

GLOBAL ENGAGEMENT REPORT

31 December 2018



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SUMMARY



Colm O'Neill
Chief Investment Officer

Dear Clients,

I am pleased to present the latest Global Engagement Report from Irish Life Investment Managers (ILIM), which forms part of our environmental, social and governance (ESG) programme. The report covers the period from 30 June 2018 to 31 December 2018, and provides an overview of the engagement activity we have undertaken on behalf of our clients during the period.

Since becoming a signatory in 2010, we have been committed to the United Nations Principles for Responsible Investment (UNPRI) and have adopted an ESG policy for the portfolios we manage for our clients.

We recognise and adhere to the principle of active ownership, which involves investors using their formal rights (e.g. voting entitlements) and informal influence (e.g. shareholding weight) to encourage and influence companies to make changes that are in the longer-term interest of clients. In this regard, we actively vote and engage with the companies in which we invest. Our ESG policy governs these activities and is available publicly on our website (www.ilim.com).

Our ongoing partnership with Vigeo Eiris, industry leaders in ESG research and engagement, has supported our engagement activity and enabled us to engage in a meaningful way with the companies in which we invest.

We believe in constructive engagement, and our approach is considered and pragmatic. I am pleased to confirm that as at December 2018, the programme has achieved:

- 128 total engagements with 116 different companies across six different themes
- a 56% response rate (up from 47% in 2017), and;
- a 33% completion rate (up from 26% in 2017) for successful completions to our engagement activity

After three years, our Engagement Programme is seeing success across a number of themes. Consequently, with fewer companies now in active engagement, and those that are being long-term cases which see an escalation in our engagement activity, we will expand our focus to new engagements over the course of 2019.

Yours faithfully,

Colm O'Neill

EXECUTIVE SUMMARY

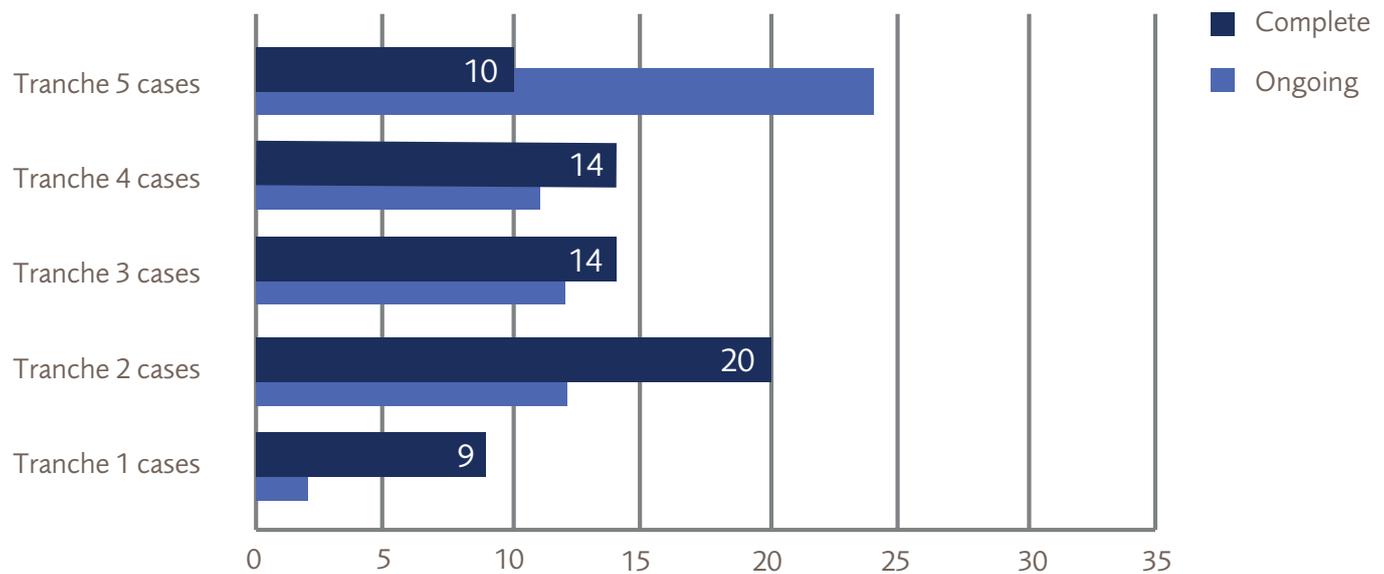
At year-end December 2018, Irish Life Investment Managers' (ILIM) engagement programme had contacted a total of 116 companies across six different themes. A number of these companies were asked to respond on more than one issue and when these multiple engagements are considered the service has engaged on 128 separate issues. This compares with 94 issues at the end of 2017.

Engagements have been launched in five separate tranches, with the latest (tranche 5) sent to companies in November 2017. In total, 66 (54 2017) engagements have been concluded, broken down by tranche as follows:



Since our engagement programme began, 72 engagement cases have elicited at least one response, giving a response rate of 56% (compared with a response of 47% in 2017). Forty-two engagements, or 33%, were successfully completed after at least one response was received.

Number of ongoing cases by tranche



Source: Vigeo Eiris and ILIM

During 2018, 73 engagements were undertaken, with a total of 129 letters being sent. These engagements were split between the environmental (28), social (20) and governance (25) pillars. (PRI indicators LEA 12.1 and 12.2). The following tables provide statistics outlining the engagement process to date in all engagement themes. Table one is a summary of performance since engagement began, while table two focuses on performance throughout 2018.

Overall summary table

Theme:	Total number of engagements to date	Number of comprehensive engagements	Number of engagements ILIM involved in	Total number of companies responding	Number of improvements/commitment to improve after engagement	Engagement completed with no response received from the company	Engagement ended without meeting objectives	Ongoing cases
PRI Indicator	LEA 11.1	LEA 11.2	LEA 11.4		LEA 13.2*			
Bribery	24	1	1	15	8	5	0	11
Climate change	31	1	0	16	11	3	0	17
ESG risk management	17	1	1	6	5	5	0	7
Human rights	20	1	1	16	8	3	0	9
Supply chain labour standards	21	2	1	13	6	5	1**	9
Water	15	1	1	6	4	2	0	9
Total	128	7	5	72	42	23	1	62

2019 summary table

Theme:	Total number of engagements during 2018	Number of companies responding during 2018	Number of improvements/commitment to improve after engagement during 2018	Engagement completed with no response received from the company during 2018	Engagement ended without meeting objectives
PRI Indicator	LEA 11.1		LEA 13.2*		
Bribery	15	4	1	0	0
Climate change	18	3	1	2	0
ESG risk management	10	1	1	1	0
Human Rights	10	3	0	1	0
Supply chain labour standards	10	5	1	1	1
Water	10	2	2	1	0
Total	73	18	6	6	1

Source: Vigeo Eiris and ILIM

* Improvement after engagement measured as objectives being met after at least one response being received (LEA 13.1)

** During 2018 TDC was delisted and thus the engagement was ended without meeting objectives

01

REVIEW OF ENGAGEMENT OBJECTIVES

KEY SUSTAINABILITY AND ESG RISKS

Our engagement programme focuses on six ESG themes, two from each of the environmental, social and governance pillars. The aim for each engagement is to identify and approach high-risk companies across ILIM's portfolio and work with them to improve their overall performance in the six areas.

Emphasis is placed on identifying those companies within a client's portfolio that are considered to be 'laggards' when compared with their peers, with the ultimate aim of bringing their performance, as a minimum, in line with their competitors.



The success of any engagement is dependent upon having clear and consistent engagement objectives that are challenging for a company to meet, but also provide demonstrable goals to measure individual performance and monitor wider trends.

To develop these objectives, Vigeo Eiris undertakes baseline assessments for each company in the theme selected. These are based upon our long established and rigorous methodology, and involve assessing the level of risk that a company is exposed to in any one area, then analysing how the company mitigates these risks. This is done via an examination of a variety of indicators across three key areas:

- 1) the extent of a company's policy;
- 2) the strength of the management systems put in place to enforce this policy;
- 3) the level of public reporting on corporate performance.

Depending on which indicators are met, a company is assigned one of five grade levels indicating the overall strength of its policies, systems and reporting.

Table – Guide to ‘overall’ performance grades

Grade	Description
NO EVIDENCE	A review of publicly available company literature has revealed no evidence of any policy, management system or reporting mechanism in place to address the relevant issues
LIMITED	There is limited evidence that the company has started to incorporate policies, management systems and public reporting within its operations.
INTERMEDIATE	There is evidence of a concerted company effort to incorporate relevant policies, management systems and public reporting within its operations. In general, the company can be considered to be acting in line with its sector peers.
GOOD	The extent of the company's policies, management systems and public reporting is considered to be above average when compared against its peers.
ADVANCED	This category is intended to identify leading practice companies that may be gaining a competitive advantage (with stakeholders or society in general) through comprehensive policies, management systems and public reporting.

Source: Vigeo Eiris and ILIM

If a company is exposed to a high level of risk and has demonstrated no evidence or only limited evidence of incorporating policies, management systems and reporting, then it may be identified as a 'laggard' with regards to its sector peers and recommended for engagement.

In this way, Vigeo Eiris can extract a variety of engagement objectives across the whole range of the company's management techniques. For those companies that already meet several suggested indicators, these objectives can be quite simple and may only revolve around a single issue from one of policies, systems or reporting. However, for companies that perform poorly across all three areas, Vigeo Eiris can tailor the objectives to best suit each individual company.

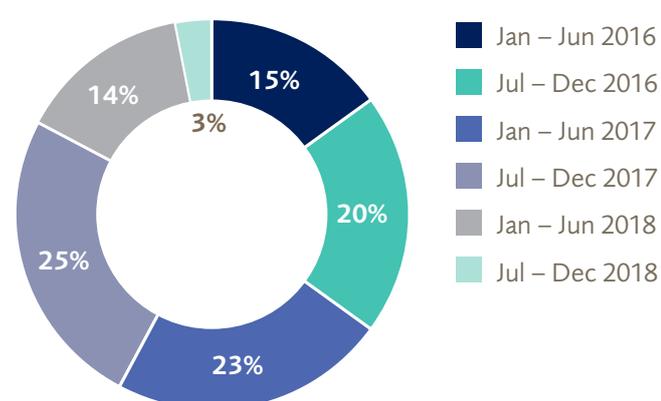
The objective for each company is to improve its performance across all three areas sufficiently to achieve an overall assessment of 'intermediate' or above. In simple terms, this can be achieved by scoring grades of 'intermediate' or above in at least two areas with the remaining area achieving a grade of at least 'limited'. A full breakdown of grading methodology can be viewed in the briefing documents provided at the beginning of the engagement process.

1.1 TIMESCALE ANALYSIS

Our engagement programme has now been active for three years. The chart below is a depiction of when engagements were concluded. Unsurprisingly, when the number of active engagement cases were at their peak, during 2016–2017, we see the highest number of completions; however, that figure tapers off quite significantly, especially toward the second half of 2018.

This can be partially explained by the smaller number of engagements active during 2018. We might also consider that for a number of these engagement cases (companies that ILIM have been engaging with for two years or more), this could represent a general unwillingness to engage and/or enact meaningful change.

Number of completions



Source: Vigeo Eiris and ILIM

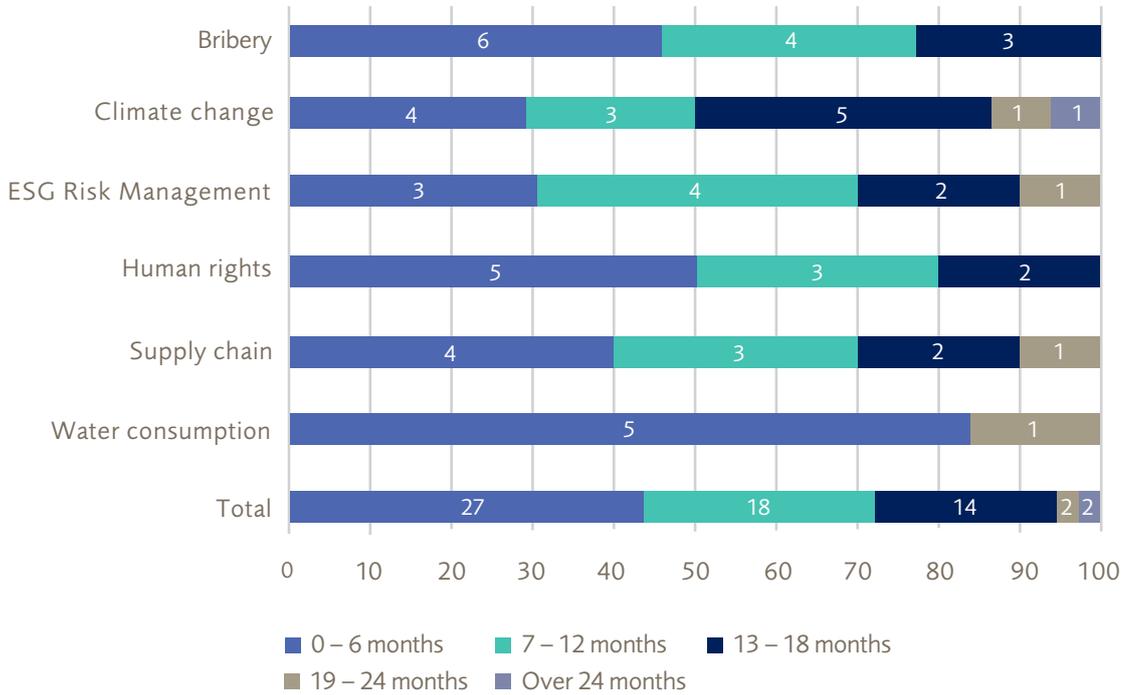
Since engagement began, 68 cases have been concluded, either through a direct response from a company, a research update or being removed from ILIM's portfolio, which represents an overall completion rate of 53%. Twelve of these cases were completed during 2018.

In looking at completed cases where at least one response has been received, we can get a better idea of how many companies are actively engaging with ILIM and enacting change as a result. In total, 42 engagements have been completed in this manner, with eight being concluded during 2018. The overall response rate currently sits at 56%, with 18 companies responding to a communication during 2018.

The chart overleaf indicates the time taken for engagements to be completed both in overall terms and broken down by theme. The launch date for each tranche was as follows:

- Tranche 1 – 22 December 2015
- Tranche 2 – 22 March 2016
- Tranche 3 – 20 May 2016
- Tranche 4 – 21 October 2016
- Tranche 5 – 01 November 2017

Engagement lifecycle by theme



Source: Vigeo Eiris and ILIM

Please note: three companies have not been included in the above chart due to being delisted or otherwise removed from portfolios, rather than meeting their engagement objectives.

Of the companies that have completed their engagement objectives, most continue to do so in the first six months of the engagement process, with 7–12 months being the next most prevalent time range. During 2018, we continued to see engagements reach a successful completion, however, once passing a two-year mark, these engagements are often far more difficult, albeit not impossible, to conclude.

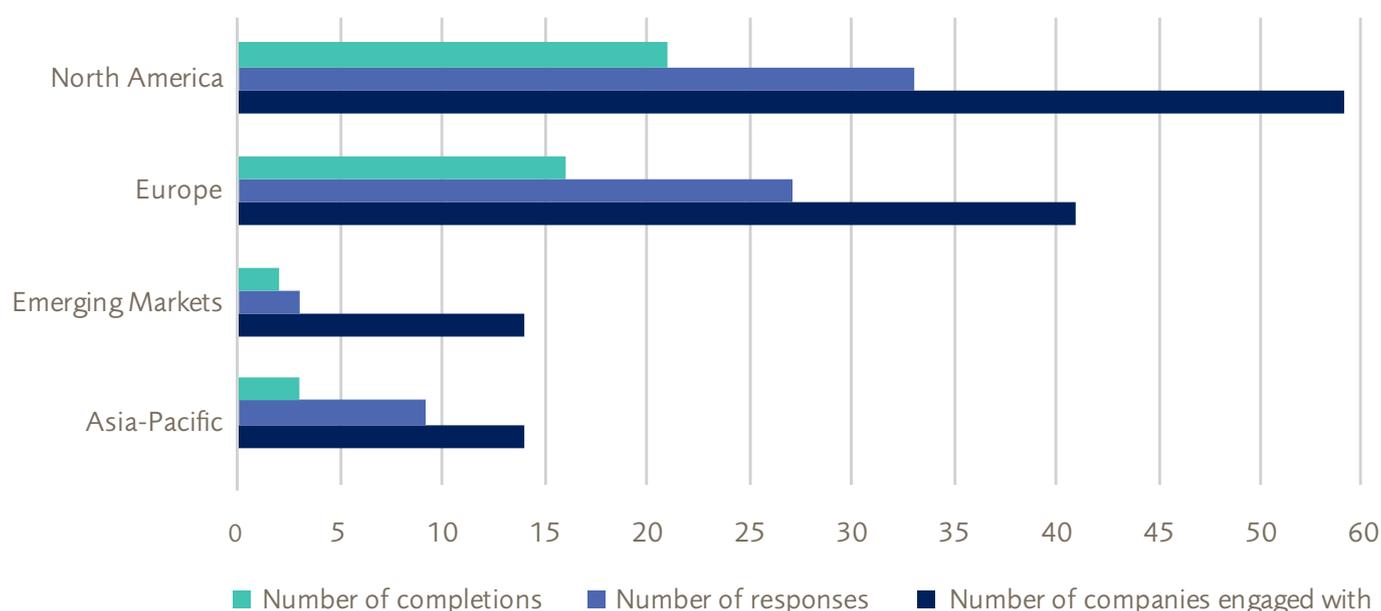
1.2 REGIONAL ANALYSIS

Response rates from most regions hover around the 50–60% mark, with Asia Pacific being 65%, Europe 66%, and North America 56%. Companies based in emerging markets continue to lag, with only 23% responding to an engagement request, albeit on a smaller subset of companies (13 in total).

Europe has maintained the highest number of successful completions, with 39% of companies in this area having met their objectives after at least one response was received. North American companies saw an increase from 25% to 36% during 2018, with the Asia Pacific region also seeing an improvement from 14% to 21%. Emerging markets remain relatively stable at 14%.

The following chart outlines the number of companies that have been contacted, the responses that we have received, and the number of completions broken down by regions of company incorporation.

Number of completed engagements and companies responding on at least one occasion



N.B. previously Asia and Asia Pacific were separated. They have now been merged into Asia Pacific.

Source: Vigeo Eiris and ILIM

Responses were received from companies based in Australia, Austria (2018), Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Japan, Malaysia, Russia, Spain (2018), Sweden, Switzerland, the UK and the USA. Successfully completed engagements came from Belgium (2018), Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong (2018), Japan, Malaysia, Spain (2018), Switzerland, the UK and the USA.

02

RESULTS BY MATERIAL ESG RISK

This section will aim to break down performance per engagement theme. This will include a summary of results, case studies and recommended next steps. A summary chart has been provided for each theme to allow for easy recognition of the progress made in each engagement. This chart has been colour coded as follows:



- We can see that in some cases, companies are yet to respond to numerous engagement requests. There are several options open to ILIM to advance these stalled engagements, including but not limited to: escalation to board members, CEOs and/or company chairs, meetings with the company or engaging in a collective or joint engagement with other like-minded investors.

The chart overleaf outlines the number of ongoing engagements per theme, alongside the number of complete cases.

Completed and ongoing engagements by theme



Source: Vigeo Eiris and ILIM

Bribery and climate change continue to see a relatively high number of completions, while supply chain labour standards, traditionally a theme with lower rates of completion, is now in line with these two themes. ESG risk management and human rights are not far behind in terms of completion rates and, in fact, ESG risk management has

completed roughly the same proportion of engagements as the supply chain labour standards theme. Water consumption continues to be the one key area to lag.

The following section provides an overview for the engagements undertaken as well as recommended next steps.

BRIBERY & CORRUPTION

RESULTS

There are currently 11 active bribery and corruption engagements, with two having been completed during 2018.

The table below outlines the launch date of engagement for each company, as well as how many letters have been sent, the number of responses received and the recommended next steps.

Table – Engagement summary

Company	Country	Tranche	Engagement actions taken	Number of responses received	Next steps
AbbVie	USA	5	3 letters sent	2 letters received, 1 call undertaken & various emails exchanged	Engagement to continue
Acerinox	Spain	5	3 letters sent	1 letter received	Complete after response from company
AdvanSix	USA	5	3 letters sent	2 letters received	Engagement to continue
Bausch health Companies (formerly Agilent Technologies)	USA	3	7 letters sent	1 letter received	Engagement to continue
Agrium	Canada	3	2 letters sent	1 response received	Complete after response from company
America Movil	Mexico	2	5 letters sent	0	Complete – due to research update
Ashland	USA	4	2 letters sent	0	Complete – due to research update
Brenntag	Germany	3	2 letters sent	0	Complete – due to research update
Brookfield Asset Management	Canada	2	3 letters sent	2 letters received	Complete – due to research update
Caterpillar	USA	1	6 letters sent	2 letters received	Engagement to continue
Chevron	USA	1	8 letters sent	1 letter, 1 conference call	Complete after response from company
Chubu Electric Power	Japan	4	3 letters sent	1 letter received	Engagement to continue
CK Hutchison Holdings	Hong Kong	2	7 letters sent	2 letters received	Engagement to continue
Emerson Electric	USA	2	4 letters sent	1 letter received	Complete – due to research update
Fletcher Building	New Zealand	5	3 letters sent	0	Engagement escalated
Galaxy Entertainment Group	Hong Kong	4	4 letters sent	1 letter received	Engagement to continue
Grifols	Spain	3	6 letters sent	0	Complete – due to research update
Hexagon	Sweden	4	6 letters sent	0	Engagement escalated
Hoya	Japan	3	8 letters sent	0	Engagement escalated
Kone	Finland	2	2 letters sent	1 letter received	Complete – due to company response
Maruichi Steel Tube	Japan	5	3 letters sent	0	Engagement escalated
NetApp	USA	4	3 letters sent	1 letter received	Complete – due to company response
Swisscom	Switzerland	3	3 letters sent	1 letter received	Complete – due to company response
Zodiac Aerospace	France	4	4 letters sent	1 letter received	Complete – due to company response

Source: Vigeo Eiris and ILIM

Case Study (PRI – LEA 14.1)

Acerinox (Spain) and its overall approach to managing bribery and corruption

Engagement with Acerinox began in October 2017. We asked the company to provide additional details concerning its management of risks arising from bribery and corruption. Specifically, the company was asked to demonstrate how it communicates its anti-bribery policies to its employees and how it trains its employees on this matter.

A total of three letters were sent to the company, all addressed to the company's Investor Relations department. No response

was received to the first letter, sent in October 2017, and as a result a reminder was sent in April 2018. Following this reminder, a reply was received confirming that the anti-bribery policy is communicated to all employees and providing evidence that all employees receive training on this policy.

This engagement lasted for only six months and was concluded satisfactorily for all parties.

CLIMATE CHANGE

RESULTS

There are currently 16 active climate change engagements, with three engagements having been concluded during 2018.

The table below outlines the launch date of each engagement, how many letters have been sent, the number of responses received and the recommended next steps.

Table – Engagement summary

Company	Country	Tranche	Engagement actions taken	Number of responses received	Next steps
AFK Sistema	Russia	4	6 letters sent	1 letter received	Engagement to continue
Alfa	Mexico	4	6 letters sent	0	Engagement escalated
Aluminium Corp of China	China	4	3 letters sent	0	Complete – due to research update
Archer Daniels Midland	USA	1	5 letters sent	0	Complete – due to research update
Astra International	Indonesia	4	3 letters sent	0	Complete – due to research update
Bolloré	France	5	3 letters sent	0	Engagement escalated
BRF	Brazil	3	2 letter sent	1	Complete – due to company response
C H Robinson Worldwide	USA	3	4 letters sent	1 letter received	Engagement to be continue
Chocoladefabriken Lindt & Sprüngli	Switzerland	2	2 letters sent	2 letters received	Complete – due to company response
Companhia Siderurgica Nacional	Brazil	5	2 letters sent	0	Engagement escalated
D R Horton	USA	4	6 letters sent	0	Engagement escalated
Edison International	USA	2	2 letters sent	1 letter received	Complete – due to company response
EOG Resources	USA	1	3 letters sent	1 letter received	Complete – due to company response
Fuchs Petrolub	Germany	5	4 letters sent	2 letters received	Reminder to be sent
Heidelberg Cement	Germany	2	2 letters sent	1 letter received	Complete – due to company response
Hochschild Mining	UK	5	3 letters sent	0	Engagement escalated
Ibstock	UK	5	3 letters sent	1 letter received	Engagement to continue
Lennar	USA	4	6 letters sent	0	Engagement escalated
Murphy Oil	USA	3	8 letters sent	0	Engagement escalated
Nostrum Oil & Gas	UK	5	3 letters sent	0	Engagement escalated
Nucor	USA	3	8 letters sent	0	Engagement escalated
Paccar	USA	2	4 letters sent	1 letter received	Complete – due to company response
Pioneer Natural Resourced	USA	2	6 letters sent	1 letter received	Engagement to be continue
PPL Corporation	USA	2	6 letters sent	0	Engagement escalated
Republic Services	USA	3	3 letters sent	1	Complete – due to company response

Source: Vigeo Eiris and ILIM

Company	Country	Tranche	Engagement actions taken	Number of responses received	Next steps
Saputo	Canada	4	1 letter sent	1 letter received	Complete – due to company response
Sumitomo Metal Mining	Japan	4	2 letters sent	1 letter received	Complete – due to company response
Tesla	USA	5	3 letters sent	0	Engagement escalated
Tyson Foods	USA	3	4 letters sent	1 letter received	Complete after response from company
Vulcan Materials	USA	4	5 letters sent	2 letters received	Complete – due to company response
Williams Companies	USA	2	8 letters sent	2 letters received	Engagement to continue

Source: Vigeo Eiris and ILIM

Case Study (PRI – LEA 14.1)

Republic Services (USA) and their management of Climate Change

Engagement with Republic Services began in May 2016, encouraging the company to improve their management of, and reporting on, climate change. Specifically, the company was asked to clarify who holds senior responsibility for climate change and disclose at least three years of greenhouse gas (GHG) emissions data.

An initial letter was sent in May 2016, followed by a reminder in August 2016 after no response was received. In September of 2016, the company wrote to confirm that the Executive Vice President & Chief Development Officer has responsibility for Republic's sustainability programmes. This includes initiatives related to the mitigation or impacts of climate change. In addition, the company made available its GRI report which disclosed two years' worth of emissions data and committed to continue publishing in the future.

Following this disclosure, the company was marked for review during 2017 and, once Vigeo Eiris was able to confirm that it had published its third year of emissions data, engagement was brought to a successful conclusion.

In total, engagement with Republic Services lasted for a little over two years. However, a significant proportion of this time was spent waiting for a third year's GHG data to be provided. That is a process that obviously cannot be rushed and the company itself should be considered an 'active' engagement participant despite the length of engagement.

ESG RISK MANAGEMENT

RESULTS

There are currently seven active ESG risk management engagements, with one case having been concluded during 2018.

The table below outlines the launch date of engagement with each company, how many letters have been sent, the number of responses received and the recommended next steps.

Table – Engagement summary

Company	Country	Tranche	Engagement actions taken	Number of responses received	Next steps
Actelion	Switzerland	2	4 letters sent	0	Complete – due to research update
America Movil	Mexico	2	4 letters sent	0	Complete – due to research update
Andritz	Austria	5	3 letters sent	1 letter received	Engagement to continue
Autozone	USA	1	3 letters sent	0	Complete – due to research update
CK Hutchison Holdings	Hong Kong	2	7 letters sent	1 letter received	Complete – due to research update
Dufry	USA	4	2 letters sent	0	Complete – due to research update
Genuine Parts	USA	2	8 letters sent	0	Engagement escalated
Intuitive Surgical	USA	5	3 letters sent	0	Engagement escalated
Korea Aerospace Industries	South Korea	5	3 letters sent	0	Engagement escalated
L Brands	USA	2	5 letters sent	2	Complete – due to response from company
Linear Technology	USA	3	2 letters sent	1 letter received	Complete – due to response from company
Luxottica	Italy	2	4 letters sent	0	Complete – due to research update
Nordstrom	USA	3	2 letters sent	1 letter received	Complete after response from company
Samsung SDS	South Korea	5	3 letters sent	0	Engagement escalated
Targa Resources	USA	5	3 letters sent	0	Engagement escalated
Tourmaline Oil	Canada	5	3 letters sent	0	Engagement escalated
Walgreen Boots Alliance	USA	1	4 letters sent	1 letter received	Complete after response from company

Source: Vigeo Eiris and ILIM

OVERALL HUMAN RIGHTS

RESULTS

There are currently nine active human rights engagements, with two cases having been completed during 2018.

The table below outlines the launch date of engagement for each company, how many letters have been sent, the number of responses received and the recommended next steps.

Table – Engagement summary

Company	Country	Tranche	Engagement actions taken	Number of responses received	Next steps
AFK Sistema	Russia	4	6 letters sent	1	Engagement to continue
A.P. Moller-Maersk	Denmark	2	1 letter sent	0	Complete – due to response to other client
Anadarko Petroleum	USA	2	5 letters sent	2 letters received	Engagement to continue
Anglo American Platinum	South Africa	4	3 letters sent	0	Complete – due to removal from client portfolio
Chevron	USA	1	4 letters sent	1 letter and 1 conference call	Complete – due to response from company
Danaher	USA	5	3 letters sent	0	Engagement escalated
E.ON	Germany	2	3 letters sent	2 letters received	Complete – due to research update
Engie	France	2	6 letters sent	1 letter sent	Complete – due to response from company
Glencore	UK	1	2 letters sent	1 letter received	Complete – due to response from company
Halliburton	USA	2	7 letters sent	1 letter sent	Engagement to continue
Kingfisher	UK	5	2 letters sent	2 letters received	Complete – due to response from company
Marathon Oil	USA	2	5 letters sent	2 letters received	Engagement to continue
Mattel	USA	5	2 letters sent	1 letter received	Engagement to continue
Michelin	France	5	1 letter sent	0	Complete – due to research update
Next	UK	5	2 letters sent	1 letter received	Complete – due to response from company
Oil Search	Australia	3	4 letters sent	1 letter received	Engagement to continue
Procter & Gamble	USA	5	4 letters sent	2 letters received	Complete – due to response from company
Randgold Resources	UK	2	5 letters sent	1 letter received	Engagement to continue
Transocean	Switzerland	3	5 letters sent	1 letter received	Engagement to continue
Tullow Oil	UK	3	3 letters sent	0	Complete – due to research update

Source: Vigeo Eiris and ILIM

Case Study (PRI – LEA 14.1)

Procter & Gamble's (USA) Management of Human Rights

Procter and Gamble were first contacted in November 2017 during the launch of tranche 5 companies. We asked the company to clarify if the systems it used to manage the risk of human rights abuses included: monitoring and implementation of their human rights policy; consultation with named, independent stakeholders in countries of concern; and integration of human rights into their risk-assessment procedures.

In total, four letters were sent to the company between November 2017 and December 2018, when the engagement was brought to a conclusion. The company failed to respond to ILIM's initial engagement letter but, following a reminder in March 2018, responded to all future communications.

In September 2018, the company acknowledged that its policy lacked some points highlighted by ILIM, but stressed a willingness to work with stakeholders to improve their policy. They also stated that human rights issues are incorporated into their risk assessments 'by virtue'; however, their failure to provide any public documents supporting this statement meant that engagement continued.

In December 2018, the company responded to ILIM's follow-up letter to confirm, with supporting evidence, that it has integrated human rights into its risk-assessment procedures and annually reviews its policy and training procedures.

Following this feedback, engagement was brought to a successful conclusion, approximately one year after it began.

OVERALL SUPPLY CHAIN

RESULTS

There are currently nine active supply chain engagements. Two cases ended in 2018.

The table below outlines the launch date of engagement with each company, how many letters have been sent, the number of responses received and the recommended next steps.

Table – Engagement summary

Company	Country	Tranche	Engagement actions taken	Number of responses received	Next steps
Ajinomoto Company	Japan	3	5 letters sent	1 letter received	Engagement to continue
America Movil	Mexico	1	4 letters sent	0	Engagement escalated
Archer Daniels	USA	2	5 letters sent	0	Complete - due to research update
AT&T	USA	1	5 letters sent	0	Complete - due to research update
Axiata Group	Malaysia	4	2 letters sent	1 letter received	Complete – due to company response
Belle International Holdings	China	4	3 letters sent	0	Complete – removed from portfolio
Canadian Tire	Canada	4	2 letters sent	0	Complete – due to research update
Chocoladefabriken Lindt & Spruengli	Switzerland	2	2 letters sent	1 response received	Complete – due to company response
Costco	USA	2	5 letters sent	0	Complete – due to research update
Foot Locker	USA	5	3 letters sent	0	Engagement escalated
Kintetsu	Ireland	4	4 letters sent	1 letter received	Reminder to be sent
Kroger	USA	2	4 letters sent	3 letters and 1 conference call	Complete – due to company response
McDonald's	USA	2	8 letters sent	1 letter received	Joint engagement launched and escalated
Sharp Corporation	Japan	5	2 letters sent	1 letter received	Complete – due to company response
Sprint	USA	4	6 letters sent	0	Engagement escalated
Sports Direct International	UK	5	2 letters sent	1 letter received	Engagement to continue
Stanley Black & Decker	USA	3	3 letters sent	1 letter received	Complete – due to company response
TalkTalk Telecom Group	UK	5	3 letters sent	1 letter received	Engagement to continue
Target	USA	2	3 letters sent	2 responses received	Complete – due to research update
TDC	Denmark	3	4 letters sent	1 letter received	Delisted
Yamaha	Japan	5	3 letters sent	1 letter received	Engagement to continue

Source: Vigeo Eiris and ILIM

Case Study (PRI – LEA 14.1)

Kroger's (USA) Management of Supply Chain Labour Standards

Engagement with Kroger began in March 2016, and focused on encouraging the company to confirm that it recognises the right of employees to freedom of association and collective bargaining. We also asked for details of the systems that it has in place for conducting supplier audits and addressing incidents of non-compliance.

During the engagement process, ILIM and Kroger discussed the various issues via letters and emails as well as through conference calls conducted by Vigeo Eiris on ILIM's behalf.

Kroger's commitment to the engagement process was encouraging, with communications regularly exchanged. In the company's first few responses, between June and March of 2016, Vigeo Eiris were able to establish that Kroger had

a sufficiently advanced management system in place to demonstrate that it was monitoring potential supply-chain labour-standard risks appropriately. However, as is often the case with US companies, engagement continued around the issue of Freedom of Association and Collective Bargaining.

In an effort to break the impasse, a conference call was organised with the company in late 2016. During the call, the company indicated that a new policy was being drafted and would be presented, during 2017, to the Board for final sign-off. This policy was published in 2018 and therefore incorporated into Vigeo Eiris' database. At this point the engagement was able to be brought to a successful conclusion.

WATER

RESULTS

There are currently nine active water consumption engagements, with three having been concluded.

Two of the concluded cases were from tranche 3, while one was from tranche 5.

The table below outlines the launch date of engagement with each company, how many letters have been sent, the number of responses received and the recommended next steps.

Table – Engagement summary

Company	Country	Tranche	Engagement actions taken	Number of responses received	Next steps
Alfa	Mexico	4	6 letters sent	0	Engagement escalated
Autozone	USA	3	8 letters sent	0	Engagement escalated
Burberry	UK	4	2 letters sent	1 letter received and 1 conference call	Engagement to continue
Continental	Germany	3	2 letters sent	1 letter received	Complete – due to company response
Financiere Richemont	Switzerland	5	3 letters sent	0	Reminder to be sent
Kering	France	5	2 letters sent	1 letter received	Complete – due to company response
Grifols	Spain	3	8 letters sent	0	Engagement escalated
Mylan	USA	3	8 letters sent	0	Engagement escalated
NXP Semiconductors	Netherlands	5	1 letter sent	0	Complete – due to research update
PPL Corporation	USA	2	6 letters sent	0	Engagement escalated
Suncor Energy	Canada	5	3 letters sent	1 letter received	Complete – due to company response
Teva Pharmaceuticals	Israel	3	2 letters sent	0	Complete – due to research update
UCB	Belgium	5	2 letters sent	2 letters received	Complete – due to company response
Valeant Pharmaceuticals	Canada	3	7 letters sent	0	Engagement escalated
Walgreen Boots Alliance	USA	1	7 letters sent	1 letter received	Engagement escalated

Source: Vigeo Eiris and ILIM

Case Study (PRI – LEA 14.1)

UCB's (Belgium) Management of Water Consumption

Engagement with UCB began in November 2017, when we asked the company to confirm who in the business holds senior responsibility for overseeing water consumption.

The company responded on two separate occasions with no reminder letters required, and proved to be very open to engagement with ILIM. Their first response, received in December 2017, reiterated the company's position as outlined on its website. As this information had already been considered

by Vigeo Eiris, a follow-up letter was sent clarifying exactly what was required – namely a senior, named individual with responsibility specifically for water consumption.

The company's next response confirmed that the Head of HS&E (and the HS&E team) was the dedicated person in charge of water management and reported to the Head of Ecological Footprint. This was deemed to be enough evidence of senior responsibility and the engagement was brought to a successful conclusion, four months after it began.

03

CONCLUSION AND RECOMMENDED NEXT STEPS

After three years, our engagement programme is seeing success across a number of themes, and we find strategies that appear to be working in multiple regions. However, with fewer companies now in active

engagement, and those that are being long-term cases, we will commence expanding our focus to new engagements over the course of 2019.

ABOUT US

Drawing on three decades' experience of engaging with companies, EIRIS Global Engagement Service uses our research of approximately 3,200 companies, including emerging markets, to help you prioritise engagement across your global portfolio. EIRIS Global Engagement Service focuses on the most material sustainability issues for companies according to their sector and region.

On December 15th 2015, Vigeo's Assembly of Shareholders endorsed the merger of Vigeo and EIRIS, two established environmental, social and governance (ESG) research agencies from France and the United Kingdom. The transaction was completed on December 22nd. Vigeo was founded in 2002 by Nicole Notat and EIRIS was created 32 years ago. Vigeo proceeded to raise new capital to fund the EIRIS acquisition and to ensure that the new entity has the funds necessary for Vigeo Eiris' future.

Vigeo Eiris offers two types of services through two business units: Vigeo Eiris rating and Vigeo Eiris enterprise.

Vigeo and EIRIS services and methodologies adhere to the strictest quality standards and have been certified to the independent ARISTA® standard, the leading quality standard for research in responsible investment.

Vigeo Eiris is present:

Offices: Paris – London – Boston – Brussels – Casablanca – Milan – Montreal – Santiago

Partners: Canberra – Hanover – Jerusalem - Madrid – Mexico City - Rio de Janeiro - Seoul – Tokyo - Zaragoza

For more information, please visit: <http://www.vigeo-eiris.com/>

Disclaimer

The information presented in this report should be seen only as providing information in relation to some of the many considerations that should be taken into account in the investment process. If a prospective investor wishes to apply environmental, social governance or ethical criteria to their choice of investment this should not be, wholly or partly, to the exclusion of a full consideration of their investment needs and of all relevant financial and other non-financial factors. None of the information contained within this report should be taken as an endorsement or recommendation of any particular company or individual. Whilst based on information believed to be reliable, no guarantee can be given that it is accurate or complete.

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