



# POOLED ENGAGEMENT QUARTERLY REPORT

**Q3 2018 Progress Report**  
(for the period ending 30 September 2018)

November 16, 2018

## EXECUTIVE SUMMARY

The ISS-Ethix's Pooled Engagement Quarterly Report for Q3 2018 consists of two parts. The first part (Section 1) provides a description of ISS-Ethix's Pooled Engagement Offering, which is conducted on behalf of investors with companies that have been assessed under **Norm-Based Research** to be facing alleged or verified severe, systematic or systemic failures to respect international norms and guidelines on responsible business conduct. The second part of the report (Sections 2 to 6) provides the most up-to-date data concerning engagement carried out on behalf of institutional investors in Q3 2018. The second part also includes, for external reporting purposes, numerical and statistical summaries of companies engaged with, notable engagement activity, an overview and summary of responses received on letters sent out in Q3 2018, and overviews of the reminders and escalations to companies which did not provide a response to investors queries.

The detailed engagement reports for the individual companies listed in the report, and their responses, are available in [e-source](#).

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## OUR ENGAGEMENT APPROACH

Truly effective engagement takes time and requires investment in the process. ISS-Ethix's Pooled Engagement approach is focused on positive change by supporting companies in their efforts to manage or mitigate environmental and social risks.

### Initiating engagement

ISS-Ethix's Pooled Engagement service focuses on companies that are assessed under **Norm-Based Research** to be involved in alleged or verified severe, systematic or systemic failures to respect international norms. Engagement under the service is preceded by in-depth research and fact-finding dialogue with companies and stakeholders. Through a feasibility study ISS-Ethix identifies gaps in company disclosure and whether the desired level of disclosure can be achieved through investor dialogue. Influential factors include an estimation of the company's level of responsibility, steps it has taken to mitigate the possible failure to respect a norm, and availability of both stakeholder and expert sources to facilitate constructive dialogue.

### Conducting effective engagement dialogue

Pooled Engagement aims at building a relationship which is conducive to constructive dialogue through which investors may exercise influence. ISS-Ethix's Pooled Engagement approach encourages companies to elaborate on their efforts to design and implement better risk management systems at the operational level, to minimize the risk for re-occurrence of failures to respect international norms. ISS-Ethix seeks to appreciate whether a company has proven successful in implementing a genuine reduction in risk, with positive results for both management and operations. Engagement is therefore accompanied by clear and time-bound engagement goals, based on expectations on the company's ability to address shortcomings in the context of its specific business sector and relevant industry standards.

As Pooled Engagement is rooted in an assessment of company responsiveness to ongoing controversies carried out under Norm-Based Research, it allows investors to voice concerns in a timely manner. This increases their possibilities to influence and provides concrete opportunities for companies to address the identified issues.

### Process for eliciting responses from non-responsive companies

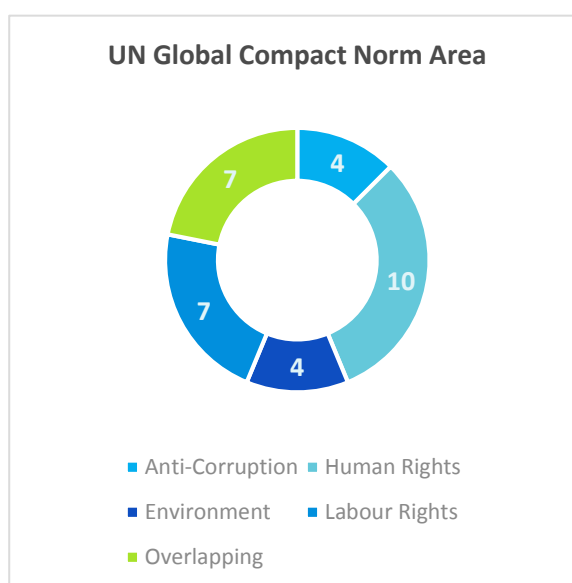
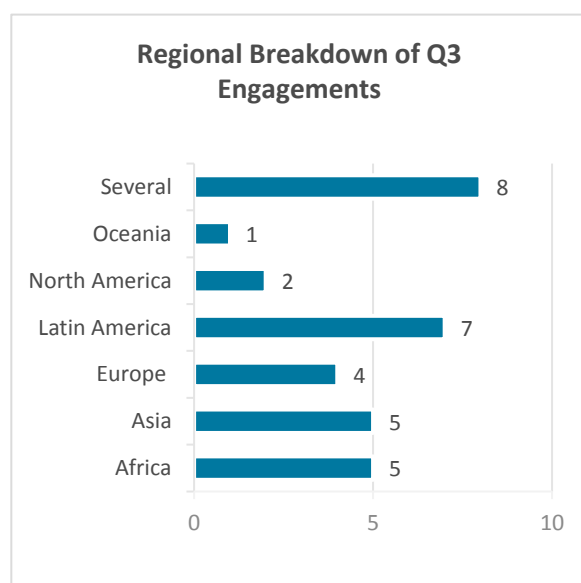
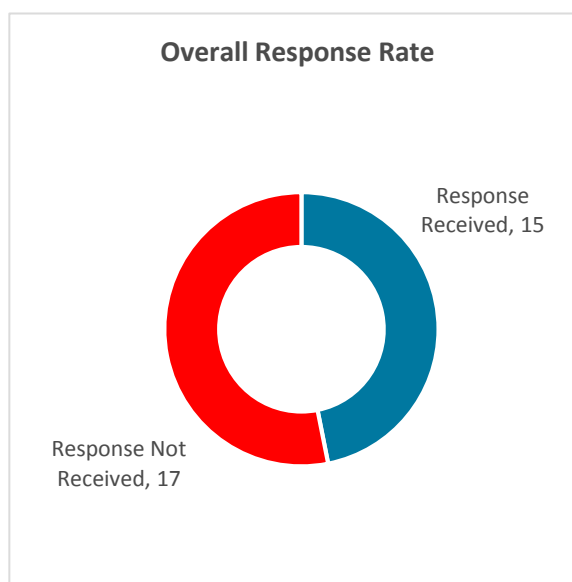
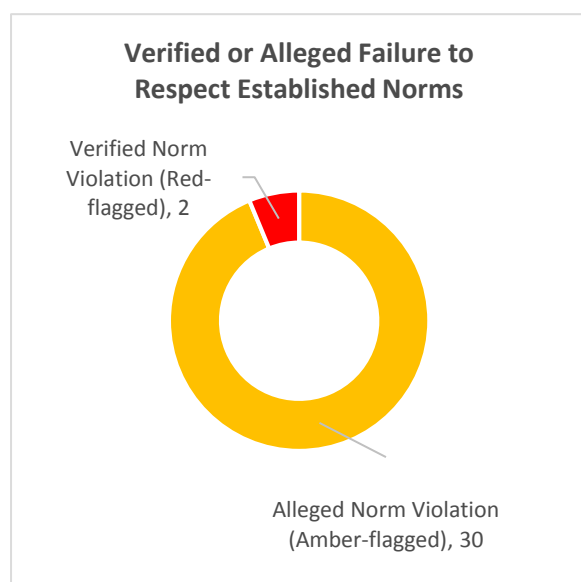
Over time, responsiveness is noted with most companies with which engagement is sought. Others require repeated follow-ups to respond, and some steadfastly fail to respond to investor concerns. To address these challenges in communication, regular and courteous follow-up is built into ISS-Ethix's approach. Once every effort has been made to engage both Investor Relations and the company CEO, the feasibility of engagement is re-evaluated. In certain cases, where a company has proven unresponsive to investors' efforts to exercise active ownership, the decision has been taken by ISS-Ethix to discontinue dialogue with a company. From Q1 2018 a new step was introduced into the follow-up process whereby after escalation to the CEO, investors queries will be escalated to the company's Board.

## ENGAGEMENT STATISTICS FOR Q3 2018

In Q3 2018 Pooled Engagement was conducted with 32 companies, of which 2 are RED-flagged and 30 are AMBER-flagged, according to ISS-Ethix' **Norm-Based Research** methodology. Of the 32 companies, 15 have replied to initial investors engagement queries. The initial overall response rate was thus 46%.

For a detailed breakdown of companies that failed to respond to engagement enquiries in Q3 2018, please see [Chapter 5: Reminders to be carried out in Q4 2018](#). For a list of those companies that responded to engagement in Q3 2018, please see [Appendix Notes](#).

In an effort to assist investors with their reporting requirements, the statistics presented are derived from the 32 companies with which engagement was conducted in Q3 2018.



## NOTABLE ENGAGEMENT ACTIVITY IN Q3 2018

### Companies involved in verified failures to respect international norms and guidelines (Red-flagged)

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Royal Dutch Shell Plc</b>	Multiple: Nigeria/ Brazil	Open
<b>NORM AREA / SIGNAL</b>	<b>RESPONSE</b>	
Overlapping: Environment, Human Rights, Corruption	September 2018: ISS-ethix held an in-person engagement meeting with Ms. Dorien de Jung, Investor Relations, following engagement enquiry in June 2017.	
<b>SUMMARY</b>		
<p>In a wide-ranging engagement meeting, <b>Royal Dutch Shell Plc</b> (Shell) emphasized that its commitment and policy on Health, Security, Safety, Environment and Social Performance (HSSE &amp; SP) applies across its operations, including its Joint Ventures (JV) where it is the operating partner, such as the Shell Petroleum Development Company of Nigeria (SPDC).</p> <p>During a separate phone meeting with the SPDC's Managing Director, input was provided on the latest allegation of violation of human rights, poor stakeholder consultation levelled against SPDC and Shell in Nigeria. Moreover, Shell informed investors that human rights are taken into consideration and are a required part of the company's integrated control framework utilized as tool of risk assessment prior to the start of operations. Shell's openness to multiple engagements and responsiveness to engagement enquiries are notable.</p>		

### Companies involved in alleged failures to respect international norms and guidelines (Amber-flagged)

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Anglo American Platinum Ltd.</b>	South Africa	Open
<b>NORM AREA / SIGNAL</b>	<b>RESPONSE</b>	
Human Rights	September 2018: Reply received from Mr. Johnathan Samuel, Group Head of Social Performance & Engagement, following engagement enquiry in Q3 2018	
<b>SUMMARY</b>		
<p>Anglo American Plc provided updates and documentation concerning its stakeholder consultation process during resettlement of residents in two villages in the Limpopo province in South Africa, following the expansion of its Mogalakwena platinum mine in 2007. Anglo American informed investors that the consultants Nomad Consulting and Synergy commenced resettlement reviews in Mogalakwena (Ga-Pila, Ga-Puka, and Ga-Sekhaolelo) and Twickenham (Makobakoba) in 2015 in accordance with Anglo American Social Way requirements, which in turn are based on International Finance Corporation (IFC) Performance</p>		

Standards. The company conceded that due to set-backs during the review the process was suspended in 2016. However, the company informed investors that at the beginning of 2018 the consulting firms were re-engaged to complete the review and presented its subsidiary **Anglo American Platinum Ltd.** (Amplats) with an assessment on the status of the resettled communities and recommendations on addressing risks identified.

The company elaborated that, as of 3 August 2018, a consulting firm Synergy had completed data collection, document reviews, focus group discussions and socio-economic surveys of all the resettled communities and it is currently conducting a comprehensive data analysis and will present the draft report and findings to Amplats by end of September 2018. According to the company the findings will allow Amplats to address shortcomings pertaining to previous resettlements in a systematic manner, lessening the need for crisis interventions. A programme of feeding back to host communities is being planned as a part of the response.

In October 2018, the company provided additional information of the status of the report by the consultant Synergy to address shortcomings pertaining to previous resettlements expected by the end of September 2018. The company informed investors that the report will be finalised by year-end, and added that based on its findings and recommendations, an action plan will be developed and implemented after engagement with stakeholders. These updates suggest continued openness and transparency by the company as notable.

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Anglo American Plc.</b>	Multiple: South Africa and Brazil	Open
NORM AREA / SIGNAL	RESPONSE	
Human Rights	September 2018: Reply received from Mr. Johnathan Samuel, Group Head of Social Performance & Engagement, following engagement enquiry in Q3 2018	
SUMMARY		
<p><b>Anglo American Plc</b> provided details and documentation to respond to investor follow-up enquiries concerning the prevention and remediation steps that the company is taking after the pipeline leaks at its Minas-Rio iron ore project in Brazil, in addition to the updates on South Africa discussed under the Anglo American Platinum Ltd. section above.</p>		
<p>Concerning the Minas-Rio iron ore project in Brazil, Anglo American informed, with effect from 29 March 2018, the suspension of conduct a full inspection of the pipeline that carries iron ore, in slurry form, from the mine to the export terminal. Anglo American informed ISS-Ethix that it had mobilized 435 people for the remediation of the affected areas, conducting activities such as installing structures to contain the leaked material, removing and disposing of the ore deposited in the Santo Antonio do Grama creek, and providing for the stabilization and revegetation of the areas through the implementation of the Degraded Area Recovery Project (PRAD). The creek cleanup was concluded, having met all of the environmental authorities' requirements. The PRAD is being implemented and aims at recovering the areas impacted by human activity before the incidents and by the mitigation and cleanup actions after the incidents. The transparency of updates provided on these critical developments were notable.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>CoreCivic, Inc.</b>	United States	Open
NORM AREA / SIGNAL	RESPONSE	
Human Rights	September 2018: Reply received from Mr. Cameron Hopewell, Managing Director, Investor Relations, following engagement enquiry in Q3 2018	
SUMMARY		
<p>In September 2018 <b>CoreCivic, Inc.</b> responded to investor's enquiries concerning allegations of failure to respect the right not to be subjected to inhumane and/or degrading treatment at its owned and/or managed correctional and detention centres in the United States. CoreCivic emphasized that, as stated in its Human Rights Policy and its Code of Ethics, the Company is committed to operating safe, humane, and secure facilities. The company also provided details to investors on its reviews and evaluation of internal policies and practices, including those designed to protect inmates and employees from improper treatment. As it pertains to its detention facilities under contract with the United States (U.S.) Immigration and Customs Enforcement (ICE), CoreCivic explained that they are contractually required and held accountable to federal Performance-Based National Detention Standards and Family Residential Standards. To ensure compliance and accountability, the Company informed investors that ICE maintains currently more than 500 full-time, onsite staff who monitor conditions and contractual performance at its eight contracted facilities.</p> <p>CoreCivic notably provided details on its policies to manage and mitigate human rights risks, and comments on allegations of violations the Company is facing which shows that it is willing to demonstrate that procedures are in place to assure acceptable living conditions standards and the respect of human rights at its owned and/or managed correctional and detention centres in the United States. Although concerns remain for the persisting allegations faced by the Company, ISS-Ethix believes that the company took a step in the right direction in terms of openness and transparency toward investors.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Petroleos Del Peru Petroperu SA</b>	Peru	Open
NORM AREA / SIGNAL	RESPONSE	
Environment	September 2018: Reply received from Mr. Luis Renato Sanchez Torino, Investor Relations Officer, following engagement enquiry in Q3 2018	
SUMMARY		
<p>In September 2018 <b>Petroleos Del Peru - Petroperu SA</b> (Petroperu) responded to investor's enquiries regarding spills in its oil operations in Peru. In its detailed and substantial response Petroperu provided updates on the condition of the North Peruano Pipeline (ONP), gave detailed data on the technical and deliberate damages to the pipelines, and the process of remediation that the company has undertaken to alleviate oil spills in its operations.</p> <p>ISS-Ethix appreciates the detailed and comprehensive reply from Petroperu. The information provided on the declining frequency of incidents and the company's remediation efforts are encouraging. The company lists several efforts that aim to reduce such incidents, which is encouraging.</p>		



## SUMMARY OF ALL ENGAGEMENT RESPONSES

### Companies involved in verified failures to respect international norms and guidelines (Red-flagged)

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Nutrien Ltd.</b>	Western Sahara	Open
<b>NORM AREA / SIGNAL</b>	<b>RESPONSE</b>	
Human Rights	September 2018: Reply received from Ms. Lindsey Verhaeghe, Sustainability & Stakeholder Relations Manager, following engagement enquiry in Q3 2018	
<b>SUMMARY</b>		
<p><b>Nutrien Ltd.</b> replied to investor enquiries concerning reports that, through its imports phosphate from Moroccan state-owned OCP SA, it fails to comply with expectations on Responsible Business Conduct (RBC) for companies operating in territories under dispute. In its response the company confirmed its intention to close its phosphate production facility at Geismar by the end of 2018. Nutrien stated that "[a]long with the previously announced conversion of [its] Redwater phosphate plant to an Ammonium Sulphate facility, Nutrien will become fully self-sufficient in phosphate rock and all import contracts will be complete by year end." ISS-ethix will continue to monitor developments to ensure the successful realisation of its stated plans.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Royal Dutch Shell Plc</b>	Multiple: Nigeria/ Brazil	Open
<b>NORM AREA / SIGNAL</b>	<b>RESPONSE</b>	
Overlapping: Environment, Human Rights, Corruption	September 2018: ISS-ethix held an in-person engagement meeting with Ms. Dorien de Jung, Investor Relations at Royal Dutch Shell, following engagement enquiry in June 2017.	
<b>SUMMARY</b>		
<p>In a wide-ranging engagement meeting, <b>Royal Dutch Shell Plc</b> emphasized that its commitment and policy on Health, Security, Safety, Environment and Social Performance (HSSE &amp; SP) applies across its operations, including its Joint Ventures (JV) where it is the operating partner, such as the Shell Petroleum Development Company of Nigeria (SPDC).</p> <p>During a separate phone meeting with the SPDC's Managing Director, input was provided on the latest allegation of violation of human rights, poor stakeholder consultation levelled against SPDC and Shell in Nigeria. Moreover, Shell informed investors that human rights are taken into consideration and are a required part of the company' integrated control framework utilized as tool of risk assessment prior to the start of operations.</p>		

## Companies involved in alleged failures to respect international norms and guidelines (Amber-flagged)

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Anglo American Platinum Ltd.</b>	South Africa	Open
<b>NORM AREA / SIGNAL</b>	<b>RESPONSE</b>	
Human Rights	September 2018: Reply received from Mr. Johnathan Samuel, Group Head of Social Performance & Engagement, following engagement enquiry in Q3 2018	
<b>SUMMARY</b>		
<p>Anglo American Plc provided updates and documentation concerning its stakeholder consultation process during resettlement of residents in two villages in the Limpopo province in South Africa, following the expansion of its Mogalakwena platinum mine in 2007. Anglo American informed investors that the consultants Nomad Consulting and Synergy commenced resettlement reviews in Mogalakwena (Ga-Pila, Ga-Puka, and Ga-Sekhaolelo) and Twickenham (Makobakoba) in 2015 in accordance with Anglo American Social Way requirements, which in turn are based on International Finance Corporation (IFC) Performance Standards. The company conceded that due to set-backs during the review the process was suspended in 2016. However, the company informed investors that at the beginning of 2018 the consulting firms were re-engaged to complete the review and presented its subsidiary <b>Anglo American Platinum Ltd.</b> (Amplats) with an assessment on the status of the resettled communities and recommendations on addressing risks identified.</p> <p>The company elaborated that, as of 3 August 2018, a consulting firm Synergy had completed data collection, document reviews, focus group discussions and socio-economic surveys of all the resettled communities and it is currently conducting a comprehensive data analysis and will present the draft report and findings to Amplats by end of September 2018. According to the company the findings will allow Amplats to address shortcomings pertaining to previous resettlements in a systematic manner, lessening the need for crisis interventions. A programme of feeding back to host communities is being planned as a part of the response.</p> <p>In October 2018, the company provided additional information of the status of the report by the consultant Synergy to address shortcomings pertaining to previous resettlements expected by the end of September 2018. The company informed investors that the report will be finalised by year-end, and added that based on its findings and recommendations, an action plan will be developed and implemented after engagement with stakeholders.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Anglo American Plc.</b>	Multiple: South Africa and Brazil	Open
<b>NORM AREA / SIGNAL</b>	<b>RESPONSE</b>	
Human Rights	September 2018: Reply received from Mr. Johnathan Samuel, Group Head of Social Performance & Engagement, following engagement enquiry in Q3 2018	

SUMMARY

**Anglo American Plc** provided further details and documentation to respond to investor follow-up enquiries concerning the prevention and remediation steps that the company is taking after the pipeline leaks at its Minas-Rio iron ore project in Brazil, in addition to the updates on South Africa discussed under the Anglo American Platinum Ltd. updates above.

Concerning the Minas-Rio iron ore project in Brazil, Anglo American announced its suspension with effect 29 March 2018, in order to conduct a full inspection of the pipeline that carries iron ore, in slurry form, from the mine to the export terminal. Anglo American informed ISS-Ethix that it had mobilized 435 people for the remediation of the affected areas, conducting activities such as installing structures to contain the leaked material, removing and disposing of the ore deposited in the Santo Antonio do Grama creek, and providing for the stabilization and revegetation of the areas through the implementation of the Degraded Area Recovery Project (PRAD). The creek cleanup was concluded, having met all of the environmental authorities' requirements. The PRAD is being implemented and aims at recovering the areas impacted by human activity before the incidents and by the mitigation and cleanup actions after the incidents. The transparency updates provided on these critical developments were notable.

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>CoreCivic, Inc.</b>	United States	Open
NORM AREA / SIGNAL	RESPONSE	
Human Rights	September 2018: Reply received from Mr. Cameron Hopewell, Managing Director, Investor Relations, following engagement enquiry in Q3 2018	

SUMMARY

**CoreCivic, Inc.** responded to investor's' enquiries concerning allegations of failure to respect the right not to be subjected to inhumane and/or degrading treatment at its owned and/or managed correctional and detention centres in the United States. CoreCivic emphasized that, as stated in its Human Rights Policy and its Code of Ethics, the Company is committed to operating safe, humane, and secure facilities. The company also provided details to investors on its reviews and evaluation of internal policies and practices, including those designed to protect inmates and employees from improper treatment. As it pertains to its detention facilities under contract with the United States (U.S.) Immigration and Customs Enforcement (ICE), CoreCivic explained that they are contractually required and held accountable to federal Performance-Based National Detention Standards and Family Residential Standards. To ensure compliance and accountability, the Company informed investors that ICE maintains currently more than 500 full-time, onsite staff who monitor conditions and contractual performance at its eight contracted facilities.

CoreCivic notably provided details on its policies to manage and mitigate human rights risks, and comments on allegations of violations the Company is facing which shows that it is willing to demonstrate that procedures are in place to assure acceptable living conditions standards and the respect of human rights at its owned and/or managed correctional and detention centres in the United States. Although concerns remain for the persisting allegations faced by the Company, ISS-Ethix believes that the company took a step in the right direction in terms of openness and transparency toward investors.

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Deutsche Post AG</b>	Multiple: Colombia, Turkey	Open
NORM AREA / SIGNAL	RESPONSE	
Labour Rights	September 2018: Reply received from Mr. Martin Ziegenbalg, Head of Investor Relations, following engagement enquiry in Q3 2018	
SUMMARY		
<p><b>Deutsche Post AG</b> responded to investor enquiries stating that it has been engaged in a continuous, open dialogue with UNI Global Union and the International Transport Workers Federation (ITF) in both Turkey and Colombia since March 2017, and highlighted that the parties have agreed that it is crucial to understand and respect each other's position and perspective in order to achieve a mutually acceptable solution. In response to the question concerning the company's internal monitoring of human rights issues, DPDHL stated that its employees can report potential violations of the Codes of Conducts through a whistleblower hotline via a 24-hour web application or by calling the Compliance Hotline, which is available in 150 countries and in 30 different languages. External parties can also report possible violations either anonymously or non-anonymously using an online form.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>First Pacific Co. Ltd</b>	Indonesia	Open
NORM AREA / SIGNAL	RESPONSE	
Labour Rights	September 2018: Reply received from Mr. John Ryan, Group Chief Investor Relations and Sustainability Officer , following engagement enquiry in Q3 2018	
SUMMARY		
<p><b>First Pacific Co. Ltd.</b> responded to investor enquiries concerning allegations of the use of child labour, poor labour standards, and breaches of union rights in its operations in Indonesia. In response to the question concerning a complaint, lodged by the NGO Rainforest Action Network (RAN) in October 2016, accusing the company of using child labour and violating labour and union rights in its operations in Indonesia, First Pacific referred to a detailed reply that has already been provided to ISS-Ethix by Indofood Agri Resources Ltd. First Pacific holds a controlling stake in IndoAgri together with PT Indofood Sukses Makmur Tbk (Indofood). The company further explained that dialogue with its shareholders and other stakeholders about ESG matters continues, with a goal of enhancing ESG practices and reporting. ISS-Ethix appreciates the openness of First Pacific to engage with investors and the details shared on the group companies' approach to sustainability. However, further details on internal policies and processes which specifically address the company's commitment to support and respect human and labour rights, as well as on how the company monitors the implementation of its grievance mechanisms, would have been welcomed.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Glencore Plc</b>	Multiple: Peru, Switzerland, United Kingdom	Open
<b>NORM AREA / SIGNAL</b>	<b>RESPONSE</b>	
Overlapping: Environment, Human Rights, Labour Rights	August 2018: Reply received from Ms. Anna Krutikov, Head of Sustainable Development, following engagement enquiry in Q3 2018	
<b>SUMMARY</b>		
<p>In response to investor enquiries concerning allegations of failure to prevent water pollution, alleged failure to respect union rights in Peru, and alleged failure to pay fair share of taxes in Switzerland and the United Kingdom, <b>Glencore Plc</b> replied with updates on each geographic area.</p> <p>Concerning the allegations of the environmental performance of its subsidiary Volcan Compañía Minera S.A.A (Volcan) in Peru (Glencore holds 55.03% of Volcan’s voting shares), the company recognized that historical mining practices under previous owners have affected the environment and the local community. Glencore is supporting Volcan to develop an action plan to comply with Glencore’s policies and systems, as well as improve its environmental performance, which it is progressing with. With regards to the allegations that its wholly owned subsidiary Compañía Minera Antapaccay S.A. (Antapaccay) is contravening its workers’ union rights in Peru, Glencore stated that three unions are established, currently representing around 50% of the workforce. Finally, regarding the allegations of a failure to pay fair share of taxes, Glencore stated that it complies with its tax obligations in line with the laws and regulations in the countries and territories in which it operates, and provided links to the company’s response on the Paradise Papers and its Tax Policy.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Indofood Agri Resources Ltd.</b>	Indonesia	Open
<b>NORM AREA / SIGNAL</b>	<b>RESPONSE</b>	
Labour Rights	September 2018: Reply received from Mr. Muhammad Waras, Group Sustainability Head, following engagement enquiry in Q3 2018	
<b>SUMMARY</b>		
<p><b>Indofood Agri Resources Ltd.</b> (IndoAgri) responded to investor enquiries concerning allegations of the use of child labour, poor labour standards, and breaches of union rights in its operations in Indonesia. The company stated that it is committed to comply with Indonesia’s labour laws and respect labour rights and human rights, such as the prohibition of forced and child labour, freedom of association and collective bargaining, promotion of diversity and equal employment opportunities, and protection of its employees from all forms of harassment and abuse. IndoAgri clarified that in order to prevent adverse human rights impacts across its operations, it has a whistleblower system to enable its workers to report violations of the company policies and the Code of Conduct. Grievances can be reported to local management and escalated to higher management level if required.</p> <p>Since the publication of a report by Rainforest Action Network (RAN) in June 2016, IndoAgri has undergone a total of 18 Roundtable on Sustainable Palm Oil (RSPO) audits, including compliance assessment audits, special audits and regular audits, which are part of RSPO certification. In none of the RSPO audits were there</p>		

any findings identified to substantiate the allegations related to child labour, freedom of association and labour standards.

The company elaborated that, as part of the RSPO Complaint process, an independent field verification was conducted at Begerpang Palm Oil Mill and its supply base estates (Begerpang estate, Rambong Sialang estate, and Sei Merah estate) in North Sumatra in June 2018. The auditors, including a social/labour auditor and Indonesian labour law expert, were appointed by the RSPO and approved by IndoAgri and the complainants. The audit, which involved an independent field verification visit and interviews with management staff and workers, was carried out in the presence of an observer from the RSPO Complaints Panel. In conclusion, IndoAgri stated that the independent field verification report was under discussion with the RSPO Complaints Panel and refrained from providing further comments until the formal report is published.

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>National Australia Bank Ltd.</b>	Australia	Open
NORM AREA / SIGNAL	RESPONSE	
Anti-corruption	September 2018: Reply received from Ms. Clare Nickson-Havens, Stakeholder Engagement - Corporate Responsibility, following engagement enquiry in Q3 2018	
SUMMARY		
<p>In response to investor enquiries concerning alleged failure to prevent bribery in Australia, <b>National Australia Bank Ltd.</b> (NAB) referred to its witness statement, concerning its employees' fraudulent use of the bank's Introducer Programme between 2013 and 2016, whereby third-parties would receive payments for referrals to loan takers. NAB emphasized that a number of changes have taken place over the past 12 -18 months.</p> <p>Among the changes the bank highlighted the designed on-boarding and due diligence processes as well as tightened selection criteria, which led to the termination of approximately 7.000 former Introducers. Regarding the three referral national partners, NAB informed investors that it has reviewed their onboarding and due diligence practices and requested for them to be improved. The company also communicated that as part of the modified Introducer agreement self-referring is not allowed anymore. NAB further stated that it introduced a new mandatory Introducer "e-learn" unit for its bankers and employed a team to monitor and review Introducers. The bank elaborated that every 6 months it performs a data matching review to identify possible conflicts of interest and situations that require more detailed investigations by searching for similarities in Introducers and bankers addresses and bank account details. According to NAB, two more steps towards mitigating the risk of the Introducer program being exploited have been established, which included the bank improving its internal reporting capabilities by April 2018 as well as triangulated reporting, to monitor unusual changes in banker and Introducer performance and behavior.</p> <p>While NAB did not specify a timeframe, it informed investors that it is planning to disclose its Anti-Bribery and Corruption Policy and make it publicly available.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Nike, Inc.</b>	United States	Moderate
NORM AREA / SIGNAL	RESPONSE	
Human Rights	September 2018: Reply received from Mr. Andy Campion, Senior Vice President - Investor Relations, following engagement enquiry in Q3 2018	
SUMMARY		
<p>In response to investor queries concerning alleged aggressive tax avoidance schemes by the company, <b>Nike Inc.</b> referred to its written response to the questions of the European Parliament's Committee on Financial Crimes, Tax Evasion and Tax Avoidance (TAX3 Committee) and the testimony of Nike's chief tax officer in the public hearing held in June 2018.</p> <p>In its response to the TAX3 Committee, Nike expressed its support the OECD's Inclusive Framework on BEPS (base erosion and profit shifting) and noted that it will monitor developments in international tax standards and principles and adapt accordingly, ensuring continued compliance with tax rules and regulations in all countries in which it operates. Nike further noted that its compliance with tax laws regulations includes the new provisions on country-by-country tax reporting. The reports are disclosed to foreign tax authorities pursuant to procedures agreed to by the OECD and European policy-makers and as adopted in US tax law. At the public hearing, the company's chief tax officer said that the reports are not "fit for public consumption" and more time is needed to see how the reports will be used by the authorities and whether all countries respect the information and treat it similarly.</p> <p>Nike also shared that it has not made any changes to its operating structure as a result of the Paradise Papers revelations. The company maintains it has not moved business operations to manufacture business results. However, the chief tax officer said that Nike's entities in Bermuda are no longer active and are in the process of being liquidated.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Nordea Bank AB</b>	Denmark	Open
NORM AREA / SIGNAL	RESPONSE	
Anti-corruption	September 2018: Reply received from Mr. Rodney Alfvén, Head of Investor Relations, following engagement enquiry in Q3 2018	
SUMMARY		
<p><b>Nordea Bank AB</b> replied to investor enquiries concerning the alleged failure to prevent money laundering in Denmark. Concerning commission of an external investigation, Nordea informed investors that it has not engaged an independent third party, although it is assisted by financial crime experts, investigators, and former police officers in the development of technology to detect future methods of financial crime. The company added it also cooperates closely with authorities and provided the Danish Financial Supervisory Authority with information regarding the foreign exchange deliveries, around which the controversy arose, as early as 2012. Additionally, Nordea elaborated that it has regularly reported to the Money Laundering</p>		

Secretariat with the Danish State Prosecutor for Serious Economic and International Crime on suspicions of criminal offences by its customers.

In regard to measures taken to prevent money laundering their internal implementation, Nordea explained that it has an anti-money laundering /counter terrorist financing and sanctions policy emphasizing its responsibility and the importance of strong financial crime risk management practices.

COMPANY	LOCATION	OPENNESS TO DIALOGUE
Norsk Hydro ASA	Brazil	Open
NORM AREA / SIGNAL	RESPONSE	
Environment	September 2018: Reply received from Mr. Stian Hasle, Head of Investor Relations, following engagement enquiry in Q3 2018	

SUMMARY

**Norsk Hydro ASA** replied to investor enquiries concerning allegations of failure to prevent water pollution in Pará, Brazil. Concerning the detailed measures that the company has taken aimed at increasing the capacity of the rainwater draining system at its subsidiary Alumina do Norte do Brasil S.A. (Alunorte), Norsk Hydro ASA stated that it has announced an investment of circa BRL 250 million in increasing the water treatment plant capacity by 50%. In addition, this investment will increase the basin capacity by 150%, improving the robustness of the plant to withstand future change in weather conditions. The target, according to Norsk Hydro is to have this project finalized by Q1 2019.

Regarding the testing of the announced measures against scenarios of further extreme rainfall, Norsk Hydro added that in 2017, the company started a review of its climate-related risks, including physical, technological, commercial, legal and reputational risk. Hydro also became a signatory to the Task Force on Climate-Related Financial Disclosures (TCFD). The review of the company's climate-related risks is currently being finalized and includes stress testing of physical risks for all Norsk Hydro's production sites (excluding Extruded Solutions) under a 6 degrees scenario.

Norsk Hydro added further information on the steps that the company is taking to resolve the outstanding allegations of water pollution, as well as the company's engagement with the local authorities such as the Secretariat of Environment and Sustainability (SEMAS) in the state of Pará. In early September 2018, Alunorte signed two agreements with the government of Para (including SEMAS) and the State Prosecutors (MPAA). The agreements include a technical Term of Adjusted Conduct (TAC) signed between Alunorte, the Federal Prosecutors (MPF), the MPPA, and the State Government of Pará, represented by SEMAS. In addition, a social Term of Commitment (TC) was signed between Alunorte and the State Government of Pará.

Finally, according to media reports from May 2018, the authorities have investigated allegations that water distributed by Norsk Hydro after the February 2018 rainfall was contaminated. Norsk Hydro responded that it started supplying water to the neighboring communities very quickly after the heavy rainfall, as general flooding in the region had led to a challenging drinking and sanitation situation. Following accusations of Hydro delivering contaminated water, the company is now delivering drinking water in large 20 liter bottles. Water for other uses is still delivered from larger tanks.



COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Petroleos Del Peru Petroperu SA</b>	Peru	Open
NORM AREA / SIGNAL	RESPONSE	
Environment	September 2018: Reply received from Mr. Luis Renato Sanchez Torino, Investor Relations Officer, following engagement enquiry in Q3 2018	
SUMMARY		
<p><b>Petroleos Del Peru - Petroperu SA</b> (Petroperu) responded to investor’s enquiries regarding spills in its oil operations in Peru. In its detailed and substantial response Petroperu provided updates on the condition of the North Peruano Pipeline (ONP), gave detailed data on the technical and deliberate damages to the pipelines, and the process of remediation that the company has undertaken to alleviate oil spills in its operations. ISS-Ethix appreciates the detailed and comprehensive reply from Petroperu. The information provided on the declining frequency of incidents and the company’s remediation efforts are encouraging. Encouragingly, the company listed several efforts that aim to reduce such incidents.</p>		

COMPANY	LOCATION	OPENNESS TO DIALOGUE
<b>Petroleos Mexicanos SA</b>	Mexico	Open
NORM AREA / SIGNAL	RESPONSE	
Overlapping: Environment, Labour Rights	September 2018: Reply received from Mr. Jose Gonzalez Echevarria, Investor Relations Officer, following engagement enquiry in Q3 2018	
SUMMARY		
<p><b>Petróleos Mexicanos SA</b> (Pemex), replied to investors' enquiries regarding oil spills in its operations in Mexico. Pemex supplied ISS-Ethix with links to further information on the company’s efforts to secure the integrity of its pipelines and cooperating with the authorities. Pemex also referred to its sustainability report on matters regarding remediation efforts in relation to past oil spills. ISS-Ethix appreciates Pemex openness to dialogue.</p>		

## REMINDERS AND RESPONSES IN Q3 2018

The following companies had failed to respond to engagement enquiries made in previous quarters. As such, they were subject to the process set out above under *Chapter 1: Our Engagement Approach*, for eliciting responses from unresponsive companies.

Reminder notifications by letters and phone calls were sent to the relevant Investor Relations, CEO or Board levels. Response summaries from reminders or escalations will be presented in the 2018 annual report; alternatively, the responses are available in [e-source](#).

Unresponsive companies to the reminders or escalations are going to be escalated to the next levels as shown in the following tables.

ISSUER	ISIN	DOMICILE	NORM SIGNAL	ESG AREA	REGION	RESPONSE RECEIVED?
ABM Industries, Inc.	US0009571003	United States	Amber (●)	Social	North America	TRUE
Eskom Holdings SOC Ltd.	XS0579851949	South Africa	Amber (●)	Environment	Africa	TRUE
Gas Natural SDG SA	ES0116870314	Spain	Amber (●)	Social	Latin America	TRUE
MMG Ltd.	HK1208013172	Australia	Amber (●)	Social	Latin America	TRUE
Sanofi	FR0000120578	France	Amber (●)	Governance	Several	TRUE
Teva Pharmaceutical Industries Ltd.	IL0006290147	Israel	Amber (●)	Governance	Multiple	TRUE
Twenty-First Century Fox, Inc.	US90130A1016	United States	Amber (●)	Social	North America	TRUE
Alpha Natural Resources, Inc.	US02076X1028	United States	Amber (●)	Environment	Asia	FALSE
Bilfinger SE	DE0005909006	Germany	Amber (●)	Governance	Several	FALSE
CITIC Ltd.	HK0267001375	Hong Kong	Amber (●)	Social	Latin America	FALSE
DMCI Holdings, Inc.	PHY2088F1004	Philippines	Amber (●)	Social	Asia	FALSE
Hyundai Motor Co.	KR7005380001	South Korea	Amber (●)	Overlapping: S&G	Asia	FALSE
INSYS Therapeutics, Inc.	US45824V2097	United States	Amber (●)	Governance	North America	FALSE
KBC Group SA/NV	BE0003565737	Belgium	Amber (●)	Social	Europe	FALSE
Keppel Corp. Ltd.	SG1U68934629	Singapore	Amber (●)	Governance	Latin America	FALSE
Korea Electric Power Corp.	KR7015760002	South Korea	Amber (●)	Environment	Africa	FALSE
Motherson Sumi Systems Ltd.	INE775A01035	India	Amber (●)	Social	Latin America	FALSE
NACCO Industries, Inc.	US6295791031	United States	Amber (●)	Environment	Asia	FALSE

National Express Group Plc	GB0006215205	United Kingdom	Amber (●)	Social	North America	FALSE
Petróleos de Venezuela SA (PDVSA)	USP7807HAT25	Venezuela	Red (●)	Overlapping	Latin America	FALSE
Samarco Mineração SA	US79586KAA97	Brazil	Red (●)	Environment	Latin America	FALSE
Semirara Mining Corp	PHY7628G1124	Philippines	Amber (●)	Social	Asia	FALSE
Sports Direct International plc	GB00B1QH8P22	United Kingdom	Amber (●)	Social	Europe	FALSE
Westmoreland Coal Co.	US9608781061	United States	Amber (●)	Environment	Asia	FALSE
Wynn Resorts Ltd.	US9831341071	United States	Amber (●)	Social	North America	FALSE

## REMINDERS AND ESCALATIONS TO BE CARRIED OUT IN Q4 2018

The following companies have failed to respond to engagement enquiries sent in Q3 2018. As such, they are subject to the reminder process set out above under *Chapter 1: Our Engagement Approach* and reminders will be sent to the relevant Investor Relations contacts.

ISSUER	ISIN	DOMICILE	NORM SIGNAL	ESG AREA	CONTROVERSY REGION
Alliance One	US0187723012	United States	Amber (●)	Social	Africa
America Movil SAB de CV	MXP001691213	Mexico	Amber (●)	Social	Latin America
Caixabank SA	ES0140609019	Spain	Amber (●)	Governance	Europe
China North Industries Group Corp. Ltd.	CND100000YW1	China	Amber (●)	Social	Asia
China South Industries Group Co. Ltd.	CND100004Y24	China	Amber (●)	Social	Asia
Ecopetrol SA	COC04PA00016	Colombia	Amber (●)	Environment	Latin America
Empresas Públicas de Medellín ESP	USP9379RAB35		Amber (●)	Social	Latin America
Industrial and Commercial Bank of China Ltd.	CNE1000003G1	China	Amber (●)	Overlapping: Governance, Social and Environment	Asia / Europe
Jindal Steel & Power Ltd.	INE749A01030	India	Amber (●)	Social	Asia / Africa
NHPC, Ltd.	INE848E01016	India	Amber (●)	Social	Asia
SBM Offshore NV	NL0000360618	Netherlands	Amber (●)	Governance	Africa, Asia, Latin America
The Blackstone Group LP	US09253U1088	United States	Amber (●)	Social	North America

Universal Corp.	US9134561094	United States	Amber (●)	Social	Africa
Volcan Compania Minera S.A.A.	PEP648014202	Peru	Amber (●)	Environment	Latin America
Whirlpool Corp.	US9633201069	United States	Amber (●)	Social	North America
WTK Holdings Bhd.	MYL424300001	Malaysia	Amber (●)	Overlapping: Environmental and Social	Asia
Zhejiang Huayou Cobalt Co., Ltd.	CNE100001VW3	China	Amber (●)	Social	Asia

The following companies have failed to respond to engagement enquiries in or prior to Q2 2018 and subsequent reminders. As such, they are subject to the process set out above under *Chapter 1: Our Engagement Approach*, for eliciting responses from unresponsive companies and will be escalated to the relevant Chief Executive Officers (CEOs).

ISSUER	ISIN	DOMICILE	OVERALL SIGNAL	ESG AREA	REGION	ESCALATION LEVEL
DMCI Holdings, Inc.	PHY2088F1004	Philippines	Amber (●)	Social	Asia	CEO
Hyundai Motor Co.	KR7005380001	South Korea	Amber (●)	Overlapping: S&G	Asia	CEO
KBC Group SA/NV	BE0003565737	Belgium	Amber (●)	Social	Europe	CEO
Keppel Corp. Ltd.	SG1U68934629	Singapore	Amber (●)	Governance	Latin America	CEO
Korea Electric Power Corp.	KR7015760002	South Korea	Amber (●)	Environment	Africa	CEO
NACCO Industries, Inc.	US6295791031	United States	Amber (●)	Environment	Asia	CEO
Samarco Mineração SA	US79586KAA97	Brazil	Red (●)	Environment	Latin America	CEO
Semirara Mining Corp	PHY7628G1124	Philippines	Amber (●)	Social	Asia	CEO
Westmoreland Coal Co.	US9608781061	United States	Amber (●)	Environment	Asia	CEO
Wynn Resorts Ltd.	US9831341071	United States	Amber (●)	Social	North America	CEO

The following companies have failed to respond to engagement enquiries made prior to Q2 2018 and subsequent reminders that were carried out. As such, they are subject to the process set out above under *Chapter 1: Our Engagement Approach*, for eliciting responses from unresponsive companies and will be escalated to the relevant board.

ISSUER	ISIN	DOMICILE	OVERALL SIGNAL	ESG AREA	REGION	ESCALATION LEVEL
Alpha Natural Resources, Inc.	US02076X1028	United States	Amber (●)	Environment	Asia	Board
Bilfinger SE	DE0005909006	Germany	Amber (●)	Governance	Several	Board
CITIC Ltd.	HK0267001375	Hong Kong	Amber (●)	Social	Latin America	Board

INSYS Therapeutics, Inc.	US45824V2097	United States	Amber (●)	Governance	North America	Board
Motherson Sumi Systems Ltd.	INE775A01035	India	Amber (●)	Social	Latin America	Board
Murray Energy Corp.	US62704PAF09	United States	Amber (●)	Environment	Asia	Board
National Express Group Plc	GB0006215205	United Kingdom	Amber (●)	Social	North America	Board
Sports Direct International plc	GB00B1QH8P22	United Kingdom	Amber (●)	Social	Europe	Board

## APPENDIX: Responsiveness to engagement letters sent in Q3 2018

### Companies involved in verified failures to respect international norms and guidelines (red-flagged)

Company	Norm Area	Location	Response	Openness to dialogue
Nutrien Ltd	Human Rights	Western Sahara	Response received on August 27, 2018	Open
Royal Dutch Shell Plc	Overlapping: Environment; Labour Rights	Multiple: Nigeria/Brazil	Meeting held on September 25, 2018	Open

### Companies involved in alleged failures to respect international norms and guidelines (amber-flagged)

Company	Norm Area	Location	Response	Openness to dialogue
Anglo American Platinum Ltd.	Human Rights	South Africa	Response received on September 24, 2018; Follow-up response received on October 15, 2018.	Open
Anglo American Plc	Overlapping: Environment; Human rights	Brazil, South Africa	Response received on September 24, 2018; Follow-up response received on October 15, 2018.	Open
CoreCivic, Inc.	Human Rights	United States	Acknowledgement received on August 24, 2018; Response received on September 26, 2018	Open
Deutsche Post AG	Labour Rights	Colombia, Turkey	Response received on September 21, 2018	Open
First Pacific Co. Ltd.	Labour Rights	Indonesia	Acknowledgement received on September 04, 2018; Response received on September 21, 2018	Open
Glencore	Overlapping: Environment; Human rights; Labour Rights	Peru, Switzerland, United Kingdom	Response received on August 29, 2018	Open
Indofood Agri Resources Ltd.	Labour Rights	Indonesia	Response received on September 07, 2018	Open
National Australia Bank Ltd.	Corruption	Australia	Response received on September 06, 2018	Open
NIKE, Inc.	Human Rights	Netherlands	Response received on September 07, 2018	Open
Nordea Bank AB	Corruption	Denmark	Acknowledgement received on September	Open

			07, 2018; Response received on September 20, 2018	
Norsk Hydro ASA	Environment	Brazil	Response received on September 25, 2018	Open
Petroleos Del Peru Petroperu SA	Environment	Peru	Acknowledgement received on August 24, 2018; Response received on September 25, 2018	Open
Petróleos Mexicanos SA	Overlapping: Environment; Labour Rights	Mexico	Response received on September 21, 2018; Follow-up response received on September 24, 2018	Open

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