact assessments (ESIAs) process is one of the key issues. The procedural legislation to bring the ESIAs into effect is not in place yet and meanwhile the ESIAs that are conducted voluntarily often lack consultation and transparency. MCRB has conducted Sector Wide Impact Assessments (SWIA) on the oil and gas and tourism sectors, which highlight the actual and potential impacts across the respective industries. The next SWIA to be published will cover the ICT (Information and Communications Technology) sector. Camilla Goldbeck-Löwe, Corporate Responsibility Expert at Ericsson, said that the company has put significant effort into adopting a responsible approach in its Burmese operations since it returned to Burma in 2012, after having left the country in 1998 due to human rights concerns. With support from the NGO **SHIFT**, Ericsson has conducted a comprehensive human rights impact assessment. Through this process the company identified prioritised risk areas, including local awareness of human rights issues, sourcing and

suppliers, network rollout and lawful interception and corruption, where it has started undertaking mitigation measures.

As Burma has been opening for international companies, this market has naturally attracted increased interest from the investor community. Annie Bersagel, Advisor - Responsible Investments at KLP, joined a group of investors on the engagement trip arranged by GES in November in order to get a first-hand understanding of the Burmese reality. She gave examples of how companies present in the country try to address child labour and corruption, as well as describing the experience from visiting Thilawa, a Special Economic Zone outside Yangon. The resettled people were not properly compensated and currently do not have any means to support themselves. KLP's overall impressions from the trip include surprise at civil society actors' willingness to speak openly. KLP also noted a general sense that the local population is eager for development from the influx of foreign investments coming in, although it is still unclear whether the reality will meet their expectations. Answering one of the questions from the webinar audience, how elections scheduled for November can affect the stability of the country and thus the stability of the market and business context, Ms. Bowman said "I think they will have an effect; businesses are watching carefully, and paying particular attention to the increase in arrests of civil society activists as well as ethnic and religious conflict." However, according to her, the country is unlikely to return to the military rule and the question is more one of the nature of the government that will emerge after the elections.

GES engages proactively on behalf of investor clients with companies involved in high-risk activities in Burma, such as the oil and gas as well as telecom sectors. The aim is to enhance the companies' human rights risk preparedness, which is assessed against KPIs based on well-established principles on companies' responsibility for human rights in general and as applied to high risk contexts in particular.

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GES POSITION PAPER

A wider scope on corruption

As of March 2015, GES widened its scope regarding corruption. In previous years, GES Global Ethical Standard assessed and reported on incidents concerning corrupt activities only if they were linked to government officials.

From now on, all forms of corruption that are contrary to international law will be part of GES' research and engagement, including: business-to-business bribery, extortion, embezzlement, favouritism and nepotism, as well as money laundering, which is closely related to corruption.

These actions are all considered illegal under international law.

The GES Position Paper on Corruption is available upon request.

For further information please contact:



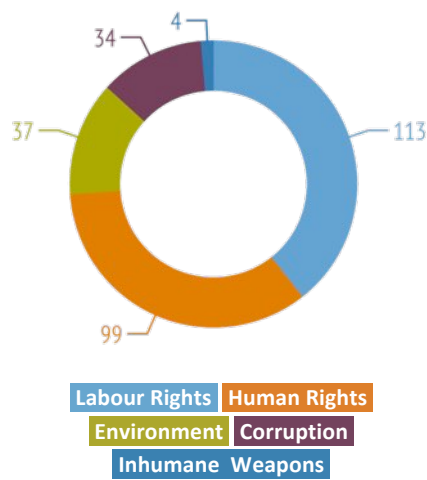
Nathalie Rasmussen

Senior Engagement Manager

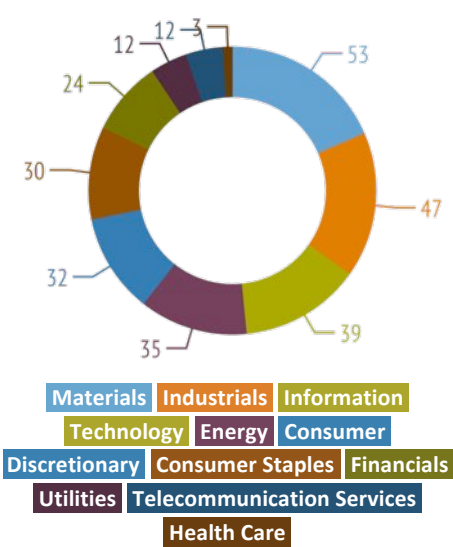
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ENGAGEMENT SUMMARY REPORT

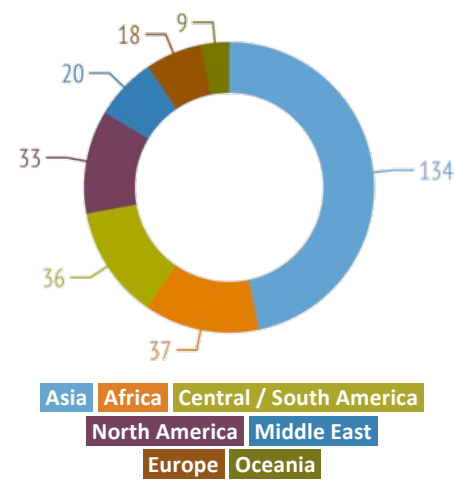
NORM AREA BREAKDOWN



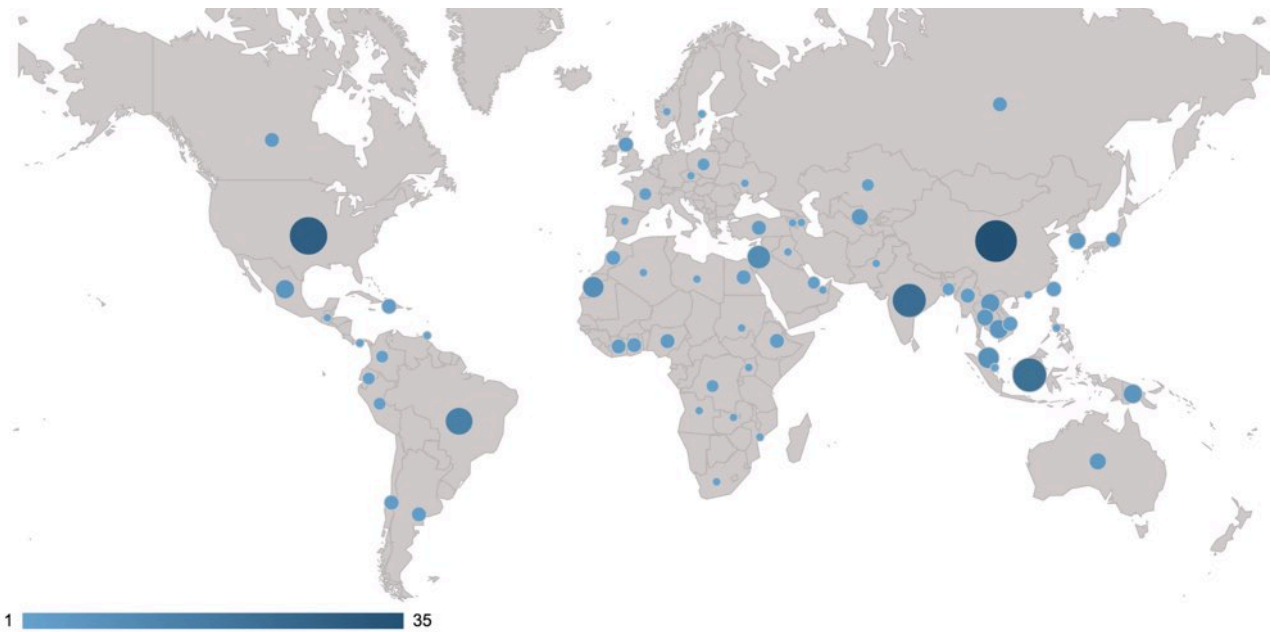
INDUSTRY SECTOR BREAKDOWN



GEOGRAPHIC BREAKDOWN



ENGAGEMENT MAP



During Q1 2015 GES has been in active dialogue with companies as well as external sources associated to **287** business conduct issues.

In **66** “engage” cases we have continued our dialogue to track bespoke engagement goals and to seek measurable results of business conduct changes.

In **221** “evaluate” cases the objective of the dialogue is to bring the amount of credible information to a level that allows issuing a next recommendation. Either to archive the case or to further engage with the company if it is a case with severe consequences for environment or humans.

COMPANY DIALOGUE & PROGRESS SUMMARY

HOW TO READ THIS REPORT

Country	The country in the list indicates where the business conduct issue occurred. The breakdown into the regions Africa, Asia, Central/South America, Europe, Middle East, North America and Oceania is based on where the company headquarter is.
Response	The indicator describes how the company responds to GES' inquiries. ● Excellent ● Good ● Standard ● Poor ● No
Progress	The indicator describes whether or not the violation continues, or how the company's work to prevent future violations is developing. ↑ Excellent ↗ Good → Standard ↘ Poor ↓ No
Development	The indicator describes the aggregated changes of progress and / or response since the last quarterly report. ▲ High performance: Good or excellent response and / or progress of the business conduct issue. ▶ Medium performance: A standard level of response and progress. ▼ Low performance: Poor or no Response in combination with poor or no Progress. New, same, better or worse – indicates the change in development since the last quarterly report.
Time	Time with low performance. One piece equals three months.  After two years the case will be reviewed by GES and an exclusion recommendation can be issued if all other engagement options are ineffective.

AFRICA

ENGAGE LIST

HARMONY GOLD <i>Association to fatal accidents at workplace</i>	South Africa	• Standard	→ Standard		New
LONMIN PLC <i>Association to complicity in fatal police violence</i>	South Africa	• Standard	↓ None		Same

EVALUATE LIST

HARMONY GOLD, ILLOVO SUGAR, IMPALA PLATINUM

ENGAGE LIST

BANGKOK BANK PUBLIC Association to financing controversial dam project on Mekong River	Laos	• Standard	➤ Poor	▶	Same	
CHINA RAILWAY CONSTRUCTION CORP Association to human rights violations and environmental degradation	Ecuador	• Poor	➤ Poor	▼	Same	
CHINA RAILWAY GROUP Association to severe construction accidents	China	• Poor	➤ Poor	▼	Same	
DAEWOO INTERNATIONAL Association to human rights abuses in relation to pipeline project	Burma/ Myanmar	• Standard	➔ Standard	▶	Same	
DAEWOO INTERNATIONAL Association to worst forms of child labour and forced labour	Uzbekistan	• Standard	↓ None	▶	Same	
DONGFANG ELECTRIC CORP Association to threatening livelihood and forced relocation relating to dam project	Ethiopia	• Standard	↓ None	▶	Same	
INDUSTRIAL AND COMMERCIAL BANK OF CHINA Association to threatening livelihood and forced relocation relating to dam project	Ethiopia	• Standard	➔ Good	▲	Same	
IOI CORP Association to land dispute	Malaysia	• Standard	➔ Good	▲	Same	
KASIKORN BANK Association to financing controversial dam project on Mekong River	Laos	• Standard	➤ Poor	▶	Same	
KRUNG THAI BANK Association to financing controversial dam project on Mekong River	Laos	• Poor	↓ None	▼	Same	
METALLURGICAL CORPORATION OF CHINA Association to negative environmental impact from improper waste management	Papua New Guinea	• Poor	↓ None	▼	Worse	
OLAM INTL Association to child labour in the cocoa industry	Ivory Coast	• Standard	➔ Good	▲	Same	
OLAM INTL Association to worst forms of child labour and forced labour	Uzbekistan	• Standard	↓ None	▶	Same	
POSCO Association to environmental and human rights violations in steel project	India	• Standard	➤ Poor	▶	Same	
POSCO Association to human rights abuses in relation to pipeline project	Burma/ Myanmar	• Standard	➤ Poor	▶	Same	
POSCO Association to worst forms of child labour and forced labour	Uzbekistan	• Standard	↓ None	▶	Same	
PTT PCL Association to biodiversity and food security impacts related to dam project on the Mekong River	Laos	• Poor	➤ Poor	▼	Worse	

SAMSUNG ELECTRONICS <i>Association to poor working conditions in various countries</i>	China	• Standard	→ Standard	▶	Same
SESA STERLITE LIMITED <i>Association to systematic environmental and human rights violations in mining project</i>	India	• Good	→ Standard	▲	Same
SIAM COMMERCIAL BANK <i>Association to financing controversial dam project on Mekong River</i>	Laos	• Poor	↓ None	▼	Same
TOKYO ELECTRIC POWER COMPANY <i>Association to unsafe nuclear power production</i>	Japan	• Poor	↘ Poor	▼	Same



EVALUATE LIST

ACER INC, ADANI ENTERPRISES, ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED, ADANI POWER, ADARO ENERGY PT, ADVANCED SEMICONDUCTOR ENGINEERING, ASTRO MALAYSIA HOLDINGS, ASUSTEK COMPUTER INC, BHARAT HEAVY ELECTRICALS LIMITED, CATCHER TECHNOLOGY, CHINA COAL ENERGY COMPANY, CHINA NATIONAL BUILDING MATERIAL, CHINA PETROLEUM & CHEMICAL CORP, CHINA RAILWAY GROUP, CHINA RESOURCES POWER HOLDINGS, CHINA STEEL, CIMB GROUP HOLDINGS BERHAD, COAL INDIA LIMITED, COMPAL ELECTRONICS, DAELIM INDUSTRIAL, DMCI HOLDINGS, ELECTRIC POWER DEVELOPMENT, FARGLORY LAND DEVELOPMENT CO, FAST RETAILING CO, FLEXTRONICS INTERNATIONAL, FOSUN INTERNATIONAL, GAIL INDIA, GENTING BERHAD, GENTING PLANTATIONS, GOLDEN AGRI-RESOURCES, GUANGZHOU AUTOMOBILE GROUP, HINDUSTAN PETROLEUM CORP, HINDUSTAN ZINC, HON HAI PRECISION INDUSTRY CO LTD, HTC CORP, HYUNDAI ENGINEERING & CONSTRUCTION, HYUNDAI HEAVY INDUSTRIES, HYUNDAI STEEL CO, IOI CORP, ITOCHU CORP, JFE HOLDINGS, KEPPEL CORP, KT&G, KUALA LUMPUR KEPONG, LCY CHEMICAL CORPORATION, LENOVO GROUP, MALAYAN BANK, MANGALORE REFINERY & PETROCHEMICALS, MARUBENI CORP, MARUTI SUZUKI INDIA, MEIJI HOLDINGS CO, MITSUI ENGINEERING & SHIPBUILDING, NINTENDO CO, NISSAN MOTOR CO, NTPC, OIL & NATURAL GAS CORPORATION, ORIX CORP, PEGATRON, POSCO, QUANTA COMPUTER, RAKUTEN, RELIANCE POWER, RICOH CO LTD, SAMSUNG C&T, SAMSUNG ELECTRONICS, SAMSUNG ENGINEERING, SEMBCORP MARINE, SESA STERLITE LIMITED, SEVEN & I HOLDINGS CO, SINGAPORE TECHNOLOGIES ENGINEERING, SOFTBANK CORP, SOJITZ CORP, STEEL AUTHORITY OF INDIA, SUN TV NETWORK, TAKATA CORP, TATA CONSULTANCY SERVICES, THAI UNION FROZEN PRODUCTS, TOSHIBA CORP, TOYOTA MOTOR CORPORATION, WILMAR INTERNATIONAL LIMITED, WIPRO, WISTRON CORP, YAHOO JAPAN CORP, ZHEN DING TECHNOLOGY HOLDING, ZTE

EXCLUDE LIST

ASTRA AGRO LESTARI <i>Association to destroying habitat of critically endangered orangutans</i>	Indonesia
HANWHA CORPORATION <i>Association to marketing of cluster munitions</i>	South Korea
SINGAPORE TECHNOLOGIES ENGINEERING <i>Association to manufacturing of anti-personnel mines</i>	Singapore

CENTRAL / SOUTH AMERICA

RESOLVED LIST

VALE SA	Brazil
Association to violation of indigenous rights	

ENGAGE LIST

ELETROBRAS	Brazil	• Good	↗ Good	▲ Better
Association to violation of indigenous rights				
PETROBRAS	Brazil	• Good	↘ Poor	▶ New
Association to corrupt practices				

EVALUATE LIST

BANCO DO BRASIL, BTG PACTUAL, BW OFFSHORE LIMITED, CEMEX, COMPANIA DE MINAS BUENAVENTURA, ECOPETROL, EMBRAER, GRUPO MEXICO, JBS SA, KLABIN SA, PETROBRAS, SOCIEDAD QUIMICA Y MINERA DE CHILE SA, SOUTHERN COPPER CORPORATION, WALMEX, WEATHERFORD INTERNATIONAL

EUROPE

RESOLVED LIST

BP PLC United States
Association to fatal explosion and major oil spill

CLOETTA AB Ivory Coast
Association to child labour in the cocoa industry

ENGAGE LIST

ACACIA MINING PLC Tanzania • Standard → Poor ▶ Same
Association to human rights abuses

AF AB Laos • Good → Standard ▲ Same
Association to controversial dam project on the Mekong River

AF AB Turkey • Good → Standard ▲ Same
Association to hydro power project breaching World Bank environmental and social standards

ALSTOM Sudan • Standard → Standard ▶ Same
Association to complicity in human rights violations in hydro-electric project

ANDRITZ AG Turkey • Standard → Poor ▶ Same
Association to hydro power project breaching World Bank environmental and social standards

BARRY CALLEBAUT AG Ivory Coast • Good → Standard ▲ Same
Association to child labour in the cocoa industry

BP PLC United States • Standard ↗ Good ▲ Better
Association to systematic oil spills in Alaska

CAIRN ENERGY Western Sahara • Standard ↓ None ▶ Same
Association to illegal exploitation of natural resources

EUTELSAT COMMUNICATIONS China • Good ↗ Good ▲ Better
Association to restriction of freedom of opinion and expression

FINMECCANICA India • Good ↗ Good ▲ Same
Association to corrupt practices

G4S PLC Palestine • Excellent ↑ Excellent ▲ Same
Association to complicity in human rights violations in occupied territories

GLENCORE PLC Australia • Standard → Poor ▶ Worse
Association to lead contamination from mining and processing

HENNES & MAURITZ Uzbekistan • Good ↗ Good ▲ Same
Association to various violations in the cotton supply chain

LINDT & SPRUENGLI AG Ghana • Excellent ↗ Good ▲ Same
Association to child labour in the cocoa industry

NESTLE SA <i>Association to child labour in the cocoa industry</i>	Ghana	• Excellent	↗ Good	▲ Same
NORILSK NICKEL <i>Association to environmental and health impacts from metal extraction operations</i>	Russian Federation	• Standard	↘ Poor	▶ Same
POYRY OYJ <i>Association to distortion of environmental impact assessment</i>	Laos	• Poor	↘ Poor	▼ Same
ROYAL DUTCH SHELL <i>Association to human rights violations resulting from pollution and environmental damage</i>	Nigeria	• Good	→ Standard	▲ Same
STORA ENSO <i>Association to re-occurring human rights violations</i>	Pakistan	• Good	→ Standard	▲ Same
TELIASONERA <i>Association to assisting repressive regimes in surveillance operations</i>	Azerbaijan	• Excellent	↗ Good	▲ Same
TELIASONERA <i>Association to corruption</i>	Uzbekistan	• Excellent	↗ Good	▲ Same
TOTAL SA <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Good	↘ Poor	▶ Same
VEDANTA RESOURCES <i>Association to systematic environmental and human rights violations in mining project</i>	India	• Good	→ Standard	▲ Same
VTB BANK <i>Association to a mining project with expected vast environmental impacts</i>	Armenia	• Standard	↘ Poor	▶ Same



EVALUATE LIST

ABB LTD, ACCOR, AEROFLOT, ALSTOM, ANDRITZ AG, ANGLO AMERICAN, AP MOLLER MAERSK, BILFINGER SE , BOLIDEN, BT GROUP, DEUTSCHE POST, DEUTSCHE TELEKOM, DEXIA SA, DLH , ELECTROLUX, ENI, ERAMET, EURASIAN NATURAL RESOURCES CORP, FIAT CHRYSLER AUTOMOBILE, G4S PLC, GDF SUEZ SA, GLAXOSMITHKLINE, GLENCORE PLC, HEIDELBERGCEMENT, HENNES & MAURITZ, HOCHTIEF, INDITEX, INTERNATIONAL CONSOLIDATED AIRLINES GROUP, INVESTOR AB, KGHM, KONINKLIJKE AHOLD, MAPFRE, MARKS & SPENCER GROUP, NESTE OIL, NESTLE SA, NORDEA BANK, ORANGE SA, RENAULT, ROSNEFT, ROYAL BOSKALIS WESTMINSTER GROUP, ROYAL DUTCH SHELL, SAINSBURY, SAIPEM, SBM OFFSHORE NV, SERCO GROUP, SEVERSTAL OAO, SIEMENS, SKANSKA , STANDARD CHARTERED PLC, STATOIL ASA, TAURON POLSKA ENERGIA, TELEKOM AUSTRIA, TELENOR, TESCO PLC, THALES, WARTSILA OYJ ABP, VEDANTA RESOURCES, VEOLIA ENVIRONNEMENT SA, VINCI, VODAFONE GROUP, YARA INTERNATIONAL

EXCLUDE LIST

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

MIDDLE EAST

ENGAGE LIST

AFI GROUP Association to supporting construction of illegal settlements in occupied territories	Palestine	• Good	↗ Good	▲ Same
AKBANK Association to hydro power project breaching World Bank environmental and social standards	Turkey	• Standard	↘ Poor	▶ Same
BANK HAPAOALIM Association to financing illegal settlements in occupied territories	Palestine	• Good	↓ None	▶ Same
BANK LEUMI Association to financing illegal settlements in occupied territories	Palestine	• Good	↓ None	▶ Same
DANYA CEBUS LTD Association to supporting construction of illegal settlements in occupied territories	Palestine	• Good	↗ Good	▲ Same
FIRST INTERNATIONAL BANK OF ISRAEL Association to financing illegal settlements in occupied territories	Palestine	• Good	↓ None	▶ Same
ISRAEL DISCOUNT BANK Association to financing illegal settlements in occupied territories	Palestine	• Good	↓ None	▶ Same
MIZRAHI TEFAHOT BANK LTD Association to financing illegal settlements in occupied territories	Palestine	• Good	↓ None	▶ Same
TURKIYE GARANTI BANKASI Association to hydro power project breaching World Bank environmental and social standards	Turkey	• Good	→ Standard	▲ Same

EVALUATE LIST

AL ARABTEC HOLDING, HAREL INSURANCE INVESTMENTS, NICE SYSTEMS, SHIKUN & BINUI LTD, TELECOM EGYPT

EXCLUDE LIST

ELBIT SYSTEMS Association to providing security systems for illegal separation barrier on occupied territories	Palestine
JERUSALEM ECONOMY LTD Association to supporting construction of illegal settlements in occupied territories	Palestine
TURKIYE HALK BANKASI Association to hydro power project breaching World Bank environmental and social standards	Turkey

NORTH AMERICA

RESOLVED LIST

ANADARKO PETROLEUM United States
Association to fatal explosion and major oil spill

ENGAGE LIST

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

AGRIUM Western Sahara • Standard ↓ None ▶ Same
Association to illegal exploitation of natural resources

APPLE INC Taiwan • Poor ↗ Good ▶ Better
Association to poor labour and environmental practices at suppliers

ARCHER DANIELS MIDLAND Ivory Coast • Good → Standard ▲ Same
Association to child labour in the cocoa industry

BARRICK GOLD CORP Papua New Guinea • Standard ↓ None ▶ Same
Association to complicity in human rights abuses

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

BOEING CO Egypt • Standard ↓ None ▶ Same
Association to violation of freedom of expression and information

CHEVRON CORP Ecuador • Poor ↓ None ▼ Same
Association to environmental damage in the Amazon jungle



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

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

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

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

HERSHEY Ivory Coast • Good ↗ Good ▲ Same
Association to child labour in the cocoa industry

KBR INC Iraq • Good ↗ Good ▲ Same
Association to unsafe working conditions and human rights abuses

MATTEL China • Standard ↓ None ▶ Same
Association to poor working conditions at suppliers

L-3 COMMUNICATIONS HLDGS <i>Association to marketing of cluster munitions</i>	United States
LOCKHEED MARTIN <i>Association to manufacture and marketing of cluster munitions</i>	United States
LOCKHEED MARTIN <i>Association to nuclear weapon programmes</i>	United Kingdom
NORTHROP GRUMMAN CORP <i>Association to nuclear weapon programmes</i>	United States
ORBITAL ATK <i>Association to involvement in cluster munitions</i>	United States
ORBITAL ATK <i>Association to nuclear weapon programmes</i>	United States
RAYTHEON COMPANY <i>Association to nuclear weapon programmes</i>	United States
TEXTRON <i>Association to development and marketing of cluster munitions</i>	United States
WAL-MART STORES <i>Association to dangerous sandblasting practice in supply chain</i>	China
WAL-MART STORES <i>Association to fire safety negligence and fire</i>	Bangladesh
WAL-MART STORES <i>Association to inadequate pay in supply chain</i>	Haiti
WAL-MART STORES <i>Association to violations of labour standards in various countries</i>	United States

OCEANIA

ENGAGE LIST

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

EVALUATE LIST

ANZ BANKING GROUP, COMMONWEALTH BANK OF AUSTRALIA, LEIGHTON HOLDINGS, NEWCREST MINING LTD, OIL SEARCH, QANTAS AIRWAYS, RIO TINTO, TOLL HOLDINGS, WHITEHAVEN COAL LTD

ENGAGEMENT CALENDAR

2015-04-14	ROYAL DUTCH SHELL	GES Attending Shell's Annual SRI day, London. For details contact jonathan.kellar@ges-invest.com
2015-04-15	NOBLE GROUP LTD	Call regarding operations in West Papua, Indonesia. (Palm Oil Engagement) For details contact linda.bjork@ges-invest.com
2015-04-17	STATOIL ASA	Meeting regarding fracking fire in the United States and other HSE incidents. For details contact shane.chaplin@ges-invest.com
2015-04-20	FIRST PACIFIC	Meeting in Hong Kong to discuss preparedness to handle most material ESG issues. For details contact ellinor.haggebrink@ges-invest.com
2015-04-20	MTR CORP	Meeting in Hong Kong to discuss preparedness to handle most material ESG issues. For details contact ellinor.haggebrink@ges-invest.com
2015-04-20	DAEWOO INTERNATIONAL	Meeting regarding Daewoo's operations in Burma, Uzbek cotton and human rights management. For details contact linda.bjork@ges-invest.com
2015-04-21	CHINA STATE CONSTRUCTION INTERNATIONAL	Meeting in Hong Kong to discuss preparedness to handle most material ESG issues. For details contact ellinor.haggebrink@ges-invest.com
2015-04-21	CHINA EVERBRIGHT INT'L	Meeting in Hong Kong to discuss preparedness to handle most material ESG issues. For details contact ellinor.haggebrink@ges-invest.com
2015-04-21	ZENITH BANK	Engagement meeting in Lagos, Nigeria. For details contact palle.ellemann@ges-invest.com
2015-04-21	NESTLE FOODS NIGERIA	Engagement meeting in Lagos, Nigeria. For details contact palle.ellemann@ges-invest.com
2015-04-22	GUARANTY TRUST BANK	Engagement meeting in Lagos, Nigeria. For details contact palle.ellemann@ges-invest.com
2015-04-22	CHINA MOBILE	Meeting in Hong Kong to discuss the companies' preparedness to handle the most material ESG issues. For details contact ellinor.haggebrink@ges-invest.com
2015-04-22	TURKIYE GARANTI BANKASI	Conference call. For details contact aurora.samuelsson@ges-invest.com
2015-04-23	YUEXIU REIT	Stora Enso's CEO presenting results to investors from its human rights assessment. For details contact stina.nilsson@ges-invest.com
2015-04-23	DIAMOND BANK	Approximate Q1 meeting date. For details contact shane.chaplin@ges-invest.com
2015-04-23	CHINA TELECOM	Meeting in Hong Kong to discuss preparedness to handle most material ESG issues. For details contact ellinor.haggebrink@ges-invest.com
2015-04-24	CHINA OVERSEAS LAND & INV	Meeting in Hong Kong to discuss preparedness to handle most material ESG issues. For details contact ellinor.haggebrink@ges-invest.com
2015-04-24	AIA GROUP LTD	Meeting in Hong Kong to discuss preparedness to handle most material ESG issues. For details contact ellinor.haggebrink@ges-invest.com
2015-05-06	AGRIUM	AGM whereby a resolution relating to Western Sahara has been filed. For details contact tytti.kaasinen@ges-invest.com
2015-05-11	GENTING PLANTATIONS	Meeting in Kuala Lumpur, Malaysia. For details contact nathalie.rasmussen@ges-invest.com
2015-05-12	POTASH CORP SASKATCHEWAN	AGM whereby a resolution relating to Western Sahara has been filed. For details contact tytti.kaasinen@ges-invest.com
2015-05-12	TELENOR	Sustainability seminar in London, which will include Telenor's sustainability initiatives in Myanmar and Bulgaria. For details contact linda.bjork@ges-invest.com
2015-05-18	ULTRAPAR PARTICIPACOES SA	Meeting in Sao Paulo. For details contact palle.ellemann@ges-invest.com
2015-05-22	AMBEV ON	Meeting in Sao Paulo. For details contact palle.ellemann@ges-invest.com
2015-06-02	AF AB	Meeting in Stockholm. For details contact aurora.samuelsson@ges-invest.com
2015-06-10	FREEPORT MCMORAN	Teleconference to discuss environment, safety and human rights at the Grasberg mine. For details contact shane.chaplin@ges-invest.com

HIGHLIGHTS OF THE CALENDAR

May 28, 2015

GES Engagement Day, City of London Club, 19 Old Broad Street, London, EC2N 1DS

GES Engagement Day is an opportunity to meet other active investors, experience engagement dialog first-hand and meet some of the companies GES engages with. Speakers from several companies and investor organisations include **STRATCHLYDE PENSION FUND**, **RAILPEN**, **STANDARD LIFE**, **THE CARBON TRACKER INITIATIVE** and **GOLDCORP**.

8.30 **Coffee and registration**

8.45 **Welcome by Magnus Furugård, GES CEO**

9.00 **Introduction to Engagement Day 2015 with Hanna Roberts, GES Engagement Director**

- 2015 engagement highlights

9.30 **ESG risks of operating in high-risk countries**

- Companies share their experiences

10.15 **Key Note Speaker: Investor challenges of managing climate change**

11.30 **Coffee break**

12.00 **Climate change breakout sessions**

- Fossil fuel investment strategies
- Identification and management of water risks
- ESG challenges in large-scale hydropower projects

13.00 **Lunch**

14.00 **Respecting human rights in the telecommunications sector**

- Company presentations

15.00 **ESG criteria in the fund manager selection and engagement**

- Asset owners and asset managers share experiences of how to ensure ESG criteria and policies are considered in the fund selection

16.00 **Coffee break**

16.30 **Corporate Governance & Transparency**

17.30 **Looking towards Engagement 2016 with Hanna Roberts, GES Engagement Director**

17.45 **Closing remarks by Magnus Furugård, GES CEO**

18.00 **Drinks**

For registration please contact:



Charlotte Mansson

Senior Key Account Manager

charlotte.mansson@ges-invest.com



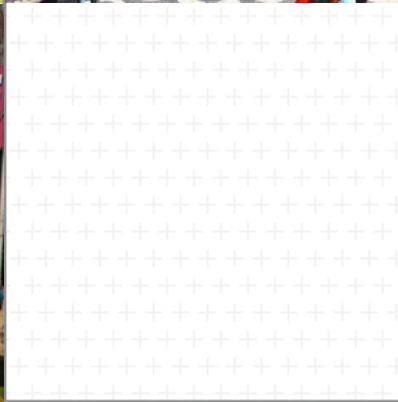
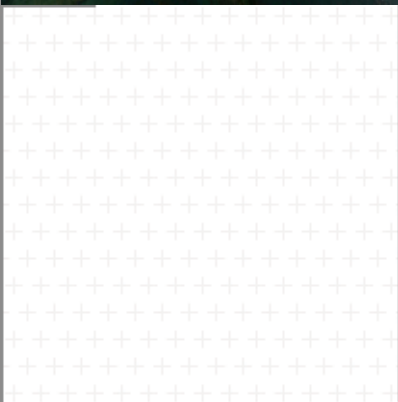
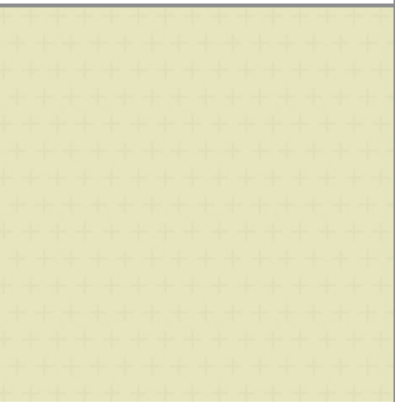
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QUARTERLY ENGAGEMENT REPORT

Q2 2015



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This report summarises the shareholder engagement activities that GES has performed on behalf of Erste Asset Management during the first quarter of 2015.



ABOUT ERSTE ASSET MANAGEMENT

Erste Asset Management (EAM) coordinates and is responsible for all asset management activities within Erste Group. We manage assets worth approx. 58 billion Euros (per 31 March 2015) in our locations in Austria, Croatia, Czech Republic, Germany, Hungary, Romania and Slovakia.

OUR APPROACH

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

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

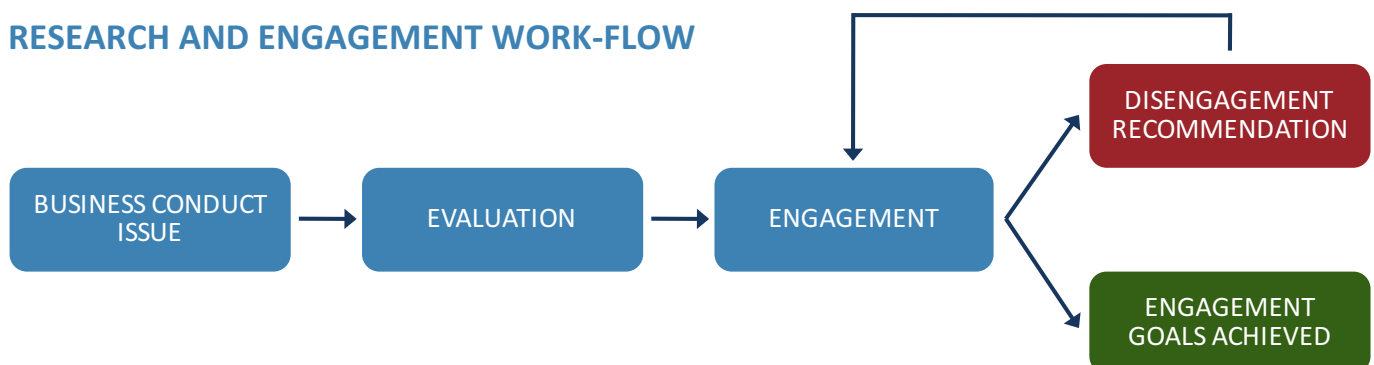
We engage with companies in collaboration with our service provider GES. The engagement process is based on the findings from a systematic screening of companies regarding their compliance with well-established international conventions and guidelines on environmental, social and governance (ESG) issues.

By way of example this includes:

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

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

RESEARCH AND ENGAGEMENT WORK-FLOW



ENGAGEMENT BRIEF

Index of companies mentioned in this engagement brief

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BANGKOK BANK PUBLIC	5	KASIKORNBANK	5
EUTELSAT	8	KOSMOS ENERGY	9
FLUOR CORPORATION	6	KRUNG THAI BANK	5
GAP INC	11	PVH CORP	11
GROUPE AUCHAN	11	SIAM COMMERCIAL BANK	5
HONEYWELL INTERNATIONAL INC.	6	VF CORP	11
HUNTINGTON INGALLS INDUSTRIES	6	WAL-MART STORES	11

XAYABURI DAM ON THE MEKONG RIVER IN LAOS

Four Thai banks confirmed to violation of international norms

BANGKOK BANK PUBLIC, KASIKORNBANK, KRUNG THAI BANK and **SIAM COMMERCIAL BANK** are reported by **BANKTRACK** to provide a baht 80 billion (USD 2,6 billion) loan to the developers of the Xayaburi Dam on the Mekong River in Laos. The dam threatens to make several fish species extinct, including the critically endangered Mekong Giant Catfish and migratory fish species, through a blocked fish migration route. These impacts, in turn, will affect the livelihoods and food security of millions of people from the regions of Thailand, Laos, Cambodia and Vietnam. Furthermore, over 2,100 people will be forcibly resettled and over 200,000 people directly affected by the project. Despite the growing concerns from villagers and NGOs, the developers of the dam continue work at the site. Reportedly, the Xayaburi dam was 40 per cent completed in December 2014 and commercial operation is planned for 2020. The reported practices can be associated to a violation of the UN Global Compact Principles 1 and 2 on human rights and 7 and 8 on environment, and the corresponding Guidelines IV and VI of the OECD Guidelines for Multinational Enterprises, as well as Chapter 2 of the UN Guiding Principles for Business and Human Rights.

For further information please contact:



Ellinor Höggebrink
Engagement Manager

AECOM TECHNOLOGY CORPORATION

Confirmed nuclear weapons case

AECOM TECHNOLOGY CORPORATION, through its acquisition of **URS CORPORATION** in October 2014, is engaged in several sites in the US connected with nuclear weapon systems design and testing, and missile systems upgrade programmes. The company also provides its design and engineering services to the **US AIR FORCE NUCLEAR WEAPONS CENTER**. Some of the sites jointly operated by Aecom Technology Corporation and third parties include the **LAWRENCE LIVERMORE NATIONAL LABORATORY** and the **LOS ALAMOS NATIONAL LABORATORY** for the US National Nuclear Security Administration. The laboratories are responsible for maintenance, testing and further development of the US nuclear deterrent. Their operations include the W76-1 nuclear missile Life Extension Program which aims to extend the original warhead service life from 20 to 60 years. Aecom has declined to comment on its contracts.

The company thus provides services, which can be considered essential for the continued development and existence of nuclear weapons and can therefore be associated to violating key principles of international humanitarian law (IHL). Furthermore, the company's activities contravene the commitment to global and complete nuclear disarmament in the Non-Proliferation Treaty (NPT).

For further information please contact:



Jędrzej Nowakowski
Research Analyst

FLUOR CORPORATION

Confirmed nuclear weapons case

FLUOR CORPORATION, through its wholly owned subsidiary **FLUOR FEDERAL SERVICES**, is associated to the provision of key products and services for nuclear weapons. The company's joint-venture with **HUNTINGTON INGALLS INDUSTRIES** and **HONEYWELL INTERNATIONAL INC.**, **SAVANNAH RIVER NUCLEAR SOLUTIONS** is involved in the production and recycling of tritium, a radioactive hydrogen gas that is an integral part of nuclear weapon design. Tritium reservoirs are shipped to the **US DEPARTMENT OF DEFENSE (DOD)**, where they are installed in nuclear weapons, according to the company's website.

The company has confirmed to GES that its government contract at the Savannah River site is related to the management of tritium production. The reported practices can be associated to a violation of international humanitarian law (IHL). Furthermore, the company's activities contravene the commitment to global and complete nuclear disarmament in the Non-Proliferation Treaty (NPT).

For further information please contact:



Jędrzej Nowakowski
Research Analyst

HUNTINGTON INGALLS INDUSTRIES

Confirmed nuclear weapons case

HUNTINGTON INGALLS INDUSTRIES, through its wholly owned subsidiary, **NEWPORT NEWS NUCLEAR**, is associated to the provision of key products and services for nuclear weapons. The company's joint-venture with **FLUOR CORPORATION** and **HONEYWELL INTERNATIONAL INC.**, **SAVANNAH RIVER NUCLEAR SOLUTIONS (SRNS)** is involved in the production and recycling of tritium, a radioactive hydrogen gas that is an integral part of nuclear weapon design. Tritium reservoirs are shipped to the **US DEPARTMENT OF DEFENSE (DOD)**, where they are installed in nuclear weapons, according to the company's website.

The company has not responded to GES' requests for information, however, Huntington Ingalls Industries' Savannah River Nuclear Solutions joint-venture partner, Fluor Corporation, has confirmed to GES that SRNS is involved in the production and recycling of tritium.

The reported practices can be associated to a violation of international humanitarian law (IHL). Furthermore, the company's activities contravene the commitment to global and complete nuclear disarmament in the Non-Proliferation Treaty (NPT).

For further information please contact:



Jędrzej Nowakowski
Research Analyst

IOI CORP

Resolved case after four years of engagement

In 2011, **IOI CORP (IOI)** was accused by the **ROUNDTABLE OF SUSTAINABLE PALM OIL (RSPO)** of not following procedural requirements for new palm oil plantations in Sarawak, Malaysian Borneo. In consequence, the RSPO has suspended IOI's palm oil certification process and has since been engaging the company and communities who alleged that they have native customary rights over the land leased by the company. The company deliberately denied violating any laws and attempted to clear itself from the allegations while the incident was under the investigation.



New palm oil plantations in Sarawak, Malaysia

GES started the engagement with IOI focusing on the company's social and environmental policies, as well as due diligence processes. GES suggested that the company reviews its existing policies and considers formal adoption of the principle of free, prior and informed consent (FPIC). Even though IOI was cleared in 2013 by the **MALAYSIAN FEDERAL COURT** from the accusations of improper land use in Sarawak, GES continued engaging with the company on its preparedness to handle social and environmental risks linked to acquiring new palm oil plantations. In March 2014, a major positive development in the engagement process was noted, as the company adopted a new human rights policy reflecting suggestions made by GES to refer to the principle of free, prior and informed consent and to address respect for indigenous people and native customary rights. GES also verified that IOI has adopted proper social and environmental due diligence processes

prior to starting new plantations. The company's efforts and commitment to reaching an amicable agreement with Sarawak's communities have also been confirmed by the RSPO. Although the company is still in discussion over land use agreements, IOI's operations in Malaysia are currently not accused of breaching any human rights. Furthermore, the company has not recorded any new incidents of human rights violations, which indicates that the new policy is properly limited, hence GES' decision to resolve the case.

For further information please contact:



Anna Domagala-Kaczmarczyk
Engagement Manager

EUTELSAT

Resolved case after seven years of engagement

Eutelsat is a Paris-based holding company providing fixed satellite services, which was accused of complicity in censorship practices by repressive regimes. In 2008, the company suspended the broadcast of the only independent Chinese-language television channel, **NTDTV**, in China, allegedly to gratify the government of the country. GES commenced engagement in 2008, shortly after the incident.

After initial slow progress in addressing the issue, in 2011 Eutelsat opened up towards engaging with shareholders and became more willing to discuss the issue. The company has continuously denied the allegations and has claimed that technical issues were the reason for the termination of NTDTV's broadcast.

In 2013, a case between Eutelsat and NTDTV was settled out of court. Neither of the parties was willing to discuss or disclose any information from the settlement. In 2011, NTDTV resumed broadcasting through a Taiwanese satellite provider.

Throughout the engagement, GES requested that Eutelsat adopt a formal human rights policy addressing freedom of expression, communicate this clearly on its website or in annual reporting. Although not having done so, the company made a public commitment to protect the freedom of expression in its annual report 2013-2014. The company also made serious efforts in combating jamming, by developing an anti-jamming function raising the bar of signal security and thereby mitigating deliberate interference.

Eutelsat has not been involved in any similar incidents since 2008, which is an indication that the company has made progress in addressing human rights and freedom of expression. GES has therefore decided to resolve the case and end the active engagement with Eutelsat.

For further information please contact:



Ellinor Hägebrink
Engagement Manager

YAHOO! INC

Resolved case after ten years of engagement

YAHOO! INC, a US-based global technology company, was criticised for releasing personal user data to **CHINA'S STATE SECURITY** in order to identify a Chinese journalist in 2004, through its subsidiary **YAHOO HOLDINGS**. This led to a ten-year imprisonment of the journalist in 2005, for sharing a document of the Communist party to an overseas Chinese democracy site.

In 2005, Yahoo Holdings was renamed **YAHOO MAIL CHINA** and was overtaken by the Chinese company **ALIBABA GROUP HOLDING LTD**, in which Yahoo! Inc had around 40 per cent of shares at that point, who operated it until Yahoo Mail China was closed down in 2013. In 2014, Yahoo! Inc sold most of its shares in Alibaba with plans of slowly divesting from the rest.

Yahoo! Inc has taken the issue seriously, and in May 2008 launched its Business and Human Rights Program to raise awareness of freedom of expression within the company and to create an infrastructure for responsible decisions regarding human rights. Later that year, the multi-stakeholder group **GLOBAL NETWORK INITIATIVE (GNI)**, which Yahoo! Inc is part of, announced a set of principles that aim to protect freedom of speech and privacy in the information and communication technologies industry.

As Yahoo Mail China has been closed down and Yahoo! Inc no longer has a major stake in Alibaba, the company cannot be held responsible for the Chinese operations. Furthermore, Yahoo! Inc has shown a great progress in addressing freedom of expression and user privacy through its collaboration with the GNI and relevant policies and programs are now in place. GES has therefore decided to resolve the case and end the active engagement with Yahoo! Inc.

For further information please contact:



Ellinor Hägebrink
Engagement Manager

WESTERN SAHARA

Building on the results achieved

GES' three-year Thematic Engagement on Western Sahara concluded in June 2015. Western Sahara is formally classified by the UN as a "Non-Self-Governing Territory", a country that is still non-decolonised, but it has been occupied by Morocco since 1975. The international law assigns special responsibilities and requirements to business activities in this context and underlining the need for a thorough due diligence are also the frequent reports about human rights violations, both against individuals and in terms of the Saharawi people's collective right to self-determination. Nevertheless, several companies with varying levels of ESG preparedness have links to Western Sahara thanks to its natural resources, which international corporations are sourcing and exploring in cooperation with Morocco and GES has been engaging on the topic since 2007.



Bou Craa conveyor belt from the phosphate mine

This project started in 2012 and during its course, GES and the participating clients not only had dialogue with **12 COMPANIES**, but also engaged in the issue on a thematic level through advanced monitoring of developments as well as discussions with independent experts, NGOs and both Moroccan and Saharawi representatives. Furthermore, the project involved reaching out to the broader investor community to raise awareness of the problems and risks through webinars, articles and **PRI** collaborations.

To encourage dialogue between different stakeholders, GES also arranged an event in Stockholm on 7 May 2015, where representatives from **POLISARIO**, the national liberation movement of Western Sahara, **KOSMOS ENERGY**, a US oil and gas company, and **EMMAUS STOCKHOLM**, a human rights NGO, discussed their views and experiences relating to the territory with a group of selected investors. The constructive and at times passionate conversations went to show how there are many sides to every story and how hearing the different perspectives is crucial for understanding the holistic picture.

The ultimate goal for the Thematic Engagement project was ambitious – to have the companies demonstrate how their activities in Western Sahara are in line with the interests and wishes of the Saharawi people or, should this not be possible, to completely cease natural resource imports/extraction from the territory – and it was not met by any company. However, progress was also measured and reported biannually on five pre-set key performance indicators (KPIs), and comparing the June 2015 KPI scores with the May 2012 benchmark report it is clear that many companies had taken concrete steps on related due diligence and risk management. Certain companies responded to engagement with such an openness and appreciation of the necessary measures that in some cases the change in KPI scores was rather drastic. Conversely, there were others where both the dialogue and management response were so disappointing that no or very little progress was deemed to have been made in three years.

Geopolitically there has been no notable movement on the topic of Western Sahara since GES' Thematic Engagement began and the potential for further destabilisation on the ground is real: a growing number of Saharawis find themselves increasingly isolated and frustrated, which is a precarious development. Companies sourcing from or operating in the disputed territory must be wary of not aggravating the conflict on one hand, and tread carefully when it comes to the legality of their involvement on the other.

Nevertheless, they also have the possibility to contribute to positive change in Western Sahara. Accordingly, the case for engagement remains as strong as ever and responsible investors should keep the issue high up on the agenda in communications with companies and other stakeholders. GES is confident that there is potential for building on the results achieved so far and having a further impact, and as part of our continuing engagement we are planning an investor trip to Western Sahara in October 2015. Interested participants are encouraged to contact Tytti Kaasinen at GES.

For further information please contact:



Tytti Kaasinen
Senior Engagement Manager

EYES ON BANGLADESH

Workers, brands and investors – coordinated efforts needed

It is easy to understand why Bangladesh is sometimes referred to as the garment factory of the world. Over 80 per cent of its total exports come from the readymade garment sector (RMG) and it is the second country in the world after China in terms of RMG exports globally. In 2013/14 fiscal year the industry was worth USD 24,5 billion to Bangladesh, a 14 per cent increase year on year¹. The biggest global fashion brands and retailers place their orders in the country.

The global fashion brands source from Bangladesh because it is cheap and fast. This, however, sometimes equals cutting corners. In the case of Bangladesh this means low standards in the construction of factories, which leads to structural hazards, electric problems and low fire safety. This has resulted in many fatal incidents over the years with the biggest one being the collapse of **RANA PLAZA** in Savar near Dhaka on April 24, 2013, where 1129 people lost their lives and many more were injured. **BBC** recently reported that the factory owner and others have been charged for murder.

Since this fatal event a lot of attention from the media, consumers and the responsible investment community focused on Bangladesh. The media label *Fast Fashion* became a synonym for the textile industry's favourite model of operation in which a clothing item can take only two weeks from the drawing board to the shelves. It is fast, it is cheap, and it is there to satisfy the ever-changing consumer preferences. However, before the Rana Plaza collapse there was little attention to what else this paradigm entails and that is grave shortcomings in working conditions, safety and remuneration, often coupled with abuse and violence. Simply put: the fundamental labour rights.

The local unions point to the government lagging behind with important labour law reforms, which seems to be a key issue in the long run.

¹

<http://www.bgmea.com.bd/home/pages/tradeinformation#.VWQkU8-qpBc>

The government has the primary responsibility to guard workers' rights. In Bangladesh there is much to be done to empower the workers and let their voices be heard. Adding to that, the interconnections between the Bangladeshi administration and textile factory owners are certainly hindering changes from within. For example, in December 2013 the minimum wage for factory workers was raised by 77 per cent to USD 68 per month but only in direct response to strong protests by workers in Ashulia, Bangladesh.



Inside a Bangladeshi garment factory

Cooperation brings results

So, the eyes are on Bangladesh but also on the companies sourcing from there. After Rana Plaza, it was understood that the problem cannot simply be pinned on one entity. The supply chain in the fast fashion model is very complex. It is normal practice for factories to take orders from several brands at a time and to subcontract work to smaller, often unaudited companies, and so the retailers formed two major joint initiatives to tackle the cross-industry health and safety problems: the **ACCORD ON FIRE AND BUILDING SAFETY** in Bangladesh with 180 members and its North American counterpart, the **ALLIANCE FOR BANGLADESH WORKER SAFETY**, with 26 brands signed on.

Both initiatives have a 5 year plan for reforms. Over the past two years GES has engaged with several individual companies involved in the country, including **INDITEX**, **GROUPE AUCHAN**, **VF CORP** and **WAL-MART STORES**, and has been closely monitoring the progress made by both the Accord and the Alliance. Recently, GES signed a letter coordinated by the **INTERFAITH CENTER FOR CORPORATE RESPONSIBILITY** calling on the member companies from both initiatives to present their efforts in terms of ensuring workers' safety and also workers' representation in factory safety committees. It took a little over two years but the Rana Plaza Arrangement recently informed that the brands contributed USD 30 million to a voluntary compensation fund for the victims. There is strength in the numbers and GES is part of the action.

Let it be noted that early on, the Alliance was seen as less trustworthy as it was less binding and the Accord was also backed by two major global unions. Over time, both agreed on the fire, electrical and structural safety standards and decided to share their audit results. From Accord we learn that a total of 1498 factories have been inspected as of June 2015, corrective action plans (CAPs) have been formed, and the issues are being resolved even though this understandably takes time. The data shows that the progress in terms of health and safety is slow but it is taking place.

While these two initiatives address the occupational health and safety, there are other problems, which need to be kept in mind. The union activists and workers representatives are often threatened, abused and violently attacked in Bangladesh but a good example of cooperation between the retailers is the story of **AZIM GROUP**². In November 2014, several brands including **GAP INC**, **VF CORP** and **PVH CORP** suspended orders from the factory after reports of its direct involvement in violence against union representatives.

²

<http://www.nytimes.com/2015/02/19/business/international/azim-bangladeshi-factory-agrees-to-union-peace-to-win-back-customers.html>

The brands held their stand until February 2015 when Azim committed to halting further violence and made peace with its labour unions. This seems to illustrate that only joint actions by brands are effective. As a rule, the RMG factories in Bangladesh are not dependent on a single retailer or a brand so one retailer's threats of pulling orders often do not mean much.

What lies ahead

According to the **BANGLADESH TEXTILE TODAY**, the RMG exports in first months of 2015 fluctuated which is attributed to hidden political tensions and also the effects of the work by the Accord and Alliance in many factories, but on the whole the RMG industry in Bangladesh is steadily growing. At the moment, the biggest buyers globally are the USA and Germany, but export growth points to a bigger role for China and Russia in years ahead. According to **BANGLADESH GARMENT MANUFACTURERS AND EXPORTERS ASSOCIATION**, in 2013/14 the employment in the country's RMG sector stayed at 4 million while the number of factories declined from 5876 to 4222³. This could be good news for the working conditions and brands alike: if the individual factories are getting stronger there are better chances that the subcontracting of orders will become less of an issue in the future.

The changes are coming, slowly but surely, when workers, brands or investors band together and coordinate efforts. There are still uncertainties when it comes to the political culture, support for unionisation and effective workers' representation in factories and it is my firm belief that the real change will rest on these factors. GES will continue to monitor the developments in Bangladesh with a special focus on the issue of workers' representation in factories and companies' actions on the ground.

For further information please contact:



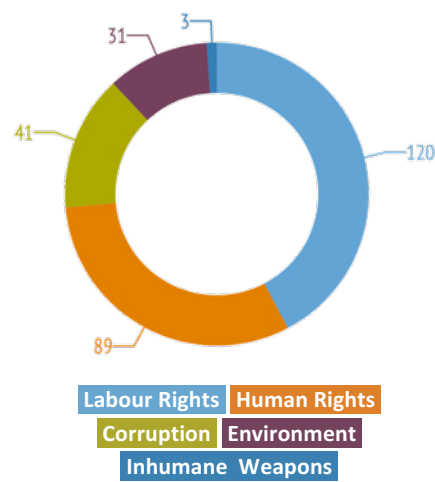
Paweł Pieniżek
Research Analyst

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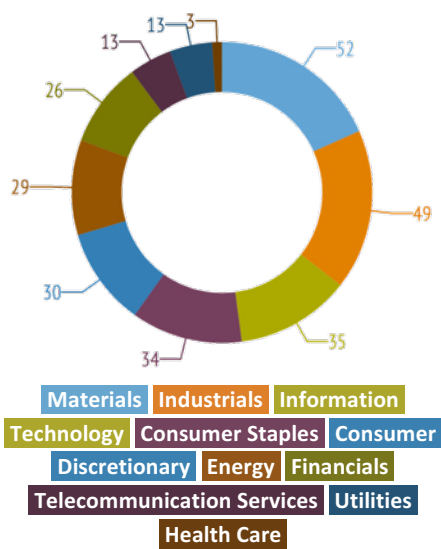
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ENGAGEMENT SUMMARY REPORT

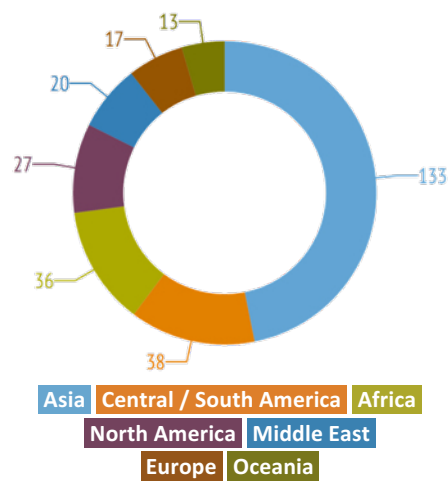
NORM AREA BREAKDOWN



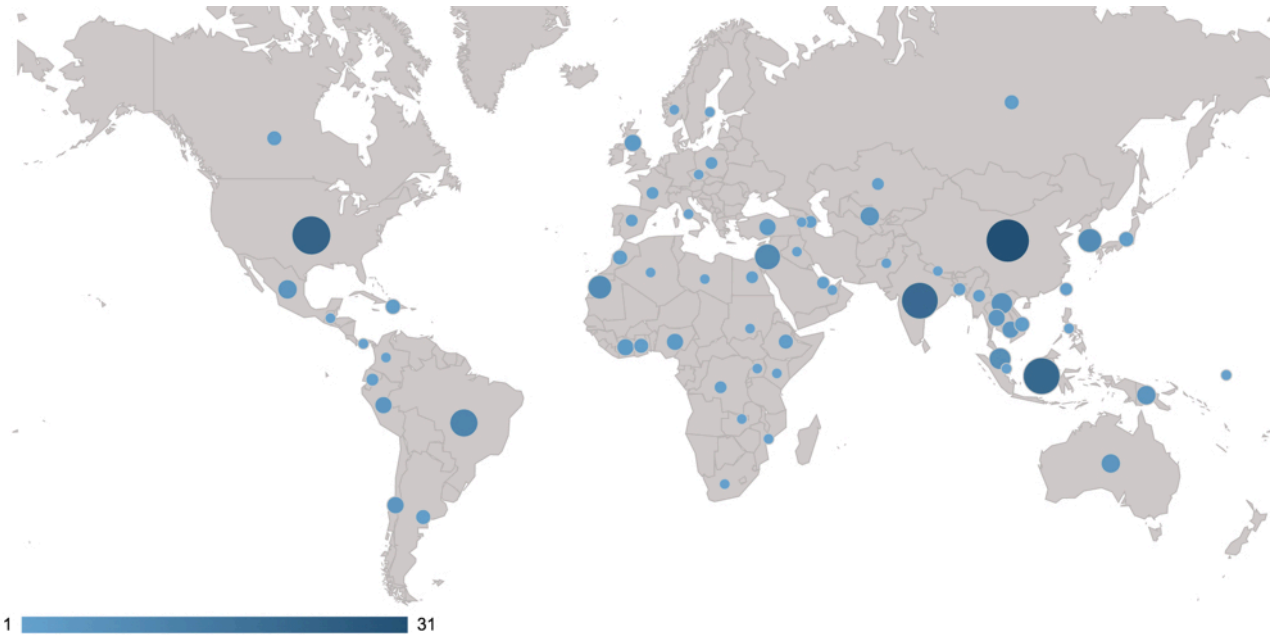
INDUSTRY SECTOR BREAKDOWN



GEOGRAPHIC BREAKDOWN



ENGAGEMENT MAP



During Q2 2015 GES has been in active dialogue with companies as well as external sources associated to **284** business conduct issues.

In **70** “engage” cases we have continued our dialogue to track bespoke engagement goals and to seek measurable results of business conduct changes.

In **214** “evaluate” cases the objective of the dialogue is to bring the amount of credible information to a level that allows issuing a next recommendation. Either to archive the case or to further engage with the company if it is a case with severe consequences for environment or humans.

COMPANY DIALOGUE & PROGRESS SUMMARY

HOW TO READ THIS REPORT

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

AFRICA

EVALUATE LIST

IMPALA PLATINUM

RESOLVED LIST

IOI CORP Malaysia
Association to land dispute

ENGAGE LIST

BANGKOK BANK PUBLIC Laos • Standard ↘ Poor ▶ Same
Association to financing controversial dam project on Mekong River

CHINA RAILWAY CONSTRUCTION CORP Ecuador • Poor ↘ Poor ▼ Same
Association to human rights violations and environmental degradation

CHINA RAILWAY GROUP China • Poor ↘ Poor ▼ Same
Association to severe construction accidents

DAEWOO INTERNATIONAL Burma/Myanmar • Standard → Standard ▶ Same
Association to human rights abuses in relation to pipeline project

DAEWOO INTERNATIONAL Uzbekistan • Standard ↓ None ▶ Same
Association to worst forms of child labour and forced labour

INDUSTRIAL AND COMMERCIAL BANK OF CHINA Ethiopia • Standard ↗ Good ▲ Same
Association to threatening livelihood and forced relocation relating to dam project

KASIKORN BANK Laos • Standard ↘ Poor ▶ Same
Association to financing controversial dam project on Mekong River

KRUNG THAI BANK Laos • Poor ↓ None ▼ Same
Association to financing controversial dam project on Mekong River

POSCO India • Standard ↘ Poor ▶ Same
Association to environmental and human rights violations in steel project

POSCO Burma/Myanmar • Standard ↘ Poor ▶ Same
Association to human rights abuses in relation to pipeline project

POSCO Uzbekistan • Standard ↓ None ▶ Same
Association to worst forms of child labour and forced labour

PTT PCL Laos • Poor ↘ Poor ▼ Same
Association to biodiversity and food security impacts related to dam project on the Mekong River

SAMSUNG ELECTRONICS China • Poor ↘ Poor ▼ Worse
Association to labour rights violations in multiple franchisees

SEVEN & I HOLDINGS CO United States • Poor → Standard ▶ New
Association to poor working conditions in various countries

SIAM COMMERCIAL BANK Laos • Poor ↓ None ▼ Same
Association to financing controversial dam project on Mekong River



TOKYO ELECTRIC POWER COMPANY <i>Association to unsafe nuclear power production</i>	Japan	• Poor	↘ Poor	▼ Same	
VEDANTA LIMITED <i>Association to systematic environmental and human rights violations in mining project</i>	India	• Good	→ Standard	▲ Same	

EVALUATE LIST

ACER INC, ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED, ADARO ENERGY PT, ADVANCED SEMICONDUCTOR ENGINEERING, ASUSTEK COMPUTER INC, BANK OF CHINA, BHARAT HEAVY ELECTRICALS LIMITED, CATCHER TECHNOLOGY, CHINA COAL ENERGY COMPANY, CHINA NATIONAL BUILDING MATERIAL, CHINA PETROLEUM & CHEMICAL CORP, CHINA RAILWAY GROUP, CHINA RESOURCES POWER HOLDINGS, CHINA STEEL, CIMB GROUP HOLDINGS BERHAD, COAL INDIA LIMITED, COMPAL ELECTRONICS, DAELIM INDUSTRIAL, DMCI HOLDINGS, ELECTRIC POWER DEVELOPMENT, FAST RETAILING CO, FLEXTRONICS INTERNATIONAL, FOSUN INTERNATIONAL, GAIL INDIA, GENTING BERHAD, GENTING PLANTATIONS, GOLDEN AGRI-RESOURCES, GUANGZHOU AUTOMOBILE GROUP, HON HAI PRECISION INDUSTRY CO LTD, HTC CORP, HYUNDAI ENGINEERING & CONSTRUCTION, HYUNDAI HEAVY INDUSTRIES, HYUNDAI STEEL CO, IOI CORP, ITOCHU CORP, JFE HOLDINGS, KEPPEL CORP, KT&G, KUALA LUMPUR KEPONG, LENOVO GROUP, MALAYAN BANK, MARUBENI CORP, MEIJI HOLDINGS CO, NINTENDO CO, NISSAN MOTOR CO, NTPC, OIL & NATURAL GAS CORPORATION, ORIX CORP, PEGATRON, POSCO, QUANTA COMPUTER, RICOH CO LTD, SAMSUNG C&T, SAMSUNG ELECTRONICS, SBI HOLDINGS, SEMBCORP MARINE, SINGAPORE TECHNOLOGIES ENGINEERING, SK HYNIX INC, SOFTBANK CORP, SUN HUNG KAI PROPERTIES, TATA CONSULTANCY SERVICES, THAI UNION FROZEN PRODUCTS, TOSHIBA CORP, TOYOTA MOTOR CORPORATION, VEDANTA LIMITED, WILMAR INTERNATIONAL LIMITED, WIPRO, WISTRON CORP, YAHOO JAPAN CORP, ZHEN DING TECHNOLOGY HOLDING, ZTE

DISENGAGE LIST

ASTRA AGRO LESTARI <i>Association to destroying habitat of critically endangered orangutans</i>	Indonesia
HANWHA CORPORATION <i>Association to marketing of cluster munitions</i>	South Korea
SINGAPORE TECHNOLOGIES ENGINEERING <i>Association to manufacturing of anti-personnel mines</i>	Singapore

CENTRAL / SOUTH AMERICA

ENGAGE LIST

COMPANIA DE MINAS BUENAVENTURA <i>Association to controversial mine project</i>	Peru	• Standard	↘ Poor	▶	New
ELETROBRAS <i>Association to violation of indigenous rights</i>	Brazil	• Good	↗ Good	▲	Same
PETROBRAS <i>Association to corrupt practices</i>	Brazil	• Good	↘ Poor	▶	Same

EVALUATE LIST

BANCO DO BRASIL, CEMEX, ECOPETROL, EMBRAER, GRUPO MEXICO, JBS SA, PETROBRAS, SOCIEDAD QUIMICA Y MINERA DE CHILE SA, SOUTHERN COPPER CORPORATION, WALMEX

EUROPE

RESOLVED LIST

BP PLC United States
Association to fatal explosion and major oil spill in Alaska

EUTELSAT COMMUNICATIONS China
Association to restriction of freedom of opinion and expression

ENGAGE LIST

ALSTOM Sudan • Poor ↘ Poor ▼ Worse
Association to complicity in human rights violations in hydro-electric project



ANDRITZ AG Turkey • Standard ↘ Poor ▶ Same
Association to hydro power project breaching World Bank environmental and social standards

BARRY CALLEBAUT AG Ivory Coast • Good → Standard ▲ Same
Association to child labour in the cocoa industry

CAIRN ENERGY Western Sahara • Good ↓ None ▶ Better
Association to illegal exploitation of natural resources

ENI Nigeria • Poor → Standard ▶ New
Association to corruption

FINMECCANICA India • Good ↗ Good ▲ Same
Association to corrupt practices

G4S PLC Palestine • Excellent ↑ Excellent ▲ Same
Association to complicity in human rights violations in occupied territories

GLAXOSMITHKLINE China • Standard → Standard ▶ New
Association to corruption

GLENCORE PLC Western Sahara • Poor ↘ Poor ▼ New
Association to illegal exploration of natural resources



GLENCORE PLC Australia • Standard ↘ Poor ▶ Same
Association to lead contamination from mining and processing

HENNES & MAURITZ Uzbekistan • Good ↗ Good ▲ Same
Association to various violations in the cotton supply chain

LINDT & SPRUENGLI AG Ghana • Excellent ↗ Good ▲ Same
Association to child labour in the cocoa industry

NESTLE SA Ghana • Excellent ↗ Good ▲ Same
Association to child labour in the cocoa industry

NORILSK NICKEL Russian Federation • Standard ↘ Poor ▶ Same
Association to environmental and health impacts from metal extraction operations

ROYAL DUTCH SHELL <i>Association to corruption</i>	Nigeria	• Standard	→ Standard	▶	New
ROYAL DUTCH SHELL <i>Association to human rights violations resulting from pollution and environmental damage</i>	Nigeria	• Good	→ Standard	▲	Same
STORA ENSO <i>Association to re-occurring human rights violations</i>	Pakistan	• Good	→ Standard	▲	Same
TELIASONERA <i>Association to assisting repressive regimes in surveillance operations</i>	Azerbaijan	• Excellent	↗ Good	▲	Same
TELIASONERA <i>Association to corruption</i>	Uzbekistan	• Excellent	↗ Good	▲	Same
TOTAL SA <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Good	↘ Poor	▶	Same
VINCI <i>Association to labour rights violations</i>	Qatar	• None	↓ None	▼	New
VTB BANK <i>Association to a mining project with expected vast environmental impacts</i>	Armenia	• Standard	↘ Poor	▶	Same



EVALUATE LIST

ABB LTD, ACCOR, ALSTOM, ANDRITZ AG, ANGLO AMERICAN, BOLIDEN, BT GROUP, DEUTSCHE POST, DEUTSCHE TELEKOM, ELECTRICITE DE FRANCE, ELECTROLUX, ENGIE, FIAT CHRYSLER AUTOMOBILE, G4S PLC, GLAXOSMITHKLINE, GLENCORE PLC, HEIDELBERGCEMENT, HENNES & MAURITZ, HSBC HOLDINGS, INTERNATIONAL CONSOLIDATED AIRLINES GROUP, INVESTOR AB, KGHM, KONINKLIJKE AHOLD, MAPFRE, MARKS & SPENCER GROUP, MOBILE TELESYSTEMS, NESTE OIL, NESTLE SA, NORDEA BANK, ORANGE SA, RENAULT, REPSOL SA, ROSNEFT, ROYAL BOSKALIS WESTMINSTER GROUP, SAINSBURY, SAIPEM, SEVERSTAL OAO, SIEMENS, SISTEMA JSFC, SKANSKA, STANDARD CHARTERED PLC, STATOIL ASA, TAURON POLSKA ENERGIA, TELENOR, TELIASONERA, TESCO PLC, THALES, WARTSILA OYJ ABP, VEOLIA ENVIRONNEMENT SA, VODAFONE GROUP, VOLKSWAGEN AG, YARA INTERNATIONAL

DISENGAGE LIST

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

MIDDLE EAST

ENGAGE LIST

AKBANK

Turkey

• Standard

↘ Poor



Same

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

BANK HAPOLIM

Palestine

• Good

↓ None



Same

Association to financing illegal settlements in occupied territories

BANK LEUMI

Palestine

• Good

↓ None



Same

Association to financing illegal settlements in occupied territories

MIZRAHI TEFAHOT BANK LTD

Palestine

• Good

↓ None



Same

Association to financing illegal settlements in occupied territories

TURKIYE GARANTI BANKASI

Turkey

• Good

→ Standard



Same

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

EVALUATE LIST

ARABTEC HOLDING, NICE SYSTEMS

DISENGAGE LIST

TURKIYE HALK BANKASI

Turkey

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

NORTH AMERICA

RESOLVED LIST

YAHOO! INC China
Association to violation of the freedom of expression

ENGAGE LIST

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

AGRUM Western Sahara • Standard ↓ None ▶ Same
Association to illegal exploitation of natural resources

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

ARCHER DANIELS MIDLAND Ivory Coast • Good → Standard ▲ Same
Association to child labour in the cocoa industry

BARRICK GOLD CORP Papua New Guinea • Standard ↓ None ▶ Same
Association to complicity in human rights abuses

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

BOEING CO Egypt • Standard ↓ None ▶ Same
Association to violation of freedom of expression and information

CHEVRON CORP Ecuador • Poor ↓ None ▼ Same
Association to environmental damage in the Amazon jungle



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

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

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

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

HERSHEY Ivory Coast • Good ↗ Good ▲ Same
Association to child labour in the cocoa industry

MATTEL China • Standard ↓ None ▶ Same
Association to poor working conditions at suppliers

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

MONDELEZ INTERNATIONAL <i>Association to child labour in the cocoa industry</i>	Ghana	• Good	↗ Good	▲ Same	
MOTOROLA SOLUTIONS <i>Association to assisting in human rights violations in occupied territories</i>	Palestine	• Poor	↘ Poor	▼ Same	
NEWMONT MINING CORP <i>Association to human rights violations and water pollution at gold mine</i>	Peru	• Poor	↘ Poor	▼ New	
POTASH CORP SASKATCHEWAN <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Standard	↓ None	▶ Same	
STARBUCKS CORP <i>Association to anti-union practices</i>	Chile	• Standard	↘ Poor	▶ Same	
TRANSOCEAN LTD <i>Association to fatal explosion and major oil spill</i>	United States	• Poor	→ Standard	▶ Same	

EVALUATE LIST

AMAZON.COM, BANK OF AMERICA, BUNGE LIMITED, CANADIAN NATIONAL RAILWAY, CHEVRON CORP, COMPUTER SCIENCES CORPORATION, COSTCO WHOLESALE CORP, CROWN HOLDINGS INC, DOW CHEMICAL CO, DU PONT, DUKE ENERGY CORP, EMERSON ELECTRIC CO, EXXON MOBIL, FLUOR CORP, FREEPORT MCMORAN, GAP, GENERAL MOTORS, GOODYEAR TIRE & RUBBER, HEWLETT-PACKARD CO, KOHLS CORP, LEVEL 3 COMMUNICATIONS INC, LOBLAW, MERCK & CO, MONDELEZ INTERNATIONAL, MOTOROLA SOLUTIONS, NIKE INC, ORACLE CORP, PEPSICO, PROCTER & GAMBLE CO, RAYTHEON COMPANY, ROYAL BANK OF CANADA, SPRINT CORPORATION, STARWOOD HOTELS & RESORTS, SUNCOR ENERGY, TARGET CORP, UNITED CONTINENTAL HOLDINGS, WAL-MART STORES, WALT DISNEY COMPANY, VF CORP, YUM BRANDS

DISENGAGE LIST

BOEING CO <i>Association to nuclear weapon programmes</i>	United States
FLUOR CORP <i>Association to development of nuclear weapon</i>	United States
GENERAL DYNAMICS CORP <i>Association to involvement in cluster munitions</i>	United States
GENERAL DYNAMICS CORP <i>Association to nuclear weapon programmes</i>	United States
HONEYWELL INTERNATIONAL <i>Association to nuclear weapon programmes</i>	United States
JACOBS ENGINEERING GROUP <i>Association to nuclear weapon programmes</i>	United Kingdom
L-3 COMMUNICATIONS HLDGS <i>Association to complicity in human rights abuses in several countries</i>	Iraq
L-3 COMMUNICATIONS HLDGS <i>Association to marketing of cluster munitions</i>	United States

LOCKHEED MARTIN <i>Association to manufacture and marketing of cluster munitions</i>	United States
LOCKHEED MARTIN <i>Association to nuclear weapon programmes</i>	United Kingdom
NORTHROP GRUMMAN CORP <i>Association to nuclear weapon programmes</i>	United States
RAYTHEON COMPANY <i>Association to nuclear weapon programmes</i>	United States
TEXTRON <i>Association to development and marketing of cluster munitions</i>	United States
WAL-MART STORES <i>Association to dangerous sandblasting practice in supply chain</i>	China
WAL-MART STORES <i>Association to fire safety negligence and fire</i>	Bangladesh
WAL-MART STORES <i>Association to inadequate pay in supply chain</i>	Haiti
WAL-MART STORES <i>Association to violations of labour standards in various countries</i>	United States

OCEANIA

ENGAGE LIST

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

EVALUATE LIST

ANZ BANKING GROUP, CIMIC GROUP, NEWCREST MINING LTD, QANTAS AIRWAYS, RIO TINTO, WESFARMERS, WOOLWORTHS LTD



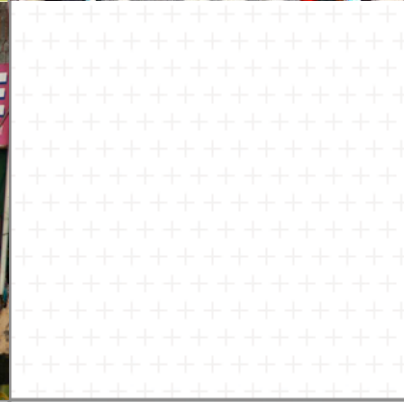
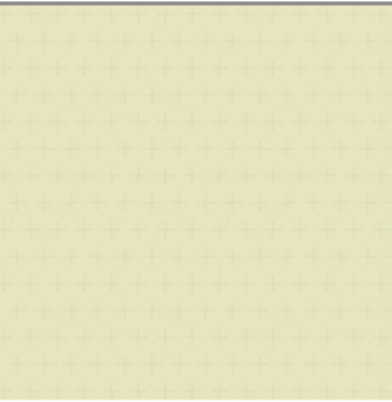
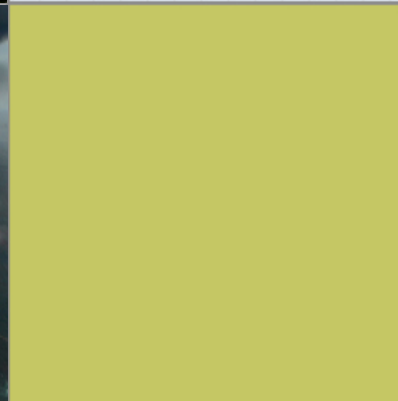
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QUARTERLY ENGAGEMENT REPORT

Q3 2015



3	OUR APPROACH
4	ENGAGEMENT BRIEF
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16	ENGAGEMENT SUMMARY REPORT
17	COMPANY DIALOGUE & PROGRESS SUMMARY

This report summarises the shareholder engagement activities that GES has performed on behalf of Erste Asset Management during the third quarter of 2015.



ABOUT ERSTE ASSET MANAGEMENT

Erste Asset Management (EAM) coordinates and is responsible for all asset management activities within Erste Group. We manage assets worth approx. 58 billion Euros (per 31 March 2015) in our locations in Austria, Croatia, Czech Republic, Germany, Hungary, Romania and Slovakia.

OUR APPROACH

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

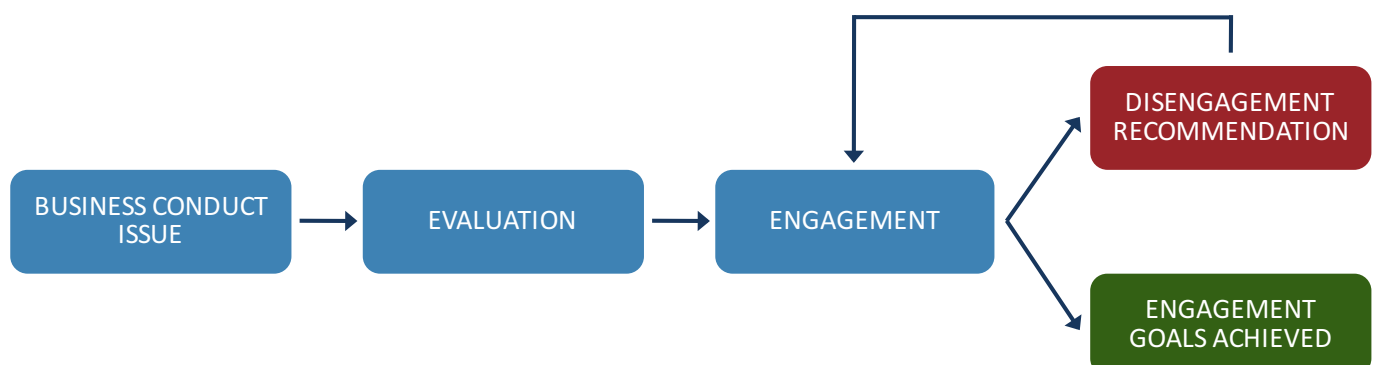
We believe that changes in business conduct drives changes in corporate value. Consequently, we seek to instigate changes in business conduct through engagement dialogue where deemed necessary. We engage with companies in collaboration with our service provider GES. The engagement process is based on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

By way of example this includes:

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

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

RESEARCH AND ENGAGEMENT WORK-FLOW



ENGAGEMENT BRIEF

Index of companies mentioned in this engagement brief

AFI GROUP	5	H&M	10
BMW	6	NEWMONT	13
BNP PARIBAS	8	OLAM INTERNATIONAL	10
BUENVENTURA	13	PACIFIC RUBIALES	13
CARGILL	10	POSCO	10
DAEWOO INTERNATIONAL	10	REPSOL	13
DANYA CEBUS	5	STORA ENSO	9
DEUTSCHE BANK	7	VOLKSWAGEN	6

AFI GROUP AND DANYA CEBUS

Resolved cases after several years of trustful engagement

AFI GROUP (formerly known as Africa-Israel Investments) was involved in the construction of Israeli settlements in the occupied Palestinian territory (OPT). In spring 2009, the company's subsidiary **DANYA CEBUS** completed housing construction projects in three settlements (Ma'aleh Adumim, Har Homa and Matityahu) all located in the OPT. During the autumn 2013, several NGOs reported that AFI Group was constructing houses in the Gilo settlement in East Jerusalem in the OPT. At the time, the company did not consider the neighbourhood of Gilo as an illegal settlement since it was located in Jerusalem. However, following several meetings with GES, AFI Group did recognise the international view of the status of the area of Gilo as belonging to OPT.



Back to Jerusalem after a day of meetings with companies

GES has been engaging with AFI Group since 2009. In 2013, we met with the company in Israel. In 2014, the company clarified that neither AFI Group nor any of its subsidiaries had plans to operate in the OPT, including East Jerusalem. Equally, it was confirmed that AFI Group and its subsidiaries have currently no operations in the OPT. Lastly in June 2015, AFI Group changed its companywide policy on Ethics to include that the group, its subsidiaries and employees would align and comply with international humanitarian law. This alignment was advocated by GES during its engagement dialogue with the company. This, as well as the confirmation of no current operations in the OPT, have resulted in fulfilment of all revision criteria and GES has decided to resolve the case.

For further information please contact:



Aurora Samuelsson

Senior Engagement Manager

VOLKSWAGEN

Proactive governance engagement/possible violation of environmental norms

The recent revelations of the **US ENVIRONMENTAL PROTECTION AGENCY (EPA)** and the **CALIFORNIA AIR RESOURCES BOARD (CARB)** that **VOLKSWAGEN** used so called “defeat devices” on more than 11 million cars to bypass tests for environmental standards caused the biggest crisis in the history of the company. The “defeat devices” manipulate vehicle performance so that it is much worse in actual road conditions than in lab tests, causing up to 40 times higher emissions of NOx than acceptable according to the US Clean Air Act. US authorities question whether the company has deliberately misled them and ignored the public health implications of the matter. Not only does this development call into question the entire story of clean diesel and the integrity of the sector as a whole, it has also already damaged the reputation of the company, destroyed a third of its stock market value, and undermined the trust of its customers. This raises concerns about the accountability of Volkswagen’s supervisory board with a new urgency. We welcome the consequences at management board that led to the CEO’s departure and his replacement. The supervisory board is currently dominated by the main shareholders representatives. Therefore, it is appropriate to question whether this board is composed by individuals who are able to provide the stringent oversight necessary for a global company with such complex operations.

We wrote a letter to the acting chair, co-signed by GES clients, urging the company to take the necessary measures to restore shareholder confidence, undertake a review of the risk management and compliance systems in place, bring fresh leadership to the supervisory board with appropriate expertise and address the fundamental underlying cultural malfunctions.

GES will also engage with the company on the environmental issues. One of the key engagement objectives will be to enquire whether the company will be able to meet emission standards without these devices and without worse mileage.

On September 29, 2015, Volkswagen announced the refitting of 11 million problematic cars. However, concerns have been raised relating to the fuel efficiency and nitrogen oxide emissions (NOx) after the company “fixes” these cars. The **INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION (ICCT)** indicated that the technology is available for diesel cars to comply with US emission standards as tests with **BMW**’s X5 have shown. ICCT research studies in Europe have repeatedly found large and growing gaps between real world emissions and the regulatory certification levels.

For further information please contact:



Nathalie Rasmussen
*Head of Business Conduct
Engagement*

or



Michaela Zhirova
Engagement Manager

DEUTSCHE BANK

Proactive governance engagement

Our engagement with **DEUTSCHE BANK** is centred on corporate governance topics such as management board composition, supervisory board oversight over strategic decisions and sustainability of the business model. Deutsche Bank is a particularly strong example of the many problems plaguing the European banking sector and therefore a candidate for engagement that has the potential for tangible impact. The weaknesses in the oversight and governance structures of the bank are already causing significant loss of value for shareholders. For instance, Deutsche Bank was fined a total of GBP 1.7 billion by four **US** and **UK REGULATORS** in April 2015 for manipulating the interbank lending interest rate LIBOR. The **FCA** disagreed with the bank's statement that the issue was limited to a few individuals and stated that "misconduct was deeply ingrained at certain desks". The authority also stated that the bank did not have systems and controls specific to LIBOR and failed to put them in place even after being alerted to possible misconduct. In addition, the bank did not have the right systems in place to support the investigation. At its 2015 AGM, Deutsche Bank received one of the highest percentages of votes against the discharge of the management board in the DAX history (39 per cent). In the aftermath, Deutsche Bank announced the departure of Mr Jain as co-CEO on 1 July 2015. To shareholders' surprise, he is to continue in an unpaid advisory role for another six months after the end of his appointment. Current co-CEO Mr Fitschen is to continue in his position until the end of 2016, at which point Mr Cryan will take over the reins of the bank. While we welcome the appointment of Mr Cryan, we feel that further reassurance is needed to fully address the extent of shareholder concern demonstrated at this year's AGM.

In particular, we remain concerned by the following:

- the continuing involvement of both Mr Jain and Mr Fitschen in the management of the bank

- whether the current composition of the management board is the right one to allow a timely solution to the bank's strategic and cultural challenges

We wrote to the chair of Deutsche Bank, highlighting our concerns and asking for a meeting in person. This letter was co-signed by a total of six other institutional investors, including a number of GES clients, representing close to EUR 2 trillion in assets. The chair agreed to meet in person with the GES-led investor coalition, in December 2015 after the publication of the bank's strategy goals.

Our aim is to obtain reassurance that the right structures, culture and people will be in place to support the new CEO Mr Cryan when overhauling the compliance systems of the bank. Furthermore, we are keen to see sufficient evidence that the business model will develop in a way that will allow shareholders an appropriate share of the bank's profits, which are currently dragged down by litigation costs.

For further information please contact:



Michaela Zhirova
Engagement Manager

BNP PARIBAS

Proactive governance engagement

On 1 July 2014, **BNP PARIBAS** announced a settlement of the pending investigation relating to US dollar transactions involving parties subject to US sanctions, including agreements with the **U.S. DEPARTMENT OF JUSTICE, U.S. ATTORNEY'S OFFICE** and the **U.S. DEPARTMENT OF THE TREASURY'S OFFICE OF FOREIGN ASSETS CONTROL (OFAC)**.

The settlement included guilty pleas entered into by BNP Paribas in relation to violations of certain US laws and regulations regarding economic sanctions against certain countries and related recordkeeping. BNP Paribas also agreed to pay a total of USD 8.97 billion beyond what has already been provisioned, this would result in an exceptional charge of EUR 5.8 billion to be booked in the second quarter of 2014. BNP Paribas also accepted a temporary suspension of one year starting 1st January 2015 of the USD direct clearing focused mainly on the Oil & Gas Energy & Commodity Finance business line in certain locations.

This fine led also to a significant governance change at the helm of the company. Executives who had responsibility for overseeing the teams that violated the US sanctions were forced into early retirement or had to step down. The chairman of the board of directors was replaced by Jean Lemierre at the beginning of 2015.

We had a 1-on-1 meeting with Jean Lemierre last summer to discuss the bank's corporate culture, its control environment and the need for the bank to acknowledge its mistakes vis-à-vis its customers, shareholders and communities. The chairman acknowledged that they had not always in the past met the standards that they had set for themselves.

We therefore recommended that as a next step, the company commit to organising a corporate governance road show in order to improve their engagement with their shareholders on a number of fronts including increased shareholder-director engagement and improved responsiveness to

shareholder feedback. The bank has agreed to this and a road show at which GES will be actively participating is scheduled for the beginning of 2016.

For further information please contact:



Josiane Fanguinovény

Engagement Director

STORA ENSO

Intensified engagement is paying off

GES has engaged **STORA ENSO** for a number of years on both human rights and environmental issues. When media reports in the spring of 2014 mentioned child labour in Stora Enso's supply chain in Pakistan, our engagement has intensified. A collaborative investor letter was sent to the company's CEO highlighting concerns on the alleged accusations. GES has held a number of high-level meetings and follow-up calls with Stora Enso in the last 12 months. The company's understanding of its human rights challenges has improved. During our meeting with Stora Enso's CEO and the company's newly appointed Head of Global Responsibility in August 2015, we were able to witness the steps taken by Stora Enso to address these issues.

We believe that the company has made improvements and is now able to clearly communicate its commitment to human rights. In addition, it has published in February 2015 its human rights assessment, established a clear process to deal with the identified gaps. Lastly Stora Enso has appointed Noel Morrin as the new EVP for Global Responsibility and Frank Seier as Head of Human Rights and Social Affairs. These appointments increase the company's willingness to addressing adequately both its human rights and environmental challenges.

The new Head of Human Rights and Social Affairs will be responsible for the implementation of various key action points presented at the meeting. Our engagement will focus on the concrete actions taken by Stora Enso primarily in Pakistan and China. Furthermore, we believe that it is important to reiterate to the company the need for preparedness when handling human rights challenges whenever it enters new markets. The ultimate engagement objective is to not only obtain a commitment from the company that it will solve the current issues that it is facing, but also expect Stora Enso to adopt a proactive stance when dealing with future ESG challenges.

For further information please contact:



Stina Nilsson

Senior Engagement Manager

COTTON CAMPAIGN ROUNDTABLE IN BERLIN

Discussing forced labour issues with industry stakeholders

In July, GES contributed to a **COTTON CAMPAIGN**-coordinated roundtable in Berlin, where stakeholders from various European countries and organisations discussed the problem of forced labour in cotton cultivation in Uzbekistan and Turkmenistan.

As the only investor representative in the meetings, GES presented its long-standing work to improve associated companies' business conduct in Uzbekistan and took the opportunity to explore how we could collaborate with the other expert participants in our engagement. The roundtable discussions also provided valuable insight into a lesser-publicised but very similar issue of government-driven forced labour in Turkmenistan. There, too, cotton is a very important commodity for the national economy, and public employees and private entrepreneurs are forced to contribute to weeding and harvesting. Transparency is even worse than in Uzbekistan when it comes to the number of people affected, financial flows, and where the cotton is sold to, but that has not prevented several high street brands having been linked to sourcing from Turkmenistan since the roundtable meeting. GES will follow up on these allegations, as well as continuing its efforts relating to labour practices in Uzbekistan, where the 2015 cotton harvest began in the beginning of September.

There has been some progress in the Uzbek labour practices recently: the number of children forced to pick cotton has decreased dramatically since 2012 and Uzbekistan started cooperating with the **ILO** in 2014 when a three-year Decent Work Country Programme was commenced. Yet, it is estimated that over a million citizens were forced to help with the 2014 harvest. Adult forced labour has intensified, the structural obstacles to fairness and efficiency in the government-controlled cotton sector remain. Farmers are still under the authorities' mercy, public services suffer as e.g. doctors and teachers are sent to the fields *en masse*. There are frequent reports on cotton-related extortion and abuse of citizens and

independent monitoring of working conditions continues to be disallowed.

Through trading in Uzbek cotton, companies are therefore directly linked to serious human rights violations. GES has five ongoing Engage cases relating to Uzbek cotton: **CARGILL**, **DAEWOO INTERNATIONAL**, **H&M**, **OLAM INTERNATIONAL** and **POSCO**.

For further information please contact:



Tytti Kaasinen

Senior Engagement Manager

INVESTOR PERSPECTIVES ON CHILDREN'S RIGHTS

Further guidance to integrate children's rights into decision-making needed

The report on GES and **GLOBAL CHILD FORUM**'s second annual study into how institutional investors integrate children's rights in their responsible investment policies and practices was published in September 2015.

Investor Perspectives on Children's Rights 2015 is based on the questionnaire sent to **PRI**'s 280 asset owner signatories earlier this year. We received responses from 31 investors to the questionnaire. The response rate and results are mostly aligned with the 2014 findings and demonstrate that children's rights must be more clearly defined and communicated within the financial sector.

We see a need for guidance on integrating the related questions into investment analysis and decision-making, especially given the fact that 29 of the respondents consider children's rights to have a potentially material impact. Furthermore, investors typically focus mainly on child labour, and the communication should widen to also incorporate topics relating to marketing to children, children's rights online, and children's rights to family and education in the context of migrant workers.

The study and its findings will be presented on 26 November 2015 at the Global Child Forum in Stockholm. The presentation will aim at encouraging a broader approach and initiate new thinking on how investors can address children's rights. GES' clients interested in finding out more or joining a thematic engagement on the topic are encouraged to contact us.

For further information please contact:



Tytti Kaasinen

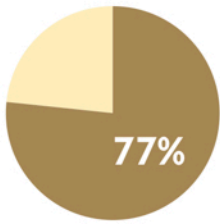
Senior Engagement Manager

THIRTY-ONE INVESTORS RESPONDED

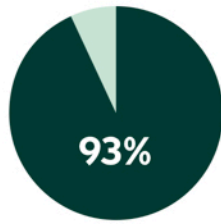


when we invited **280** asset owner signatories to the Principles for Responsible Investment (PRI) worldwide to participate in the survey.

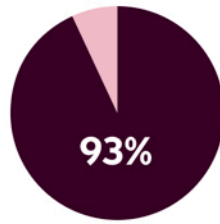
PER CENT OF RESPONDENTS WHO CONSIDER THE FOLLOWING GUIDELINES TO HAVE DIRECT RELEVANCE FOR INVESTORS



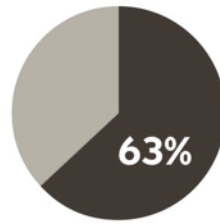
CHILDREN'S RIGHTS
AND BUSINESS
PRINCIPLES



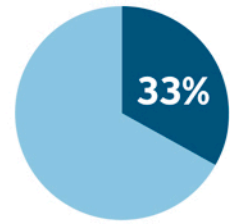
THE ILO
CONVENTIONS



UN GLOBAL
COMPACT
PRINCIPLE NO 5



THE UN CONVENTION
ON THE RIGHTS
OF THE CHILD



UNCRC GENERAL
COMMENT NO 16

8



of the responding investors make a reference to children's rights in their responsible investment policies, while **27** have human rights considerations included.

29



of the 31 investors who answered the questionnaire replied that children's rights have a potentially material impact to their investments.

10



of the respondents reported they have or are developing a procedure for integrating children's rights into their investment decision-making process.

GES RESEARCH AND ENGAGEMENT TRIP TO PERU

Clients are very welcome to join

GES hereby invites clients to join its research and engagement trip to Peru at the end of November/beginning of December 2015.

GES is in dialogue with a number of companies relating to human rights and environmental issues in the Peruvian extractive sector Peru. The objective of the trip is to understand better the background to such issues and engage in person with companies involved in controversial projects.



An onsite visit to **NEWMONT/BUENVENTURA**'s Yanacocha mine in Northern Peru is confirmed, as are company meetings with **REPSOL** and **PACIFIC RUBIALES** in Lima. We will also meet with the local organisation **SER** (working on environmental and social concerns around Yanacocha) and the international NGO **OXFAM**'s local office.

The trip is planned for November 26 – December 4. Dates might be subject to minor changes as more meetings are yet to be confirmed.

Please notify responsible Engagement Manager Stina Nilsson of your interest to participate as soon as possible, but no later than 2 November 2015. All meeting minutes and other documentation from the trip will be available in GES Engagement Forum shortly after the trip.

For further information please contact:



Stina Nilsson
Senior Engagement Manager

WESTERN SAHARA

Engagement trip postponed

GES' planned engagement trip to Western Sahara in October was unfortunately postponed to an unknown date at the request of the representative of the **MOROCCAN GOVERNMENT**. The reason cited was the current diplomatic situation between Sweden and Morocco, which has led to the latter considering its stance, including boycotting, Swedish companies. GES hopes to be able to proceed with the engagement trip, which is set to include a tour of the **OCP PHOSPHATE MINE** and meetings with various stakeholders in both Morocco and the occupied territory, as soon as the political circumstances allow.

For further information please contact:



Tytti Kaasinen
Senior Engagement Manager

RESEARCH BRIEF

OEKOM CORPORATE RATINGS

Now available in the GES Engagement Forum

Under the terms of our strategic partnership with the German-based ESG rating agency **OEKOM RESEARCH** we are now able to provide access to the oekom Corporate Rating for our Engagement Forum clients.

About oekom research

oekom research is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries with regard to their ESG performance. oekom research has extensive experience as a partner to institutional investors and financial service providers, identifying issuers of securities and bonds which are distinguished by their responsible management of ESG issues.

oekom research analyses and evaluates more than 3,500 companies. oekom's rating universe currently covers all companies listed in major international stock indexes. The universe has recently been enlarged to cover large parts of the Nordic listed equity universe, including full coverage of the Swedish market. Furthermore, oekom also covers important non-listed bond issuers as well as small and mid cap companies from sectors closely linked to sustainable development.

Engagement Forum clients have now access to the oekom Corporate Rating reports for all companies with an "engage" status. The reports are available in the Engagement Forum in the section "Additional Documents".

The corporate rating

The oekom Corporate Rating provides a detailed assessment of a company's ESG performance. With a pool of over 1.000 indicators in its research database (90% of which are industry specific), oekom research delivers a highly relevant and material analysis for every company in its research universe.

The areas and indicators assessed by oekom research are influenced by several factors such as international norms and conventions, social debate, regulatory changes and technological progress. In order to analyse a company's management of ESG issues within its core business, oekom's sector specialists select an industry specific set of about 100 criteria from the pool of indicators available in the database. New indicators are added, as new issues get relevant for their sector.

All criteria are individually weighted, evaluated and aggregated to yield an overall score (Rating) on a twelve-point scale from A+ (the company shows extraordinary performance) to D- (the company shows poor performance). In case there is no relevant or up-to-date company information available on a certain criterion, it is graded with a D-.

To ensure that the most material issues have a high influence on the overall rating result, four to five industry specific key issues are defined for every sector and are given a cumulated weighting of more than 50% in the overall company rating.

oekom research's ratings are based on a scientifically developed list of criteria and have acquired an outstanding reputation among experts in the field. The multi-disciplinary team of analysts is being supported by an independent advisory board and a worldwide network of environmental and social experts.

A rating dialogue with companies and with independent sources forms an important part of the analysis. Companies themselves are increasingly making use of the facility for keeping the agency actively supplied with information and facts about their sustainability management systems.

While the purpose of oekom's rating dialogue is fact-finding and verification, GES' engagement dialogue has an entirely different purpose: striving for and monitoring corporate change.

A specially developed quality standard ensures that the analyses hold a high level of reliability and validity. This high quality of the agency's sustainability analyses is underpinned by a comprehensive quality standard. In March 2009, oekom research became one of the first rating agencies to be certified against the European Voluntary Quality Standard ARISTA®.

Best-in-class approach

The aim of a best-in-class rating is to evaluate companies' sustainability performance comprehensively, and to identify within individual sectors those companies which are particularly committed to sustainable development.

oekom research applies an absolute best-in-class approach. Only companies, which meet predefined industry-specific minimum requirements, are awarded the oekom Prime Status. By contrast, a relative best-in-class approach defines a certain percentage of all companies as best-in-class.

The social and environmental impacts of industries differ. Therefore, the higher their negative environmental and social impacts are, the higher are the expectations regarding their sustainability management and the higher is likewise the minimum rating in order to achieve the oekom Prime Status.

Contribution to GES' company engagement

oekom company ratings provide a comprehensive view on a company's ESG performance and preparedness, and thus provide a solid basis for GES engagement efforts.

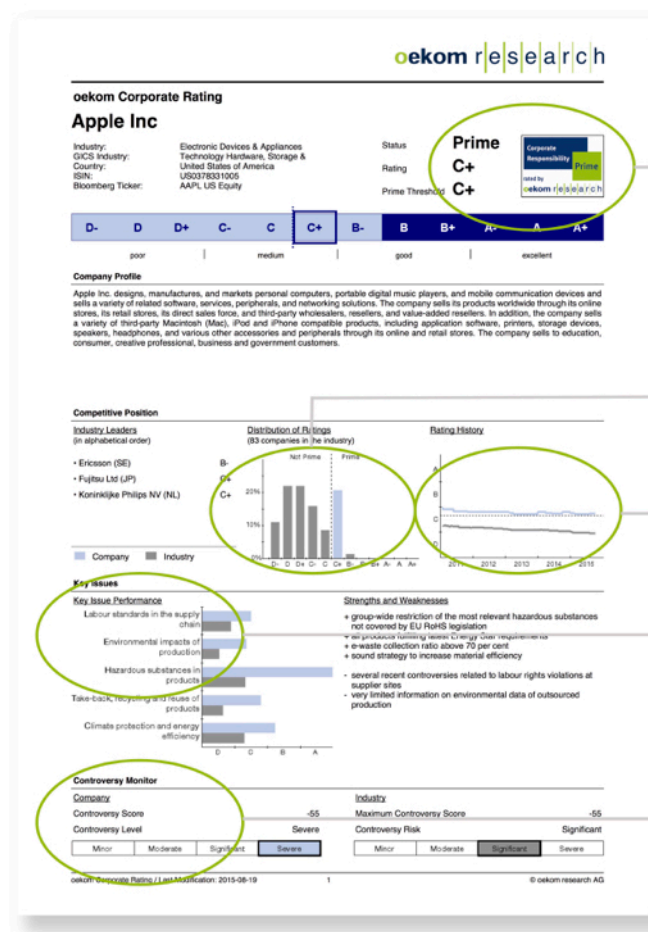
oekom ratings will replace GES Risk Rating summary and benchmark reports that were previously available for Engagement Forum cases

For further information please contact:



Agnieszka Kulczynska

Research Director



- Rating on a scale from A+ to D-
- Best-in-Class companies are classified as "Prime" by oekom research

- Rating history of the company vs. its sector

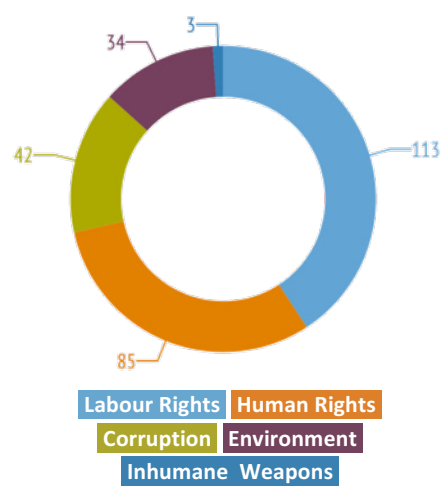
- Distribution of ratings in the industry

- Overview of industry specific ESG issues; weighing of at least 50% in the overall rating

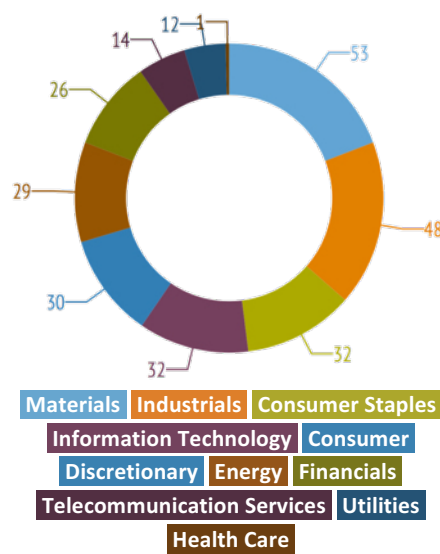
- Controversy assessment of the company (including oekom Controversy score)

ENGAGEMENT SUMMARY REPORT

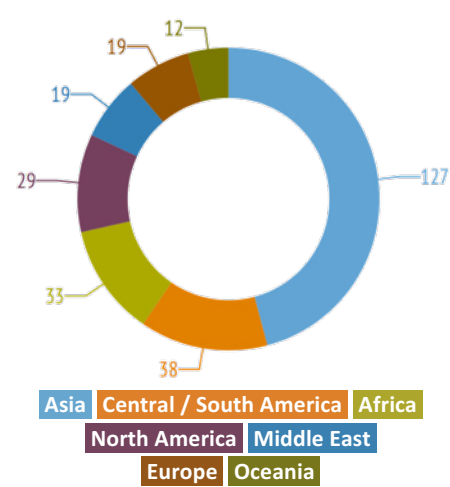
NORM AREA BREAKDOWN



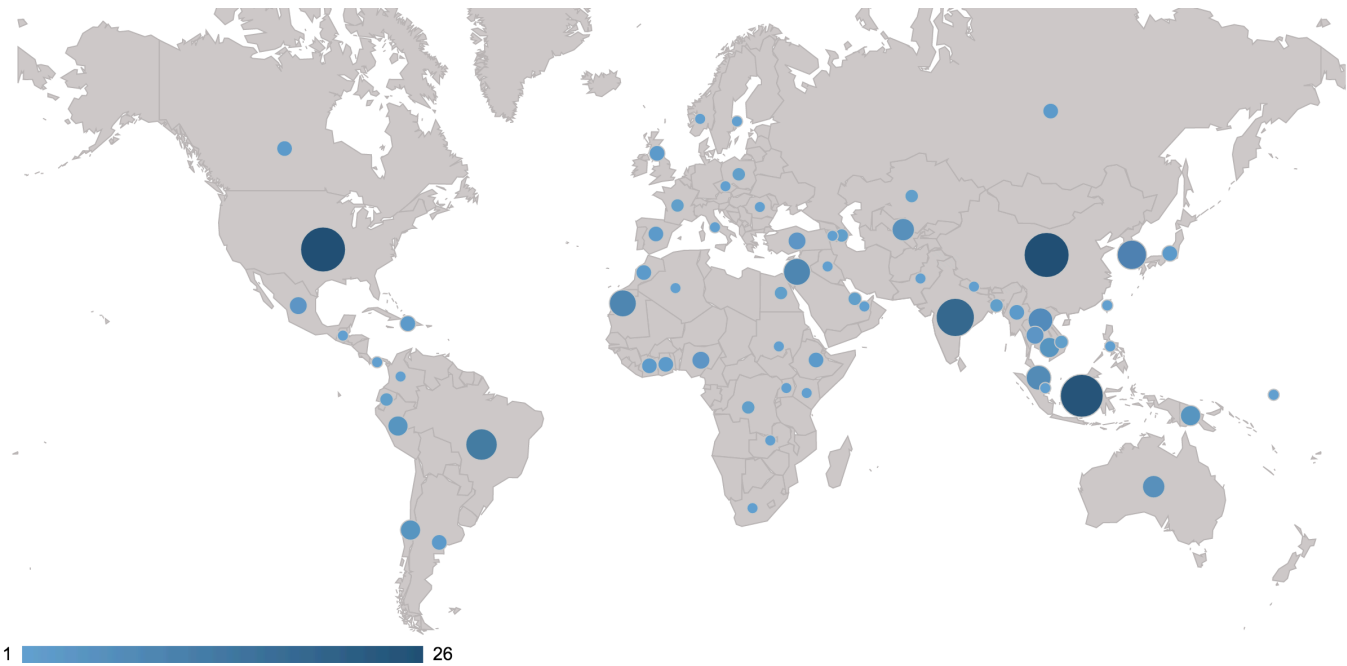
INDUSTRY SECTOR BREAKDOWN



GEOGRAPHIC BREAKDOWN



ENGAGEMENT MAP



During Q3 2015 Erste Asset Management has been in active dialogue with companies as well as external sources associated to **277** business conduct issues.

In **75** “engage” cases we have continued our dialogue to track bespoke engagement goals and to seek measurable results of business conduct changes.

In **202** “evaluate” cases the objective of the dialogue is to bring the amount of credible information to a level that allows issuing a next recommendation. Either to archive the case or to further engage with the company if it is a case with severe consequences for environment or humans.

COMPANY DIALOGUE & PROGRESS SUMMARY

HOW TO READ THIS REPORT

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

EVALUATE LIST

IMPALA PLATINUM

ENGAGE LIST

ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED <i>Association to damaging ecosystem and human rights violations</i>	India	• Poor	↓ None	▼	New	
ASTRA AGRO LESTARI <i>Association to destroying habitat of critically endangered orangutans</i>	Indonesia	• Standard	→ Standard	▶	Better	
BANGKOK BANK PUBLIC <i>Association to financing controversial dam project on Mekong River</i>	Laos	• Standard	↘ Poor	▶	Same	
CHINA RAILWAY CONSTRUCTION CORP <i>Association to human rights violations and environmental degradation</i>	Ecuador	• Poor	↘ Poor	▼	Same	
CHINA RAILWAY GROUP <i>Association to severe construction accidents</i>	China	• Poor	↘ Poor	▼	Same	
DAEWOO INTERNATIONAL <i>Association to human rights abuses in relation to pipeline project</i>	Burma/ Myanmar	• Standard	→ Standard	▶	Same	
DAEWOO INTERNATIONAL <i>Association to worst forms of child labour and forced labour</i>	Uzbekistan	• Standard	↓ None	▶	Same	
INDUSTRIAL AND COMMERCIAL BANK OF CHINA <i>Association to threatening livelihood and forced relocation relating to dam project</i>	Ethiopia	• Standard	↗ Good	▲	Same	
KASIKORN BANK <i>Association to financing controversial dam project on Mekong River</i>	Laos	• Standard	↘ Poor	▶	Same	
KRUNG THAI BANK <i>Association to financing controversial dam project on Mekong River</i>	Laos	• Poor	↓ None	▼	Same	
POSCO <i>Association to environmental and human rights violations in steel project</i>	India	• Standard	↘ Poor	▶	Same	
POSCO <i>Association to human rights abuses in relation to pipeline project</i>	Burma/ Myanmar	• Standard	↘ Poor	▶	Same	
POSCO <i>Association to worst forms of child labour and forced labour</i>	Uzbekistan	• Poor	↓ None	▼	Worse	
PTT PCL <i>Association to biodiversity and food security impacts related to dam project on the Mekong River</i>	Laos	• Poor	↘ Poor	▼	Same	
SAMSUNG ELECTRONICS <i>Association to labour rights violations in multiple franchisees</i>	China	• Poor	↘ Poor	▼	Same	
SEVEN & I HOLDINGS CO <i>Association to poor working conditions in various countries</i>	United States	• Poor	→ Standard	▶	Same	
SIAM COMMERCIAL BANK <i>Association to financing controversial dam project on Mekong River</i>	Laos	• Poor	↓ None	▼	Same	

TOKYO ELECTRIC POWER COMPANY*Association to unsafe nuclear power production*

Japan

• Poor

↘ Poor



Same

**VEDANTA LIMITED***Association to systematic environmental and human rights violations in mining project*

India

• Good

→ Standard



Same

EVALUATE LIST

ADARO ENERGY PT, ADVANCED SEMICONDUCTOR ENGINEERING, ASUSTEK COMPUTER INC, BANK OF CHINA, BHARAT HEAVY ELECTRICALS LIMITED, CATCHER TECHNOLOGY, CHINA COAL ENERGY COMPANY, CHINA NATIONAL BUILDING MATERIAL, CHINA PETROLEUM & CHEMICAL CORP, CHINA RAILWAY GROUP, CHINA RESOURCES POWER HOLDINGS, CHINA STEEL, CIMB GROUP HOLDINGS BERHAD, COAL INDIA LIMITED, COMPAL ELECTRONICS, DAELIM INDUSTRIAL, DAEWOO INTERNATIONAL, DMCI HOLDINGS, ELECTRIC POWER DEVELOPMENT, FAST RETAILING CO, FELDA GLOBAL VENTURES, FLEXTRONICS INTERNATIONAL, GAIL INDIA, GENTING BERHAD, GENTING PLANTATIONS, GOLDEN AGRI-RESOURCES, GUANGZHOU AUTOMOBILE GROUP, HANWHA CHEMICAL CORP, HON HAI PRECISION INDUSTRY CO LTD, HONDA MOTOR CO, HTC CORP, HYUNDAI ENGINEERING & CONSTRUCTION, HYUNDAI HEAVY INDUSTRIES, HYUNDAI STEEL CO, IJM CORPORATION BERHAD, IOI CORP, ITOCHU CORP, JFE HOLDINGS, KEPPEL CORP, KOREA ELECTRIC POWER, KT&G, KUALA LUMPUR KEPONG, LENOVO GROUP, MALAYAN BANK, MARUBENI CORP, NINTENDO CO, NISSAN MOTOR CO, NTPC, OIL & NATURAL GAS CORPORATION, ORIX CORP, PEGATRON, POSCO, QUANTA COMPUTER, RICOH CO LTD, SAMSUNG ELECTRONICS, SBI HOLDINGS, SEMBCORP MARINE, SINGAPORE TECHNOLOGIES ENGINEERING, SK HYNIX INC, SOFTBANK CORP, SUN HUNG KAI PROPERTIES, TATA CONSULTANCY SERVICES, TOSHIBA CORP, TOYOTA MOTOR CORPORATION, VEDANTA LIMITED, WILMAR INTERNATIONAL LIMITED, WIPRO, WISTRON CORP, YAHOO JAPAN CORP, ZHEN DING TECHNOLOGY HOLDING, ZTE

DISENGAGE LIST

HANWHA CORPORATION*Association to marketing of cluster munitions*

South Korea

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

Singapore

CENTRAL / SOUTH AMERICA

ENGAGE LIST

COMPANIA DE MINAS BUENAVENTURA <i>Association to controversial mine project</i>	Peru	• Standard	↘ Poor	▶ Same
ELETROBRAS <i>Association to violation of indigenous rights</i>	Brazil	• Standard	↗ Good	▲ Worse
PETROBRAS <i>Association to corrupt practices</i>	Brazil	• Good	→ Standard	▲ Better

EVALUATE LIST

BANCO DO BRASIL, CEMEX, ECOPETROL, ELETROBRAS, EMBRAER, GRUPO MEXICO, JBS SA, PETROBRAS, SOCIEDAD QUIMICA Y MINERA DE CHILE SA, SOUTHERN COPPER CORPORATION, VALE SA

EUROPE

ENGAGE LIST

ALSTOM Association to complicity in human rights violations in hydro-electric project	Sudan	• Poor	➔ Poor	▼	Same	
ANDRITZ AG Association to hydro power project breaching World Bank environmental and social standards	Turkey	• Standard	➔ Poor	▶	Same	
BARRY CALLEBAUT AG Association to child labour in the cocoa industry	Ivory Coast	• Good	➔ Standard	▲	Same	
DEUTSCHE POST Association to violation of international labour standards	India	• Standard	➔ Standard	▶	New	
ENI Association to corruption	Nigeria	• Poor	➔ Standard	▶	New	
FINMECCANICA Association to corrupt practices	India	• Good	↗ Good	▲	Same	
G4S PLC Association to complicity in human rights violations in occupied territories	Palestine	• Excellent	↑ Excellent	▲	Same	
GLAXOSMITHKLINE Association to corruption	China	• Standard	➔ Standard	▶	Same	
GLENCORE PLC Association to illegal exploration of natural resources	Western Sahara	• Poor	➔ Poor	▼	Same	
GLENCORE PLC Association to lead contamination from mining and processing	Australia	• Standard	➔ Poor	▶	Same	
HEIDELBERGCEMENT Association to violations of international law in occupied territories	Palestine	• Excellent	↑ Excellent	▲	New	
HENNES & MAURITZ Association to various violations in the cotton supply chain	Uzbekistan	• Good	↗ Good	▲	Same	
LINDT & SPRUENGLI AG Association to child labour in the cocoa industry	Ghana	• Excellent	↗ Good	▲	Same	
NESTLE SA Association to child labour in the cocoa industry	Ghana	• Excellent	↗ Good	▲	Same	
NORILSK NICKEL Association to environmental and health impacts from metal extraction operations	Russian Federation	• Standard	➔ Poor	▶	Same	
ROYAL DUTCH SHELL Association to corruption	Nigeria	• Standard	➔ Standard	▶	Same	
ROYAL DUTCH SHELL Association to human rights violations resulting from pollution and environmental damage	Nigeria	• Good	➔ Standard	▲	Same	

STORA ENSO <i>Association to re-occurring human rights violations</i>	Pakistan	• Good	↗ Good	▲ Better
TELIASONERA <i>Association to assisting repressive regimes in surveillance operations</i>	Azerbaijan	• Excellent	↗ Good	▲ Same
TELIASONERA <i>Association to corruption</i>	Uzbekistan	• Excellent	↗ Good	▲ Same
TOTAL SA <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Good	↘ Poor	▶ Same
VINCI <i>Association to labour rights violations</i>	Qatar	• Good	→ Standard	▲ Better
VTB BANK <i>Association to a mining project with expected vast environmental impacts</i>	Armenia	• Standard	↘ Poor	▶ Same

EVALUATE LIST

ABB LTD, ACCOR, ALSTOM, ANDRITZ AG, ANGLO AMERICAN, ARCELORMITTAL, BANKIA SA, BOLIDEN, BT GROUP, DEUTSCHE TELEKOM, ELECTRICITE DE FRANCE, ENGIE, ENI, FIAT CHRYSLER AUTOMOBILES, G4S PLC, GLENCORE PLC, HENNES & MAURITZ, HSBC HOLDINGS, INTERNATIONAL CONSOLIDATED AIRLINES GROUP, INVESTOR AB, KGHM, KONINKLIJKE AHOLD, LUKOIL, MAPFRE, MARKS & SPENCER GROUP, MOBILE TELESYSTEMS, NESTLE SA, NORDEA BANK, ORANGE SA, RENAULT, REPSOL SA, ROSNEFT, ROYAL BOSKALIS WESTMINSTER GROUP, SAINSBURY, SAIPEM, SEVERSTAL OAO, SIEMENS, SISTEMA JSFC, SKANSKA, STANDARD CHARTERED PLC, STATOIL ASA, TAURON POLSKA ENERGIA, TELENOR, TELIASONERA, TESCO PLC, THALES, WARTSILA OYJ ABP, VEOLIA ENVIRONNEMENT SA, VOLKSWAGEN AG

DISENGAGE LIST

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

MIDDLE EAST

RESOLVED LIST

AFI GROUP Palestine

Association to supporting construction of illegal settlements in occupied territories

DANYA CEBUS Palestine

Association to supporting construction of illegal settlements in occupied territories

ENGAGE LIST

AKBANK Turkey • Standard ↘ Poor ▶ Same

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

BANK HAPOLIM Palestine • Good ↓ None ▶ Same

Association to financing illegal settlements in occupied territories

BANK LEUMI Palestine • Good ↓ None ▶ Same

Association to financing illegal settlements in occupied territories

MIZRAHI TEFAHOT BANK LTD Palestine • Good ↓ None ▶ Same

Association to financing illegal settlements in occupied territories

TURKIYE GARANTI BANKASI Turkey • Good → Standard ▲ Same

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

EVALUATE LIST

ARABTEC HOLDING, NICE SYSTEMS

DISENGAGE LIST

TURKIYE HALK BANKASI Turkey

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

NORTH AMERICA

ENGAGE LIST

AES CORP <i>Association to violation of indigenous rights</i>	Panama	• Standard	→ Standard	▶	Same
AGRIUM <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Standard	↓ None	▶	Same
APPLE INC <i>Association to poor labour and environmental practices at suppliers</i>	Taiwan	• Poor	→ Standard	▶	Worse
ARCHER DANIELS MIDLAND <i>Association to child labour in the cocoa industry</i>	Ivory Coast	• Good	→ Standard	▲	Same
BARRICK GOLD CORP <i>Association to complicity in human rights abuses</i>	Papua New Guinea	• Standard	↓ None	▶	Same
BARRICK GOLD CORP <i>Association to environmental impact in mining project</i>	Papua New Guinea	• Standard	↘ Poor	▶	Same
BOEING CO <i>Association to violation of freedom of expression and information</i>	Egypt	• Standard	↓ None	▶	Same
CHEVRON CORP <i>Association to environmental damage in the Amazon jungle</i>	Ecuador	• Poor	↓ None	▼	Same
FMC CORPORATION <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Good	↗ Good	▲	Same
FREEPORT MCMORAN <i>Association to environmental impact from mining activity</i>	Indonesia	• Standard	↘ Poor	▶	Same
FREEPORT MCMORAN <i>Association to mine site security concerns</i>	Indonesia	• Standard	↘ Poor	▶	Same
GOLDCORP <i>Association to inadequate consideration for the human rights of indigenous people</i>	Guatemala	• Good	→ Standard	▲	Same
HERSHEY <i>Association to child labour in the cocoa industry</i>	Ivory Coast	• Good	↗ Good	▲	Same
MATTEL <i>Association to poor working conditions at suppliers</i>	China	• Standard	↓ None	▶	Same
MCDONALD'S CORP <i>Association to labour rights violation</i>	United States	• Standard	↘ Poor	▶	Same
MONDELEZ INTERNATIONAL <i>Association to child labour in the cocoa industry</i>	Ghana	• Excellent	↗ Good	▲	Better
MOTOROLA SOLUTIONS <i>Association to assisting in human rights violations in occupied territories</i>	Palestine	• Poor	↘ Poor	▼	Same



NEWMONT MINING CORP <i>Association to human rights violations and water pollution at gold mine</i>	Peru	• Good	→ Standard	▲ Better
POTASH CORP SASKATCHEWAN <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Standard	↓ None	▶ Same
STARBUCKS CORP <i>Association to anti-union practices</i>	Chile	• Standard	↗ Good	▲ Better
TRANSOCEAN LTD <i>Association to fatal explosion and major oil spill</i>	United States	• Poor	→ Standard	▶ Same

EVALUATE LIST

AMAZON.COM, BANK OF AMERICA, BUNGE LIMITED, CHEVRON CORP, COMPUTER SCIENCES CORPORATION, COSTCO WHOLESALE CORP, CROWN HOLDINGS INC, DOW CHEMICAL CO, EMERSON ELECTRIC CO, EXXON MOBIL, FLUOR CORP, FREEPORT MCMORAN, GAP, GENERAL MOTORS, GOODYEAR TIRE & RUBBER, HEWLETT-PACKARD CO, KOHLS CORP, LEVEL 3 COMMUNICATIONS INC, LOBLAW, LOCKHEED MARTIN, MONDELEZ INTERNATIONAL, MOTOROLA SOLUTIONS, NIKE INC, ORACLE CORP, PEPSICO, PROCTER & GAMBLE CO, RAYTHEON COMPANY, SPRINT CORPORATION, STARWOOD HOTELS & RESORTS, SUNCOR ENERGY, TARGET CORP, T-MOBILE US, UNITED CONTINENTAL HOLDINGS, VF CORP, YUM BRANDS

DISENGAGE LIST

BOEING CO <i>Association to nuclear weapon programmes</i>	United States
FLUOR CORP <i>Association to development of nuclear weapon</i>	United States
GENERAL DYNAMICS CORP <i>Association to involvement in cluster munitions</i>	United States
GENERAL DYNAMICS CORP <i>Association to nuclear weapon programmes</i>	United States
HONEYWELL INTERNATIONAL <i>Association to nuclear weapon programmes</i>	United States
JACOBS ENGINEERING GROUP <i>Association to nuclear weapon programmes</i>	United Kingdom
L-3 COMMUNICATIONS HLDGS <i>Association to complicity in human rights abuses in several countries</i>	Iraq
L-3 COMMUNICATIONS HLDGS <i>Association to marketing of cluster munitions</i>	United States
LOCKHEED MARTIN <i>Association to manufacture and marketing of cluster munitions</i>	United States
LOCKHEED MARTIN <i>Association to nuclear weapon programmes</i>	United Kingdom

NORTHROP GRUMMAN CORP <i>Association to nuclear weapon programmes</i>	United States
RAYTHEON COMPANY <i>Association to nuclear weapon programmes</i>	United States
TEXTRON <i>Association to development and marketing of cluster munitions</i>	United States
WAL-MART STORES <i>Association to dangerous sandblasting practice in supply chain</i>	China
WAL-MART STORES <i>Association to fire safety negligence and fire</i>	Bangladesh
WAL-MART STORES <i>Association to inadequate pay in supply chain</i>	Haiti
WAL-MART STORES <i>Association to violations of labour standards in various countries</i>	United States

OCEANIA

ENGAGE LIST

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

EVALUATE LIST

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

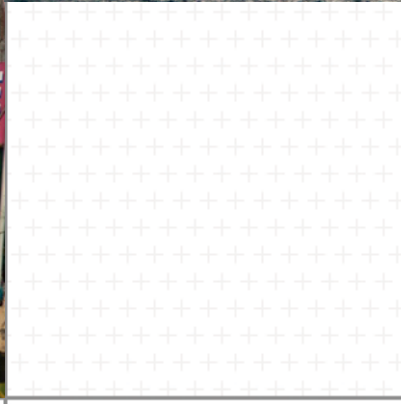
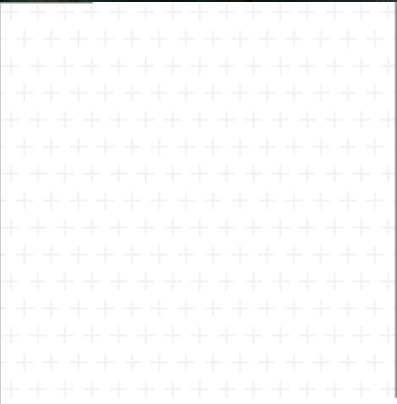
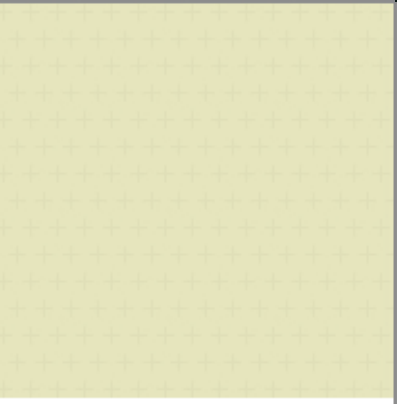


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QUARTERLY ENGAGEMENT REPORT
Q4 2015



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This report summarises the shareholder engagement activities that GES has performed on behalf of Erste Asset Management during the fourth quarter of 2015.



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 57bn (as of 30 June 2015). 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.

OUR APPROACH

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

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

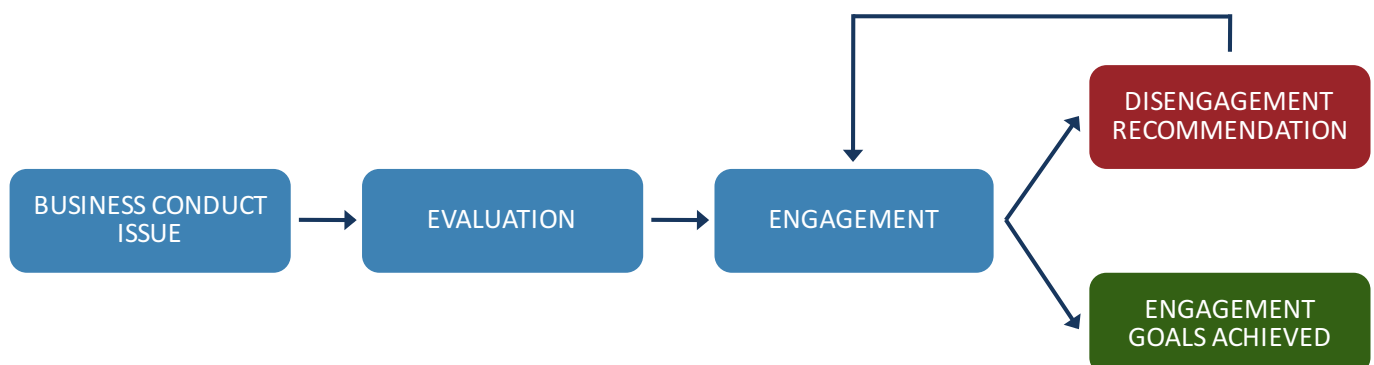
We engage with companies in collaboration with our service provider GES. The engagement process is based on the findings from a systematic screening of companies regarding their compliance with well-established international conventions and guidelines on environmental, social and governance (ESG) issues.

By way of example this includes:

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

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

RESEARCH AND ENGAGEMENT WORK-FLOW



ENGAGEMENT BRIEF

Index of companies mentioned in this engagement brief

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VOLKSWAGEN

Proactive governance engagement/possible violation of environmental norms

Following one of the most far-ranging corporate governance and environmental scandals in recent history, **VOLKSWAGEN** continues to be in turmoil. The **GOVERNMENTS OF GERMANY** and the **US**, amongst others, are both investigating the issue of environmental test bypassing, and, at this stage, it appears that further brands of Volkswagen, such as **PORSCHE** or **SKODA**, are also affected. The company has been struggling to produce a coherent response to the market. In particular, its choice of person to lead the internal investigation – Mr Garcia Sanz, a member of the management board throughout the period where the violations took place – has been largely criticised.



Volkswagen factory in Wolfsburg, Germany

GES has attempted to engage the company both through an investor letter on the corporate governance side and by trying to organise a teleconference for investors. The supervisory board has so far not been available for dialogue, but our efforts eventually achieved a response from the investor relations team. We learned that the company has voluntarily de-listed from all sustainability indices, and that all sustainability-related initiatives have been put on hold.

This shows that while the company is fighting to limit the damage from the investigations, it is still a long way from rebuilding investor trust and coming up with a robust communication strategy to deal with the ongoing revelations.

The Volkswagen case represents a challenge in several aspects, the company's unresponsiveness to the key issues being one of them. Regarding possible violations of environmental norms, at this stage it appears that confirming such a violation may be a long and complex process, as the norms that Volkswagen tried to bypass were primarily national. We will continue to press the company to enter into dialogue and provide more clarity on the scope of the issue. On the corporate governance side, its lack of communication with investors is becoming an issue of significant concern in the market. In Germany, there have been calls to re-think the current ownership model of the company (dominated by the owner families, employees, and local governments) in order to allow minority shareholders a bigger role and to increase accountability. Many observers expect former chair Mr Piëch to attempt a return to top leadership, and question the track records of both the new chair Mr Pötsch and new CEO Mr Müller. The former was group CFO at the time of the violations, and the latter was CEO of Porsche – both positions raise questions about their responsibility for the scandal. At this stage, we see little evidence that the company is proactively seeking an objective outside evaluation of the issues at hand. We will continue to seek dialogue at the appropriate level, where necessary in collaboration with other investors.

For further information please contact:



Nathalie Rasmussen

*Head of Business Conduct
Engagement*

TELIASONERA

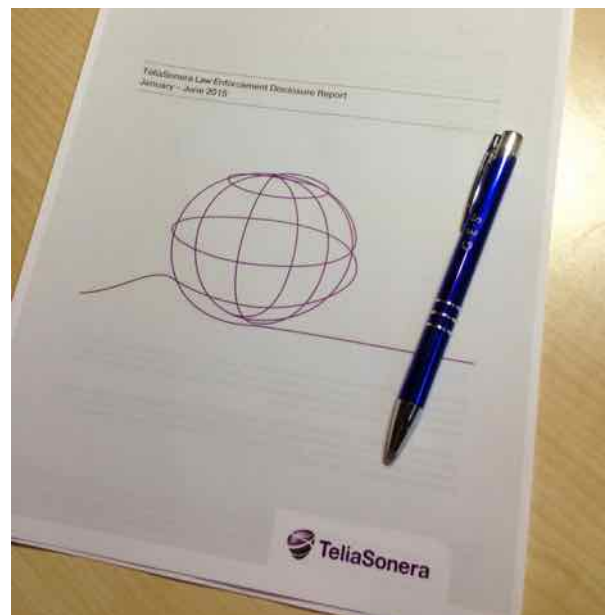
Improved transparency and reporting on complex and sensitive issues

Since 2012, GES has engaged with **TELIASONERA** regarding the issue of direct and mass surveillance by states through a system of direct access to the operator's network and the substantial risk for violations of freedom of expression and privacy.

In March 2013, TeliaSonera became one of the founding members of the **TELECOM INDUSTRY DIALOGUE**, a group of telecommunications operators and vendors who jointly address freedom of expression and privacy rights in the telecommunications sector in the context of the **UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS**. Furthermore, TeliaSonera adopted its policy on freedom of expression in 2013, as well as its process to manage major and unconventional requests from authorities. This was followed in 2014 by the company publishing its first Law Enforcement Disclosure Report, where TeliaSonera improved transparency and reported on the number of day- to-day conventional requests made by authorities, as well as limited information on unconventional requests. GES has continuously encouraged TeliaSonera's work on freedom of expression and privacy has also pointed to how TeliaSonera could improve the transparency in its reporting to its stakeholders. In November 2015, at TeliaSonera's sustainability update to investors, GES was informed that some of the changes in the latest report were inspired by the suggestions made by GES. The updated report is clearly explaining the complexity of the situation with authorities' direct access to Telecom operator's networks and the difficulty for any operator to protect its client's rights to privacy and freedom of expression. With this transparent explanation of the complex situation and the publication of current legislation in each country where TeliaSonera operates, its customers have access to information that there is an increased risk in most of the markets where TeliaSonera is present. Furthermore, TeliaSonera has also had the latest Law Enforcement Disclosure Report audited by a third party.

GES recognises the difficult context that telecom companies are operating in and appreciates the constructive dialogue TeliaSonera has had with GES. GES regards TeliaSonera's enhanced transparency as a positive step forwards ensuring all peoples' right to privacy and freedom of expression.

Patrik Hiselius, Senior Advisor Digital Rights at TeliaSonera, is coordinating the implementation of TeliaSonera's work as described above. "TeliaSonera's work within the Telecoms Industry Dialogue, and its formal collaboration with the GNI, provides opportunities for stakeholder engagement, shared learning and leverage not only as to freedom of expression, but also as to TeliaSonera and human rights more broadly" he states and invites other telco's to the joint approach.



Please read the latest TeliaSonera Law Enforcement Disclosure report:

<https://www.teliaSonera.com/Images/Law%20Enforcement%20Disclosure%20Report.pdf>

or read more about TeliaSonera's reporting over the years:

<https://www.teliaSonera.com/Templates/Pages/StandardPageTemplate.aspx?id=16626>

For further information please contact:



Aurora Samuelsson
Senior Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

PROSEGUR

Improved dialogue after a coordinated investor letter

PROSEGUR has been facing accusations of severe union rights violations in various countries in South America for several years. A complaint was filed to the **SPANISH NATIONAL CONTACT POINT OF THE OECD** in 2013. In December 2014, the **INTERNATIONAL LABOUR ORGANIZATION (ILO)** temporary suspended the company from its programme that promotes good labour relations between companies and workers in Colombia. According to the ILO, this was a result of the company not providing a good environment for collaboration and dialogue. In Paraguay, the government was asked by the ILO to investigate alleged serious anti-union discrimination by Prosegur, following a complaint submitted to the ILO and filed by a **PARAGUAYAN LABOUR UNION** and a **GLOBAL UNION** network in 2012.



Prosegur vehicle in Salvador, Brazil

GES engaged with the company in dialogue since 2011. Over the years, the company has responded to some of the allegations, but it has generally been difficult to have a constructive and continuous dialogue with them. Subsequently, in June 2015, GES coordinated an investor letter which was sent to the company. The letter focused on clarifying the company's point of view on the allegations, as well as attempts by the company to improve security for unionised employees becoming victims of acts of intimidation around several Prosegur operations. The letter also asked for transparency regarding the investigation carried out by the company with regards to labour rights allegations.

The company initially responded to the letter in a rather defensive manner, but opened up for further dialogue with them. After a number of reminders, GES has finally managed to schedule a meeting with the company. In January 2016, GES will meet with the company at its headquarters in Madrid, Spain.

For further information please contact:



Ellinor Haggebrink
Engagement Manager

or



Stina Nilsson
Senior Engagement Manager

BUSINESS CONDUCT ENGAGEMENT

NORILSK NICKEL

Patience and long-term engagement pays off

In everyday life you sometimes get the feeling that nothing is really developing the way you want to. However, a trip back to a place you visited some time ago may serve as a reminder that the world is far from static and that it is actually moving at a considerable pace.

The last time I visited Moscow to meet with companies was four years ago. From that engagement tour I remember a number of meetings where the companies seemed unaware of what GES considers as material risks. In particular, I remember saying that I thought it would be helpful if a very large company in a high risk sector would make its anti-corruption policy more prominent on its web site. The company representative replied that an anti-corruption policy was an interesting idea, without actually pointing to where – or whether – it could currently be found.



In front of a Norilsk Nickel office in Moscow City

Fast forward to October 2015 and the majority of the engagement meetings overall had a very different look. Step one: Sustainability report published. Step two: Company informing GES that ESG is strategically important and that measures in this area are under review. Step three: Genuine efforts to describe the company's sustainability activities. And an optional step four: Offer to meet with the company's top management team in the future to discuss ESG issues further.

Russian companies are in a challenging environment when it comes to environmental, social and governance aspects of their operations, and there are still significant improvements that can be made. One such thing is for major oil and gas producers to improve transparency in carbon emissions and carbon risk management. But if you only consider the rate of change over the last couple of years then the trend is definitely encouraging.

NORILSK NICKEL follows this pattern to some extent. All companies have their own history and Norilsk Nickel has recently gone through both ownership and management changes; with two previous owners struggling for control, resulting in a lack of long-term investment decisions or planning.

The government policy factor is important to keep in mind as well. For example, strong government intervention has had an impressive impact on Russia's oil and gas sector and drastically reduced a major problem with flaring.

RUSSIA'S ENVIRONMENTAL PROTECTION AGENCY

has struck a deal with Norilsk Nickel regarding sulphur dioxide emissions. Export duties on the company's products have been temporarily reduced in order to pay for emission reduction installations. GES is in dialogue with the company regarding how it fulfils its obligations under the deal. GES is also trying to meet with Russia's environmental protection agency to better understand its expectations of the company.

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Flemming Heden

Senior Engagement Manager

NEWMONT

GES' visit to the Yanacocha mine: walking the talk

GES has been in dialogue with **NEWMONT** for some years, and to a lesser extent also with **BUENAVENTURA** about the companies jointly owned **YANACOCOA MINE** in northern Peru. Newmont is the operator of the mine and the majority owner. According to NGOs, the mine has serious negative impacts on water accessibility and water quality in the region. The mine is also accused of being complicit in human rights violations such as illegal land acquisition as well as harassment and physical aggression towards the local population. In addition to the Yanacocha site, the Newmont's new proposed **CONGA MINE** project, planned to become an extension of the Yanacocha, has been strongly opposed by local communities. In 2011, the opposition led to a suspension of the project, which is still on hold.



Visiting the Yanacocha mine in Northern Peru

In November-December 2015, GES was invited to visit Yanacocha to better understand to what extent local management had taken on board a new approach to community relations, as had been communicated by the company headquarters to GES. Throughout the two-day visit GES was hosted by Yanacocha's external relations director. He highlighted that since Yanacocha's community relations were reviewed by a third party a few years ago, the company has developed a new strategy.

A number of improvements were emphasised:

- The company tries to improve its presence and participation in Cajamarca, which is the capital of the region as well as an important cultural and commercial center in the northern Andes.
- Employment opportunities for local population have been reviewed and improved.
- Community engagement is now focused on a few areas, in particular water and education and is carried out in collaboration with the government and local authorities.
- Yanacocha has increased its community engagement and communication on operations.
- Yanacocha used to only talk to community leaders, but is now also in direct contact with neighbouring organisations etc. and tries to create new networks to communicate more effectively.
- Community members from the mine's participatory water program take water samples and oversee the subsequent analysis every month.

In order to follow community sentiments over the mining operations, polls are carried out on behalf of Yanacocha by an independent third party. According to Yanacocha, the polls show an increased support for the company's operations in the area. In the Conga area, perceptions of the company's presence also appear to be improving, with the company now engaging with previously hostile communities that strongly opposed the operation. According to Yanacocha there is generally less mobilisation against Conga now and the Conga community relations team regularly meets with community leaders and authorities.

BUSINESS CONDUCT ENGAGEMENT

During the onsite visit, GES also visited one of the community dialogue initiatives by Yanacocha, a new empowerment project for community leaders in the Conga area.

GES met a group of about 70 community leaders at a three-day training seminar arranged by Yanacocha. The leaders stated that they view the forum as an important space to build capacity and to be able to move forward with Conga. Water was brought up as a key issue as well as employment opportunities. Concerns were also raised about the state not being present in the communities to assist in creating development.



Visiting a community in the Conga area

GES also met with the person responsible for human rights due diligence at Yanacocha as well as the Head of Security and learnt more about the grievance mechanism, which has been in place since the beginning of the 2000s. There are now various channels to file a complaint. The most common grievances are related to contractors. Grievances about water and land acquisitions are also relatively common. Regarding security, GES was informed that there are human rights briefings every third day for security contractors, including examples of potentially dangerous situations and according to company policy it is only allowed to use force in situations of self-defence. The company also conducts briefings on human rights for local police officers prior to starting work in the Yanacocha area. In the case of protests, Yanacocha pays for and arranges the transport of the police to the site of the protest and briefs the police about the company's

commitment to the **VOLUNTARY PRINCIPLES ON SECURITY AND HUMAN RIGHTS**.

Apart from the two-day visit at Yanacocha, GES also met with a number of the mine's stakeholders. Most critical to the mining operations is the local NGO **GRUFIDES** who views the Yanacocha mine's community relations as not having progressed but rather having undergone a cosmetic change. It also raised concerns about water disposal and land acquisition practices by the company.

When meeting with **OXFAM PERU**, the organisation highlighted a great level of transparency towards all local communities as a key recommendation to the company, to avoid surprises and doubts among community members. Oxfam also suggested to the company to ensure alignment of social programmes that the company has in place with already established local and national development plans.

GES also met with mayors of the municipalities in the area as well as local representatives of the national Ombudsman in Peru. Water access and quality were mentioned as the main concerns, in general, rather than directly in the relation to Yanacocha. There was also an expectation of further dialogue and in some cases financial support from the company.

For further information please contact:



Stina Nilsson

Senior Engagement Manager

KASIKORNBANK

Addressing environmental and social risks in project financing

In November 2015, GES visited Thailand. One of the main purposes of the visit was to meet with the main financiers of the Xayaburi dam, which is being built on the Mekong River in Laos, and has received a lot of criticism from NGOs and other parties. The dam allegedly threatens the extinction of migratory fish species through a blocked fish migration route, an impact that will affect the livelihoods and food security of millions of people from the regions of Thailand, Laos, Cambodia and Vietnam. Furthermore, the project will forcibly resettle over 2,100 people and directly affect over 200,000 people.

GES met with **KASIKORNBANK**, one of the main financiers of the dam. Due to confidentiality reasons, the bank stated it was not able to discuss the project specifically, and therefore the dialogue has focused on how the bank in general addresses environmental and social risks in project financing. The last few years have seen an improvement both in terms of dialogue and increased transparency.



Meeting with Kasikornbank in Bangkok

In its Sustainability Report 2014, the bank for the first time publicly discloses information on how environmental and social risks are managed in project financing and to some extent how its internal credit policy addresses such issues.

In the dialogue with GES, the bank has shared its internal Environmental and Social Screening checklist; the list is based on **INTERNATIONAL FINANCE CORPORATION (IFC)** standards and refers to 25 environmental and social risks in project financing. Kasikornbank explained that when it is approached to finance a project, the project sponsor needs to account for how each of these risks are addressed and mitigated. The bank assesses and verifies this information, and will then reach a final decision to finance or not. Independent third party specialists are often consulted in this process.

Projects are categorised into different types, where some are considered high-risk in terms of environmental and social issues. High-risk projects will have to be approved by more committees, in order to be further scrutinised. The bank mentions coal power plants and energy waste projects as especially high-risk. During 2015, the bank has declined financing three large projects, which were considered too high-risk and environmentally unsustainable.

To ensure the projects are compliant with the bank's credit policy, close monitoring of projects take place and credit reviews are generally performed on an annual basis. Some projects are monitored by the bank itself, but when it comes to very large projects like the Xayaburi dam, a third party consultant is involved.

For further information please contact:



Ellinor Haggebrink
Engagement Manager

PTT PCL

Improved company response

During the visit to Thailand, GES met with **PTT PLC** in Bangkok. After previously unproductive dialogue, the company now showed increased willingness to discuss the Xayaburi dam at the meeting.

Significant changes have been made to the original design of the criticised hydropower plant. In particular, adjustments have been made to facilitate fish migration and improve sediment transport. Civil society has raised awareness on both environmental and social impacts from construction of the dam which is on the main flow of the Mekong river. Earlier, very few details were made available regarding mitigating efforts for impacts on fish migration and a reduced flow of silt that is important for downstream production including the growing of rice. PTT shared documentation containing detailed information about this re-design, and GES is now in the process of assessing this new information.

For further information please contact:



Ellinor Haggebrink
Engagement Manager

GES BURMA ENGAGEMENT

Momentum for continued proactive engagement

The victory of the **NATIONAL LEAGUE FOR DEMOCRACY** in November 2015's parliamentary elections in Burma was welcomed by the international community, including foreign investors and many have the expectation that the change of government can lead to further economic growth and easing of remaining sanctions in the country. While foreign investments are expected to continue to increase in this new climate, fundamental human rights issues still remain in areas like workers and union rights, land rights, corruption, freedom of expression and privacy. Now is a critical moment to keep moving the country in the right direction. Since 2011, the parliament has adopted over 100 new laws and legislative amendments and more are in the pipeline. Many of these intended to regulate business to reduce its negative impacts on workers, communities and consumers. However, the awareness of these laws is limited, their quality and consistency is mixed with enforcement being deficient. Hence, in our view, Burma is – and will remain for some time – a high-risk country with poor governance.

Companies are therefore still exposed to a complex business environment and GES Burma Engagement will continue its proactive engagement to ensure that companies have strong policies in place and perform human rights due diligence, in order to identify, assess and properly manage the risks related to operating in Burma. GES Burma Engagement has concluded a three-year period of proactive engagement, during which GES assessed 50 companies in total and a total of 114 key performance indicators were measured. New companies in growing sectors have now been included, which face significant legal, reputational, financial and operational risks that need to be well managed.

GES Burma Engagement currently comprises 25 companies, of which some examples from different industries are mentioned below. The growing textile industry, where there are concerns related to safety of workers, long working hours and low wages, despite the first national minimum wage that was set earlier this year, is represented

by **ADIDAS AG**, **HENNES & MAURITZ**, **GAP** and **MARKS & SPENCER GROUP**.

Several international banks have received banking licenses while Burma continues to face major challenges of corruption and money laundering, and therefore the banking sector has increased its presence on the list with the following banks: **ANZ BANKING GROUP**, **MITSUBISHI UFJ FINANCIAL GROUP**, **MIZUHO FINANCIAL GROUP** and **UNITED OVERSEAS BANK**.

Last year saw a rapid increase in oil and gas projects with the awarding of 16 onshore and 20 offshore blocks. This is also a sector exposed to considerable risks within several areas, including forced labour, land rights, security and corruption, which gives it a significant presence on the GES Burma Engagement list, with companies such as **BG GROUP**, **CHEVRON CORPORATION**, **ENI**, **ROYAL DUTCH SHELL** and **STATOIL**.

The roll-out of new information and communications technologies (ICT), infrastructure and services in Burma is having a transformative impact on the country. However, gaps in the policy and legal frameworks still present a risk for potential misuse and negative impacts on human rights, particularly the rights to privacy and freedom of expression. GES is engaging with amongst others **ERICSSON**, **NOKIA**, **TELENOR** and **ORANGE SA** amongst others in order for them to fill in the gaps by managing negative impacts in line with international standards on responsible business conduct.

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Ellinor Haggebrink
Engagement Manager

GES CARBON RISK ENGAGEMENT

How to prosper in a carbon constrained business environment

It is very encouraging to see that there is currently a lot of activity by institutional investors to address carbon risk management. Many approaches are emerging, including portfolio recalibration (sometimes, but far from always, synonymous with divestment), policy and regulator engagement and of course company engagement. These are potentially complementary approaches that should be optimally applied in line with the investor's mandate.

GES Carbon Risk Engagement helps institutional investors with widely diversified portfolios. Typically, these portfolios contain power utilities with top-ranking carbon emission intensities. At the same time power utilities, with suitable strategic adaptation, have huge opportunities to prosper in a future carbon constrained business environment.



Princess Amalia wind farm in the North Sea

The rapidly expanding electrification of road transport is just one reason why power utilities should embrace efforts to decarbonise the economy. Still, coming from a tradition of strong dependence on coal as power source, some big power utilities are in the danger zone for being outrun and not realising quickly enough what strategic changes are necessary.

GES is in dialogue with twenty large power utility companies around the world and is encouraging these companies in a direction which reduces their carbon risk exposure and at the same time puts them in a position where they can be ready to harvest future opportunities. Clearly, judging from the engagement dialogues so far, some power utilities have fully understood what lies ahead and are acting accordingly. At the same time other companies are in acute need of a wake-up call.

GES invites investors to join this engagement and thereby contribute to accelerating the necessary energy transition. Not only is this aligned with the interests of society at large, it also makes perfect sense from the perspective of a prudent investor.

For further information please contact:

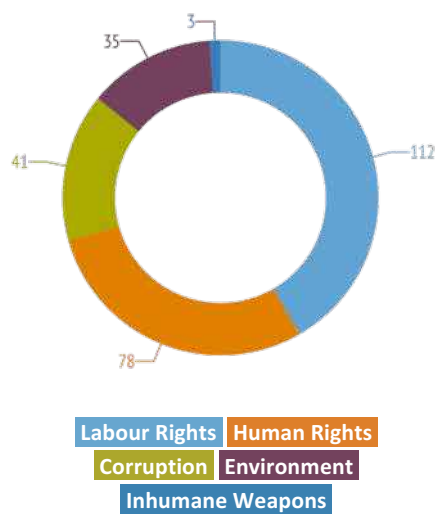


Flemming Heden

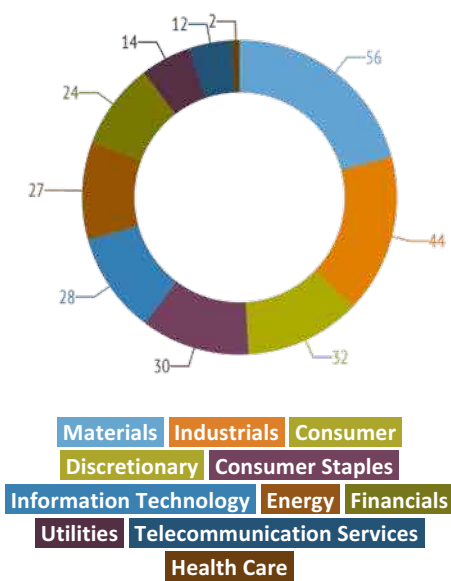
Senior Engagement Manager

ENGAGEMENT SUMMARY REPORT

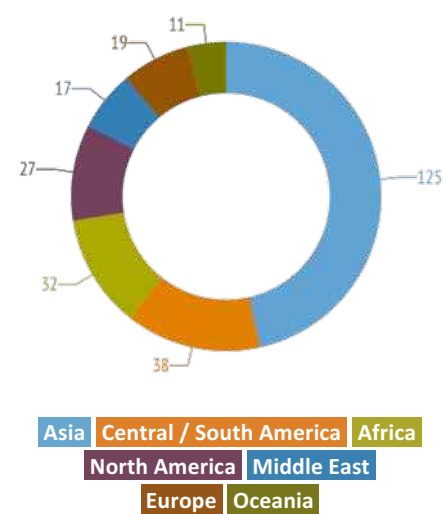
NORM AREA BREAKDOWN



INDUSTRY SECTOR BREAKDOWN



GEOGRAPHIC BREAKDOWN



ENGAGEMENT MAP



During Q4 2015 Erste Asset Management has been in active dialogue with companies as well as external sources associated to **269** business conduct issues.

In **77** “engage” cases we have continued our dialogue to track bespoke engagement goals and to seek measurable results of business conduct changes.

In **192** “evaluate” cases the objective of the dialogue is to bring the amount of credible information to a level that allows issuing a next recommendation. Either to archive the case or to further engage with the company if it is a case with severe consequences for environment or humans.

COMPANY DIALOGUE & PROGRESS SUMMARY

HOW TO READ THIS REPORT

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

EVALUATE LIST

IMPALA PLATINUM

ENGAGE LIST

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

SIAM COMMERCIAL BANK <i>Association to financing controversial dam project on Mekong River</i>	Laos	• Poor	↓ None	▾ Same	
TOKYO ELECTRIC POWER COMPANY <i>Association to unsafe nuclear power production</i>	Japan	• Poor	↘ Poor	▾ Same	
VEDANTA LIMITED <i>Association to systematic environmental and human rights violations in mining project</i>	India	• Good	→ Standard	▴ Same	
ZIJIN MINING GROUP <i>Association to environmental impact in mining project</i>	Papua New Guinea	• None	↘ Poor	▾ New	
ZIJIN MINING GROUP <i>Association to human rights violations</i>	Papua New Guinea	• None	↘ Poor	▾ New	

EVALUATE LIST

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

DISENGAGE LIST

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

CENTRAL / SOUTH AMERICA

ENGAGE LIST

COMPANIA DE MINAS BUENAVENTURA
Association to controversial mine project

Peru

• Poor

→ Standard



Same

ELETROBRAS
Association to violation of indigenous rights

Brazil

• Standard

→ Standard



Worse

JBS SA
Association to repeated health and safety violations

United States

• Standard

→ Standard



New

PETROBRAS
Association to corrupt practices

Brazil

• Standard

→ Standard



Worse

EVALUATE LIST

BANCO DO BRASIL, CEMEX, ELETROBRAS, EMBRAER, GRUPO MEXICO, PETROBRAS, SOCIEDAD QUIMICA Y MINERA DE CHILE SA, SOUTHERN COPPER CORPORATION, VALE SA

EUROPE

ENGAGE LIST

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



ROYAL DUTCH SHELL <i>Association to human rights violations resulting from pollution and environmental damage</i>	Nigeria	• Good	→ Standard	▲ Same
STORA ENSO <i>Association to re-occurring human rights violations</i>	Pakistan	• Excellent	↗ Good	▲ Better
TELIASONERA <i>Association to assisting repressive regimes in surveillance operations</i>	Azerbaijan	• Excellent	↗ Good	▲ Same
TELIASONERA <i>Association to corruption</i>	Uzbekistan	• Excellent	↗ Good	▲ Same
TOTAL SA <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Good	↗ Good	▲ Better
VINCI <i>Association to labour rights violations</i>	Qatar	• Good	→ Standard	▲ Better
VTB BANK <i>Association to a mining project with expected vast environmental impacts</i>	Armenia	• Standard	↘ Poor	▶ Same

EVALUATE LIST

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

DISENGAGE LIST

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

MIDDLE EAST

ENGAGE LIST

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

EVALUATE LIST

ARABTEC HOLDING

DISENGAGE LIST

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

ENGAGE LIST

AES CORP <i>Association to violation of indigenous rights</i>	Panama	• Poor	→ Standard	▶ Worse	
AGRIUM <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Standard	↓ None	▶ Same	
APPLE INC <i>Association to poor labour and environmental practices at suppliers</i>	Taiwan	• Poor	→ Standard	▶ Same	
BARRICK GOLD CORP <i>Association to complicity in human rights abuses</i>	Papua New Guinea	• Standard	↘ Poor	▶ Better	
BARRICK GOLD CORP <i>Association to environmental impact in mining project</i>	Papua New Guinea	• Standard	↘ Poor	▶ Same	
CHEVRON CORP <i>Association to environmental damage in the Amazon jungle</i>	Ecuador	• Poor	↓ None	▼ Same	
FMC CORPORATION <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Good	↗ Good	▲ Same	
FREEPORT MCMORAN <i>Association to environmental impact from mining activity</i>	Indonesia	• Standard	↘ Poor	▶ Same	
FREEPORT MCMORAN <i>Association to mine site security concerns</i>	Indonesia	• Standard	↘ Poor	▶ Same	
GOLDCORP <i>Association to inadequate consideration for the human rights of indigenous people</i>	Guatemala	• Good	↗ Good	▲ Better	
HERSHEY <i>Association to child labour in the cocoa industry</i>	Ivory Coast	• Standard	→ Standard	▶ Worse	
MATTEL <i>Association to poor working conditions at suppliers</i>	China	• Standard	↓ None	▶ Same	
MCDONALD'S CORP <i>Association to labour rights violation</i>	United States	• Standard	↘ Poor	▶ Same	
MONDELEZ INTERNATIONAL <i>Association to child labour in the cocoa industry</i>	Ghana	• Excellent	↗ Good	▲ Same	
MOTOROLA SOLUTIONS <i>Association to assisting in human rights violations in occupied territories</i>	Palestine	• Poor	↘ Poor	▼ Same	
NEWMONT MINING CORP <i>Association to human rights violations and water pollution at gold mine</i>	Peru	• Excellent	↗ Good	▲ Better	
POTASH CORP SASKATCHEWAN <i>Association to illegal exploitation of natural resources</i>	Western Sahara	• Standard	↓ None	▶ Same	

STARBUCKS CORP <i>Association to anti-union practices</i>	Chile	• Standard	↗ Good	▲ Same
TRANSOCEAN LTD <i>Association to fatal explosion and major oil spill</i>	United States	• Poor	→ Standard	▶ Same

EVALUATE LIST

AMAZON.COM, BANK OF AMERICA, BRISTOL-MYERS SQUIBB CO, CHEVRON CORP, CISCO SYSTEMS, CITIGROUP, COSTCO WHOLESALE CORP, CROWN HOLDINGS INC, DOW CHEMICAL CO, EXXON MOBIL, FLUOR CORP, FREEPORT MCMORAN, GAP, GENERAL MOTORS, GOODYEAR TIRE & RUBBER, HASBRO, HP, KOHLS CORP, LEVEL 3 COMMUNICATIONS INC, LOBLAW, LOCKHEED MARTIN, MCDONALD'S CORP, MONDELEZ INTERNATIONAL, ORACLE CORP, PEPSICO, PROCTER & GAMBLE CO, RAYTHEON COMPANY, SPRINT CORPORATION, STARWOOD HOTELS & RESORTS, SUNCOR ENERGY, TARGET CORP, T-MOBILE US, UNITED CONTINENTAL HOLDINGS, WALT DISNEY COMPANY, VF CORP, YUM BRANDS

DISENGAGE LIST

BOEING CO <i>Association to nuclear weapon programmes</i>	United States
FLUOR CORP <i>Association to development of nuclear weapon</i>	United States
GENERAL DYNAMICS CORP <i>Association to involvement in cluster munitions</i>	United States
GENERAL DYNAMICS CORP <i>Association to nuclear weapon programmes</i>	United States
HONEYWELL INTERNATIONAL <i>Association to nuclear weapon programmes</i>	United States
JACOBS ENGINEERING GROUP <i>Association to nuclear weapon programmes</i>	United Kingdom
L-3 COMMUNICATIONS HLDGS <i>Association to complicity in human rights abuses in several countries</i>	Iraq
L-3 COMMUNICATIONS HLDGS <i>Association to marketing of cluster munitions</i>	United States
LOCKHEED MARTIN <i>Association to manufacture and marketing of cluster munitions</i>	United States
LOCKHEED MARTIN <i>Association to nuclear weapon programmes</i>	United Kingdom
NORTHROP GRUMMAN CORP <i>Association to nuclear weapon programmes</i>	United States
RAYTHEON COMPANY <i>Association to nuclear weapon programmes</i>	United States

TEXTRON United States
Association to development and marketing of cluster munitions

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

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

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

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

OCEANIA

ENGAGE LIST

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

EVALUATE LIST

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



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