Swisscanto

Global & Thematic Engagement

Annual/Q4 Engagement Report 2023

Engagement is an essential part of the sustainable investor's toolkit, promoting sustainable business practices and helping maximize risk-adjusted returns.

As global investors with a strong Swiss heritage and forward-looking role in sustainable investing, the asset management of Zürcher Kantonalbank with its Swisscanto brand recognizes that environmental, social, and corporate governance (ESG) factors can present material risks to portfolio investments and opportunities for better risk-adjusted returns.

Responsible and sustainability investing is our conviction and forms an integral element of our overall asset management strategy. We are convinced that integrating ESG factors result in better-informed investment decisions and generates value for investors and as a result for the society at large. Capital is allocated responsibly, sustainably and in a climate-friendly way with a focus on generating returns. Our investment stewardship activities complement our ESG-integrated investment focus and sustainability strategy.

Through our investment stewardship, we seek to promote sustainable business practices advocating for the compliance within renowned international principles and widely accepted ESG best-practice standards. This may include promoting compliant practices, check-and-balance principles, adequate pay-for-performances, stewardship of environmental protection and climate change, supporting biodiversity, fair labor practices, non-discriminatory work and the protection of human rights and other best-practice ESG topics. Our investment stewardship comprises the following active ownership elements:

- With **proxy voting**, we cast actively and responsibly our votes along our sustainable oriented mindset and strategy.
- By **engaging** actively with issuers, we promote best-practice ESG standards and convey our climate change message and strategy.

Engagement is primarily driven and led by our active, fundamental capabilities, mostly equity related but comprising also fixed income, as engagements drive both perspectives and benefits issuers overall irrespective of their listed securities. Our engagement activities are based on three major pillars as set out hereafter:

- **Direct dialogue with Swiss issuers:** Our focus is to create visibility among companies as an active and sustainable investor by promoting best-practice ESG in the interest of our investors by leveraging on our home base expertise.
- **Collaborative engagements:** The focus is to promote best-practice ESG on entire industries as well as to achieve environmental and/or social goals (i.e.17 UN SDGs). These collaborative engagements are mostly driven by the UN PRI platform, but opportunistic direct interactions with companies also take place. In addition, we support various ESG initiatives such as ClimateAction100+, TCFD, TNFD, Climate Bond Initiative, et al.
- **Global & thematic engagements:** The focus is to promote best-practice ESG standards and our climate strategy on a global scale in our investors' interest. In addition, we focus within the thematic engagements on climate change, cleantech and biodiversity, et al. We mandated Sustainalytics to leverage existing resources and to convey our key sustainability messages globally. Depending on relevance and materiality, we do also participate in these corporate dialogues.

We believe that the best way to promote improved market practices and ESG best-practice standards is through direct dialogues (engagements).

An important element is to convey our climate change strategy to issuers globally. We actively ask issuers to:

- Formulate an ambitious and transparent climate strategy to reduce greenhouse gas emissions.
- Clearly define responsibilities and accountability for the definition, control and implementation of the climate strategy.
- Establish incentive systems for implementing the climate strategy (e.g. ESG KPIs in compensation shemes).

Besides our climate-related engagement, we do prioritize our engagements in general according to breaches against the UN Global Compact Principles and focus on promoting the UN SDGs. We believe that investors are well positioned to influence ESG best-practices among their investments, especially in material holdings.

About the following Annual/Q4 Engagement Report from Morningtar Sustainalytics

Morningstar Sustainalytics is our partner for engagement activities at international companies. The following report is provided by Morningstar Sustainalytics and covers the engagements they conduct on our behalf. It shows an overview of global and thematic engagements.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG data, research, and ratings firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors.

Today, Morningstar Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG information and assessments into their investment processes.

The firm also works with hundreds of companies and their financial intermediaries to help them consider material sustainability factors in policies, practices, and capital projects. Morningstar Sustainalytics has analysts around the world with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

About Zürcher Kantonalbank

Asset Management of Zürcher Kantonalbank
Proven specialists develop high-quality investment and pension solutions for private investors, companies, and institutions under the Swisscanto brand. With its Swisscanto brand, the Zürcher Kantonalbank Group is one of Switzerland's largest fund providers. It is known for its vanguard role in sustainable investments and its funds regularly achieve national and international recognition.

Swisscanto Fondsleitung AG
Swiss Fund management for Zürcher Kantonalbank and third parties
As one of the leading fund managers in Switzerland, we have been supporting our partners in the fund business since 1960 with efficient and high-quality services. Zürcher Kantonalbank is our owner and main customer. We also support an increasing number of third-party customers with tailer-made services and flexible solutions. Our partners benefit from the first-class credit rating and economies of scale of our parent company.

Swisscanto Asset Management International S.A.
European fund management for Zürcher Kantonalbank and third parties
We develop fund solutions in Luxembourg with different asset classes and risk profiles. We offer Private Label Fund customers an attractive and high-quality alternative. Thanks to our AIFM license (Alternative Investment Fund Manager), we can also offer our customers services for alternative fund products.

Your Contacts

Enquiries should be emailed to:

- Engagement@swisscanto.ch For all matters relating to engagement, foremost issuers/companies who want to engage with us.
- Voting@swisscanto.ch For all matters relating to proxy voting.

Contacts for investment stewardship at Zürcher Kantonalbank:

Rocchino Contangelo
Asset Management
Phone +41 44 292 22 95

Martin Jordi
Legal & Compliance
Phone +41 58 344 47 88

www.swisscanto.com

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MORNINGSTAR | SUSTAINALYTICS

Engagement 360

Annual Report 2023



Stewardship is where insights become action. Engagement 360 supports a holistic approach to mitigating ESG risks and capitalizing opportunities.

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Executive Summary

We are delighted to report on the activities and results of the Morningstar Sustainalytics' Engagement 360 for Q4 and the full year of 2023. It has proved to be a year where the engagement activities have contributed to significant impacts as seen with the record-high number of 39 successfully resolved engagements in 2023 compared to 17 engagements resolved in 2022.

During 2023, we launched the new thematic Net Zero Transition (NZT) programme, where the team has initiated engagements with 100 companies. Net Zero Transition leverages the new Morningstar Sustainalytics' Low Carbon Transition Ratings in order to drive engagements and change towards net zero.

We concluded 2023 with 779 engagements, having worked with 939 engagements in total. The positive engagement results are produced by engagement managers developing strong and constructive engagement dialogues with the companies. Throughout 2023, the engagement team conducted 758 meetings and exchanged 9,729 emails/phone calls.

Net Zero and Oil Sands: Contradictions or Potentially Part of the Same Pathway?

This report includes a wealth of insight and analysis from our engagement managers. Our Net Zero Transition Thematic Stewardship Team describes the significant efforts put into aligning our Net Zero Transition theme with other initiatives to maximize impacts from the engagements.

Our Canada-based engagement manager, Shane Tiley shares her insights and analysis on engagement dialogue with Canadian oil sands producers. In her article, she elaborates further on the energy-intensive oil productions exploring opportunities for carbon capture and storage (CCS) as potential pathways towards low carbon transition.

What is Next for Biodiversity?

Our biodiversity lead, Gayaneh Shahbazian discusses what came out of COP15, what we can expect for COP16 and what needs to be done to operationalize biodiversity in risk management. Gayaneh highlights the use of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations for both investors and companies.

Staying or Exiting?

Companies are increasingly challenged with the dilemma of operating in conflict settings. Our engagement manager, Joe Attwood looks at what companies can learn from the new guidance coming from the United Nations Office for the High Commissioner on Human Rights (UNOHCR) and if companies should responsibly exit or remain operating within conflict settings.

Looking Ahead

In 2024, we anticipate our engagement activities will continue to expand as we fully implement the Thematic Stewardship Programme (TSP) and add more companies to Strategy and Risk engagement.

Stewardship Overview

939
active engagements during 2023

160
new engagements

1,177
vote recommendations have been delivered to clients

Food Producers
is the most engaged industry

Highest Number
of engagements on a single market is the United States

Disclosure and Net Zero/Decarbonization
are the most engaged topics

SDG13 Climate Action
(43%) linked to engagement objective

Engagement Status

When we open an engagement, the status is Engage. We will then pursue engagement until we change status to:

Resolved	The company has achieved the engagement objective.
Archived	Engagement is concluded, the engagement objective has not been achieved.
Disengage	Engagement is deemed unlikely to succeed.

779 engagements as of 01 January 2023

160 new Engage

39 Resolved

160 Archived

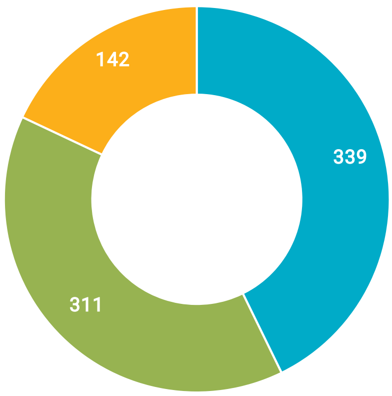
10 Disengaged

792 engagements as of 31 December 2023

939 engagements during 2023

Engagement Type

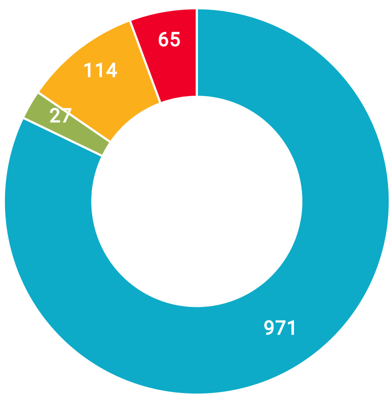
- Strategy and Risk
- Themes
- Incidents



- Strategy and Risk engages on unmanaged risk as determined by Sustainalytics ESG Risk Rating.
- Themes engages on systemic ESG issues and leverage multiple Sustainalytics research.
- Incidents engages on major incidents identified by the Sustainalytics Global Standards Screening.

Voting Insights and Recommendations

- Sustainability
- Engagement Escalation
- Climate Governance
- Research Triggered



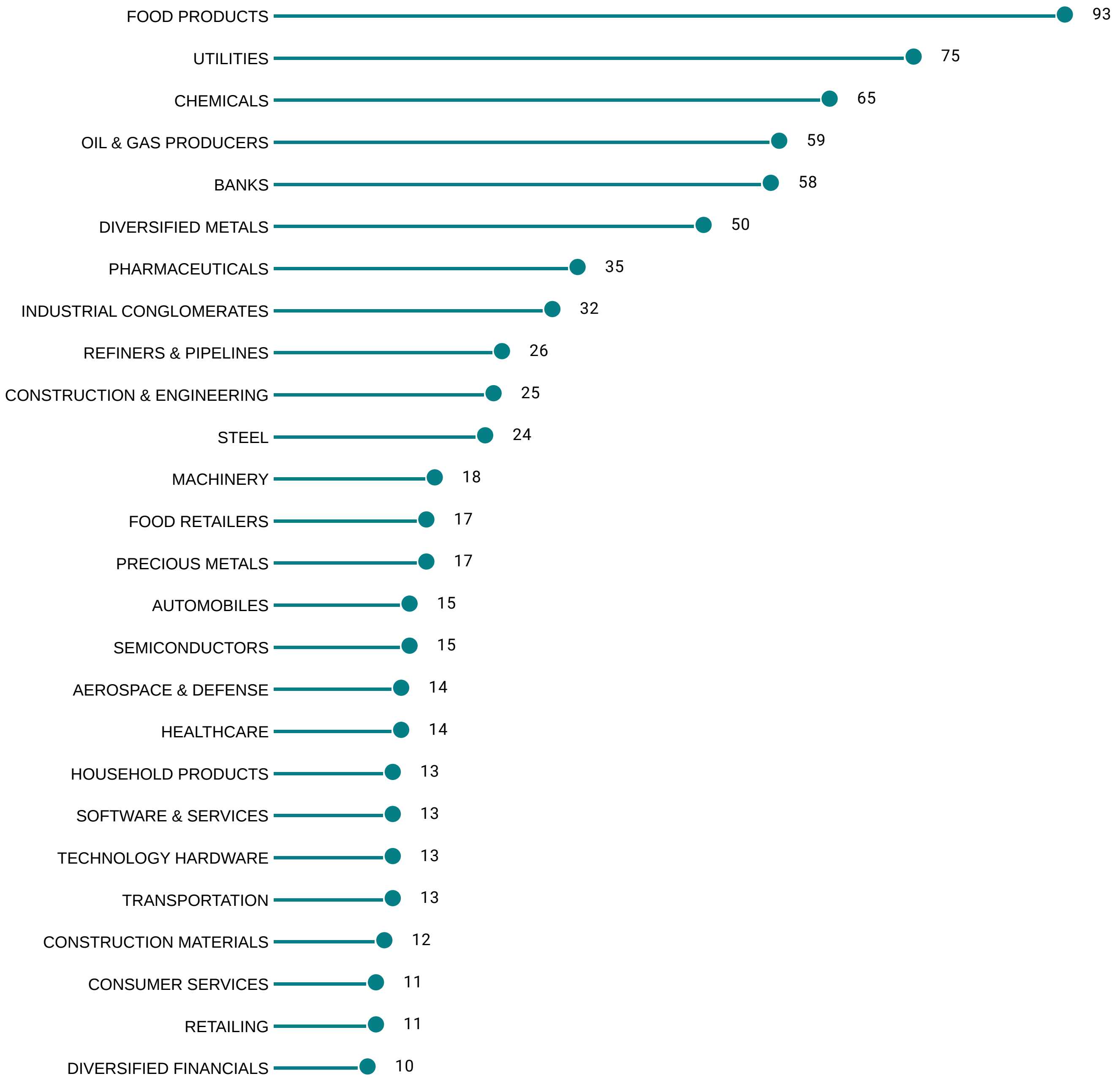
Triggers for Vote Recommendations

Vote recommendations can be triggered by four different reasons.

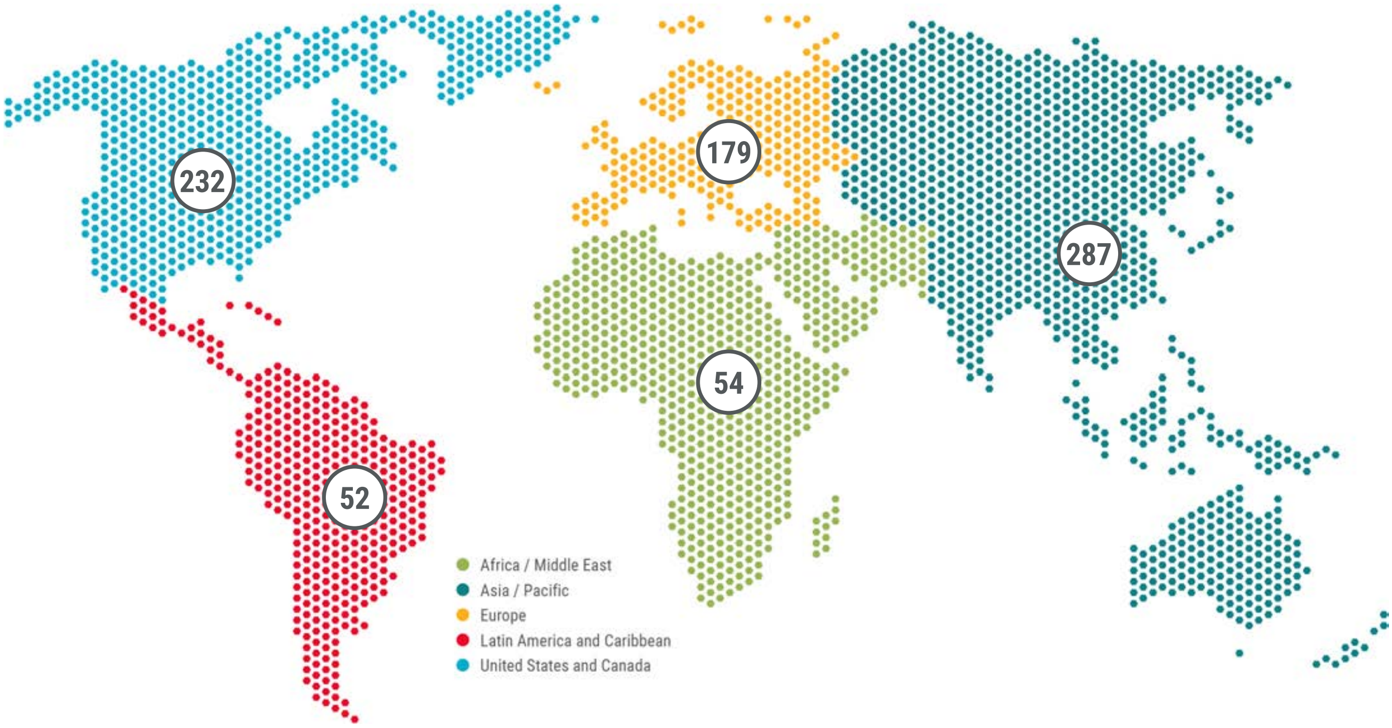
Sustainability	ESG-related resolutions
Engagement Escalation	Poor performance in engagements
Climate Governance	Misalignment between executive performance metrics and decarbonization targets
Research	Poor performance in climate change risk management and DEI (Diversity, Equity & Inclusion)

Industry Distribution

(Industries included with a minimum of 10 engagements)



Engagements by Headquarter Location



Engagement Topics

During the reporting period, our engagements addressed a number of topics across the environmental, social, and governance pillars.

ENGAGEMENT TOPICS	ENGAGEMENTS
Disclosure	265
Net Zero Decarbonization	182
ESG Governance	174
Water Security	161
Human Rights	130
Community Relations	113
Deforestation	109
Climate Change	101
Business Ethics, Bribery and Corruption	100
Labour Rights	99
Product Quality and Safety	93
Land Pollution and Spills	81
Human Capital	78
Board Composition	70
Occupational Health and Safety	68
Child Labour	52
Diversity, Equity and Inclusion (DEI)	47

	ENGAGEMENT TOPICS	ENGAGEMENTS
	Shareholders Rights	41
	Indigenous People	40
	Water Quality	39
	Forced Labour	35
	Accounting and Taxation	33
	Waste Management	32
	Natural Resource Use	28
	Data Privacy and Security	21
	Circular Economy	20
	Just Transition	18
	Marketing Practices	13
	Air Pollutant Emissions	6
	Weapons	6
	High-Risk Territories	4
	Sanctions	3
	Competition	1

Sustainable Development Goals — Mapping Engagements

All engagements are mapped to the 17 UN Sustainable Development Goals (SDGs). The mapping is done by Morningstar Sustainalytics and refers to the focus and objective(s) of the engagement.

1 No Poverty	7%	10 Reduced Inequality	12%
2 Zero Hunger	11%	11 Sustainable Cities and Communities	12%
3 Good Health and Well-Being	13%	12 Responsible Consumption and Production	39%
4 Quality Education	4%	13 Climate Action	43%
5 Gender Equality	9%	14 Life Below Water	11%
6 Clean Water and Sanitation	14%	15 Life on Land	17%
7 Affordable and Clean Energy	12%	16 Peace and Justice, Strong Institutions	37%
8 Decent Work and Economic Growth	28%	17 Partnerships to Achieve the Goal	8%
9 Industry, Innovation and Infrastructure	16%		

Engagement Results

758

Meetings, including 5 in-person meetings

9,729

Emails and phone calls exchanged

39

Engagements have been resolved

414

Milestones achieved in 2023

53%

of engagements remain in early-stage dialogue (Milestones 1 & 2)

46%

of the engagements show good or excellent response

36%

of the engagements show good or excellent progress

Engagement Response

We assess the company Response to the engagement dialogue and willingness to engage with investors on a five-point scale:

Excellent The company is proactive in communicating around the issues related to the change objective.

Good The company addresses all the issues related to the change objective.

Standard The company provides responses to some of the issues related to the change objective.

Poor The company has initially responded but not properly addressed the issues related to the change objective and is unwilling to engage further with us.

None The company has not responded to the inquiries.

Engagement Progress

Progress reflects the pace and scope of changes towards the engagement objective that the company is making. We assess company Progress on a five-point scale:

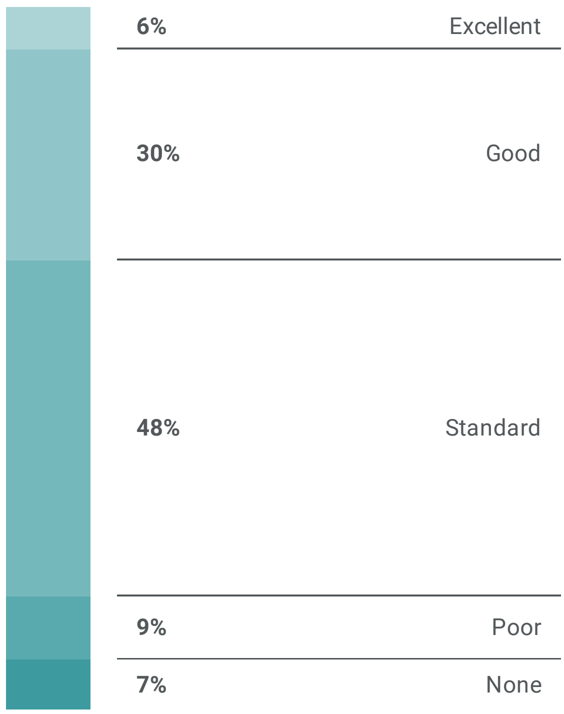
Excellent The company has adopted a proactive approach and addressed the issues related to the change objective.

Good The company has taken sufficient measures to address the issues related to the change objective.

Standard The company has undertaken a number of measures to address the issues related to the change objective.

Poor The company has indicated willingness to addressing the issues related to the change objective, but no measures have been taken yet.

None The company has not made any progress against the engagement objective.



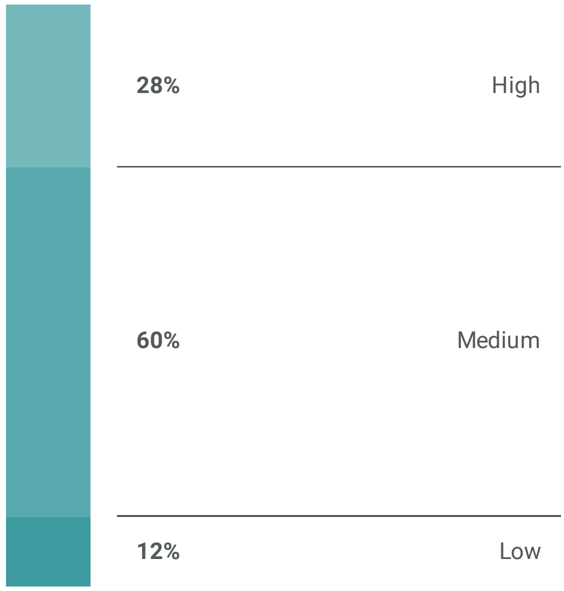
Engagement Performance

The indicator describes the combined company Progress and Response.

High Good or Excellent Progress in combination with Good or Excellent Response.

Medium Standard Level of Progress and Response.

Poor Poor or None Progress in combination with Poor or None Response.



Quarterly Overview of Engagement Activities and Results

	Q1	Q2	Q3	Q4	FULL YEAR
Emails/Phone Calls Exchanged	2,368	2,460	2,393	2,508	9,729
Meetings Conducted	164	174	188	232	758
Milestones Achieved	120	117	79	171	487
Engagements Resolved	3	11	7	18	39

Engagements Resolved

COMPANY	COUNTRY	INDUSTRY	ISSUE	QUARTER
3M Co.	United States	Industrial Conglomerates	Activities Resulting in Adverse Environmental and Human Rights Impacts	Q4
Arjo AB	Sweden	Healthcare	Focus on Risk Assessment and ESG Disclosure	Q4
Barclays PLC	United Kingdom	Banks	Business Ethics	Q4
BRF SA	Brazil	Food Products	Consumer Interests - Human Rights	Q4
China Merchants Bank Co., Ltd.	China	Banks	Focus on ESG Integration Financials	Q4
Contemporary Amperex Technology Co., Ltd.	China	Electrical Equipment	Focus on ESG Disclosure	Q4
Demant A/S	Denmark	Healthcare	Focus on Risk Assessment and ESG Disclosure	Q4
easyJet Plc	United Kingdom	Transportation	Focus on Carbon Own Operations	Q4
FMC Corp.	United States	Chemicals	Focus on Emissions, Effluents and Waste and Community Relations	Q4
Horizon Therapeutics Plc	Ireland	Pharmaceuticals	Focus on Corporate Governance and Business Ethics	Q4
Impala Platinum Holdings Ltd.	South Africa	Precious Metals	Focus on Occupational Health and Safety	Q4
POSCO Holdings Inc.	South Korea	Steel	Focus on Risk Assessment and Corporate Governance	Q4
Rio Tinto Ltd.	Australia	Diversified Metals	Community Relations - Indigenous Peoples	Q4
Sumitomo Heavy Industries, Ltd.	Japan	Machinery	Focus on Human Capital	Q4
thyssenkrupp AG	Germany	Industrial Conglomerates	Focus on Carbon Own Operations	Q4

Engagements Resolved (cont.)

COMPANY	COUNTRY	INDUSTRY	ISSUE	QUARTER
TOSHIBA Corp.	Japan	Industrial Conglomerates	Accounting and Taxation	Q4
TransAlta Corp.	Canada	Utilities	Focus on Emissions, Effluents and Waste and Resource Use	Q4
AMP Ltd.	Australia	Diversified Financials	Consumer Interests - Business Ethics	Q3
Johnson & Johnson	United States	Pharmaceuticals	Quality and Safety - Human Rights	Q3
MTN Group Ltd.	South Africa	Telecommunication Services	Focus on Data Privacy and Security	Q3
Otsuka Holdings Co., Ltd.	Japan	Pharmaceuticals	Focus on ESG Disclosure	Q3
Stryker Corp.	United States	Healthcare	Quality and Safety - Human Rights	Q3
Tata Motors Ltd.	India	Automobiles	Focus on Carbon Products and Services	Q3
Uber Technologies, Inc.	United States	Software & Services	Focus on Business Ethics	Q3
Albemarle Corp.	United States	Chemicals	Focus on Emissions, Effluents and Waste	Q2
BAE Systems Plc	United Kingdom	Aerospace & Defense	Focus on Product Governance	Q2
Companhia Siderurgica Nacional	Brazil	Steel	Focus on Risk Assessment and Corporate Governance	Q2
Dr. Reddy's Laboratories Ltd.	India	Pharmaceuticals	Focus on Product Governance	Q2
Hankyu Hanshin Holdings, Inc.	Japan	Transportation	Focus on Carbon Own Operations	Q2
Hexagon Composites ASA	Norway	Machinery	Focus on Risk Assessment and ESG Disclosure	Q2

Engagements Resolved (cont.)

COMPANY	COUNTRY	INDUSTRY	ISSUE	QUARTER
Melrose Industries Plc	United Kingdom	Industrial Conglomerates	Focus on Carbon and Resource Use	Q2
Nissin Foods Holdings Co., Ltd.	Japan	Food Products	Focus on Corporate Governance	Q2
RUMO SA	Brazil	Transportation	Focus on Carbon and Community Relations	Q2
Sime Darby Plantation Bhd.	Malaysia	Food Products	Focus on Occupational Health and Safety and Human Capital	Q2
Grieg Seafood ASA	Norway	Food Products	Focus on Product Governance	Q1
JBS SA	Brazil	Food Products	Bribery and Corruption	Q1
Skyworks Solutions, Inc.	United States	Semiconductors	Focus on Carbon and Resource Use	Q1

Resolved - 3M Co.

Engagement Since: 30 August 2019

INDUSTRY:

Industrial Conglomerates

BASE LOCATION:

United States

ISSUE:

Activities Resulting in Adverse Environmental and Human Rights Impacts

For several years, 3M Co. faced intense scrutiny over widespread environmental pollution stemming from its past activities and products, which were linked to severe health impacts.

CHANGE OBJECTIVE

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

Engagement Outcomes

- The company has worked on the development of sustainable chemicals and discontinuing the production of PFAS by 2025.
- It invested in technology to remove up to 99% of contaminants from its waste water discharges.
- The company has also developed a PFAS dedicated section to its website to inform others of how to ensure effective product stewardship.
- It has set aside USD 10 billion to deal with historical litigation claims arising from PFAS contamination of drinking water supplies.

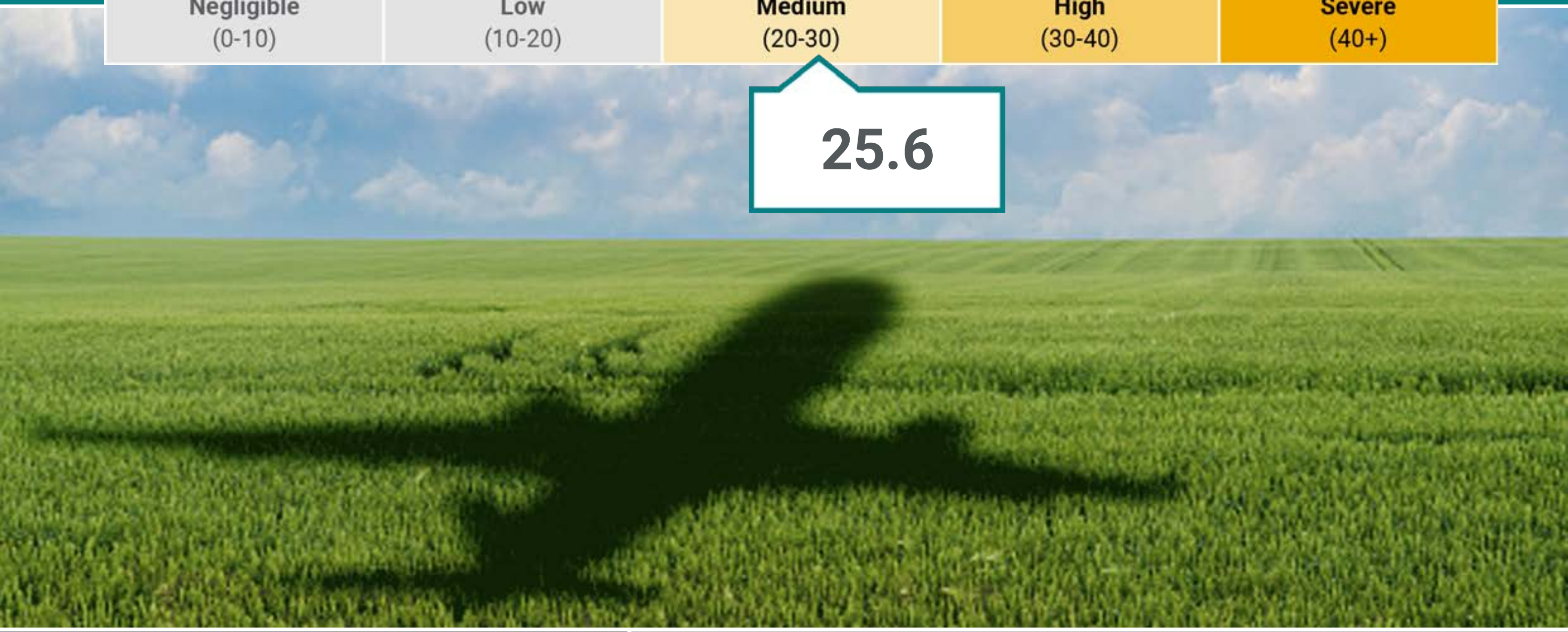
Conclusion: 3M recognizes the sensitivity surrounding the production and use of PFAS chemicals and has taken steps to address the potentially negative impact. As a result, Morningstar Sustainalytics decided to resolve the case.

Resolved - BAE Systems PLC

ESG Risk Ratings Score

Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)

25.6



INDUSTRY:
Aerospace and Defense

BASE LOCATION:
United Kingdom

ENGAGEMENT FOCUS:
Product Governance
Carbon – Products and Services
Data Privacy and Security

RATIONALE FOR RESOLVED STATUS:
BAE Systems PLC has improved their ESG Risk Rating to below 28.

Positive Development Highlights:

- In its 2022 annual disclosure, BAE Systems formally recognized the importance of ESG for its long-term financial sustainability and introduced an ESG component to its long-term incentive plan with a 10% weight.
- The company's website explains that product safety is assessed as part of the Operational Assurance Statement, which is a key biannual governance process owned by the Internal Audit function. As part of this process, relevant incidents undergo appropriate independent investigations.
- In its 2022 annual disclosure, BAE Systems provided information on its cyber resilience infrastructure, including how its Security Operations Centres in the UK and the US perform continual monitoring of the core networks. The company explained the application of the Cyber Incident Response plan in the event of a cyber incident, how it feeds into the Group's crisis management system, and regular testing of the procedures across the business and up to the Executive Committee.
- In its 2022 annual disclosure, BAE Systems sharpened its climate disclosure providing investors with a clearer and a more focused overview of its net zero roadmap, including reduction levers and activities with time horizons, progress made in 2022 and pipeline. In addition, the issuer improved the quality and comprehensiveness of its TCFD reporting.

In the latest update of the ESG Risk Rating, BAE Systems has improved its Risk Rating score by 4.9 points, bringing it into the medium risk category and below our 28-point threshold for engagement.

Resolved - Barclays PLC

Engagement Since: 30 May 2019

INDUSTRY:
Banks

BASE LOCATION:
United Kingdom

ISSUE:
Business Ethics

Over the last few years, Barclays PLC was implicated in significant allegations of business ethics - related misconduct.

CHANGE OBJECTIVE

Barclays PLC should ensure on-going implementation of whistle-blower policies as mandated by regulators, relevant international organizations and global banking industry best-practices. The company should also implement best practices regarding whistle-blower protections and procedures.

Engagement Outcomes

- The company retained an outside third-party to conduct a full review of its whistleblower policies, programmes, processes and controls.
- Afterwards, it implemented strong whistleblower policies, independent grievance mechanisms and good grievance mechanism statistics reporting.
- The company significantly strengthened corporate governance of whistleblowing matters.
- It has taken various steps to reinforce a corporate culture that prioritizes ethical conduct and a compliance culture.

Conclusion: Since Barclays has implemented comprehensive measures to ensure that whistleblower treatment is appropriate, and no recent whistleblower incidents have occurred, Morningstar Sustainalytics decided to resolve the case.

Resolved - Contemporary Amperex Technology Co., Ltd.

ESG Risk Ratings Score

Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)

19.2

INDUSTRY:
Electrical Equipment

BASE LOCATION:
China

ENGAGEMENT FOCUS:
Product Governance
Corporate Governance
Whistleblowing
Human Capital

RATIONALE FOR RESOLVED STATUS:
CATL has improved their ESG Risk Rating to below 28.

Positive Development Highlights:

- The 2022 ESG Reports provides an overview of integrity training including all employees and the extensive governance structure for compliance management. Additionally, it shows clearly the procedures involved in managing incoming reports in the different whistleblowing channels.
- CATL provides in the 2022 ESG report further insight to the number of cases investigated violating code of ethics and how many have been transferred to legal actions.
- The updated Code of Conducts clarifies that local languages are allowed for whistleblowing and reporting anonymously.
- In 2022, all production units in the company have been certified in accordance with IATF 16949: 2016 Automobile Quality Management System Standard or ISO 9001: 2015 Quality Management System.
- By 2022, 100% of the production facilities with stable operations and certification qualifications passed ISO 45001:2018 occupational health and safety management system certifications.

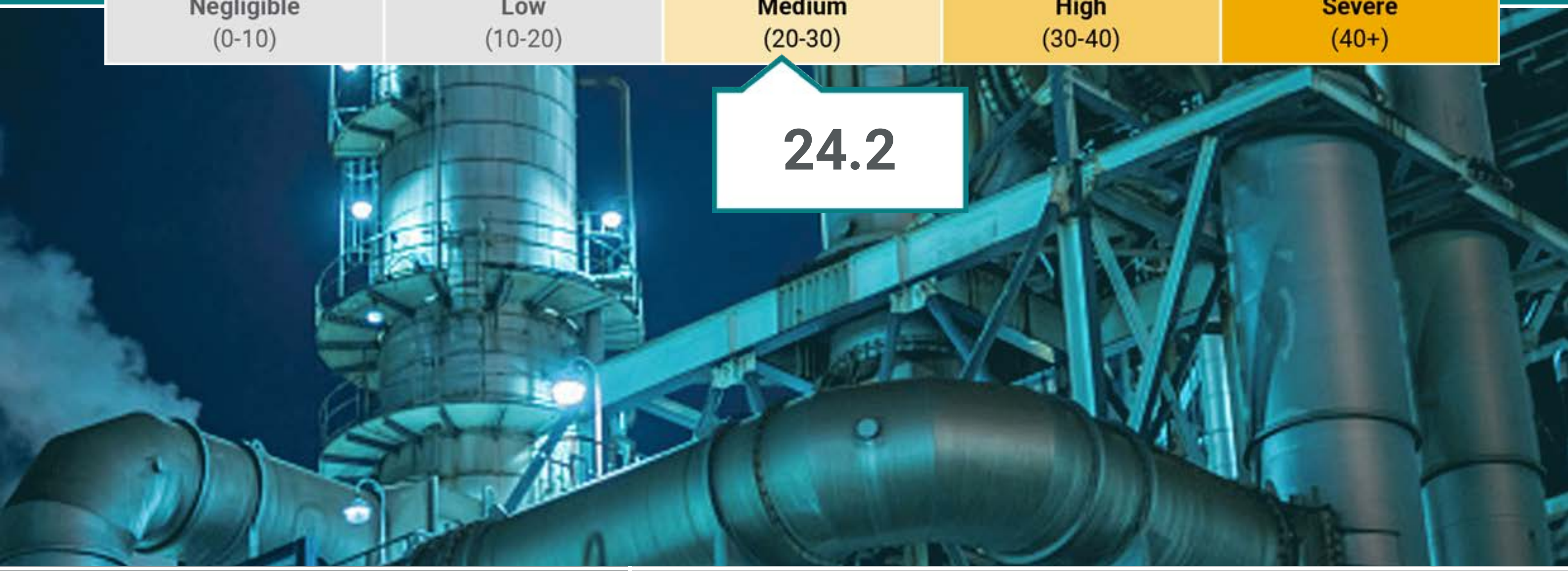
In the latest update of the ESG Risk Rating, CATL's management score improved by more than 26 points, bringing the company into the low risk category and below the 28-point threshold for engagement.

Resolved - Posco Holdings, Inc.

ESG Risk Ratings Score

Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)

24.2



INDUSTRY:
Steel

BASE LOCATION:
South Korea

ENGAGEMENT FOCUS:
ESG Governance
Human Rights
Carbon – Own Operations
Compliance Management

RATIONALE FOR RESOLVED STATUS:
Posco Holdings, Inc. has improved their ESG Risk Rating to below 28.

Positive Development Highlights:

- Over the years, Posco significantly improved its ESG risk management on the group level by structuring strategies with materiality analysis guidance and providing investors with relevant risk management and performance insights.
- Posco is conducting a human rights risk review of affiliated companies within its group.
- Posco started to reporting according to the TCFD framework and publishes separate climate change reports.
- Posco provides good disclosure on incoming reports and the outcomes the Unethical Behaviour Reporting Centre.
- The ESG team organizes and manages the compliance management groupwide with clearly structured policies and management systems.
- Posco established an ESG board committee and recruited a new board member with environmental expertise.
- In March 2022, Posco appointed a new external board director with expertise in new technologies, such as rechargeable batteries, advanced materials and commercializing such technologies.
- Posco plans to replace coal in the steel production with green hydrogen and become carbon neutral by 2050. Posco will invest to produce the green hydrogen themselves.

In the latest update of the ESG Risk Rating, Posco's management score improved by more than 19 points, bringing the company into the medium risk category and below the 28-point threshold for engagement.

Resolved - Rio Tinto Ltd.

Engagement Since: 27 November 2020

INDUSTRY:

Diversified Metals

BASE LOCATION:

Australia

ISSUE:

Community Relations - Indigenous Peoples

In 2020, Rio Tinto Ltd. was involved in the destruction of an Aboriginal heritage site of great archaeological and cultural value in Australia. The company was also involved in other community relations controversies in several countries.

CHANGE OBJECTIVE

Rio Tinto Ltd. should agree on a compensation package with the Puutu Kunti Kurrama and Pinikura (PKKP), the Traditional Owners of the destroyed rock-shelters. The company should ensure to rebuild community relations with the PKKP and also to fully integrate community relations teams into its operations.

Engagement Outcomes

- Rio Tinto Ltd. agreed on a compensation package with the PKKP, the Traditional Owners for the lands where the company operates and completed the physical rehabilitation of the destroyed rock shelters.
- It established suitable community relations mechanisms across its operations and maintains the consent-based relationships.
- The company's heritage and community relations teams have fully integrated its operations to ensure integrated decision-making process.

Conclusion: Since the company repaired the damage, re-established free, prior and informed consent with the local Aboriginal people, including its heritage within risk management systems and mine production decision-making, Morningstar Sustainalytics decided to resolve the case.

Resolved - TransAlta Corp.

ESG Risk Ratings Score

Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)
		26.1		

INDUSTRY:

Independent Power Production and Traders

BASE LOCATION:

Canada

ENGAGEMENT FOCUS:

Emissions, Effluents and Waste
Carbon – Own Operations
Resource Use

RATIONALE FOR RESOLVED STATUS:

TransAlta Corp. has improved their ESG Risk Rating to below 28.

Positive Development Highlights:

- For FY22, TransAlta reported 68% reduced GHG emissions since 2015, which according to the company, it contributed approximately 10% to Canada's Paris Agreement target. The company also accelerated its long-term decarbonization goal by adopting a net zero target for 2045. The company's decarbonization plan includes a commitment to invest $3.6 billion in clean generation growth, which currently has 678 MW of construction projects underway with over $1.35 billion allocated for the completion of these projects throughout 2023.
- In 2022, TransAlta developed a consolidated Climate Transition Plan, laying out the company's approach to reducing operational and value chain emissions and delivering net zero operations by 2045. The Climate Transition Plan defines TransAlta's past short-term (2023 to 2025) and medium- to long-term actions (beyond 2026) and articulates the technologies the company anticipates employing for decarbonization activities.
- TransAlta has developed and disclosed a new Environmental Policy, which includes formal commitments for the protection of the public and the environment, stakeholder engagement and consultation on environmental matters, board and management oversight of its EMS, climate, nature-related risks and opportunities, promoting environmental awareness, training employees, enabling biodiversity conservation, and reporting, investigating and following up on environmental incidents and emergency situations to identify weaknesses requiring corrective actions.
- TransAlta's 2022 Integrated Report disclosed a scope 3 total emissions estimating four million tons of CO_2 and its goals to verify and disclose 80% of its scope 3 emissions by 2024, update its scope 3 emissions reporting methodology by 2025, and to consider developing a scope 3 emissions target beyond 2026.

In the latest update of the ESG Risk Rating, TransAlta's management score improved by 6.6 points, bringing the company into the medium risk category and below the 28-point threshold for engagement.

Global & Thematic Engagement Updates

Net Zero Transition Stewardship Programme

Morningstar Sustainalytics' Net Zero Transition Stewardship Programme seeks to support investors in aligning their portfolios to achieve net zero emissions by engaging with portfolio companies to encourage and track their progress toward net zero goals. The Programme targets 100 national and multinational companies to encourage sound management of climate-related (i.e.decarbonization-specific) risks and opportunities and leverages a standardized Outcome Assessment to track progress over time.

Thematic Stewardship Programmes protect and promote long-term enterprise value by proactively engaging with companies up and down the value chain as well as industry stakeholders to mitigate systemic risks and maximize opportunities. It empowers investors to take proactive measures in tackling particular environment, social, and governance (ESG) concerns within the companies in their investment portfolios, including the pursuit of net zero goals.

Engagement Updates

The work to develop the Net Zero Transition Stewardship Programme started in late 2022. Between November 2022 and March 2023, a dedicated team of experts from Morningstar Sustainalytics' Stewardship division developed a comprehensive strategy for the Net Zero Transition Stewardship Programme.

The programme engages with 100 companies. The engagement's first group of 50 companies was selected in June 2023, while the second group of 50 companies was selected in October 2023. This staggered approach to company selection allowed for a scale and level of input that marked a positive step forward in the execution of a Stewardship Programme.

From July to December 2023, the team hosted 30 introductory calls and 17 engagement calls. Moreover, the team has sent a total of 404 emails to companies and received 166 responses. Several introduction calls and engagement calls, initially scheduled in 2023, were delated due to evolving issuers' obligations and carried over to 2024. Two issuers requested to conduct the engagement via email response initially.

The second round of calls concentrated on the actual engagement with the issuers. The engagement process is designed to lead to successful engagement and achievement of the programme's stated objectives, make the company's response to engagement efforts transparent, and account for different cultural considerations in the relevant markets. In addition, the process was guided by the programme's outcomes assessment based on five pillars defining best practice outcomes: governance, risk management, strategy, targets and performance, and accountability and transparency. The five outcomes provide a standardized approach to assessing progress on engagement objectives.

Looking Forward

Expected Engagement Outcomes
In 2024, we aim to conduct, on average, two engagement calls per company selected in the programme. These engagement dialogues will focus on driving companies' GHG emission disclosure, specifically emphasizing Scope 3 emissions, climate risk management and net zero governance structure, board competencies, and executive remuneration. Additionally, we aim to motivate organizations to set clear, evidence-based GHG emission reduction targets (mid- and long-term) and provide comprehensive information on their net zero or carbon reduction strategies, focusing on understanding how these strategies intend to bridge the emissions gaps.

Additionally, our focus will examine companies' investment approaches and scrutinize their activities in influencing climate policies. We will also monitor the companies' GHG emission reduction performance and progress. Collaborating closely with our investor clients, we will identify the most pertinent and material criteria for achieving net zero goals and incorporate these into the future development of our programme. With these goals in mind, we plan to host a webinar in January 2024 for our investor clients. This webinar will update them on the programme's progress and solicit their feedback on the developments so far.

Unresponsive Companies and Escalation
We have identified that 16 of the selected companies have either declined engagement or are resistant to engagement on net zero. Notably, these companies are predominantly from the United States market. Within the initial three months of 2024, we plan to initiate the first phase of our escalation procedure. Should the company persist in being unresponsive, we intend to involve our investor clients in these communications. Subsequently, our next action will be to inform Morningstar Sustainalytics' Proxy Voting team about our intention to escalate matters. In the event of continued non-responsiveness, the Morningstar Sustainalytics Proxy Voting Overlay team may offer recommendations to vote against resolutions at the upcoming Annual General Meeting (AGM) per an established engagement approach.

Biodiversity & Natural Capital Stewardship Programme

Engagement Updates

The Biodiversity and Natural Capital Stewardship programme launched in 2022 and was highlighted by our participation at COP15. In 2023, our engagement managers worked to establish and advance dialogues with 50 companies, chosen with input from our investor clients. Through a process of ongoing research, generating meeting agendas and conducting in-depth dialogues, our team advanced or maintained 50 cases.

From January to December 2023, we hosted 72 meetings via conference call or in person. The team sent a total of 781 emails to companies and received 479 responses. 2023 was the first full year of engagement for the Biodiversity and Natural Capital Stewardship programme. The aim of calls early in this engagement is to set expectations for two-way dialogue with knowledgeable engagement managers, to build relationships and establish trust. We introduced the structure, content, and process of the engagement to the issuers and shared investor expectations linked to global frameworks and standards. Biodiversity and natural capital concepts are quickly increasing in significance and the recognition of its materiality varies among issuers and industries. The engagement process aims to ensure transparency in the company's response to engagement efforts and takes into account different cultural considerations in the relevant markets. As the engagements advance, our engagement managers shift the dialogue to address specific gaps between company disclosure and the programme's outcome scorecard. The scorecard is based on five pillars defining leading practice outcomes: governance, risk management, strategy, targets and transparency and disclosure. The five outcomes and five subsequent markers under each outcome provide a standardized approach to assessing progress on engagement objectives across the 50 companies. Recent focus has been on the governance, risk management and strategy pillars as these are foundational to progress on the other pillars of targets and disclosure.

Looking forward

Building upon our 2022 and 2023 dialogues within the Biodiversity and Natural Capital programme, we aim to continue our focus on advancing markers within the three pillars of governance, risk management and strategy. In addition, with the formal launch of the TNFD, we will encourage issuers to progress on their disclosure of nature-related issues. We aim to be an enabling partner for the issuers by being open to discussing challenges and by sharing resources and providing publicly available examples of issuer progress and leading practices.

From Commitment to Action: Corporate Realities and Strategies for Biodiversity Stewardship

The Kunming-Montreal Global Biodiversity Framework has set an ambitious agenda with 23 targets to halt and reverse biodiversity loss by 2030[1]. As nations recalibrate their National Biodiversity Strategies and Action Plans (NBSAPs) to translate these commitments into country-level actions, businesses and financial institutions will have to progressively minimize negative impacts on biodiversity while fostering positive ones. Yet, a stark reality remains—most companies are not even at the initial stages of recognizing and understanding the scope of their impacts and dependencies on nature[2]. With global biodiversity goals established and science-based targets for nature developed, the scaffolding is in place for companies to reduce negative impacts and contribute to the restoration and regeneration of nature. This article highlights key areas to advance progress through our Stewardship initiatives in 2024.

Corporate Realities: Where do we stand?

Most companies are yet to identify and understand the magnitude of their impacts and dependencies on nature along their value chain. According to the 2023 Nature Benchmark, only 2% of the world's 350 largest Food and Agriculture companies currently disclose their environmental impacts and 0% comprehensively address their dependencies on nature. This step is essential to enable companies to take meaningful action and with only six years left to meet the targets of the Global Biodiversity Framework, companies should not delay this assessment.

Strategic Imperative: Nature Strategies for Positive Impact

Once companies articulate material impacts, dependencies, risks, and opportunities, they are well-positioned to state their ambition to contribute to a nature-positive world within a nature strategy. Setting a strategy is key to scale and speed up business action on nature, despite this 56% of companies in the Biodiversity and Natural Capital Stewardship programme are yet to take a strategic approach to address biodiversity. The Nature Strategy Handbook, published by the Business for Nature coalition, is a valuable tool supporting companies and financial institutions in developing and publishing a nature strategy. The strategy should include nature-related targets and actions that will achieve the company's ambition.

Empowering Change: The Science Based Targets Network

The Science Based Targets Network (SBTN) equip companies to do their part for a nature-positive future. Offering guidance to assess and prioritize the most significant impacts on nature, set science-based targets, take action, and track progress, the SBTN is a crucial resource.

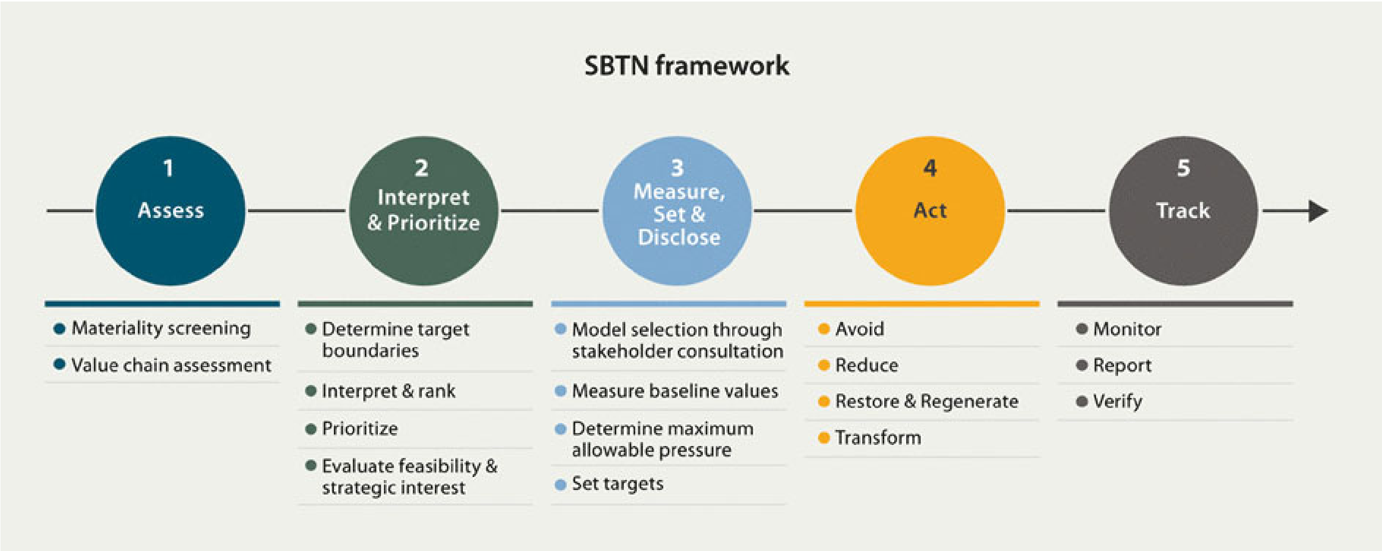


Figure 1: The five-step process for setting science-based targets.
Source: SBTN.

The first science-based targets for nature guidance were released in May 2023, and after conducting validation pilots, the broader role out of SBTN methods will launch this year. Guidance is already available to assess and prioritize impacts, set targets on freshwater (freshwater quantity and quality) and land (no conversion of natural ecosystems; land footprint reduction and landscape engagement). We expect the first release of the oceans methodology to be released later this year also.

The SBTN resources come at a critical time as very few companies have made progress in target setting. Sustainalytics' ESG Risk Ratings data assesses the strength of biodiversity programmes of companies where biodiversity issues are especially material. The research found that 83% of the 677 companies assessed did not have a biodiversity target[3]. In addition, we found that 42% of the 50 companies engaged in Sustainalytics' Biodiversity and Natural Capital Stewardship have not set any nature-related targets.

Investor Influence: Redirecting Finances for a Nature-Positive Future

In recent years, there has been much discussion and growth in understanding about the significance of biodiversity and nature at a societal and economic level. With consolidated guidance and frameworks to understand biodiversity-related risks and opportunities and to set science-based targets, 2024 should be the year businesses identify their nature-related risks and take action toward nature-positive outcomes. Investors, as shareholders, have a key opportunity to set commitments and clear expectations. Through effective stewardship, companies can be encouraged to develop a nature strategy aligned with the Global Biodiversity Framework and backed by science-based targets.

Climate Change—Sustainable Forests and Finance Thematic Engagement

The Issue at Hand

The most recent United Nations Climate Change Conference, COP28, concluded in December 2023 with the release of the first-ever Global Stocktake. The report expresses serious concern that the impacts of climate change are rapidly accelerating and emphasizes the need for urgent actions to address the climate crisis in this critical decade to limit the global temperature increase to 1.5 °C. The Global Stocktake also acknowledges the interlinked global crises of climate and biodiversity loss and underlines the vital importance of protecting, conserving, restoring and sustainably using nature and ecosystems. Enhanced efforts towards halting and reversing deforestation and forest degradation by 2030 are also noted in the report to mitigate climate change and conserve nature.

In-line with the above recommendations to achieve the Paris Agreement, Sustainalytics' Climate Change—Sustainable Forests and Finance Thematic Engagement aims to address climate-related risks and advocate for emissions reduction across the global food systems. The theme targets companies across the agriculture value chain, from the high-risk commodity sector to its major customers and financiers. Throughout the past year of engagement, the dialogues focused on companies' management of decarbonization which should be science-based and aligned with a 1.5 °C pathway or beyond. In addition, companies should integrate their nature-related risks and forestry commitments into risk management, strategic planning, and disclosure.

Developments in 2023

Some positive developments with implications for agricultural value chain companies continued to unfold throughout 2023, reflecting the growing importance of the climate and nature nexus for investors and stakeholders. For example, the launch of the Taskforce on Nature-related Financial Disclosures (TNFD) final recommendations on 18 September, will undoubtedly support companies' nature-related risk assessment and management to ultimately contribute to the Global Biodiversity Framework. In June, the International Sustainability Standards Board (ISSB) released two standards on sustainability disclosure, one on sustainability-related financial information and one on climate-related disclosure, which align with the recommendation of the Taskforce on Climate-related Financial Disclosures (TCFD). The two ISSB standards are considered the global baseline for sustainability reporting requirements and aim to provide investors and other stakeholders with high-quality, decision-useful, and comparable information. In the European landscape, the June approval of the Directive on Corporate Sustainability Due Diligence (CSDDD) facilitates effective environmental and climate protection by mandating due diligence and the implementation of climate transition plans. Meanwhile, the Organisation for Economic Co-operation and Development (OECD) refreshed its Guidelines for Multinational Enterprises on Responsible Business Conduct with recommendations on climate change and biodiversity aspects for enterprises to align with internationally agreed-upon goals based on the best available science. Finally, the EU Deforestation Regulation (EUDR) entered into force in June, which requires companies to ensure that their products and supply chains do not contribute to deforestation, forest degradation, or human rights violations. These positive developments provide not only guidance and direction for companies to act in an informed and concerted manner, but also opportunities for investors to encourage companies to work to provide further granularity in their ESG approaches and to set higher standards to advance companies' performance and drive meaningful changes across industry sectors and continents.

Engagement Update

There are 22 companies in the three sectors (financiers, mid-value chain companies, and end-of-value chain companies) in the Climate Change—Sustainable Forests and Finance Thematic Engagement and most are active participants. As we are two-thirds of the way through this three-year engagement theme, companies are more prepared for dialogue with investors on not only their climate strategies but also their approach toward net zero commitment and natural resource management. In 2023, Sustainalytics conducted 35 engagement meetings (including 1 in-person meeting), 410 outgoing emails, 299 incoming emails, and joined 12 company events such as Annual General Meetings (AGM) and webinars. In this thematic engagement, Sustainalytics has identified companies' performance and disclosure gaps against the expectations set out in the engagement Key Performance Indicators (KPIs). There are positive outcomes related to the company's public disclosure that we observed in 2023: two companies published their CDP responses on their websites thanks to Sustainalytics recommendations. These actions show that companies are willing to make changes considering Sustainalytics's recommendations, and there is potential for more positive outcomes in the future engagement dialogues.

Throughout the engagement, Morningstar Sustainalytics assessed the engaged companies on five key performance indicators (KPIs) that covered governance, operational management, supply chain management, circularity, and stakeholder engagement. The graph below shows that performance is highest on KPI 1, followed by KPI 2 and then KPIs 3, 4 and 5. In the course of the three-year engagement period, all average scores improved incrementally. The overall average score improved from 50 to 71%.

Globally, we observed the increasing trend of climate-related shareholder resolutions in 2023. Sustainalytics joined the AGM of four of the companies engaged in this theme this year. Interestingly, several resolutions requested transparency regarding the company's lobbying activities and positions, which aligns with our engagement asks, particularly in the banking sector. Lobbying is one of the most powerful tools for the banking sector to push for Paris Agreement-aligned commitments across trade unions and other associations; however, most banks are not leveraging the tool and might accidentally support opposite ideas financially. Therefore, our engagement will continue focusing on the company's lobbying activities and disclosure in 2024. In Japan, we saw an unprecedented number of climate resolutions for big corporate groups as shareholders requested companies to have a clear pathway to achieving net zero by 2050, in line with Japan's commitment to be a carbon-neutral country. This trend also empowers our engagement dialogues with two Japanese companies in the theme.

Feeding The Future

The Issue at Hand

Ensuring a sustainable supply of food for the world's fast-growing population is a major challenge. As with other man-made activities, food production contributes to climate change, water scarcity, soil degradation and the destruction of biodiversity. It is estimated that by 2050 the world's population will reach 9.1 billion (34% higher than today), putting more pressure on already constrained resources. Food production will need to increase by 56% over a 2010 baseline to feed the larger population[4], meaning that more food will have to be produced using less land. In addition, energy and water will become limiting factors.

Morningstar Sustainalytics' Feeding the Future Thematic Engagement aims to contribute to a more sustainable food system by focusing on contingency planning, science-based scenario analysis, land stewardship, eliminating food waste and shifting consumer trends. It targets the entire value chain including companies from the agriculture, agricultural chemicals, packaged foods, and food retailer sectors. This engagement was initiated in Q2 2021 and has now marked two-and-a-half years of engagement. Through this engagement, we expect to contribute to a sector-wide transition to more sustainable agriculture practices.

Engagement Update

Since the publication of the July 2023 biannual report, Morningstar Sustainalytics has exchanged 191 emails with the engagement companies, made 8 follow-up telephone calls, and held 13 conference calls with the companies, as illustrated below:

Industry Developments

We would like to highlight these international policy and regulatory developments that have taken place since our last report and will shape the landscape of risks and opportunities faced by companies in our engagement.

- In July 2023 in Rome, countries convened at the UN Food Systems Summit +2 Stocktaking Moment (UNFSS+2)[5] to review progress on food-related SDGs. Governments underlined their commitment to updating their national pathways to achieve the relevant SDGs.[6]
- In September 2023, the Taskforce on Climate-Related Financial Disclosures (TNFD) released its final recommendations, after two years of development through an 'open innovation' process. The publication included 14 recommended disclosures, structured around four recommendation pillars of governance, strategy, risk and impact management and metrics and targets. In December 2023, TNFD published draft additional guidance to help organizations with business models or value chains in the food and agriculture sector apply the LEAP approach (Locate, Evaluate, Assess, Prepare) to their context.
- In November 2023, at the COP 28 summit in Dubai, over 130 countries issued a Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action. This commits the signatories to the aims of scaling up adaptation to reduce the vulnerability of farmers, promoting food security and nutrition, strengthening the integrated management of water in agriculture and food systems, and maximizing the climate and environmental benefits associated with agriculture and food systems.

Developments in 2023

As we passed the halfway mark of our engagement at the start of 2023, our strategy shifted from building our understanding of companies' public disclosure to identifying specific opportunities for improvement and achieving tangible impact, where possible leveraging existing multi-stakeholder initiatives.

In 2023, as displayed in the chart below, Morningstar Sustainalytics exchanged 398 emails, made 17 follow-up telephone calls and held 26 conferences calls with engagement companies.

The Next Six Months

Given the complexity of the value chains that comprise the food system, we consider that partnership—between peers, between customer and vendors and between businesses and their broader community—is essential to manage the pervasive sustainability risks that the system faces. Accordingly, it will remain a keynote of our dialogues in the final reporting period.
Over the last six months of the engagement, we will:

- Explore ways for companies to catalyze progress on the food system or sector level through stakeholder collaboration
- Facilitate peer-to-peer collaboration among engagement companies via a virtual roundtable
- Arrange additional one-to-one calls in ongoing dialogues where appropriate
- Explore options for a field trip in Europe centred around sustainable and regenerative agriculture
- Incorporate suitable good practice examples aligned with engagement KPIs into a 'repository' of good practice to leverage during dialogues with peer companies
- Prepare the final report for release in July 2024

In addition to the policy and regulatory developments that took place in the second half of the year (see above), we would like to underscore these changes that occurred in or around the first half of 2023.

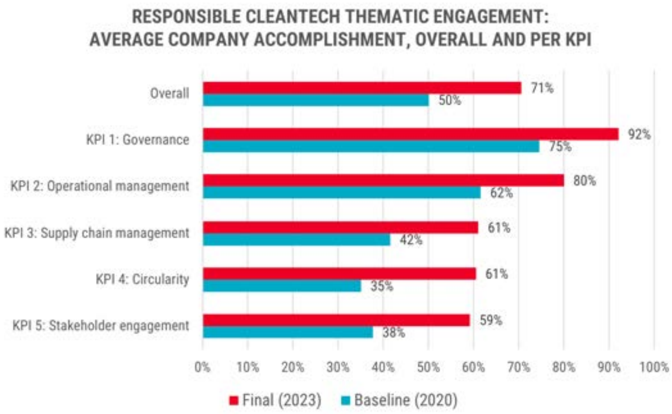
- The outcome of the United Nations Biodiversity Conference (COP15) in December 2022 was the Kunming-Montreal Global Biodiversity Framework, which set out 23 targets, among which was to halve global food waste by 2030. As this agreement is likely to be mirrored in national policies around the world, it may already, at this stage, incentivize companies in relevant sectors, like food retail, to bolster their initiatives in this area.
- The Science-Based Targets Network (SBTN) issued guidance in May 2023 for companies in setting SBTs for Nature. It comprises a five-stage process: assess; interpret & prioritize; measure, set & disclose targets; act; track. SBTN has provided a list of the most common environmental impacts associated with the production of major commodities. This guidance should make it easier for agricultural producers to initiate the process of setting appropriate SBTs for Nature.
- At the end of 2022, the European Commission approved the EU deforestation-free regulation, requiring the European supply chains of six food commodities (cocoa, coffee, soy, palm oil and cattle) to prepare for closer due diligence. It will require any company importing these commodities into or exporting them out of the EU to prove that they are deforestation-free.

Our engagement dialogues during the same period tapped into the broader discussion of the sustainability issues driving these legal and guidance documents. Furthermore, most of the engaged companies published sustainability reports in the first half of 2023, giving us a rich seam of fresh information to tap into, augmented by direct dialogue with eleven companies. Climate change once again emerged as a priority issue, not only on its own merits, but also because of its connection with other issues, such as soil health, water stewardship, forestry management and biodiversity. Many engagement companies have published emissions reduction targets (as well as measures to achieve them) and some have had their targets approved by the Science-Based Targets Initiative (SBTi).

Companies at different stages of the food value chain are developing and applying digital systems to strengthen their environmental stewardship. For example, one agricultural chemicals company has created a geospatial mapping system, currently available in three European countries, to help farmers detect and limit the runoff of agricultural chemicals into watercourses.

Responsible Cleantech

The Issue at Hand



Just like the products it aims to replace or make more efficient, cleantech requires space and natural resources. Companies have a responsibility to respect local communities' human rights and consider the environmental impacts in and around sites where raw materials are sourced, where products are made, and/or where renewable energy is generated. Similarly, the cleantech supply chain relies on human resources. The labour rights of workers in mines and factories need to be respected, including healthy and safe working conditions, freedom of association and collective bargaining, and either avoidance or mitigation of child and forced labour. Furthermore, the recycling of products such as solar photovoltaic (PV) systems, wind turbines and vehicle batteries has received less attention than the benefits of these technologies. It is advantageous to promote circular business models for recovering materials when products reach the end of their life cycle. These products are truly sustainable only if all stages in the value chain are environmentally and socially sustainable.

Sustainalytics' Responsible Cleantech Thematic Engagement addressed both the environmental and social implications of the growth of selected cleantech domains—photovoltaic solar panels, wind turbines, battery electric vehicles and hydrogen—and sought alignment with multiple Sustainable Development Goals, namely: SDG 7 Affordable and clean energy, SDG 8 'Decent work and economic growth', SDG 9 'Industry, innovation and infrastructure', SDG 12 'Responsible consumption and production', and SDG 13 'Climate action'.

Engagement Results

This final report accounts for the overall progress since the Responsible Cleantech Thematic Engagement started with a baseline report in September 2020. In total, Sustainalytics approached 33 companies. Ultimately, 19 companies accommodated substantial dialogue. These were: Daqo New Energy, First Solar, Ford Motor, Goldwind, Gurit, Hanwha Solutions, Honda Motor, Hyundai Mobis, Johnson Matthey, LG Energy Solution, LONGi Green Energy Technology, Nordex, Plug Power, Schneider Electric, SunPower, Tesla, TPI Composites, Vestas Wind Systems and Volkswagen.

Some KPIs generated more dialogue than others and there were many topics for us to cover. Some companies asked for more focus, but there were also companies that accepted that investors require management, oversight and accountability of all material environmental and social issues. It was great to see how companies in East Asia, Europe and the U.S. climbed a learning curve with respect to opening up for dialogue, helping investors understand their business reality better and interpret their sustainability reporting. Supply chain management (KPI 3), including participation in multi-stakeholder supply chain initiatives (part of KPI 5), became our biggest topic. From the start, many companies were already considerably more advanced with governance (KPI 1) and operational management (KPI 2). Especially with respect to operational management, it was already possible to go beyond establishment of policies and ambitions and engage more on implementation and actual progress. Last but not least, circularity (KPI 4) was arguably the most challenging topic in this Thematic Engagement, considering how hard it can be to replace the linear 'take-make-waste' status quo by a circular economy that is commercially viable. Morningstar Sustainalytics concluded that this topic merits a more dedicated engagement programme, also with more industry and value chain focus.

It was a good decision to engage multiple cleantech domains on responsible production and sourcing, considering that there is significant overlap in capacity requirements and success factors. Morningstar Sustainalytics was regularly able to offer companies some cross-pollination, for example by pointing a wind company to a strong practice in a sustainability report of a solar company. The companies appreciated this effort. Yet, we also unpacked plenty of industry-specific circumstances, which investors can use to improve their portfolio's risk-return profiles and/or contributions to sustainable development goals.

Conclusion

Achieving the Change Objective

The change objective of the Responsible Cleantech Thematic Engagement was to catalyze more sustainable production of some of the most popular cleantech solutions.

We encouraged manufacturers to apply a life-cycle approach and implement policies that adequately addressed environmental and social risks in their operations and supply chains. Companies should also engage their suppliers and customers and start or join collaborative initiatives towards industry-wide improvement. The KPI framework helped structure the engagement conversations and ensured coverage of governance, operational management, supply chain management, circularity and stakeholder engagement.

For this engagement we targeted a mix of leaders and laggards. We gave leading companies a stage to promote their best practices and we encouraged accountability with respect to implementation of their programmes and progress towards their ambitious targets. We promoted best practices among the lagging companies and encouraged more initiative.

Out of the 19 engaged companies, four companies managed to make it to the end of our milestone pathway (Milestone 5) and four more companies got close (Milestone 4). There were three other companies that did not quite get that far but they did also impress us with their progress (Milestone 3). The remaining eight companies are considered less advanced with the implementation of their strategy.

The change objective was ambitious. After three years of engagement, we are seeing a shift in thinking and a desire towards cleantech solutions that are produced responsibly. A life-cycle approach that addresses environmental and social risks in supply chains is needed if we want to have better visibility on how to improve and mitigate risks. Despite closing what we feel is an important engagement, we expect that the engaged companies will continue to advance in these aspects.

Although regulation and assurance standards help mitigate free rider risks with addressing negative environmental and social externalities, it is feeling far from safe to conclude that all cleantech manufacturing companies will deliver sustainable value chains. It remains essential for investors to keep sufficient pressure on their portfolio companies, insisting on multiple, mutually reinforcing sources of assurance, such as reporting, audit, proxy voting and responsiveness to investor engagement inquiries. Several of the investors participating in this Thematic Engagement insisted that the highest quality companies do not merely account for their successes and achievements but also their shortcomings and plans to overcome these.

Governance of the SDGs

The Issue at Hand

The UN Sustainable Development Goals (SDGs) lay out a path for securing a sustainable, resilient, and stable operating environment for all, including businesses. The 2030 Agenda recognizes the private sector as a crucial agent and provides companies and investors with tools to translate global development needs into business solutions, investment strategies, and products. Sustainalytics carried out the Governance of SDGs Thematic Engagement to encourage companies to implement meaningful SDG strategies aligned with their business models and plans and manage their SDG impacts.

Engagement Results

The Governance of SDGs Thematic Engagement finished in December 2023 and this is its final report. The purpose of this document is to provide a concise summary of its results, as well as our activities in (i) the three and a half years of the engagement, from April 2020 to December 2023, (ii) the year 2023, (iii) the latest reporting period from July 2023 to December 2023.

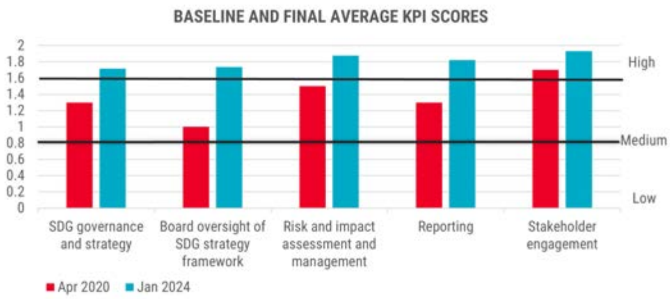
All but one of 21 companies in the Governance of SDGs engagement have been responsive and open to discussing their governance of the SDGs with us.

During the three years of the engagement, we organized 72 meetings since our goal was to meet with each company once a year at minimum. In 20 meetings, a corporate secretary took part, in two meetings–a chair of a board, and in more than 30 meetings–a head of sustainability, including a Chief Sustainability Officer. This means that almost a third of our meetings included board-level participants, and more than half included top executives, emphasizing that the topic of our engagement is high on companies' agendas and reaches top executives and the board. During the three years, we also exchanged 1037 emails–623 outgoing and 414 incoming, and 20% of these emails included substantial information (Class A), including sharing best practices with engagement companies. We also held two telephone calls.

In 2023, we held 19 meetings. In five meetings, a corporate secretary took part and in four meetings – a head of sustainability. We also exchanged 459 emails–283 outgoing and 176 incoming, and 13% of these emails included substantial information.

Since the publication of the July 2023 biannual report until December 2023, we organized 15 meetings and exchanged 317 emails–192 outgoing and 125 incoming, and 15% of these emails included a substantial exchange of information.

As we close the Governance of SDGs Thematic Engagement, we are glad to report that 90% of the companies demonstrate good or excellent progress. The final performance of all five KPIs of the engagement, namely SDG strategy, risk and impact assessment, board oversight, reporting, and stakeholder engagement, is High on average (1.8/2). When we started the engagement three years ago, the companies were all on the Medium level (1.4/2) and we have observed steady improvements since.



This shows, however, how the ESG landscape has changed over the last couple of years, with increased expectations and requirements regarding the governance of sustainability. We believe our engagements have had a positive impact as well as we see many of our engagement companies introducing good governance practices that we have highlighted and emphasised during our meetings. However, there is still much room for improving the governance of SDGs—and scaling the positive impact to achieve the 2030 Agenda.

Final Conclusions

The Governance of SDGs Thematic Engagement concludes at the mid-way point of the 2030 Agenda. None of the Sustainable Development Goals (SDGs) are on track and the world is rocked by polycrisis (interconnected multiple crises). The more granular picture of the 169 targets underlying the 17 SDGs shows that only 15% of the targets are on track, and even more troubling, 37% of the targets have either stalled or regressed below the 2015 starting line.

Sustainable finance is currently at the heart of conversations around the SDGs. The SDG funding gap is widening from the pre-pandemic USD 2.5 trillion to USD 3.9 trillion in 2020. The issue of underfunding is more significant in developing countries, which struggle with debt and a high cost of capital. The benefits of growth have not been shared equally. The international financial architecture is seen as not fit for purpose and in need of significant reform. A paradigm shift and massive investment are needed.

A growing sense of urgency and consequent increased stakeholder expectations have lifted the topics of sustainability governance and sustainable finance to the top of the agenda. There is a common understanding among stakeholders that to scale sustainable finance effectively, more scrutiny is needed from both financial institutions and companies to ensure that the growing sustainable investment wave is flowing in the right direction and that its positive impact is maximized. Credible, comparable data on companies' impact on the SDGs is needed, as is transparent handling of this data by financial institutions to deliver the promised impact and avoid greenwashing and SDG-washing.

These issues are being addressed by regulators as new sustainability regulations focus on improving the governance of sustainability and defining sustainable finance. We have seen significant developments in this regard, with the EU leading the way. Crucial work has been done in the area of standardizing voluntary sustainable reporting and bringing together different frameworks. The finance industry is growing its fluency in the SDGs and tuning its tools to track SDG impacts as well.

The SDGs have become the common language of sustainability. With the governance of ESG rapidly maturing, governance of the SDGs is improving as well. Strategic alignment with the SDGs has become standard practice in sustainable businesses. The governance of sustainability has become a core board responsibility and board oversight of sustainability topics is advancing rapidly. It is clear that the SDGs will not be achieved on time without strong leadership at the senior level of corporate decision-making.

Three trends in the maturing ESG sector are especially important from the 2030 Agenda perspective. First is the fact that the SDGs have become the common language of sustainability, a global framework for different stakeholders. They are used by regulators and businesses alike. The second is the shift of focus from avoiding sustainability risks to creating sustainability impacts, reflecting the double materiality perspective. The third is the increase in the quantity and quality of ESG data, making it possible to develop new tools to track the impact on the SDGs.

Despite the progress made, there is still a lot of work to be done to close the gap on the goals of the 2030 Agenda. Companies are moving in the right direction, but given the slow progress, they will need to do more. That is why the UN Global Compact named its newest SDG campaign towards business #ForwardFaster. In September 2024, the UN Summit of the Future will take place, aiming to accelerate efforts to meet the existing international commitments and take concrete steps to respond to emerging challenges and opportunities.

Scaling Circular Economies

New Engagement Programme Update

Waste materials from the production, use and post-use phases of product lifecycles are impacting climate, nature and public health. These impacts represent significant reputational, regulatory and litigation risks to companies and their investors. Moreover, the accelerated depletion of natural resources threatens companies' business continuity. The transition towards a circular economy has been an important sustainability topic on the political and business agenda for some time and it may also play an effective role in the response of investors to these risks. In essence, a circular economy maximizes the useful lifespan of products and their constituent parts. However, the focus now needs to evolve from generating promising concepts to delivering solutions at scale. Policy frameworks need to be strengthened, producers' responsibilities need to be extended, and circularity improvements need to be more effectively marketed. Consumer empowerment is as essential to the transition towards a circular economy as technical solutions such as eco-design, operational efficiency improvements and recycling.

The new Scaling Circular Economies Stewardship Programme will target companies that supply products and services that help meet consumer needs. As a start, we will engage the automotive value chain. This encompasses not only automotive but also metals, renewable energy, materials processing (including metals and plastics), original equipment manufacturers (OEMs), and waste management. Throughout 2023 we are developing our strategy to expand engagement in this area, establish an outcome framework, and identify a target list of companies to be engaged.

Scope: Value Chain Selection

Initial Scope: The Automotive Value Chain
Consumer empowerment is as essential to the transition towards a circular economy as technical solutions such as eco-design, operational efficiency improvements and recycling. The Circularity and Resource Management Stewardship Programme targets companies that supply products and services that help meet consumer needs.

While we aspire to engage multiple value chains during this programme, it makes sense to focus our attention on just one at the beginning. In consultation with some investor clients as well as some subject-matter experts, we have decided to prioritize the automotive value chain. This encompasses not only the automotive industry itself but also metals, mining and refining companies, battery and tyre suppliers, mobility service providers, electric utilities, and waste management companies.

Previously, from 2019 to 2021, Morningstar Sustainalytics engaged seven automotive companies as part of the 'Plastics and Circular Economy' theme. While we observed that the sample of companies was generally progressing well in terms of governance and innovation, we also envisaged several potential areas for further engagement by investors. These included: holding companies to account for implementing the circularity component of their long-term sustainability strategies; monitoring efforts by tyre companies to research and mitigate the effects of Tyre Road Wear Particles (TRWPs) in the environment; and asking companies about their engagement with government bodies in terms of policy and legislation to promote a circular economy for plastics and other materials, and seek a more consistent level of public disclosure in this regard.

Furthermore, recent research indicates that the circular economy offers the automotive industry and its value chain partners meaningful opportunities to tap additional sources of revenue beyond the limits of their traditional business model. According to a recent study commissioned by the World Economic Forum's Circular Cars Initiative, mobility-as-a-service models have the potential to generate up to 15 times more profit across the value chain than merely selling cars and aftersales parts. Secondly, vehicle life-cycle improvement services could generate up to three times more profit. This study exemplifies opportunities to establish business cases for circular economy solutions at scale, resulting in actual economic benefits in addition to environmental ones.

Scope Expansion Over Time
As the programme advances, we intend to engage additional value chains. Current candidates include fashion (apparel), the built environment and consumer electronics. We remain open to input on this from participating investors.

Automotive Circular Economy Solutions

The lifespan of cars is shorter than that of buildings, ships or trains but still a lot longer than that of, for example, single-use plastic packaging. The multi-year average life span of a car expands the range of opportunities to make the value chain circular. Furthermore, the car industry already has a mature supply chain so some of the basics will already be in place. The industry is already in transformation mode, working to ramp up the production of battery electric vehicles (BEVs) and phase out internal combustion engine (ICE) vehicles.

Considering the volume of investment in this industry, it is important to shareholders that the automotive industry's transformation succeeds. Consumers need to have financial access to the new technology, while the companies will also want to secure their profitability to meet the financial expectations of shareholders. Furthermore, the decarbonization of the industry needs to be matched by the transition toward a circular economy. The elimination of tailpipe emissions will be a very positive step. But even cars without tailpipes still come with many environmental challenges. Recycling materials at the end of a component's economic life is essential as we would not want the change of driving technology to defeat its purpose of saving the environment. After all, producing millions of electric vehicles requires industrial volumes of metals and plastics. We note that once mined and refined, metals can be used for a very long time, contrary to fossil fuels which are essentially 'single use' resources. However, we consider that the global competition for resources and territory is already too intense to allow for the unbounded expansion of the mining industry. If we are to consider all circular economy principles for the automotive value chain, the following options would merit further exploration in dialogues with companies:

1. Car sharing, leasing, rental and/or taxi services - increasing usage intensity relative to private car ownership)
2. Car maintenance – prolonging vehicle life and improving vehicle life cycle performance.
3. Reuse/redistribution via the used vehicle trade
4. Refurbishing/remanufacture via the used car parts trade
5. Recycling and closing material loops – recovery of raw materials and seeing if it is possible to achieve more than 'downcycling'. A key question here is: what are manufacturers or distributors doing to collect written-off cars to enable high-quality recycling?
6. Redesign and replacement - switching from manufacturing internal combustion engine (ICE) vehicles to battery electric vehicles (BEVs).

It also entails learning how to sell smaller and less powerful cars so there is less risk of demand exceeding the supply of raw materials.
Companies also need to mitigate environmental harm and risks in their supply chain, factories and logistics. In addition, for a circular business model to reach scale, affordability and access to mobility are important success factors.

Selection of Industries and Issuers

One of the defining elements of this engagement programme is its value chain approach. Instead of targeting companies in one single tier and one industry, we will convene dialogues with companies in multiple tiers and in time intend to engage with multiple value chains. We will start off with one first value chain –automotive– and, as that matures, we expect to free up capacity to engage a second and possibly even a third value chain. This roll-out strategy is driven by the realization that the Circularity and Resource Management theme is highly relevant in various value chains and investors develop their active ownership strategies at portfolio or institutional level. Furthermore, we have learned from our earlier engagement programmes –such as Plastics & The Circular Economy, Localized Water Management, and Responsible Cleantech– and studies done by others, such as RE-SOURCING[7], how a value chain approach can enhance impact objectives.

We envisage the following benefits of a value chain approach:

- Identify the largest value pools and maximize relative environmental gains, i.e. ensure that companies invest smartly, maximizing resource efficiency and minimizing harm;
- Promote cooperation between tiers in the value chain through our direct dialogues with issuers;
- Promote direct dialogue and cooperation between links in the chain e.g. through roundtables;
- In our communication with companies promote forms of collaboration learnt from dialogues with peer companies and promote recommendations for inter-sectoral collaboration taken from best practice guidance;
- Identify and promote best practice multi-stakeholder collaboration initiatives;
- Promote the formation of coalitions and/or participation by multiple value chain links in existing multi-stakeholder initiatives.

Adopting a value chain approach to establishing a circular economy for cars means that besides targeting car manufacturing companies, we will approach various other value chain players and stakeholders as well. Please refer to the table below for the industry selection which we would like to use as a starting point.

VALUE CHAIN CATEGORY	SUBINDUSTRIES WITH EXPOSURE
Upstream, generic	Diversified Metals Mining, Aluminum, Steel, Conglomerates, Specialty Chemicals
Upstream, specialized	Electrical Equipment (including batteries), Tyres, Auto Parts
OEMs, specialized	Automobiles
Downstream, specialized	Automotive Retail, car rental, car leasing
Downstream, generic	Electric Utilities and Multi-Utilities (including recycling)

Additionally, we would also like to offer investors opportunities to engage some leading non-corporate stakeholders such as public policymakers and NGOs. The contributions of policymakers and NGOs to overcoming complex, systemic challenges are also important and the different stakeholder groups need to connect and coordinating their efforts. In the first year of the programme, we will aim for dialogue with three (leading) public policymakers and three NGOs (or industry or multi-stakeholder initiatives).

Over time, as we expect to target a second value chain, distinct from automotive, we expect to be able to keep growing the total number of dialogues that investors may participate in.

Industry Insights

Aligning on Net Zero

Engaging with companies is essential for active investors dedicated to investing sustainably, underscoring their commitment to responsible practices. This is particularly crucial in driving the net zero agenda and aligning investments with broader global efforts to address the issue of climate change. In the Stewardship team, we also see it as essential to ensure alignment on our approach to specific topics.

While developing the Net Zero Transition Stewardship Programme, the team consulted standard-setting initiatives such as the Net Zero Asset Owners Alliance (NZAOA), Net Zero Asset Managers Initiative (NZAMI), Institutional Investors Group on Climate Change (IIGCC), Taskforce on Climate-Related Financial Disclosure (TCFD), Climate Action 100+ (CA100+) and Science Based Targets Initiative (SBTi). In addition to the above initiatives, the Stewardship Programme will consider and leverage the following frameworks: Swiss Climate Scores, Transition Pathway Initiative and CDP.

In August 2023, Morningstar Sustainalytics became a member of the Institutional Investors Group on Climate Change (IIGCC). This membership strengthens Morningstar Sustainalytics' commitment to sustainable and responsible investing, acknowledging the importance of addressing climate risks and opportunities in financial decision-making. Through collective action and advocacy, IIGCC members aim to contribute to transitioning to a low-carbon and climate-resilient economy. Being part of IIGCC allows Morningstar Sustainalytics to stay informed about industry trends, policy developments and emerging best practices related to sustainable investing.

During the reporting period, we also participated in the Responsible Investor Canada 2023 conference to gain advanced insights into what makes a credible corporate net zero transition plan, understand what aspects of these transition plans are most material for institutional investors, how to drive corporate climate action through active stewardship, as well as the evolving best practices for the management of net zero-related issues and develop relationships with various industry actors.

Working together and sharing knowledge has been a key goal in finding ways to align with other projects and essential developments. From November 2022 to December 2023, we have had valuable conversations with multiple organizations (see table below).

Net zero engagement activities are conducted with the overarching goal of fostering decarbonization practices and driving positive environmental impact. For companies, engaging in the journey toward net zero emissions aligns them with global sustainability goals and enhances their long-term resilience and competitiveness. It encourages responsible business practices, leading to operational efficiency, cost savings, and improved stakeholder relationships. Simultaneously, investors benefit from these engagements as they play a pivotal role in shaping the companies they invest in, mitigating ESG risks, and promoting value creation. By actively participating in net zero engagement, investors contribute to building more sustainable and responsible companies, aligning their portfolios with ethical and environmental considerations to benefit both financial returns alongside environmental outcomes.

From November 2022 to December 2023, Morningstar Sustainalytics has had valuable conversations with the following organizations:

ORGANIZATION	BRIEF DESCRIPTION
CA 100+	Exchanged ideas concerning issuer selection, engagement objectives and service providers' collaborative potential to support participating investors, maximize issuer impact, and speed up the decarbonization process
IIGCC	Presented the Low Carbon Transition Ratings and Net Zero Transition Stewardship Programme to IIGCC and discussed the lessons learned in establishing their Net Zero Engagement Initiatives
SBTi	Discussed what information is reviewed (besides publicly available information) and how SBTi encourages companies to improve transparency and disclosure
NZAOA	Asked NZAOA for feedback on the Net Zero Transition Stewardship Programme's Outcome Assessment
CDP	Exchanged knowledge and ideas to explore collaboration synergies with organization
Ceres	Discussed Ceres' role at the NZAM secretariat, asked for feedback on the Outcome Scorecard and exchanged opinions on the topic of net zero investing as well as the potential to collaborate

Lines in the Sand: Can Innovation Spur Opportunity for the Canadian Oil & Gas Sector?

Following COP28, the world has largely agreed to transition away from fossil fuels. Canada's oil sands producers could be uniquely positioned to decarbonize and avoid stranded assets by not only diversifying business streams—but also by capitalizing on hydrocarbon uses beyond combustion.

Northern Alberta offers expansive unconventional hydrocarbon resources of low-grade crude oil called bitumen. Bitumen is thick and viscous with a tar-like consistency, making it much more difficult to recover than traditional hydrocarbons elsewhere in the world. Because bitumen oil takes a lot of energy to mine and separate the oil from the sands, oil sands extraction typically releases more greenhouse gases (GHGs) than other forms of oil production.

According to the Global Carbon Capture and Storage (CCS) Institute,8 their findings have confirmed that the Western Canadian Sedimentary Basin (WCSB) is one of the largest and most suitable basins for CCS globally. With this advantage, oil sands producers appear to be banking on CCS as the main lever to decarbonize Alberta’s resource-rich economy.

Alberta’s six largest oil and gas producers formed the Pathways Alliance, which aims to work with the Federal and Alberta governments to achieve net zero GHG emissions from oil sands operations by 2050. The alliance’s three-phase plan includes reducing current oil sands GHG emissions by approximately twenty-two megatonnes of C02 emissions (scope 1 and 2) per year by 2030 and planned investments of CAD $24.5 billion on CCS and other major emissions reduction projects and technologies.[9]

A CCS hub and transportation network proposed by the Pathways Alliance would transport and store GHG emissions from over twenty-two smaller CCS facilities across the oil sands, aiming to sequester more than ten megatonnes of carbon per year. With support from the Government of Alberta, the project is moving ahead with pore space (underground storage rights) being awarded to the Pathways Alliance and drilling tests and engineering work underway. However, the Pathways Alliance’s activity (and the long-term success of the proposed CO2 hub) is heavily contingent on fiscal frameworks—at both the provincial and federal levels—as well as results of the formal consultation currently taking place with twenty-five indigenous communities located around the proposed pore space and C02 transportation line.

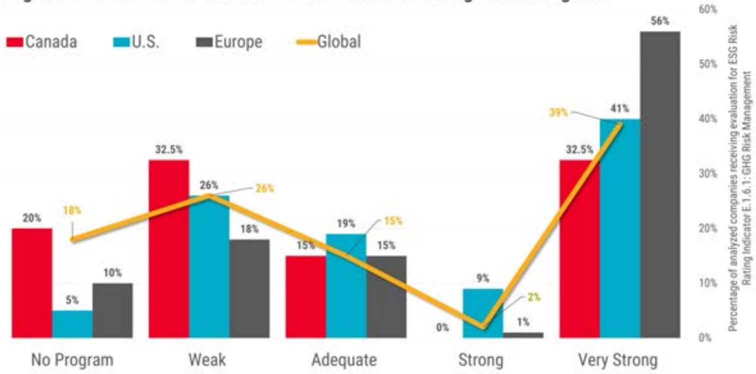
Additional Challenges to Lowering Emissions

A November 2023 report from the International Energy Agency (IEA) warns against banking on CCS as the planet continues to warm. The report states oil and gas companies need to consider diversifying into clean energy rather than simply counting on carbon capture to help them maintain the status quo.[10]

With so much riding on the success of CCS in the oil sands, it is important to consider if producers have additional risk mitigation strategies in place to increase their chances of a smooth ride through the low-carbon transition—especially in relation to their scope 3 emissions, which essentially continues to remain unmanaged.

Figure 1 demonstrates the strength of GHG risk management programs of Canadian Oil and Gas producers compared to global peers. As we can see, Canada is lagging behind US and European producers but more closely aligned with global management levels.

Figure 1: Evaluation of O&G Producers GHG Risk Management Programs



Source: Morningstar Sustainalytics (2023)

Data retrieved 21 December 2023 from Morningstar Sustainalytics Risk Ratings Universe. Analysis of O&G sector companies includes 40 CAN companies, 54 US companies, 72 EU companies and 244 global companies. For informational purposes only.

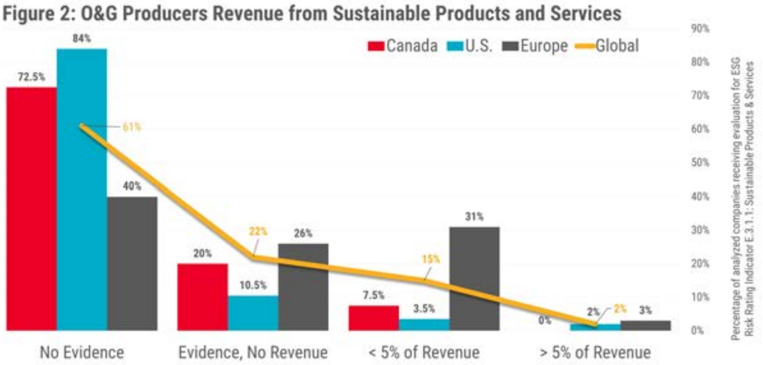
Alternative Opportunities

One of the steps oil and gas producers are taking in response to climate related transition risks is diversifying their product portfolios to include sustainable or lower-carbon fuels and alternative streams of business. We are seeing this already with producers investing in technologies such as renewable diesel, sustainable aviation fuel and hydrogen production.

In fact, Alberta is now Canada's hydrogen leader with plans for a world-class hub in Edmonton.[11] The province also offers opportunity in the global critical minerals race, with the opening of Alberta's first lithium extraction pilot project. Alberta is home to one of the world's largest lithium deposits and until recently, there has been little interest in developing this deposit.[12] However, lithium is now a key focus of the Federal Government's CAD $3.8 billion eight-year critical minerals strategy, which aims to increase domestic extraction and production.[13] A Calgary-based junior resource company developed a technology to extract naturally occurring lithium from oil field brines, and local producers are partnering with, and investing in, such companies to provide technical and development support.[14]

Figure 2 shows that some Canadian oil and gas producers are ahead of US producers in terms of introducing and receiving revenue from sustainable products and services. However, both Canadian and US companies are not diversifying their product portfolios with the same rigor as their European or global peers.

Figure 2: O&G Producers Revenue from Sustainable Products and Services



Source: Morningstar Sustainalytics (2023)

Data retrieved 21 December 2023 from Morningstar Sustainalytics Risk Ratings Universe. Analysis of O&G sector companies includes 40 CAN companies, 57 US companies, 73 EU companies and 244 global companies. For informational purposes only.

The Next Frontier: Bitumen Beyond Combustion (BBC)

There are also diversification opportunities specifically related to Canada's unconventional bitumen oil. Where light crude oil is primarily made into fuel, heavy bitumen oil has many potential uses beyond burning it.

Alberta Innovates[15] developed a vision for Bitumen Beyond Combustion (BBC), believing that the Alberta oil sands could contribute to achieving net zero emissions goals, if this resource was used to create valued products and not just combustible fuels. The BBC strategy calls for a greater portion of bitumen production to be diverted away from fuel production and dedicated to the manufacture of high-value materials, such as asphalt binders or carbon fiber. In doing so, the carbon from the bitumen would remain trapped within the products and not released into the atmosphere.[16]

An analysis by Alberta Innovates shows BBC can create more economic value and reduce GHG emissions, with potential total annual revenue exceeding CAD $100 billion per year by 2050.[17] Another recent study also shows that oil sands productions will have to drop as much as 90% for Alberta to achieve net zero emissions by 2050, in the absence of the BBC strategy. However, if BBC's strategy was implemented, then bitumen production could be maintained or even increased in net zero by 2050 scenarios.[18] Nevertheless, significant investment and policy support will be required to turn the bitumen beyond combustion vision into reality.

Drawing the Line

Participating nations in COP28 have come to a final agreement that calls for the orderly transition away from fossil fuels. As investors consider their options on the oil and gas sector, it is important to understand the unique risks and opportunities specific to where and how producers operate. Although the pathway to decarbonize the Canadian oil sands via (what could be) one of the world's leading CCS hubs seems promising, producers could be in for a bumpy ride on their net zero journey if they do not consider alternative and innovative opportunities to diversify away from fossil fuel combustion. Forced innovation leads to opportunity!

Reflecting on a Year Post-COP15 and Anticipating the Path Forward to COP16

Since the adoption of the Kunming-Montreal Global Biodiversity Framework at COP15, the global biodiversity landscape has experienced rapid evolution. Noteworthy developments, such as science-based targets for nature, the establishment of disclosure standards, and a growing expectation for private sector accountability in biodiversity loss reflect the dynamic narrative. Furthermore, as we contemplate on the outcomes of the recent Climate Conference (COP28), it becomes evident that nature's integration with climate efforts is progressing, though the journey remains substantial.

Casting our gaze towards the upcoming Biodiversity Conference (COP16), this article endeavours to highlight some key developments in the global biodiversity landscape.

The Climate Conference: Advancing Integration of Climate and Nature
A key outcome of COP28 was the agreement to transition away from fossil fuels. While energy systems took centre stage, the conference clearly recognized the intrinsic link between climate and nature. Referencing the Global Biodiversity Framework in the political text marked a significant stride, setting the stage for a more integrated approach to environmental challenges.

Underlining this interconnectedness was the Joint Statement on Climate, Nature and People. Signatories committed to fostering coherence between climate and biodiversity strategies, aligning countries' Nationally Determined Contributions and National Biodiversity Strategy and Actions Plans (NBSAPs).

Looking Ahead: COP16 in Colombia
The upcoming Biodiversity Conference (COP16) in October, the first since adopting the Global Biodiversity Framework, signals a critical moment. Countries are expected to revise their NBSAPs in alignment with the Framework. At COP16, governments will refine the monitoring framework, review implementation of the Global Biodiversity Framework and advance resource mobilization.[19]

The monitoring framework and headline indicators will track progress towards the global biodiversity goals and targets adopted at COP15. The private sector can leverage these indicators to align with the Global Biodiversity Framework and track their progress. For example, an indicator for Target 10 on sustainable agriculture is the "Proportion of agricultural area under productive and sustainable agriculture".

This year witnessed some progress in resource mobilization with the establishment of the Global Biodiversity Framework Fund.[20] However, the gap between current biodiversity financing and what is needed by 2030 remains vast,[21] with public and private financial flows towards negative impacts on nature immensely outweighing flows to nature-based solutions.[22]

Nevertheless, various developments on nature-related disclosure over the past year will empower countries to implement Target 15 of the Framework, enabling companies and financial institutions to monitor, assess and disclose their nature-related risks, dependencies and impacts.

Progress Made Towards Target 15: Disclosures
The Taskforce on Nature-related Financial Disclosures (TNFD) was finalized in September 2023, making nature-related disclosure recommendations and metrics available for corporates and financial institutions to report against. The TNFD has released a list of "early adopter" organizations which intend to start making disclosure aligned with the TNFD Recommendations by the financial year 2024 (or earlier) or 2025.[23]

While most companies are in the early stages of understanding their nature-related impacts and dependencies and evaluating risks and opportunities, the TNFD LEAP approach offers guidance. Recognizing differences across sectors, the TNFD has released additional draft sector-specific guidance for sectors such as food and agriculture, chemicals and aquaculture.

Further developments in nature-related disclosure include companies subject to the Corporate Sustainability Reporting Directive (CSRD), which will need to report according to the European Sustainability Reporting Standards (ESRS). Companies in scope of the regulation and for which biodiversity and ecosystems are material topics will report against the ESRS E4 on "Biodiversity and Ecosystems". The phased approach begins in January, with the first reports due in 2025.[24] Additionally, an updated Global Reporting Initiative (GRI) Biodiversity Standard also launched in 2024.

It is positive to note that there has been alignment between biodiversity standards, regulations, and frameworks. For example, the TNFD's recommendations are consistent with the impact materiality approach used by the GRI and are incorporated into the ESRS.[25] A joint statement attests to the high level of interoperability achieved between the ESRS and the GRI Standards.[26] Furthermore, the International Sustainability Standards Board (ISSB) will look to the TNFD's work should they prioritize biodiversity and ecosystems in their workplan for this year.[27] In addition, CDP's global disclosure platform has announced its intention to align with the TNFD.[28] This paves the way toward more robust and increasingly mandatory disclosure requirements in the future.

The Road Ahead

The sense of urgency heightens as our natural world undergoes rapid decline.[29] There is much progress to be made as the State of Finance for Nature report reveals a stark contrast between the current financial allocation directed towards nature-based solutions (USD 200 billion) compared to the overwhelming finances flowing towards nature-damaging activities (USD 7 trillion).

However, the momentum of the past year instills optimism, and the direction of travel has been set. Progressive investors and companies should leverage the final TNFD disclosure recommendations to assess and disclose their nature-related impacts and dependencies. Acting swiftly and making meaningful contributions will halt the global vision and reverse biodiversity loss by 2030.

Operating in Conflict Settings – Should Companies Responsibly Exit or Remain?

In August 2023, the United Nations Office for the High Commissioner on Human Rights (UNOHCR) published a guidance note discussing issues businesses should consider when proposing to remain in or exit from challenging country contexts (this being defined as a country in conflict or one where the regulatory system is such that human rights abuses are more likely to be at risk of occurring). Similarly in June the OECD published updated guidance[30] with specific reference to responsible engagement and disengagement relating to companies operating in conflict settings. With the conflict in Europe as well as in the Middle East, there is a heightened focus on the activities of businesses and whether they are knowingly or not contributing to human rights violations. The content of the guidance note was discussed at one of the sessions at the Forum for Business and Human Rights earlier this year with some interesting perspectives from two of the speakers, perspectives that largely align with our own as we progress with engagements in this area.

In effect to responsibly remain or to exit, exiting being either to remove operations from a country or to break with a business relationship, a company must understand whether by doing so it is causing or contributing to human rights violations. To achieve this with the clarity as required in the UN Guiding Principles, it needs to be operating a human rights due diligence. If the due diligence identifies impacts, then the company should take actions to prevent and to give remedy to those who have suffered. For challenging contexts this due diligence should be enhanced with the provision of conflict sensitivity assessments to provide input that informs of the dynamics that have created or are contributing to the conflict, providing increased contextual assessments to better inform decisions. This is to prevent accidental harm being caused by, for example, providing resource to armed militia through the provision of security arrangements or through the payment of royalties to regimes accused of human rights violations.

Discussions within the Forum for Business and Human Rights recommended that any business planning to do business in a challenging environment should plan its exit strategy alongside its entry strategy. This makes good sense. An exit strategy would be a living document, informed like any credible risk register with new information as it becomes relevant, as the context changes. Ideally it would incorporate the views of stakeholders including workers both within the business and within the supply chain to ensure that potential negative impacts and risks can be identified and responded to. If assets are to remain an exit strategy would identify who to transfer these to, favouring those organizations who can exhibit responsible behaviours. Selling to the highest bidder runs counter to the expectations of responsibility as rights are often overlooked as profits are maximized.

For investors, a similar level of oversight should be applied to assess and avoid the potential negative impacts of disinvestment. Effective stewardship that includes disinvestment as the final option is likely to be more effective than simply walking away. This becomes especially relevant where the business has chosen to remain and the investment is essential to keep it viable, therefore providing employment and security. Responsible remaining demands high levels of transparency from businesses to ensure that stakeholders remain credibly informed of how the business is responding to the challenges and ensuring that it is not complicit in human rights violations. The UN Guiding Principles make it clear that without this transparency and where complicity is suspected the business must take the consequences.

Within our engagements we are seeing business activities across the spectrum of expectations for responsible practice. POSCO, a South Korean conglomerate, has operations in Myanmar and has decided to 'responsibly remain', citing that the welfare of their staff, and their continued employment, is one of their priorities. Constructive and meaningful engagement with the company has focused on the delivery of human rights due diligence, the first for the company. The learning from this activity is significant to the company, not only ensuring it can deliver on its commitments but that it also recognizes the need for increased resourcing, both internally and using consultants to deliver an effective response.

Again, this reflects comments made at the Forum that observations of company readiness and capacity to be able to respond to a worsening operating environment are generally low. Awareness of what actually is an enhanced human rights due diligence, from our own experience, is also very low. However, the desire to 'do the right thing' is notable, and whilst some companies are less proactive than others, they are all reassuringly listening and responding to the call for greater awareness and responsibility, whether they are exiting or remaining.

Long-Term Growth: Fast-Growing Markets

Engagement Events

Mining Sector Roundtable on Culture & Compliance

Morningstar Sustainalytics strongly advocates addressing corporate culture as a key element in any transformation plan to address material ESG issues, and in the last three years, the Global Standards Engagement team organized annual corporate culture–focused roundtables with sector specific groups. Discussions about conduct and culture were held in 2021 and 2022 with the bank sector where we brought international banks and institutional investors together to discuss why corporate culture matters and to share best practices on culture at the foundation of responsible conduct, ethical decision-making and risk management. Morningstar Sustainalytics' roundtable illustrated that poor culture can lead to poor outcomes and materially impact customers, stakeholders and communities.

Continuing with the theme of corporate culture and wanting to see whether the key lessons from the Banking Roundtables applies to other sectors, Morningstar Sustainalytics hosted an online roundtable discussion in November 2023 on the topics of corporate culture, ethics & compliance and values in the mining sector. The roundtable involved the following engaged companies where we explored how they apply "culture and compliance" as key drivers to improve performance in their material ESG issues:

- Glencore *(Bribery & Corruption)*
- Harmony *(Health & Safety)*
- Rio Tinto *(Community Relations)*
- Vedanta *(Community Relations)*

These companies are commended for acknowledging their shortcomings against international norms (particularly the UN Global Compact, UN Guiding Principles on Business and Human and the OECD Guidelines for Multinational Enterprises) and industry standards (such as the International Council on Mining and Metals principles and performance expectations). The Roundtable featured brief presentations by the engaged companies on their respective corporate journeys to achieve compliance with the norms and standards and initiatives for embedding an ethical culture. The companies and participating investors shared their perspectives and insights on some of the governance challenges and practices that promote a compliance-focused and value-based culture.

Roundtable Key Takeaways

- **Develop a clear plan and roadmap for transformational change**
  Two of the companies presented on how they have designed their culture change plans containing an implementation roadmap and framework for transformation (of governance structures, responsibilities, risk management, policies and procedures, training, monitoring, compliance, audit and performance incentives) delivered positive results.
- **Leaders should function as role models for change**
  One of the company's presented how their CEO and executive team have annual performance indicators for going to mining sites and meeting workers to talk about desired behaviours, values and ethics, and through these actions set the tone for the foundations of the corporate culture.
- **Assess and measure change**
  One of the companies presented on how its compliance program was initiated with a baseline assessment, where levels of workplace culture and compliance was assessed, a vision of the ideal culture formulated and gap analysis undertaken to identify areas to strengthen and create key performance indicators to measure improvements.
- **Develop a compelling story that drives change**
  Culture is hard to grasp and communicate and what one company found was that using stories and cartoons was a great way to get employees engaged in discussions about culture change. Through a bottom-up staff engagement process, compelling stories of change was gathered from across the company, and these stories were illustrated as cartoons to convey what the current culture was and what needs to transform and also how the future will look like in vivid visual language.

For previous corporate culture-focused roundtables with multi-stakeholder groups, please refer to blog posts on www.sustainalytics.com (Correlation of Business Ethics and Corporate Culture—5 Lessons from the Banking Industry[31] and Banks Embrace Corporate Culture as Change Agent [32]).

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About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG data, research, and ratings firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors.

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Engage List

Activision Blizzard, Inc. (United States of America, 2021)

Discrimination and Harassment

Change Objective: Activision Blizzard should cooperate with ongoing investigations and, if found guilty, compensate plaintiffs. Furthermore, the company should reinforce anti-discrimination policies by conducting related sensitization training, to move towards a culture of gender equality, diversity and inclusion. Moreover, the company should assure a robust grievance-mechanism is in place and appoint a senior level anti-discrimination expert to lead such activities with a strong mandate from the executive team and company board, and with sufficient resources. The company should disclose regularly on such efforts, along with external assurance.

Milestones
Response
Progress
Performance

Adani Enterprises Ltd. (India, 2015)

Controversial Project(s) - Environmental and Human Rights Impacts

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

Milestones
Response
Progress
Performance

Adani Ports & Special Economic Zone Ltd. (India, 2021)

Involvement With Entities Violating Human Rights

Change Objective: APSEZ should ensure it undertakes human rights due diligence of its businesses in Myanmar, adapted to the specific situation of the region. As a result, it should engage with the relevant stakeholders and take any necessary actions to ensure the business relationship with MEC does not make it complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership.

Milestones
Response
Progress
Performance

Adani Ports & Special Economic Zone Ltd. (India, 2020)

Controversial Project(s) - Environmental and Human Rights Impacts

Change Objective: APSEZ should adopt corporate policies and processes addressing environmental and social risks in infrastructure projects. It should advocate a precautionary approach and require that projects comply with internationally proclaimed environmental and social standards. The company should also engage with stakeholders transparently, with efforts in place to increase transparency and disclosure in relation to stakeholder management and its projects.

Milestones
Response
Progress
Performance

Aekyung Industrial Co., Ltd. (South Korea, 2019)

Quality and Safety - Human Rights

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

Milestones
Response
Progress
Performance

Allied Universal Manager LLC (United States of America, 2021)

Forced Labour

Change Objective: Allied Universal should ensure it is not complicit in any forced labour. The company should assure its Supplier Code of Conduct and Migrant Worker Policy are implemented throughout its global operations, including subsidiaries. It should also show it has accurate processes to manage grievances and improve transparency in reporting on how it ensures compliance in this area.

Milestones
Response
Progress
Performance

Amazon.com, Inc. (United States of America, 2020)

Occupational Health and Safety

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

Milestones
Response
Progress
Performance

Amazon.com, Inc. (United States of America, 2021)

Freedom of Association

Change Objective: Amazon should ensure no anti-union practices take place within its operations. The company shall ensure union elections are performed in a fair and impartial manner. Amazon should demonstrate how its Global Human Rights Principles, addressing ILO standards and freedom of association, is implemented throughout its entire operations.

Milestones
Response
Progress
Performance

ArcelorMittal SA (Luxembourg, 2015)

Occupational Health and Safety

Change Objective: ArcelorMittal should develop a support framework for worker deaths and injuries, and families of deceased miners should be provided with meaningful support and benefits. The company should conduct an incident investigation and identify the cause of the fire and explosion. The company should implement a health and safety management system encompassing continuous improvement, and the system should be independently reviewed. A specific fatality elimination strategy for should be implemented.

Milestones
Response
Progress
Performance

Baidu, Inc. (China, 2021)

Involvement With Entities Violating Human Rights

Change Objective: Baidu should take steps to manage human rights risk exposure and limit impact on its users where possible. The company should show efforts to establish human rights due diligence practices, define policies relevant to digital rights, and report on external data requests and/or content moderation requirements.

Milestones
Response
Progress
Performance

Barrick Gold Corp. (Canada, 2009)
Discrimination and Harassment

Change Objective: No Data

Milestones
Response
Progress
Performance N/A

Bayer AG (Germany, 2017)
Quality and Safety

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

Milestones
Response
Progress
Performance

Bezeq The Israeli Telecommunication Corp. Ltd. (Israel, 2018)
Bribery and Corruption

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

Milestones
Response
Progress
Performance

Blackstone, Inc. (United States of America, 2023)
Child Labour

Change Objective: Blackstone should have a robust governance framework to ensure effective oversight and support to Packers of the implementation of the compliance and remedial programme. The company should demonstrate responsibility to provide remedy and respect human rights, especially the rights of children.

Milestones
Response
Progress
Performance

Blackstone, Inc. (United States of America, 2022)
Money Laundering

Change Objective: Blackstone should have a robust governance framework to ensure effective oversight of the implementation of Crown Resorts anti-money laundering (AML) programme and remedial plan. The company should have an adequate risk management framework covering AML, reporting and monitoring. The company should demonstrate strong leadership on financial crime issues.

Milestones
Response
Progress
Performance

boohoo group Plc (United Kingdom, 2020)
Labour Rights - Supply Chain

Change Objective: Boohoo should ensure that it no longer sources from suppliers that violate workers' rights. It should also put in place a human rights due-diligence programme that includes robust audits and addresses the root-causes of illegal practices in its supply chain (e.g. purchasing practices and unauthorized sub-contractors). In addition, the company should adopt an effective grievance mechanism accessible to supply chain workers.

Milestones
Response
Progress
Performance

Bunge Ltd. (United States of America, 2017)
Land Use and Biodiversity

Change Objective: Bunge should stop sourcing soy from suppliers that are directly or indirectly involved in deforestation practices. Bunge should fully implement comprehensive measures to identify non-compliant suppliers, use best practice to achieve its commitments in relation to deforestation, and provide related public disclosure.

Milestones
Response
Progress
Performance

Cargill, Inc. (United States of America, 2017)
Land Use and Biodiversity

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

Milestones
Response
Progress
Performance

Caterpillar, Inc. (United States of America, 2020)
Involvement With Entities Violating Human Rights

Change Objective: Caterpillar should use its leverage with importers and distributors in high-risk locations to reduce the risk of its products being implicated in human rights violations. It should establish clear criteria to identify high-risk countries and collaborate with local business partners to conduct human rights due diligence and report transparently on these processes.

Milestones
Response
Progress
Performance

Cencora, Inc. (United States of America, 2023)
Consumer Interests - Human Rights

Change Objective: AmerisourceBergen Corporation (ABC) should ensure that there are robust governance, compliance, and risk management systems in place. These should address marketing practices, the disclosure of risks from its products, and ethical business practices such as, demonstrated enhancements to anti-diversion systems, and compliance with regulatory requirements.

Milestones
Response
Progress
Performance

China BaoWu Steel Group Corp. Ltd. (China, 2023)

Forced Labour

Change Objective: Baowu Group should identify, prevent and eliminate the risk and incidence of forced labour in all its operations. The company should monitor and work with its subsidiaries to protect human rights and provide access to remedy to all workers, especially vulnerable groups. It should increase the disclosure of policies and practices on labour rights.

Milestones

Response

Progress

Performance

China Energy Engineering Corp. Ltd. (China, 2017)

Occupational Health and Safety

Change Objective: China Energy Engineering Corporation (CEEC) should carry out an internal investigation into the causes of the accident and accordingly strengthen its control risk management process of construction sites. CEEC should also disclose how it has improved its safety management system across its operations and subsidiaries.

Milestones

Response

Progress

Performance

China Gas Holdings Ltd. (Hong Kong, 2021)

Quality and Safety - Human Rights

Change Objective: China Gas should provide clarification of the remediation, and provide support in a timely manner for victims, besides the compensation promised. China Gas need to implement industry standard safety practices and quality controls across their infrastructure network, including regular inspections of the gas pipe system, and real-time monitoring of gas line pressure.

Milestones

Response

Progress

Performance

China Railway Construction Corp. Ltd. (China, 2022)

Controversial Project(s) - Human Rights and Environmental Impacts

Change Objective: CRCC should agree on a compensation package with the CASCOMI community, in particular for displaced families. The company should mitigate the most severe environmental impacts and prevent further impacts from the Mirador mine. The company should align its policies and practices to international human rights norms, particularly with regards to indigenous people, and take measures to minimize environmental impacts and ensure suitable monitoring of its mitigation measures.

Milestones

Response

Progress

Performance

Citigroup, Inc. (United States of America, 2015)

Business Ethics

Change Objective: Citigroup should implement on-going systematic controls related to money laundering, financial crime risk management; implement strong oversight mechanisms to govern those systems and disclose these systems and changes whenever appropriate. The company should adopt a robust strategy to positively influence the corporate culture into one that results in less regulatory challenges and accusations.

Milestones

Response

Progress

Performance

CoreCivic, Inc. (United States of America, 2018)

Incident(s) Resulting in Negative Human Rights Impacts

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

Milestones
Response
Progress
Performance

Danske Bank A/S (Denmark, 2018)

Money Laundering

Change Objective: Danske Bank should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. Danske Bank should ensure that the board has sufficient and effective oversight of the business. To the extent possible, Danske Bank should disclose all changes related to its AML program.

Milestones
Response
Progress
Performance

Deutsche Bank AG (Germany, 2019)

Money Laundering

Change Objective: Deutsche Bank should ensure that robust policies, programmes, compliance processes and risk management systems addressing anti-money laundering (AML), Know-Your-Customer (KYC), and sanctions issues are in place. The bank should publish comprehensive disclosures on how it is managing AML risks, how it trains employees in different ways, and how the board is set up to prevent financial crime.

Milestones
Response
Progress
Performance

EDP-Energias de Portugal SA (Portugal, 2020)

Bribery and Corruption

Change Objective: EDP should commission an independent investigation into the allegations, it should disclose the findings and show how it plans to enact any recommendations. The company should also ensure that executive contracts have both malus and clawback provisions.

Milestones
Response
Progress
Performance

Elsewedy Electric Co. (Egypt, 2020)

Controversial Project(s) - Environmental Impacts

Change Objective: Elsewedy should identify the gaps in the existing strategic environmental assessment, demonstrate actions taken to address the gaps, and publicly disclose the results. The company should use its leverage to ensure that mitigation measures are in place wherever possible to address the negative impacts of the project. It should also have a due diligence process in accordance with international norms to mitigate negative environmental impacts in future projects.

Milestones
Response
Progress
Performance

Energy Transfer LP (United States of America, 2016)

Community Relations - Indigenous Peoples

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

Milestones
Response
Progress
Performance

Eskom Holdings SOC Ltd. (South Africa, 2023)

Quality and Safety

Change Objective: Eskom should establish electricity system reliability to minimize disruptions to society and critical services. The company should achieve this by restructuring into three separate units (generation, transmission and distribution), implementing loadshedding schedules, utilizing smart power grid technology, and upgrading security to protect infrastructure from criminal activity.

Milestones
Response
Progress
Performance

Eskom Holdings SOC Ltd. (South Africa, 2018)

Air Pollutant Emissions

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

Milestones
Response
Progress
Performance

Eskom Holdings SOC Ltd. (South Africa, 2023)

Quality and Safety

Change Objective: Eskom should establish electricity system reliability to minimize disruptions to society and critical services. The company should achieve this by restructuring into three separate units (generation, transmission and distribution), implementing loadshedding schedules, utilizing smart power grid technology, and upgrading security to protect infrastructure from criminal activity.

Milestones
Response
Progress
Performance

FGV Holdings Bhd. (Malaysia, 2015)

Forced Labour

Change Objective: FGV Holdings Bhd should establish a social and human rights due diligence programme to identify, prevent and mitigate any social and/or human rights impacts caused, or, contributed by its own activities or its business partners. The company should also develop supplier guidelines for responsible business conduct at all levels, including business partners and contractors.

Milestones
Response
Progress
Performance

FirstEnergy Corp. (United States of America, 2021)

Bribery and Corruption

Milestones
Response
Progress
Performance

Change Objective: FirstEnergy should cooperate with all related investigations and implement the recommendations from them. The company should ensure anti-bribery and corruption management system including anti-bribery training for staff are robust. The company should adopt a suitable grievance and whistleblower mechanism. The company should demonstrate transparency and integrity in its lobbying activities.

GCL Technology Holdings Ltd. (Hong Kong, 2021)

Forced Labour

Milestones
Response
Progress
Performance

Change Objective: GCL should put in place a robust labour rights due diligence programme and provide greater disclosure on relevant policies and implementation thereof. The company should also adopt grievance mechanisms accessible to all employees. GCL should provide transparency into steps and processes it will enact to ensure commitments to respect labour rights are implemented.

GCM Resources Plc (United Kingdom, 2021)

Controversial Project(s) - Human Rights Impacts

Milestones
Response
Progress
Performance

Change Objective: GCM Resources should ensure independent oversight of the resettlement process in compliance with international norms on human rights. It should align its processes with Voluntary Principles on Security and Human Rights to ensure non-lethal force at future protests. GCM should indicate the measures taken to minimize environmental impacts, ensure suitable monitoring of its mitigation measures with independently verified monitoring reports.

Glencore Plc (Switzerland, 2021)

Child Labour

Milestones
Response
Progress
Performance

Change Objective: Glencore and its subsidiaries should cease purchasing ore from cooperatives which practice child labour. It should work with the authorities to assist in fulfilling the government's pledge to eradicate child labour by 2025; and should have programmes to improve health and safety in the mines that extend to co-operatives.

Glencore Plc (Switzerland, 2017)

Bribery and Corruption

Milestones
Response
Progress
Performance

Change Objective: Glencore should implement on-going systematic controls related to business ethics, corruption and bribery and disclose these controls whenever appropriate.

Golden Agri-Resources Ltd. (Singapore, 2020)

Land Use and Biodiversity

Change Objective: Golden Agri Resources should implement robust environmental protection policies, and enhanced policies to oversee executive conduct in order to prevent illegal deforestation and properly track environmental activities. GAR should disclose these changes to the aforementioned policies as much as possible.

Milestones
Response
Progress
Performance

Hangzhou Hikvision Digital Technology Co., Ltd. (China, 2019)

Involvement With Entities Violating Human Rights

Change Objective: Hikvision should take steps towards ensuring its surveillance products and services are not contributing to human rights abuses. The company should implement a robust human rights due diligence program to bring its business policies and practices in line with internationally accepted standards and that support the company in managing exposure, including in high-risk countries. The company should also provide transparent reporting on human rights issues that provides insight into its management of these issues and exposure in high-risk markets.

Milestones
Response
Progress
Performance

Harmony Gold Mining Co. Ltd. (South Africa, 2014)

Occupational Health and Safety

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

Milestones
Response
Progress
Performance

HDC Hyundai Development Co. (South Korea, 2022)

Quality and Safety

Change Objective: Hyundai should provide adequate victim remediation and develop specific plans for how it manages safe demolition within high density areas. The company should also accept responsibility for safety on all its sites, even when contractor operated. The company should demonstrate the implementation of robust safety management systems of international best practice standards, including contractor management.

Milestones
Response
Progress
Performance

Hino Motors, Ltd. (Japan, 2022)

Consumer Interests - Business Ethics

Change Objective: Hino Motors should improve its compliance and operations integrity management system for emissions testing and engine performance. The company should have adequate internal controls, training and communication focused on compliance, ethics, integrity and culture. Furthermore, the company should transform its risk and integrity culture.

Milestones
Response
Progress
Performance

Hoshine Silicon Industry Co., Ltd. (China, 2023)

Forced Labour

Change Objective: Hoshine Silicon Industry Co., Ltd. should establish a due diligence system to identify, prevent and eliminate forced labour in all its operations. It should increase the disclosure of policies and practices on labour rights.

Milestones
Response
Progress
Performance

Huafu Fashion Co., Ltd. (China, 2022)

Forced Labour

Change Objective: Huafu Fashion should undertake steps to respect labour rights, end forced labour practices in its operations, and mitigate the impact on its workforce. Moreover, it should take steps to ascertain areas of risk and/or failure related to maintaining respect for labour rights, particularly the prevention of forced labour. The company should also disclose steps and processes it will enact to ensure commitments to respect labour rights are implemented.

Milestones
Response
Progress
Performance

Imperial Pacific International Holdings Ltd. (Hong Kong, 2021)

Labour Rights

Change Objective: IPI should ensure its contractors respect workers' labour rights, in line with international norms. It should also ensure all compensation, including wages owed to workers, are paid on time and that it fully pays all monies owed to the US Department of Labor. Lastly, IPI should ensure that going forward, it has policies and processes in place to ensure that its contractors uphold workers' rights (including use of legally employed labour, payment of on-time, full legal wages and that living and working conditions are safe).

Milestones
Response
Progress
Performance

Indivior PLC (United States of America, 2019)

Consumer Interests - Business Ethics

Change Objective: Indivior should develop and implement ethical practices within its marketing and sales programmes. The company should also demonstrate the preventative measures it has undertaken are to be in compliance with regulatory requirements.

Milestones
Response
Progress
Performance

Indofood Agri Resources Ltd. (Singapore, 2016)

Labour Rights - Operations

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

Milestones
Response
Progress
Performance

JBS SA (Brazil, 2019)
Land Use and Biodiversity

Change Objective: JBS should stop sourcing cattle, meat, and/or animal feed from suppliers that are either directly or indirectly involved in irresponsible deforestation practices. As such, JBS should develop and implement comprehensive measures to identify non-compliant suppliers. Furthermore, JBS should intensify collaboration with other relevant stakeholders to mitigate deforestation.

Milestones
Response
Progress
Performance

JBS SA (Brazil, 2020)
Business Ethics

Change Objective: JBS should ensure that it is not involved in any illegal price-fixing or other types of antitrust practices. It should demonstrate how its commitment to compliance is sufficiently supported by procedures and practices, a speak-up culture and accountability at board level. Furthermore, it should fully collaborate with the authorities in any ongoing investigations.

Milestones
Response
Progress
Performance

Koninklijke Philips NV (Netherlands, 2022)
Quality and Safety

Change Objective: Koninkjilke Philips NV should take appropriate actions to responsibly address the negative impacts of its products to compensate those affected and ensure no repeat of quality failures. The company should continue to improve quality and safety of its devices to achieve industry recognized good practice. It must address issues preventing effective product recall.

Milestones
Response
Progress
Performance

Korea Electric Power Corp. (South Korea, 2018)
Incident(s) Resulting in Negative Human Rights Impacts

Change Objective: KEPCO´s subsidiary should use its leverage to ensure that project-affected communities are adequately compensated and consulted, and make sure that a transparent process for grievance and compensation is established for the project. Once the project is running, it should ensure the continuance of the mitigation measures established for the communities. The company should commit to improving its preparedness to manage human rights-related risks in the future.

Milestones
Response
Progress
Performance

Korea Western Power Co., Ltd. (South Korea, 2018)
Incident(s) Resulting in Negative Human Rights Impacts

Change Objective: KOWEPO should use its leverage to ensure that project-affected communities are adequately compensated and consulted, and make sure that a transparent process for grievance and compensation is established for the project. Once the project is running, it should ensure the continuance of the mitigation measures established for the communities. The company should commit to improving its preparedness to manage human rights-related risks in the future.

Milestones
Response
Progress
Performance

Lockheed Martin Corp. (United States of America, 2020)

Involvement With Entities Violating Human Rights

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

Milestones
Response
Progress
Performance

Luckin Coffee, Inc. (China, 2020)

Accounting and Taxation

Change Objective: Luckin Coffee should ensure it has robust policies and procedures regarding executive misconduct and executive ethics as well as robust oversight of reporting and accounting, in order to prevent future occurrences of accounting fraud.

Milestones
Response
Progress
Performance

Mallinckrodt Plc (Ireland, 2020)

Quality and Safety - Human Rights

Change Objective: Mallinckrodt should ensure that there are robust governance, compliance, and risk management systems in place. These should address marketing practices, the disclosure of risks from its products, and ethical business practices such as, demonstrated enhancements to anti-diversion systems, and compliance with regulatory requirements. If necessary, the company should comply with settlement provisions, external monitors, and Chapter 11 conditions.

Milestones
Response
Progress
Performance

Mattel, Inc. (United States of America, 2019)

Quality and Safety - Human Rights

Change Objective: Mattel should undertake a complete review (and commission an independent validation of the appropriateness of any review) of all infant sleep / soothing products it has on the market, in production and in design process against the relevant safety standards for potential recall and compensate the affected families. To prevent reoccurrence, Mattel should have in place robust safety standards and processes, in line with the potential risks identified with the products it puts on the market.

Milestones
Response
Progress
Performance

McDonald's Corp. (United States of America, 2012)

Labour Rights

Change Objective: McDonald's should actively promote the company's Standard of Business Conduct among its franchisees, and ensure franchisees live up to this especially with regards to labour rights. Efforts taken by the company to ensure compliance in this area should be transparently reported to relevant stakeholders.

Milestones
Response
Progress
Performance

McKesson Corp. (United States of America, 2019)
Consumer Interests - Human Rights

Change Objective: McKesson should implement the necessary enhancements to its anti-diversion systems in compliance with regulatory requirements. McKesson should also demonstrate how it has implemented the preventative measures in response to the FDA's warning letter.

Milestones
Response
Progress
Performance

Medtronic Plc (Ireland, 2022)
Quality and Safety - Human Rights

Change Objective: Medtronic should take appropriate actions to responsibly address the negative impacts of its products to compensate those affected and ensure no repeat of quality failures. The company should continue to improve quality and safety of its devices to achieve industry recognized good practice and improve the disclosure of all product-related data to ensure that relevant information is communicated to the public.

Milestones
Response
Progress
Performance

Meta Platforms, Inc. (United States of America, 2018)
Data Privacy and Security

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

Milestones
Response
Progress
Performance

Meta Platforms, Inc. (United States of America, 2021)
Social Impact - Products

Change Objective: Meta should undertake human rights due diligence of its policies and business impact on users. The company should increase transparency of enforcement of content moderation policies and provide insight into their implementation by country. The company should demonstrate governance structures and competency to oversee implementation of human rights standards in the company's products and practices.

Milestones
Response
Progress
Performance

MTN Group Ltd. (South Africa, 2012)
Involvement With Entities Violating Human Rights

Change Objective: MTN Group should implement a robust human rights due diligence programme to improve its business policies and practices in line with internationally accepted standards. The programme should provide clear guidance criteria to identify high risk jurisdictions and manage that heightened exposure. The company should also provide transparent reporting on human rights issues that provides insight into its management of these issues and exposure in high-risk markets.

Milestones
Response
Progress
Performance

Ntpc Ltd. (India, 2016)

Controversial Project(s) - Environmental and Human Rights Impacts

Change Objective: NTPC should work to mitigate its environmental and human rights impacts in alignment with international norms. It should commit to keeping its plants updated to current environmental standards with respect to efficient technologies and treatment of effluents and waste. It should also establish proper due diligence measures that fully take into consideration environmental and human rights concerns prior to developing new projects.

Milestones
Response
Progress
Performance

Ntpc Ltd. (India, 2015)

Occupational Health and Safety

Change Objective: NTPC should make sure that families to the decedent workers have received financial support. The company should also demonstrate that the causes of the accidents have been fully investigated and that safety management systems are improved in accordance with the findings.

Milestones
Response
Progress
Performance

OCP SA (Morocco, 2015)

Involvement With Entities Violating Human Rights

Change Objective: OCP should demonstrate how its activities in Western Sahara will continue in line with international law as well as the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights.

Milestones
Response
Progress
Performance

Oil & Natural Gas Corp. Ltd. (India, 2007)

Involvement With Entities Violating Human Rights

Change Objective: Oil and Natural Gas Corporation Limited should follow international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake due diligence adapted to the specific situation of the region and act adequately on the findings. The company should also engage with governments and other relevant stakeholders to encourage open and accountable management of the revenues it provides and contribute to local peace efforts.

Milestones
Response
Progress
Performance

Orpea SA (France, 2022)

Quality and Safety - Human Rights

Change Objective: Orpea should cooperate with authorities to aid investigations, resolve outstanding proceedings if necessary, and make meaningful public disclosures. Orpéa should take steps to align its policies, governance, risk management framework and grievance mechanisms to international quality and safety standards. The company should measure effectiveness of its efforts via robust monitoring, reporting and communicating, and take steps to transform its corporate culture to avoid similar issues in the future.

Milestones
Response
Progress
Performance

Packers Sanitation Services, Inc. Ltd. (United States of America, 2023)

Change Objective:

Milestones
Response
Progress
Performance

Pan American Silver Corp. (Canada, 2019)
Community Relations - Indigenous Peoples

Change Objective: Pan American Silver should align policies and practices to international human rights norms, in particular with regards to security and human rights and community relation, and in particular with regards to the Escobal mine.

Milestones
Response
Progress
Performance

Petroliam Nasional Bhd. (Malaysia, 2007)
Involvement With Entities Violating Human Rights

Change Objective: Petroliam Nasional Berhad should follow international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake due diligence adapted to the specific situation of the region and act adequately on the findings. The company should also engage with the governments and other relevant stakeholders to encourage open and accountable management of the revenues it provides and contribute to local peace efforts.

Milestones
Response
Progress
Performance

PG&E Corp. (United States of America, 2018)
Quality and Safety - Human Rights

Change Objective: PG&E should address the impacts of the incident and ensure that suitable remedial measures have been put in place. The company should also develop a comprehensive, risk-based, safety strategy. The company-wide strategy should address the employee, contractor and public safety and consider future potential risks, including those related to changing climate conditions. The company should also establish a process for monitoring the execution of the strategy.

Milestones
Response
Progress
Performance

POSCO INTERNATIONAL Corp. (South Korea, 2023)
Involvement With Entities Violating Human Rights

Change Objective: POSCO International should undertake human rights due diligence of its operations in Myanmar adopting approaches recognized by the international community, satisfying itself that it is not complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership. The company should ensure that its disclosures reflect the commitments it has made to deliver effective human rights assessments.

Milestones
Response
Progress
Performance

POSCO STEELEON Co., Ltd. (South Korea, 2021)

Involvement With Entities Violating Human Rights

Change Objective: POSCO Steeleon should undertake the human rights due diligence of its businesses in Myanmar, adapted to the specific situation of the region. As a result, it should engage with the relevant stakeholders and take any necessary actions to ensure the business relationship with MEHL does not make it complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership.

Milestones
Response
Progress
Performance

Power Construction Corporation of China, Ltd. (China, 2022)

Controversial Project(s) - Environmental and Human Rights Impacts

Change Objective: PowerChina should establish environmental and social management systems aligned with international norms. The company should use its leverage over its subsidiary Sinohydro to ensure biodiversity protection and livelihood security in the project areas. It should also ensure that its subsidiary integrates the Environmental Impact Assessment (EIA) mitigation measures into project decision-making.

Milestones
Response
Progress
Performance

PT Astra Agro Lestari Tbk (Indonesia, 2023)

Community Relations

Change Objective: PT Astra Agro Lestari Tbk should provide remedies to the affected communities and mitigate environmental damages. The company should implement a comprehensive sustainability due diligence programme to prevent adverse impacts on the environment and human rights, in particular land rights of indigenous peoples.

Milestones
Response
Progress
Performance

PT Indah Kiat Pulp & Paper Tbk (Indonesia, 2020)

Land Use and Biodiversity

Change Objective: PT Indah Kiat Pulp & Paper Tbk should stop contributing to peatland destruction directly and through its suppliers. The company should ensure responsible and consistent execution of its deforestation and biodiversity programmes across its own and supplier operations.

Milestones
Response
Progress
Performance

PT Indonesia Asahan Aluminium (Persero) (Indonesia, 2020)

Emissions, Effluents and Waste

Change Objective: PT Indonesia Asahan Aluminium (Inalum) should introduce a policy prohibiting riverine tailings disposal in future projects, where there is a viable and more environmentally sustainable alternative. Inalum should ensure that the existing monitoring and reporting of the tailings management at Grasberg is maintained and enhanced in accordance with current development mines.

Milestones
Response
Progress
Performance

PT Pabrik Kertas Tjiwi Kimia Tbk (Indonesia, 2020)

Land Use and Biodiversity

Change Objective: PT Pabrik Kertas Tjiwi Kimia Tbk should stop contributing to peatland destruction directly and through its suppliers. The company should ensure responsible and consistent execution of its deforestation and biodiversity programmes across its own and supplier operations.

Milestones
Response
Progress
Performance

PTT Exploration & Production Plc (Thailand, 2022)

Involvement With Entities Violating Human Rights

Change Objective: PTTEP should undertake the human rights due diligence of its operations in Myanmar adopting approaches recognized by the international community, satisfying itself that it is not complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership. The company should ensure that its disclosures reflect the commitments it has made to deliver effective human rights assessments.

Milestones
Response
Progress
Performance

PTT Oil & Retail Business Public Co., Ltd. (Thailand, 2022)

Involvement With Entities Violating Human Rights

Change Objective: PTTOR should undertake the human rights due diligence of its operations in Myanmar adopting approaches recognized by the international community, satisfying itself that it is not complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership. On a corporate level the company should ensure consistency in the application of measures to understand the risks and responses required when considering business in conflict or high-risk states.

Milestones
Response
Progress
Performance

Ratch Group Public Co. Ltd. (Thailand, 2018)

Incident(s) Resulting in Negative Human Rights Impacts

Change Objective: Ratch should ensure that a comprehensive assessment of the safety and stability of the project is conducted, together with independent experts and that appropriate mitigation measures are taken. It should use its leverage to ensure adequate consultations with, and compensation to, project-affected communities and a transparent process for grievance and compensation. The company should commit to improving its preparedness to manage human rights-related risks in the future.

Milestones
Response
Progress
Performance

RTX Corp. (United States of America, 2020)

Involvement With Entities Violating Human Rights

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

Milestones
Response
Progress
Performance

Samling Global Ltd. (Hong Kong, 2012)

Change Objective:

Milestones
Response
Progress
Performance

SAMSUNG BIOLOGICS Co., Ltd. (South Korea, 2020)

Accounting and Taxation

Change Objective: Samsung BioLogics should ensure that robust policies and internal controls addressing business ethics – and accounting fraud especially – are implemented effectively throughout the organization, including subsidiaries. It should strengthen its corporate governance and culture of integrity. Furthermore, no allegations related to business ethics should arise.

Milestones
Response
Progress
Performance

Samsung C&T Corp. (South Korea, 2020)

Accounting and Taxation

Change Objective: Samsung C&T should ensure that robust policies and internal controls addressing business ethics – and accounting fraud especially – are implemented effectively throughout the organization, including subsidiaries. It should strengthen its corporate governance and culture of integrity. Furthermore, no allegations related to business ethics should arise.

Milestones
Response
Progress
Performance

Samsung Electronics Co., Ltd. (South Korea, 2016)

Bribery and Corruption

Change Objective: Samsung should adopt detailed policies for political, charitable contributions, facilitation payments, gifts and travel expenses. The company should further ensure that its anti-corruption policies are properly implemented and monitored. Samsung should increase independence of its board of directors and assure its audit and related party committees are fully independent.

Milestones
Response
Progress
Performance

Sanofi (France, 2020)

Quality and Safety - Human Rights

Change Objective: Sanofi should have a robust governance, compliance, and risk management system in place with respect to its research and development of new products. Sanofi should also ensure appropriate levels of disclosure on the risks and side-effects of its products.

Milestones
Response
Progress
Performance

SDIC Power Holdings Co., Ltd. (China, 2022)

Controversial Project(s) - Environmental and Human Rights Impacts

Change Objective: SDIC Power should leverage its influence on the board of PT NSHE company, to ensure biodiversity protection and livelihood security in the project areas. SDIC Power should conduct environmental and social due diligence as part of its project screening and risk management system.

Milestones

Response

Progress

Performance

Shezan International Ltd. (Pakistan, 2021)

Child Labour

Change Objective: Shezan should conduct risk assessments and audit its subsidiaries and supply chain to identify the use of child labour in manufacturing. Shezan should work with its suppliers to eradicate child labour from their supply chain.

Milestones

Response

Progress

Performance

Shezan International Ltd. (Pakistan, 2021)

Child Labour

Change Objective: Shezan should conduct risk assessments and audit its subsidiaries and supply chain to identify the use of child labour in manufacturing. Shezan should work with its suppliers to eradicate child labour from their supply chain.

Milestones

Response

Progress

Performance

Sibanye Stillwater Ltd. (South Africa, 2018)

Occupational Health and Safety

Change Objective: Sibanye-Stillwater should, based upon a review of the incidents, seek to identify the main causes of the accidents and to put into place improvements in its health and safety training and working practices to develop an enhanced health and safety culture at its operations. Sibanye's safety performance will be monitored by Sustainalytics for at least two years and is expected to show decreasing figures during the time.

Milestones

Response

Progress

Performance

Siemens Gamesa Renewable Energy SA (Spain, 2013)

Involvement With Entities Violating Human Rights

Change Objective: Siemens Gamesa Renewable Energy should demonstrate how its activities in Western Sahara are in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights. Should this not be possible, the company should withdraw from Western Sahara.

Milestones

Response

Progress

Performance

Sime Darby Plantation Bhd. (Malaysia, 2021)

Forced Labour

Milestones
Response
Progress
Performance

Change Objective: SDP is expected to undertake steps to protect labour rights, end forced labour practices in its operations, and mitigate the impact on its workforce. The company should cooperate with investigations and take steps to ascertain areas of risk and/or failure related to maintaining respect for labour rights, particularly the prevention of forced labour. SDP should provide transparency into steps and processes it will enact to ensure commitments to respect labour rights are implemented.

SK Discovery Co. Ltd. (South Korea, 2019)

Quality and Safety - Human Rights

Milestones
Response
Progress
Performance

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

SK, Inc. (South Korea, 2018)

Incident(s) Resulting in Negative Human Rights Impacts

Milestones
Response
Progress
Performance

Change Objective: SK Inc.'s subsidiary should conduct a comprehensive assessment of the safety and stability of the project, together with independent experts and take appropriate mitigation measures. It should use its leverage to ensure adequate consultations with, and compensations to, project-affected communities and a transparent process for grievance and compensation. The company should commit to improving its preparedness to manage human rights-related risks in the future.

SLC Agricola SA (Brazil, 2021)

Land Use and Biodiversity

Milestones
Response
Progress
Performance

Change Objective: SLC Agricola should investigate allegations thoroughly and retain an independent third party to verify whether it has illegally deforested land. SLC Agricola should put in place policies and programmes related to the environment and emphasize a commitment to stop deforestation.

Southern Copper Corp. (United States of America, 2014)

Leaks, Spills and Pollution - Environmental and Human Rights Impacts

Milestones
Response
Progress
Performance

Change Objective: Southern Copper Corporation should consult with affected communities and authorities to address concerns over shortcomings in the remediation and compensation measures taken. The company should mitigate any remaining negative impacts of the spill and address shortcomings in compensation measures. Southern Copper Corporation should strengthen its management of its tailings storage facilities to meet international tailing dam standards.

Southern Copper Corp. (United States of America, 2020)

Freedom of Association

Change Objective: Southern Copper Corporation should improve its labour practices in accordance with international standards. The company should demonstrate how it is meeting these obligations by improving its external disclosure on the implementations of the measures and its effectiveness.

Milestones
Response
Progress
Performance

Starbucks Corp. (United States of America, 2022)

Freedom of Association

Change Objective: Starbucks should promote good labour relations and ensure no anti-union practices take place within its operations. The company should cooperate with investigations and take appropriate steps to identify any barriers to dialogue with its workforce and introduce corrective actions. Starbucks should ensure it respects its commitments to international standards are implemented throughout its operations. Relevant actions should be transparent.

Milestones
Response
Progress
Performance

Supermax Corp. Bhd. (Malaysia, 2021)

Forced Labour

Change Objective: Supermax should ensure it is not complicit in any forced labour. The company should identify and properly compensate the workers who were the victims of forced labour practices. The company should align its recruitment policy and implementation with international standards and ensure zero-cost process. Supermax shall show it has accurate processes to manage grievances and improve transparency in reporting on how it ensures compliance in this area.

Milestones
Response
Progress
Performance

Syngenta AG (Switzerland, 2016)

Quality and Safety

Change Objective: Syngenta should address the environmental and/or health impacts of its products. We are seeking Syngenta to fully disclose all research material on these chemicals and their impacts and to have a process of seeking independent product reviews before the market release of any new products.

Milestones
Response
Progress
Performance

Telefonaktiebolaget LM Ericsson (Sweden, 2020)

Bribery and Corruption

Change Objective: Ericsson should continue to strengthen its anti-corruption and ethical compliance processes in accordance with commitments its public commitments and the settlement with US authorities. Ericsson should maintain transparency regarding the implementation of these improvements or any new concerns that arise.

Milestones
Response
Progress
Performance

Teleperformance SA (France, 2021)

Freedom of Association

Change Objective: Teleperformance should ensure no anti-union practices or other labour rights violations are occurring and should provide any remediation of issues, as appropriate. It should demonstrate that across its operations its labour practices align with international standards, enable freedom of association, and that due diligence practices are sufficient to manage concerns.

Milestones
Response
Progress
Performance

Tencent Holdings Ltd. (China, 2021)

Involvement With Entities Violating Human Rights

Change Objective: Tencent should take steps to manage human rights risk exposure and limit impact on its users where possible. The company should demonstrate efforts to establish human rights due diligence practices, define policies relevant to digital rights, and to report on external data requests and content moderation requirements.

Milestones
Response
Progress
Performance

Tesla, Inc. (United States of America, 2022)

Discrimination and Harassment

Change Objective: Tesla should have these incidents investigated by an independent third party and fully participate with the investigation. Tesla should reinforce anti-discrimination policies by conducting related sensitization training, to move towards a culture of gender equality, diversity and inclusion. The company should ensure a robust grievance-mechanism is in place and appoint senior level anti-discrimination and human resource experts to lead such activities with a strong mandate from the executive team and company board, and with sufficient resources. The company should disclose regularly on such efforts, along with external audit.

Milestones
Response
Progress
Performance

Teva Pharmaceutical Industries Ltd. (Israel, 2019)

Price-Fixing Violations

Change Objective: Teva should take appropriate actions by investigating the alleged misconduct internally and cooperate with authorities to address the issue. The company should also develop and implement a drug pricing model that ensures equitable access to medicine and implement competition guidelines.

Milestones
Response
Progress
Performance

The Boeing Co. (United States of America, 2019)

Quality and Safety - Human Rights

Change Objective: Boeing should take appropriate steps to ensure the safe return of its 737 MAX series aircraft to commercial flight. The company should take steps to remediate the significant impacts of incidents related to its 737 MAX aircraft, including appropriate support and compensation where reasonable. Boeing should adopt a robust, precautionary approach to product quality management throughout its operations.

Milestones
Response
Progress
Performance

The Chemours Co. (United States of America, 2017)
Activities Resulting in Adverse Environmental and Human Rights Impacts

Change Objective: Chemours has stated that it wishes to eradicate the discharge of persistent chemicals from its operations; however, there are a number of legacy issues in relation to pollution from its operations, therefore, we wish to ensure that Chemours has a strategy in place for each legacy issue and to show that its current waste practices comply with international best practice, in order to prevent future liabilities arising from potential detrimental human health or environmental impacts. The company should also show that it is addressing PFAS contamination where it is applicable to its sites.

Milestones
Response
Progress
Performance

The GEO Group, Inc. (United States of America, 2018)
Incident(s) Resulting in Negative Human Rights Impacts

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

Milestones
Response
Progress
Performance

The Star Entertainment Group Ltd. (Australia, 2022)
Money Laundering

Change Objective: The Star Entertainment Group should implement robust anti-money laundering (AML) programs including companywide AML training, reporting frameworks and monitoring mechanisms. The company should disclose, to the extent possible, all of its AML related activities and progress on AML related initiatives. The company should demonstrate strong leadership on financial crime issues.

Milestones
Response
Progress
Performance

Thermo Fisher Scientific, Inc. (United States of America, 2021)
Involvement With Entities Violating Human Rights

Change Objective: Thermo Fisher should improve its human rights due diligence and disclosure, especially in relation it its products/services and business relationships. The company should also demonstrate efforts to support internationally accepted human rights standards as well norms governing the collection, use and storage of human genetic data.

Milestones
Response
Progress
Performance

Tiger Brands Ltd. (South Africa, 2018)
Quality and Safety - Human Rights

Change Objective: Tiger Brands should ensure that it has taken appropriate actions to responsibly address the impacts of the incident. Tiger Brands should also demonstrate that it has taken adequate measures to improve consistency of operational practices and procedures for product safety across the group.

Milestones
Response
Progress
Performance

Tokyo Electric Power Co. Holdings, Inc. (Japan, 2011)

Incident(s) Resulting in Negative Environmental and Human Rights Impacts

Change Objective: TEPCO should ensure it operates its nuclear power plants safely, that any contamination is contained to the affected area and monitoring is in place to measures both environmental and health effects and that a compensation programme is in place as and when the effects of accidents are identified. In addition, TEPCO should report on the security measures taken at all of its facilities following reports of inadequate security at its Kashiwazaki-Kariwa nuclear plant.

Milestones
Response
Progress
Performance

Tongling Nonferrous Metals Group Co., Ltd. (China, 2022)

Controversial Project(s) - Human Rights and Environmental Impacts

Change Objective: Tongling should agree on a compensation package with the CASCOMI community, in particular for displaced families. The company should mitigate´ the most severe environmental impacts and prevent further impacts from the Mirador mine. The company should align its policies and practices to international human rights norms, particularly with regards to indigenous people, and take measures to minimize environmental impacts and ensure suitable monitoring of its mitigation measures.

Milestones
Response
Progress
Performance

Top Glove Corp. Bhd. (Malaysia, 2021)

Labour Rights - Operations

Change Objective: Top Glove should take steps to end any forced labour practices and to ensure appropriate health and safety protocols to protect workers from COVID-19 and other risks are in place, both in factories and dormitories. The company is also expected to ensure practices to mitigate forced labour, such as its Zero Recruitment Fee Policy, are implemented for its entire workforce and to act to proactively protect worker health. Top Glove should further show its policies and practices align with internationally accepted labour rights standards.

Milestones
Response
Progress
Performance

TotalEnergies SE (France, 2023)

Controversial Project(s) - Human Rights and Environmental Impacts

Change Objective: The company should conduct human rights due diligence and engage with stakeholders constructively to eliminate or mitigate land and livelihood loss, provide remedy where required, and to ensure that the project has social license. The company should conduct environmental and social impact assessments across the development route, acting on all recommendations and to international best practice.

Milestones
Response
Progress
Performance

Toyota Motor Corp. (Japan, 2022)

Consumer Interests - Business Ethics

Change Objective: Toyota should improve its global subsidiary governance framework. The company should have an adequate risk management framework and have robust oversight of its global subsidiaries. Furthermore, the company should explore emissions mitigation and offset options for its subsidiary's non-compliant excess emissions.

Milestones
Response
Progress
Performance

Uber Technologies, Inc. (United States of America, 2017)

Data Privacy and Security

Milestones
Response
Progress
Performance

Change Objective: Uber Technologies should improve its privacy programme in line with regulatory requirements and international norms including implementation of measures to ensure and monitor compliance with global privacy and data protection laws and standards, respect for customer privacy, security of user data, and appropriate processing and use of data. Uber should also improve public disclosure to provide transparency on its progress toward improvement and preparedness to manage its related risk exposure.

UBS Group AG (Switzerland, 2023)

Business Ethics

Milestones
Response
Progress
Performance

Change Objective: UBS should implement a robust risk management system, have accountable risk governance, drive improvements in risk culture and have a strong compliance function company-wide, including across its subsidiaries. UBS should also establish a robust AML programme.

UPL Ltd. (India, 2021)

Emissions, Effluents and Waste

Milestones
Response
Progress
Performance

Change Objective: UPL Ltd should remediate contaminated land and water caused by its activities. It should review the adequacy of its existing hazardous chemical storage facilities across its operations to ensure an appropriate level of commitment to the safety of the workforce, local populations and the environment. The company should demonstrate that its policies and procedures for the management of hazardous chemicals are compliant with international best practice and national legislative requirements.

Vale SA (Brazil, 2019)

Incident(s) Resulting in Negative Human Rights Impacts

Milestones
Response
Progress
Performance

Change Objective: Vale should commission an external technical review into the causes of the collapse; strengthen its management of its tailings storage facilities using best available technology; adopt a policy of designing tailings facility based upon safety first and cost second; ensure remedial programmes are in place and improve the technical knowledge of its board with reporting lines are in place to ensure potential concerns are addressed appropriately.

Vedanta Ltd. (India, 2018)

Community Relations

Milestones
Response
Progress
Performance

Change Objective: Vedanta should analyze the root causes of the protests in Tuticorin and address the identified issues in cooperation with the local communities. It should develop a framework for improving its communication with stakeholders with the aim of applying it across operations. The company should also launch the process of becoming a signatory of The Voluntary Principles on Security and Human Rights.

Vedanta Resources Ltd. (United Kingdom, 2018)

Community Relations

Change Objective: Vedanta should analyze the root causes of the protests in Tuticorin and address the identified issues in cooperation with the local communities. It should develop a framework for improving its communication with stakeholders with the aim of applying it across operations. The company should also launch the process of becoming a signatory of The Voluntary Principles on Security and Human Rights.

Milestones
Response
Progress
Performance

Weibo Corp. (China, 2021)

Involvement With Entities Violating Human Rights

Change Objective: Weibo should take steps to manage human rights risk exposure and limit impact on its users where possible. The company should demonstrate efforts to establish human rights due diligence practices, define policies relevant to digital rights, and to report on external data requests and content moderation requirements.

Milestones
Response
Progress
Performance

Wells Fargo & Co. (United States of America, 2017)

Business Ethics

Change Objective: Wells Fargo should ensure that it implements adequate risk management processes and internal controls meant to reduce compliance breaches, and regulatory action, and disclose the results where appropriate.

Milestones
Response
Progress
Performance

Westpac Banking Corp. (Australia, 2020)

Money Laundering

Change Objective: Westpac should ensure it is not complicit in any money laundering. The company should strengthen its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) processes and implement all improvements in accordance with the Response Plan. The company should ensure it has robust internal controls, risk management, sufficient and effective board oversight.

Milestones
Response
Progress
Performance

Wilmar International Ltd. (Singapore, 2017)

Community Relations - Indigenous Peoples

Change Objective: Wilmar should resolve active complaint cases in Indonesia, Liberia, Nigeria and Uganda and take appropriate measures against any identified gaps. The company should also strengthen implementation of its policies by reporting more regularly on progress and the outcomes of site audits.

Milestones
Response
Progress
Performance

Wockhardt Ltd. (India, 2016)

Quality and Safety - Human Rights

Change Objective: Wockhardt should meet international regulatory requirements to obtain clearance on its manufacturing sites. Wockhardt should also disclose information about its product quality risk management system and good manufacturing practices to ensure compliance with international quality standards.

Milestones

Response

Progress

Performance

Xinjiang Xinxin Mining Industry Co., Ltd. (China, 2022)

Forced Labour

Change Objective: XXM should conduct human rights due diligence to identify and eliminate the risk and incidence of forced labour in its operations. The company should prevent and mitigate the potential and actual adverse labour rights impacts, as well as provide access to remedy to all employees. XXM should provide greater disclosure on its recruitment practice and the progress to respect the rights of all groups of workers.

Milestones

Response

Progress

Performance

Xinjiang Zhongtai Chemical Co., Ltd. (China, 2022)

Forced Labour

Change Objective: Zhongtai should adopt international human rights practice within its labour force, particularly the right to freedom from forced labour. The company should carry out appropriate due diligence and implement effective policies and practices.

Milestones

Response

Progress

Performance

YES BANK Ltd. (India, 2020)

Business Ethics

Change Objective: Yes Bank should properly report non-performing assets to the regulator. The bank should responsibly manage the restructuring process and reform the internal control and compliance systems to ensure their effectiveness. A robust anti-corruption policy should be adopted; its implementation should be properly overseen at the board level and sufficiently disclosed in the public reporting.

Milestones

Response

Progress

Performance

Zijin Mining Group Co., Ltd. (China, 2015)

Activities Resulting in Adverse Environmental Impacts

Change Objective: Zijin Mining should exert pressure on Barrick to ensure responsible management of tailings and to address potential long-term legacy issues at Porgera and ensure that it is reported in a publicly available strategy. Zijin should adopt a policy of prohibiting the future use of riverine tailings disposal.

Milestones

Response

Progress

Performance

Zijin Mining Group Co., Ltd. (China, 2015)
Activities Resulting in Adverse Environmental Impacts

Change Objective: Zijin Mining should exert pressure on Barrick to ensure responsible management of tailings and to address potential long-term legacy issues at Porgera and ensure that it is reported in a publicly available strategy. Zijin should adopt a policy of prohibiting the future use of riverine tailings disposal.

Milestones
Response
Progress
Performance