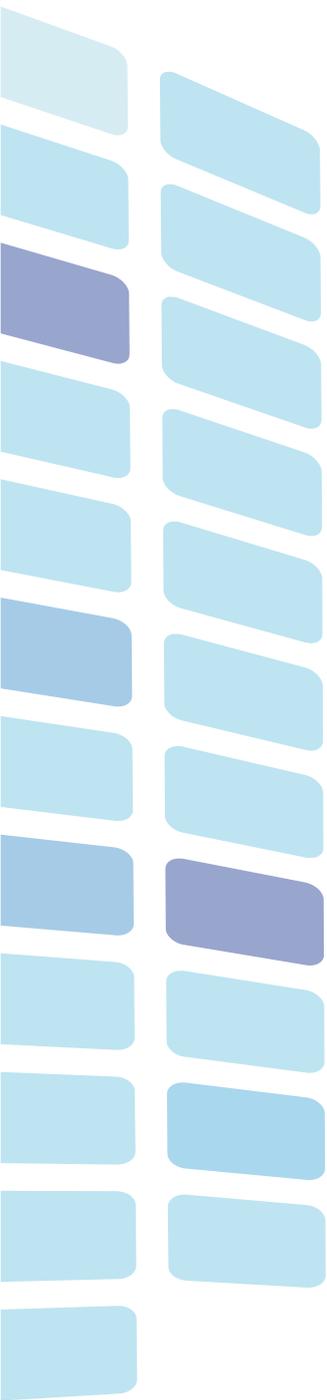


Nordic Engagement Cooperation

Annual Engagement Report, 2013



A collaborative engagement network between

Folksam

 **ILMARINEN**

ALP

ABOUT NORDIC ENGAGEMENT COOPERATION

Launched in 2009, the Nordic Engagement Cooperation (NEC) consists of three Nordic institutional investors: Folksam from Sweden, Ilmarinen from Finland and KLP from Norway. We have made the strategic decision to coordinate some of our engagement activities with companies on environmental, social and governance issues. It is important to stress that even though we have collaboration, each party is responsible for their own investment decision. Together we manage assets to a value of approximately EUR 110 billion as of end of 2013.

OUR APPROACH

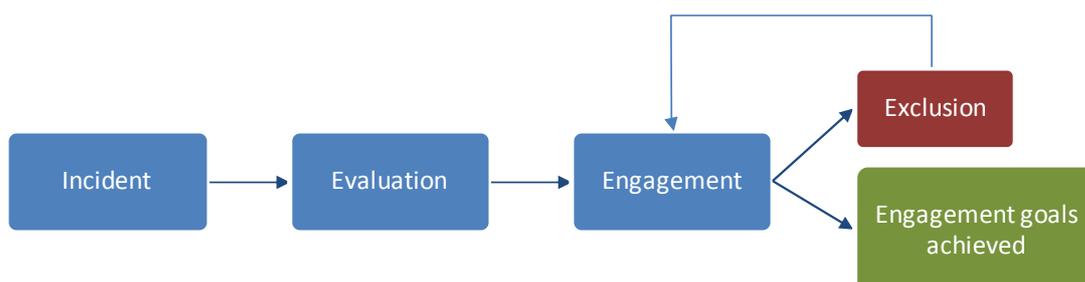
The common denominator for NEC is a belief in dialogue as the most efficient tool to achieve change. However, other tools are also available if the engagement goals are not achieved. We engage with companies in collaboration with our service provider GES. The engagement process is based on the findings from the analysis model GES Global Ethical Standard - 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
- Weapons-related conventions

GES Global Ethical Standard assumes that companies are obliged to comply with international norms, even though they only are binding for the ratifying countries.

NEC will start engagement with companies that are, or have been, involved in systematic incidents or an isolated incident that has severe consequences for the environment or humans.

Research and Engagement work-flow



Long-term collaborative engagement to enhance shareholder value

In the end of 2013 the Nordic Engagement Cooperation celebrated its fifth anniversary. During these successful five years the cooperation has become stronger and is today an integrated part of the members' regular engagement work. During the years NEC has developed a joint understanding and a common platform for active ownership - a structured process to identify companies to engage with, and a set of tools to use to reach the long-term objectives. Through NEC the members can pool their resources together and thereby achieve significantly more compared to individual engagement. Today the Nordic Engagement Cooperation has a structure in place which includes quarterly meetings, a clear delegation of responsibilities, and a secretariat that is responsible for the operational work.

All members of NEC are investing with a long-term horizon. Hence we have the opportunity to have a long-term dialogue with companies, which is essential for successful engagements.

NEC is not a closed cooperation - they have from time to time collaborated with other investors. They also have an open invitation to other investors (Nordic and non-Nordic) to join the cooperation as a regular member.

Nordic Engagement Cooperation Focus list 2013:

Company	Global Compact Principle	Incident	Engagement initiated
AES Corp		Association to violation of indigenous rights	2009*
Alstom		Association to complicity in human rights violations	2009*
Anadarko Petroleum		Association to fatal explosion and major oil spill	2010
Barrick Gold Corp		Association to environmental impact caused by mining project and to complicity in human rights abuses	2009
BP Plc		Association to systematic safety negligence at oil refinery, association to systematic oil spills in Alaska, association to fatal explosion and major oil spill	2010
Eutelsat Communications		Association to restriction of freedom of opinion and expression	2009
Exxon Mobil		Association to inadequate precaution in high risk environment	2009
Nestlé		Association to child labour	2013
Rio Tinto		Association to environmental impact caused by mining project	2009*
Royal Dutch Shell		Association to human rights violations and environmental damage	2013
Toyota Motor Co		Association to anti-union practices	2009*
Transocean Ltd		Association to fatal explosion and major oil spill	2011
Tokyo Electric Power Co.		Association to unsafe nuclear power production	2011
Western Sahara Theme		Companies active in Western Sahara and associated to illegal exploration of natural resources	2010

* NEC initiated our collaborative engagement in 2009 but had engaged individually before that.

Highlights from 2013

Our long-term engagement efforts were rewarding in 2013 and we can conclude that we have reached two major achievements with Toyota Motor and Exxon Mobile. At the same time, all three NEC members has decided to exclude one company – Tokyo Electric Power Company (TEPCO).

The dialogue with Toyota has focused on strengthening the company's global Policy on Labour Rights and have it adopt a labour rights policy including the right to freedom of association and the right to collective bargaining that is in accordance with International Labor Organisation core conventions 87 and 98. Some progress was made in 2008 when Toyota changed its policy, adding the following: "The company recognises its employees' right to freely associate or not to associate in compliance with the laws of the countries in which it operates." NEC considers this change to be an important step in the right direction. In NEC's opinion the company should further revise its policy to eliminate any doubt or difference of interpretation in situations where a conflict may potentially arise between national legislation and practice and the ILO's core conventions. However, a review of public media reports carried out by NEC shows that there are no indications that Toyota has been involved in incidents that would violate its own policy over the past three years. NEC hence concludes that no further engagement with the company is needed at this stage.

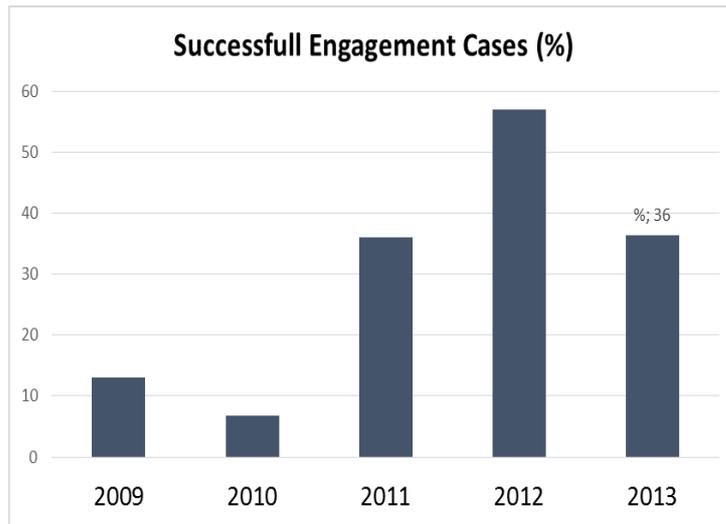
Exxon had to demonstrate openness towards all relevant stakeholders and transparently disclose key data that enables independent verification of the potential impacts of the Sakhalin-1 operations on the health and survival of the endangered western gray whale species.

In 2009 the company's position was that the impacts on the western grey whale population would be minimal and that the company had no plans to participate directly in the Western Grey Whale Advisory Panel nor share data with stakeholders other than the Russian government regulators. The company was relatively unresponsive and could not commit to a meeting with NEC. The likelihood of engagement success looked low. A meeting was arranged in 2011 and Exxon supplied documentation on western gray whale management and the mandate of the Interagency Working Group established by the Russian Ministry of Natural Resources. In 2012, a further transparency milestone was achieved with Exxon publishing a paper in the journal of the Society of Petroleum Engineers, detailing the results of its western grey whale monitoring programme. In 2013, Exxon supplied information about IUCN's involvement in the monitoring and mitigation process for the project, as well as other relevant environmental management details. Based on this information the case was considered resolved and NEC's engagement brought to a close.

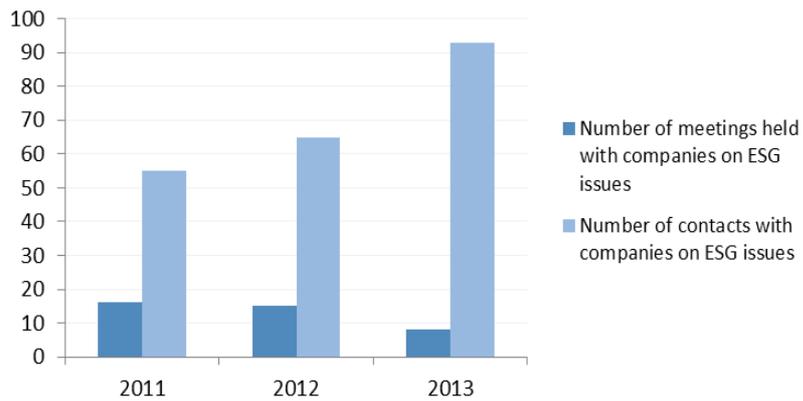
The goal with the engagement with TEPCO has been to ensure that the company operates its nuclear power plants safely, safely decommissions Fukushima Dai-ichi and that the negative effects from the Fukushima Dai-ichi nuclear accidents are remediated and compensated. The company has made a great effort to get in control of the situation and also deserves recognition for handling the disaster conditions well. Yet we see evidence of systematic weaknesses in the company's risk assessment in relation to the seriousness of the situation. Weaknesses have been noted in its risk assessment prior to the accident and it would appear that this reflected on the circumstances after the accident in that the measures have so far been insufficient to gain control of the situation. Our conclusion is that the current risk profile in combination with the underestimation of risk and need for action both before and after the accident involves an unacceptable risk of contributing to serious environmental pollution, and hence violate the NEC member's responsible investment policies.

2013 in numbers

Engagement Achievements



Engagement meetings



About ongoing projects and company dialogues

Nestlé

NEC included two new companies in its focus list during 2013 – Royal Dutch Shell (Shell) and Nestlé.

The cocoa industry has been criticised for its association to child labour in the supply chain for more than ten years with a particular exposure in the Ivory Coast, Ghana, Nigeria and Cameroon. Hence the engagement with Nestlé will focus on social issues. The company has during the last 3-4 years increased its efforts to combat child labour and the past year is not an exception. Following Fair Labor Association (FLA) investigation of Nestlé's supply chain in Ivory Coast in 2012, further efforts have been made during 2013 to implement an action plan. Most notable are the piloting of newly developed KPIs to measure progress in initiatives to combat child labour, piloting monitoring and remediation systems in cocoa communities, and scaling up the NCP in order to include more farmers in the plan. By the end of 2013, 15 per cent of Nestlé's global cocoa supply comes from farmers included in the NCP according to the company, and in 2015 the figure should have risen to about 25 per cent. Nestlé also states that it will continue to make other similar commitments. NEC and its service provider GES have continued to have a constructive and positive dialogue with Nestlé during 2013.

Shell

The engagement with Shell focuses primarily on environmental management, but in the context of Nigeria environmental impacts have a clear linkage to human rights, which are also discussed. For a number of years Shell implemented the harmful practice of gas flaring at its Ogoniland facilities in the Niger Delta region of Nigeria, and currently experiences problems with oil spills, oil theft and facility sabotage. These practices have led to impacts on human health, the local socio-economy, fisheries and coastal vegetation. In Ogoniland the company states that it is fully committed to implementing the United Nations Environment Program report findings, and during 2013 carried out substantial work in this area, rehabilitating sites and completing the inventory of its facilities.

We are also assessing Shell's level of preparedness to manage its significant environmental aspects in other challenging operating environments, such as the Arctic. The company did not carry out exploration drilling in the Alaskan Arctic in 2013 due to a number of technical and risk preparedness related problems and incidents. These shortfalls were greater than analysts anticipated and Shell's incidents from summer 2012 are still being investigated by US regulators. The company recently announced it would not drill in the Arctic in 2014 either.

Shell is responsive to the engagement and gives ample information on its policies and practices at private meetings with NEC as well as in other responsible investor events NEC has attended.

Western Sahara

NEC continues its engagement with a number of companies involved in exploring or extracting natural resources from Western Sahara, a non-self-governing territory occupied by Morocco which is selling phosphate rock and oil and gas exploration rights in the territory for its own profit. In 2013, there was a slight change in companies included in the Western Sahara Thematic Engagement as Tata Chemicals was confirmed not to be sourcing from the territory – and was hence removed from the project – and Total SA’s reconnaissance activities offshore Western Sahara resulted in it being added to the list of targeted companies. Conference calls were held with Incitec Pivot in January and Wesfarmers in August, and in addition the Thematic Engagement participants sent co-signed letters to the CEOs of the non-responsive Innophos, Longreach Oil & Gas and San Leon Energy in October. Email correspondence continued with all companies targeted by the project, whereby Kosmos Energy provided the most encouraging response by publishing its first Corporate Responsibility Report, joining the UN Global Compact, and developing and making public a human rights policy, all during the course of the year.

In terms of source dialogue, NEC’s service provider GES had meetings with both the Moroccan and Polisario representatives to directly hear their respective positions into the conflict and responses to different claims regarding the territory, and was also in contact with Hans Corell to discuss the nuances in his much-quoted statement on Western Sahara made in 2002 as the UN Under-Secretary General for Legal Affairs. Furthermore, the Thematic Engagement project featured in the UNGC-PRI publication "Responsible Business Advancing Peace: Examples from Companies, Investors & Global Compact Local Networks".

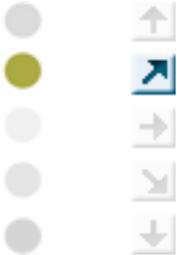
Anadarko

There are a few companies NEC has engaged with for several years where we hope to reach the goal during 2014. For example, the dialogue with Anadarko has been very rewarding. Based on the information NEC has received, we are satisfied and believe that the company is on the right track.

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COUNTRY

Russian Federation

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Exxon Mobil Corporation's (Exxon) subsidiary Exxon Neftegas Ltd. (ENL) operates the oil and gas project Sakhalin-1 off Sakhalin Island, in waters that constitute the only known feeding grounds for the western gray whale, listed as a critically endangered species. The International Union for Conservation of Nature's (IUCN) Western Gray Whale Advisory Panel (WGWAP) reported in March 2011 that the lack of information concerning the timing and nature of activities from ENL leads to inability to provide reliable advice concerning mitigation efforts. The link between underwater noise from ENL activities and the 2008 decline in observed whales could not be ruled out since ENL had not provided the necessary data. In addition, since 2008, the WGWAP has repeatedly expressed strong concern about ENL's construction of a pipeline that the panel fears may disturb the ecosystem.

GOAL

Exxon had to demonstrate openness towards all relevant stakeholders and transparently disclose key data that enables independent verification of potential impacts of the Sakhalin-1 operations on the health and survival of the endangered Western Gray Whale species. The company's management of western gray whale conservation should align with the UN Convention on Biological Diversity.

The oil and gas exploration activities continue to be a threat to this critically endangered species. There is no evidence of negative impacts but the case for a strong precautionary approach means that expectations on companies which are active on the Sakhalin shelf are high. ENL has broadened its stakeholder base by including the IUCN which is a key player in relation to western gray whale protection. This is pivotal for the company's continued Sakhalin shelf operation. Other gradual improvements in mitigation mechanisms are now also up and running such as better flow of scientific data as well as a more structured and transparent process within the relevant Russian authorities. Therefore GES concludes that the company has fulfilled the revision criteria and that the case is Resolved.

THIS YEAR'S DEVELOPMENT

In 2009 the company's position was that the impacts on the western grey whale population would be minimal and that ENL had no plans to participate directly in the Western Grey Whale Advisory Panel nor share data with stakeholders other than the Russian government regulators. A meeting was arranged in 2011 and Exxon supplied documentation on western gray whale management and the mandate of the Interagency Working Group established by the Russian Ministry of Natural Resources.

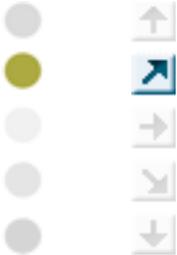
-2012: NEC engagement gains momentum as another meeting is held and further information is provided by Exxon. Transparency and cooperation with stakeholders much improved.

-In 2012, a further transparency milestone was achieved with Exxon publishing a paper in the journal of the Society of Petroleum Engineers, detailing the results of its western grey whale monitoring program.

-In 2013, Exxon supplied information about IUCN's involvement in the monitoring and mitigation process for the project, as well as other relevant environmental management details. Based on this information the case was considered resolved and engagement brought to a close in March.

COUNTRY

Philippines

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

The Toyota Motor Philippines Company Workers' Association (TMPCWA) union alleges that the management of Toyota Motor Philippines Corporation, a Toyota Motor Corporation subsidiary, has blocked the right to organise and to collectively bargain and enforced illegal dismissals of workers. The case is under scrutiny by the Philippine court system and by the International Labour Organization (ILO) Committee of Freedom of Association. ILO reporting from 2003 and onwards lists a number of actions taken by the company to challenge the certification of the union and to intimidate employees in their preference of union.

GOAL

Toyota should adopt a labour rights policy including the right to freedom of association and the right to collective bargaining that is in accordance with ILO core conventions 87 and 98. Also the situation in the Philippines should be solved in a constructive way were all partners are satisfied. The company's management of labour rights should align with ILO core conventions 87 and 98.

THIS YEAR'S DEVELOPMENT

During the autumn of 2012 it was confirmed by international and national Philippine labour organisations that the current situation at Toyota Motor Philippines Company is in line with international labour rights. NEC has had an active dialogue with Toyota since 2007 and during the dialogue no new severe labour rights issues have been reported. The dialogue has focused on strengthening Toyota's global Policy on Labour Rights and some progress was done in 2008 when Toyota changed its policy, adding the following form of words: "The company recognizes its employees' right to freely associate or not to associate in compliance with the laws of the countries in which it operates." NEC considers this change to be an important step in the right direction. In NEC's opinion the company should further revise its policy to eliminate any doubt or difference of interpretation in situations where a conflict may potentially arise between national legislation and practice and the ILO's core conventions. However the company has underlined that it believe that the existing policies; the Toyota Way, the Toyota Guiding Principles and the Toyota Code of Conduct as being sufficient to safeguard freedom of association and its relations with its workforce.

2008: NEC met with Toyota and the same year Toyota strengthen its Labour Rights Policy.

2009: NEC met with Toyota in London.

2010: NEC met with Toyota in London and it was reported that over 60 per cent of the dismissed workers had accepted financial compensation from Toyota Philippines.

2012: NEC met with Toyota in Stockholm.

2012: It was confirmed by international and national Philippine labour organisations that the current situation at Toyota Motor Philippines Company is in line with international labour rights.

2013: NEC carried out a review of public media reports about the company over the past three years, it showed that there are no indications that Toyota currently has similar problems in other parts of its business.

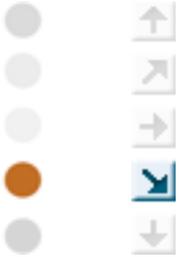
COUNTRY

Japan

NORM AREA



RESPONSE & PROGRESS



INCIDENT

An earthquake triggered a nuclear accident in March 2011 at the Japanese Fukushima Dai-ichi nuclear power plant and forced tens of thousands of individuals to evacuate. The plant operator TEPCO had the prime responsibility for safety according to the practice in Japan and the applicable International Atomic Energy Agency (IAEA) safety standards, yet failed to protect against the effects of the earthquake and the tsunami that followed.

GOAL

Ensure that the company operates its nuclear power plants safely, safely decommissions Fukushima Dai-ichi and that the negative effects from the Fukushima Dai-ichi nuclear accidents are remediated and compensated.

THIS YEAR'S DEVELOPMENT

During 2013, the company has improved its stakeholder communication. IAEA has in several reports during 2013, acknowledged that the Japanese government and TEPCO have made improvements on their stakeholder engagement. Building up stakeholder trust is the most important challenge for the company. TEPCO is generally performing well in regards to crisis management, however, there are continued reports of water leakage incidents which indicate that the company could improve its performance on this aspect.

The company has made a great effort to get in control of the situation and TEPCO also deserves recognition for handling the disaster conditions well. Yet we see evidence of systematic weaknesses in the company's risk assessment in relation to the seriousness of the situation. Weaknesses have been noted in its risk assessment prior to the accident and it would appear that this reflected on the circumstances after the accident in that the measures have so far been insufficient to gain control of the situation. Our conclusion is that the current risk profile in combination with the underestimation of risk and need for action both before and after the accident involves an unacceptable risk of contributing to serious environmental pollution and hence violate NEC's Responsible Investment Policy.

COUNTRY

Panama

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Since late 2007, AES Panama (AES) has constructed and now operates the Chan 75 hydroelectric dam on the Changuinola River in Panama. The UN Special Rapporteur on the situation of human rights and fundamental freedoms of indigenous people publicly condemned a number of human rights violations against the indigenous Ngöbe people, which reportedly occurred in connection with the construction of dam. The World Heritage Committee has also expressed concern over the project's potential impact on the World Heritage listed La Amistad National Park.

GOAL

AES shall demonstrate and implement a plan for how to, within its sphere of influence, ensure the respect of the rights of the indigenous communities in its operations and that mitigation measures are taken to protect biological diversity. Moreover, the company should adopt a human rights policy in line with international standards, including the ILO Convention 169 and United Nations Declaration on the rights of Indigenous Peoples.

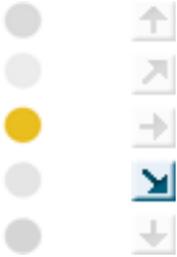
THIS YEAR'S DEVELOPMENT

The Chan 75 dam built by AES has been operating commercially since late 2011, and AES has staff in Panama who are responsible for managing the social and environmental issues. There is still a discrepancy between the accounts of some NGOs and the company regarding the success of AES' compensation and resettlement processes following the dam's construction. The company has admitted that the pace of housing reconstruction needs to be accelerated.

A teleconference with AES was held in June 2013 and we have received detailed responses to our follow-up questions since. The company is more responsive in its dialogue now than previously and appears to be making a concerted effort at improving ESG standards. We still have some concerns regarding AES' human rights policies, especially in relation to indigenous free, prior and informed consent, so are pushing the company to improve further in this area.

COUNTRY

Sudan

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

In August 2007, a UN Special Rapporteur from the Human Rights Council called upon companies involved in the Merowe Dam project in Sudan to halt the operations. The statement was made due to concerns over reports on human rights violations in connection with large resettlements. Among the companies is Alstom, which is the main supplier of electrical equipment to the project. None of the companies have followed the recommendation from the UN Special Rapporteur.

GOAL

To secure that Alstom acts responsibly regarding the human rights violations and ensures that the recommendations by the UN Special Rapporteur are adhered to. The company should also adopt a corporate policy that addresses the risks associated to operations in weak governance zones like Sudan.

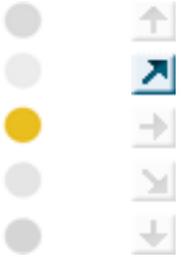
THIS YEAR'S DEVELOPMENT

NEC, and its service provider GES, has continued its dialogue with Alstom during 2013. The resettlement issue was brought up again at a recent conference call with the company, but no further details were obtained. Alstom referred to its Foundation as its way to improve the situation in local communities. Soon Alstom will not have any presence at all in Sudan. The company has publicly shared a brief gap analysis it conducted on one of its projects in Africa, based on the UN Global Compact guide for Business in High Risk Areas. Alstom has also communicated that it finds the IHA-protocol to be a good document and that it has supported two clients in applying the protocol, however the company argues that the assessment needs to be initiated by the project leader. Lastly, Alstom has just started to strengthen its internal risk assessment process, with focus on hydro power projects. In 6-8 months Alstom will conclude results from the developments and is able to share more details.

NEC will continue its dialogue with the company to ensure that Alstom will work on improving its due diligence processes in relation to ESG issues in future infrastructure projects.

COUNTRY

United States

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Anadarko was a 25 per cent joint venture partner in the BP operated Macondo oil prospect in the Gulf of Mexico. In April 2010, a well blowout resulted in the loss of 11 lives and the discharge of enormous quantities of oil into the sea. As a partner with a significant vested interest, Anadarko had some responsibility to ensure that the project was planned and executed in a safe and environmentally responsible way. GES concludes that Anadarko was complicit in the incident because the company was well informed regarding the challenges being experienced by BP during the drilling of Macondo, yet did not advocate for a reassessment of the risks.

GOAL

Anadarko should demonstrate that it has met its remediation responsibilities for the Gulf of Mexico spill. The company should also improve its HSE policies and initiate annual sustainability reporting.

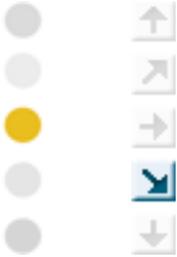
THIS YEAR'S DEVELOPMENT

Since the Gulf of Mexico oil spill Anadarko has reached a number of agreements, most notably the settlement with BP totalling USD 4 billion in 2011. During 2012 the company also claimed that it was released from liability for damages to nature, personal injury and personal damages by the US District Court. The company is still likely to face fines for breaching the US Clean Water Act resulting from the Macondo blowout, a decision on which should be made by the courts during the first half of 2014. Anadarko has reported to the American financial regulator (the SEC) that such fines are not likely to be highly material to the company, due to its role as a partner with BP at Macondo.

Anadarko's ESG performance remains at a good standard with very few reported incidents. The dialogue with Anadarko was ongoing during 2013 where we lobbied the company to further improve environmental, health and safety management systems and policies and also initiate annual sustainability reporting, which Anadarko is yet to implement.

COUNTRY

Papua New Guinea

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Barrick Gold Corporation is the majority owner and operator of the Porgera gold mine in Papua New Guinea. The mine is one of a few in the world that disposes of its process wastes (tailings) directly to a local river system; a practise which has an unacceptably high impact on the river and shoreline environments. The discharge of tailings has lead to high levels of toxic metals and depletion of wildlife in the Porgera River. It further poses an unnecessary risk to people dependent on the river, as well as Papua New Guinea's largest lake, Lake Murray. The Porgera mine is also linked to a suite of social problems and human rights abuses (refer GES case: Association to complicity in human rights abuses).

GOAL

Barrick Gold should implement internationally accepted standards for tailings management at Porgera and commit to remediating the rivers and catchments impacted by riverine tailings deposition. The company should strengthen policy on mine wastes.

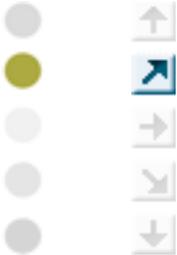
THIS YEAR'S DEVELOPMENT

In November 2012 Barrick released a new corporate standard on the management of mine wastes. At the end of 2013 the company still refused to disclose the details of the document, but stated that: "The new standard will supersede all existing standards and criteria and be applied to all current and future TSF design projects, operating facilities and closed sites". We still need to hear from the company how the new standard will be applied at Porgera and whether it will improve environmental performance, and so have sent a formal letter to Barrick requesting this information.

During its November 2013 meeting Barrick's newly established CSR Advisory Board discussed issues such as the expansion of its mandate to now include security, community relations, and human rights, as well as performance reviews and executive compensation, and an update on the Remedy Framework at the Porgera mine in Papua New Guinea. This is a positive sign as these are some of the key ESG issues that the company is currently grappling with at the operational level. Unfortunately the discharge of mine wastes at Porgera has not yet been on the agenda of the CSR Advisory Board.

COUNTRY

United States

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

BP is the operator of the Macondo oil prospect in the Gulf of Mexico. In April 2010, a well blowout resulted in the loss of 11 lives and the discharge of large quantities of oil into the sea. The environmental and economic impacts to the Gulf coast were serious and may be ongoing for decades. As operator BP was responsible for the safe design and execution of the project, and for stopping the flow of oil in the event of a blowout. The cause of the blowout has been attributed to the breaching of multiple barriers and human errors. BP also was not in possession of sufficient technology for quickly stopping the flow. The incident confirms that there are systemic safety management deficiencies at BP which need to be addressed.

GOAL

BP should demonstrate that it has properly remediated the environmental and social impacts of the Gulf of Mexico spill, and has achieved significant improvements in risk and safety management and culture within the company. The company should also demonstrate that it has sufficient technology for bringing well blowout situations rapidly under control.

THIS YEAR'S DEVELOPMENT

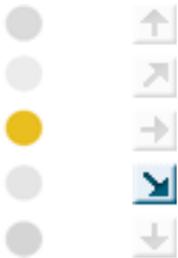
In 2012, BP settled criminal negligence charges with US authorities relating to the Gulf of Mexico oil spill for the sum of USD 4.5 billion. In addition, the company agreed to settle damages with businesses and individuals impacted by spill for an estimated USD 7.8 billion, however these claims have now blown out to over USD 9.6 billion. BP believes many of the claims to be fraudulent and is challenging the claims process in court.

Early in 2013 the Department of Justice commenced legal proceedings against BP and contractors to settle US Clean Water Act violations related to the spill. All of the evidence has now been heard and a decision is expected from the Judge in the first half of 2014. BP could receive a fine ranging from USD 6 to 18 billion, depending on whether the company is found guilty of gross negligence or not. The spill is expected to finally cost BP at least USD 42 billion in fines and compensation payments.

BP is still progressing through the 26 recommendations of the safety incident report it compiled after the Macondo oil spill in order to strengthen risk and safety management within the company. This work remains on schedule. Regular engagement contact with BP was ongoing during 2013 including a conference call where we lobbied for further improvements to safety and risk management. BP did not experience any further notable spill incidents during 2013, but did experience a terrorist attack with fatalities at a jointly run facility in Algeria in January.

COUNTRY

China

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Eutelsat Communications (Eutelsat) has been 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 Chinese government. In January 2009, the European Parliament adopted a Written Declaration urging the company to immediately resume the transmission and provide reasons for the suspension. Further censorship allegations were brought forward after incidents in Russia and Iran in 2009 and 2010.

GOAL

Eutelsat should demonstrate credible documentation to verify that the termination of NTDTV in China was caused by other reasons than to please the Chinese regime. Eutelsat should adopt a policy that clearly states that it respects the freedom and pluralism of media and develop decision making guidelines for concrete situations where these principles may be at risk.

THIS YEAR'S DEVELOPMENT

During 2013, Eutelsat Communications informed GES that it had settled its legal dispute with NTDTV, regarding the allegedly illegal discontinuation of NTDTV's broadcast over China in 2008. The legal dispute had been running at the Court of Appeal of Paris since 2010. The settlement was confidential and Eutelsat has not disclosed any information regarding its details.

On October 22, 2013, the Center for International Media Assistance published a report claiming that Eutelsat had discontinued the NTDTV broadcast as a prerequisite to develop its business activities with state-owned Chinese entities. The company has denied the allegations, without going into details. In its sustainability reporting, the company states that it actively supports strengthening regulations to protect human rights and freedom of expression in relation to governments jamming satellite signals. However, it has not addressed the issue of human rights and freedom of expression in its own policies.

COUNTRY

United States

NORM AREA



RESPONSE & PROGRESS



INCIDENT

Transocean was the operator of the Deepwater Horizon oil rig leased by BP to drill the Macondo oil exploration well in the Gulf of Mexico. In April 2010, a well blowout resulted in the loss of 11 lives and the discharge of large quantities of oil into the sea. The environmental and economic impacts to the Gulf coast were serious and may be ongoing for decades. The failure of critical equipment, such as the rig's blowout preventer, and drilling and completion procedures which were the responsibility of Transocean, contributed to the occurrence of the spill.

GOAL

To ensure that Transocean takes its share of responsibility for the Macondo incident, demonstrates that it has fully integrated the relevant lessons and improves safety policy, routines and culture to align with the nature and scale of the company's business. Also to commence sustainability reporting.

THIS YEAR'S DEVELOPMENT

In February 2013 a federal judge in New Orleans approved a Transocean deal to settle criminal penalties for USD 400 million, as well as another USD 1 billion in civil penalties for violations of the Clean Water Act arising from the Macondo oil spill. The money from the civil penalty settlement will go towards restoring and compensating the impacted states. As part of the deal Transocean has also been instructed by the US Department of Justice to make a suite of improvements to its health, safety and environmental management systems. These changes are required to be made public, which is a positive outcome for improving the company's future performance on these issues.

As the owner of the rig Transocean still faces fines potentially in the billions of dollars in the ongoing trial to establish who was to blame for the spill, the actual volume of oil released and whether gross negligence was involved. Transocean has been giving evidence to the court throughout 2013 and a verdict is expected in the first half of 2014.

We had an ongoing dialogue with Transocean during 2013. The company re-emphasized the importance of the health, safety and well-being of its employees, as well as respect for and stewardship of the environment. We continue to monitor developments both in the court proceedings and regarding the anticipated management system improvements.