

Swisscanto

by Zürcher Kantonalbank

Global & Thematic Engagement

Q1 Engagement Report 2024

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 schemes).

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 Engagement Report from Morningstar 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 tailor-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

Disclaimers requested by data providers:

Although Swisscanto Asset Management International S.A. and Zürcher Kantonalbank's information providers (the «ESG Parties»), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Legal Notices

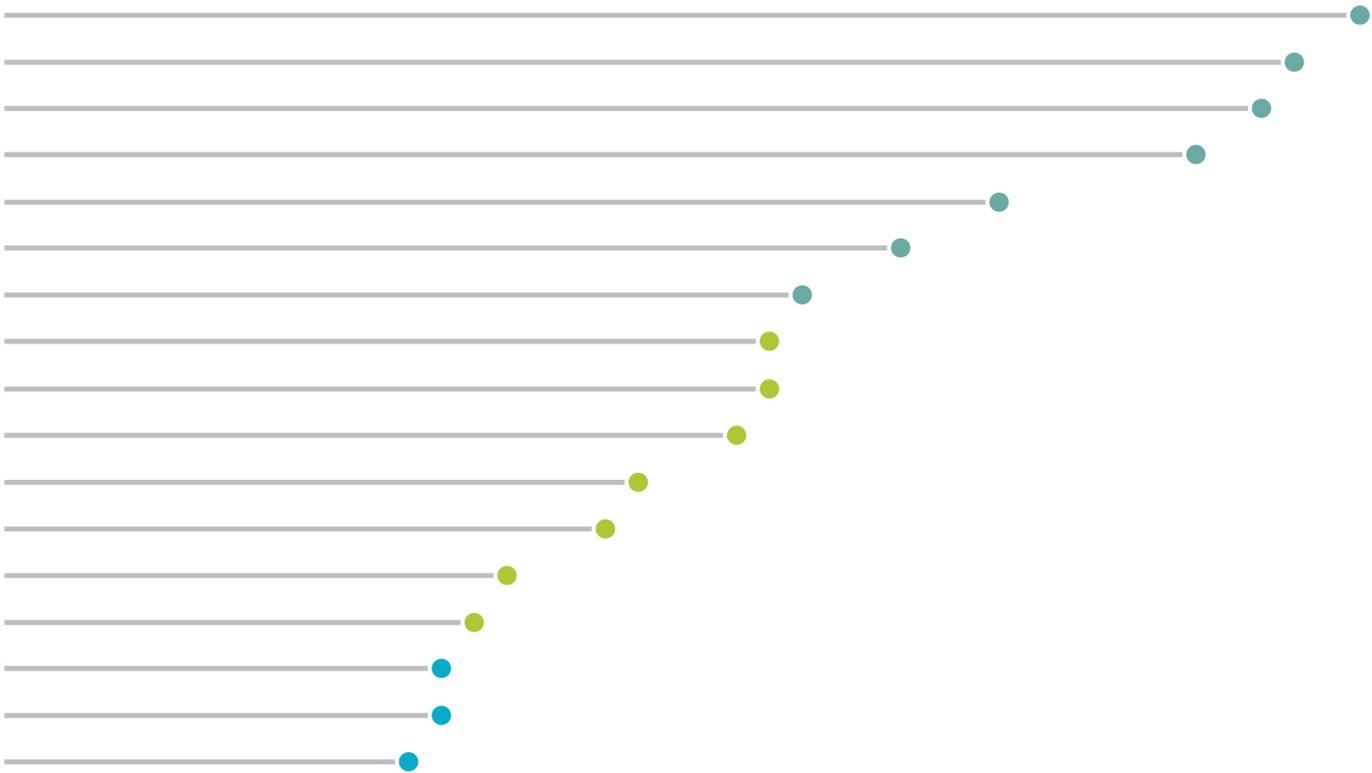
This document is for information purposes and was prepared by Zürcher Kantonalbank with customary due diligence. This document contains information from third party source, Morningstar Sustainalytics. Zürcher Kantonalbank selects these carefully. However, Zürcher Kantonalbank provides no warranty as to the accuracy and completeness of the information contained therein and accepts no liability for any losses that may be incurred as a result of using this document.

Any reproduction and/or publication of this documents or parts of this document need a written consent by Zürcher Kantonalbank.

© 2024 Zürcher Kantonalbank. All rights reserved.

Engagement 360

2024 Q1 Report



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

Table of Contents

Executive Summary	1
Stewardship Overview	2
Engagement Status	3
Engagement Type	3
Voting Insights and Recommendations	3
Industry Distribution	4
Engagements by Headquarter Location	5
Environmental, Social and Governance Overview	6
Engagement Topics	6
Sustainable Development Goals – Mapping Engagements	8
Engagement Results	9
Engagement Progress . . . . .	.10
Engagement Response . . . . .	.10
Engagement Performance . . . . .	.11
Engagement Milestones . . . . .	.11
Engagements Resolved . . . . .	.12
Resolved - Mahindra & Mahindra Ltd. . . . .	.13
Resolved - NovoCure Ltd. . . . .	.14
Resolved - Syngenta AG . . . . .	.15
Resolved - Top Glove Corp. Bhd. . . . .	.16
Materiality Considerations for Evolving Responsible Investment Strategies . . . . .	.17
Responsible Mining Companies Should Have an Unwavering Commitment to Safety . . . . .	.19
Towards Transparency: Exploring the Rise of Nature Disclosure . . . . .	.20
What Obstacles do Businesses Encounter in Substantiating Their Scope 3 Science-Based Net Zero Targets? . . . . .	.23
Elevating Human Capital Management: A Data-Driven and Technology-Enhanced Transformation . . . . .	.24
Towards a Circular Economy in the Global Automotive Value Chain . . . . .	.25
Sustainability and Good Governance: An Aspiring Journey . . . . .	.27

Table of Contents (cont.)

Engagement Events and Industry Initiatives . . . . .	.28
Endnotes . . . . .	.29
About Morningstar Sustainalytics and Contacts. . . . .	.32
Engage List. . . . .	.33

This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed between January to March 2024. This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed on behalf of Swisscanto / Zürcher Kantonalbank. The report has been produced between 1 – 15 April 2024. Version 1 disseminated on 15 April 2024. Use of and access to this information is subject to Morningstar Sustainalytics' legal terms and conditions.

Executive Summary

We are delighted to report on the activities and results of the Morningstar Sustainalytics Engagement 360 for Q1 2024. The quarterly report provides an overview of the activities and insight to the results of the stewardship work in the quarter.

Highlights of the Quarter

The positive trend from 2023 has continued as we have successfully resolved 12 engagements in the first quarter. Most of the resolved engagements are driven by companies improving their ESG risk management practices and moving from the high to the medium risk category of the ESG Risk Rating. The quarter has also seen a relatively high number of archived engagements, due to the retirement of several legacy Thematic Engagement Programmes. These are now replaced with the new Thematic Stewardship Programmes, where we in the coming quarters will continue opening up new engagements around the six programmes: Biodiversity and Natural Capital, Human Capital Management, Net Zero Transition, Scaling Circular Economies, Sustainability and Good Governance, and Human Rights Accelerator (to be launched in 2025). During Q1, the Stewardship Team has:

- Conducted 159 meetings, including 13 meetings in-person in Saudi Arabia, Türkiye, Malaysia, Singapore and Taiwan. The engagement trips to these countries also included five site visits.
- Exchanged 2,105 emails and phone calls.
- Delivered 102 voting recommendations on resolutions voted at 77 shareholder meetings plus 51 engagement company Meeting Commentaries.
- Achieved 48 Milestones.

Looking Ahead

In Q2, we anticipate our engagement activities will continue to expand as we roll out the Thematic Stewardship Programme (TSP) and add more companies to these programmes. Q2 is also a good time to engage with companies as many of them are releasing new annual ESG disclosures, and we can verify Positive Developments implemented and update our Suggested Actions for what we see as opportunities for improvement.

We will also be able to announce plans for engagement trips later in the year. We use these trips to build relationships with the companies that we engage and in-person meetings can be essential for establishing dialogue with some companies. It will also deepen our understanding of the corporate context and facilitate site visits, where engagement managers obtain very detailed insight to the ESG challenges that the companies are facing and how they mitigate these risks and incidents.

For general questions or feedback regarding Engagement 360, please email E360@sustainalytics.com or your client team.

Stewardship Overview



796

active engagements during Q1 2024

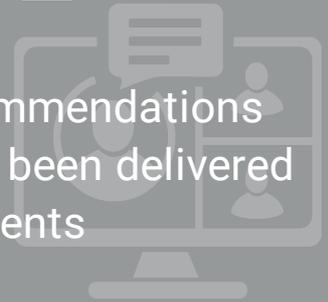
4

new engagements



102

vote recommendations have been delivered to clients



Food Producers

is the most engaged industry



Highest number of engagements in a single market is the United States

Net Zero/Decarbonization is the most engaged topic

SDG 12 Responsible Consumption & Production (56%) linked to engagement objective



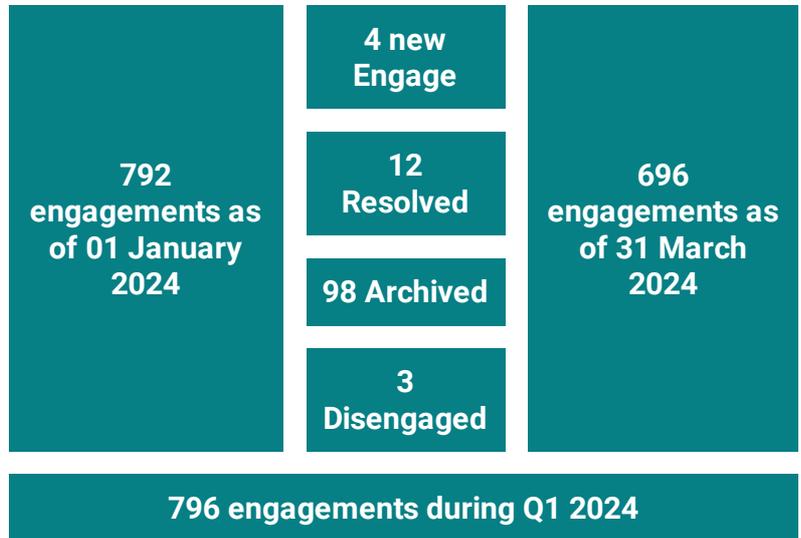
Engagement Status

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.

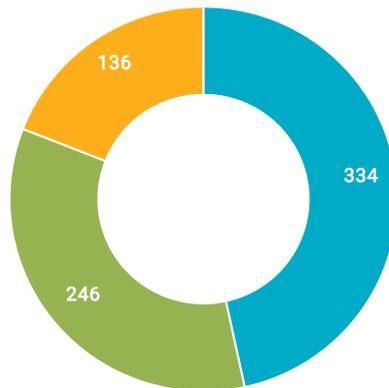
Archived Engagement is concluded, the engagement objective has not been achieved.

Disengage Engagement is deemed unlikely to succeed.



Engagement Type

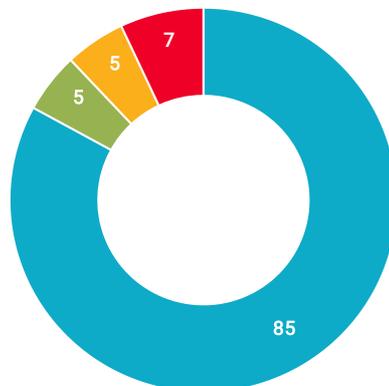
- Strategy and Risk
- Themes
- Incidents



- 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



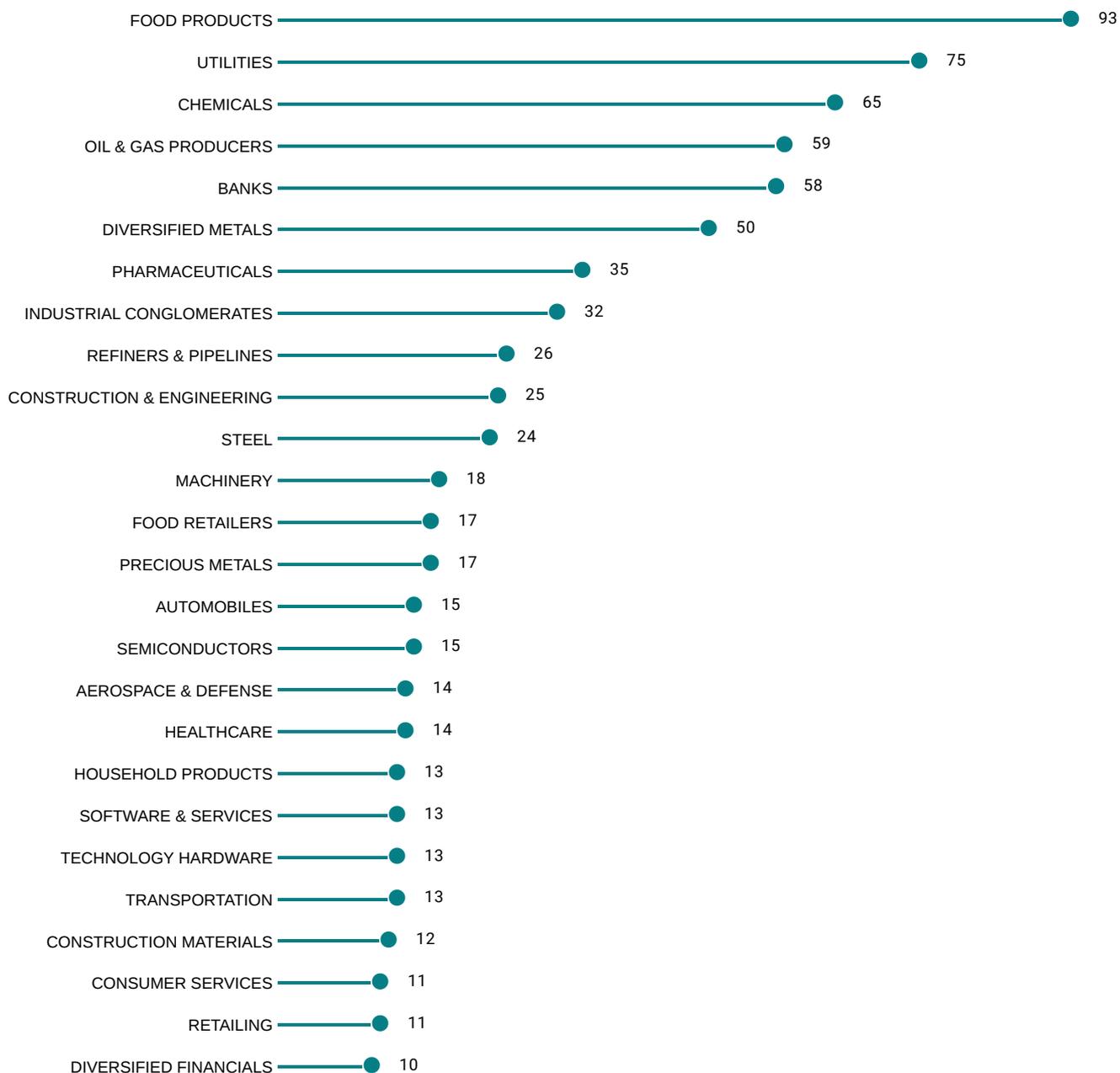
Triggers for Vote Recommendations

Vote recommendations can be triggered by four different reasons.

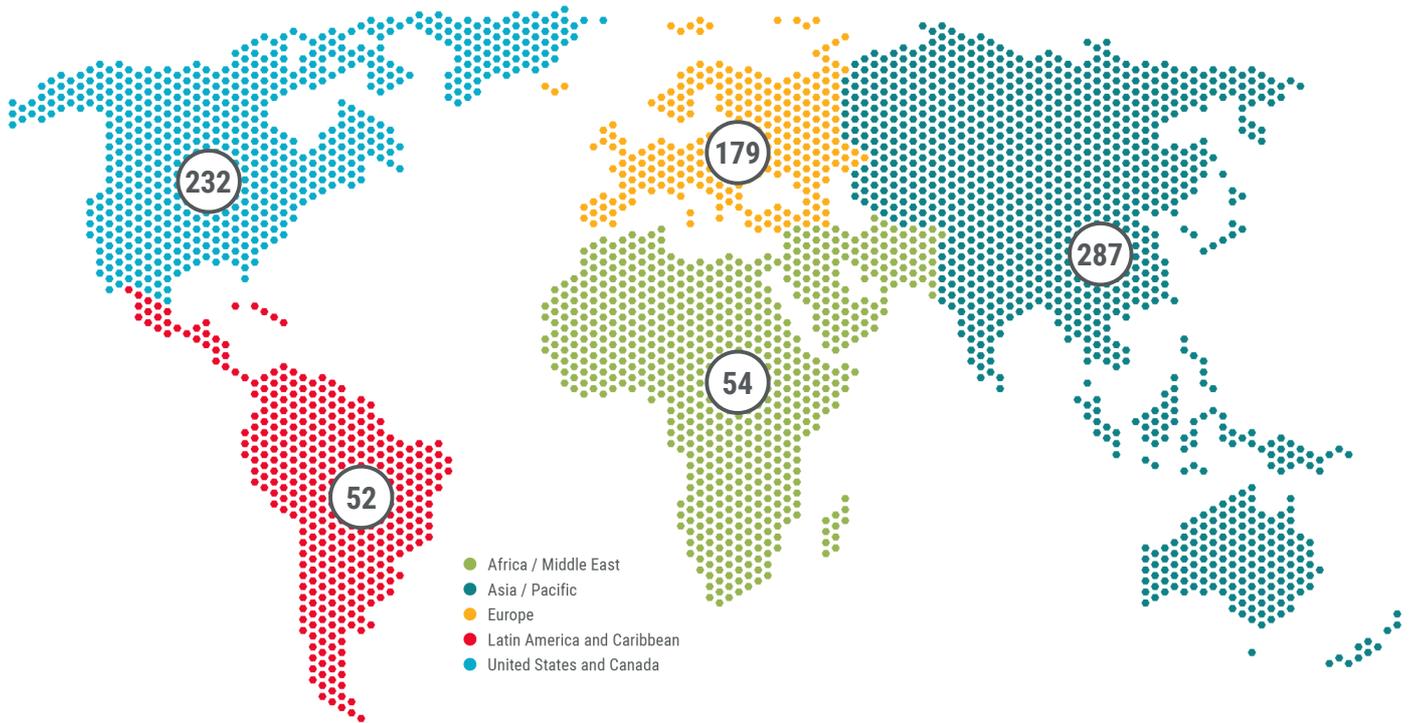
Sustainability	ESG-related resolutions
Engagement Escalation	Poor performance in engagements
Climate Governance	Misalignment between executive performance metrics and decarbonization targets
Research	Poor performance in climate change risk management and DEI (Diversity, Equity & Inclusion)

Industry Distribution

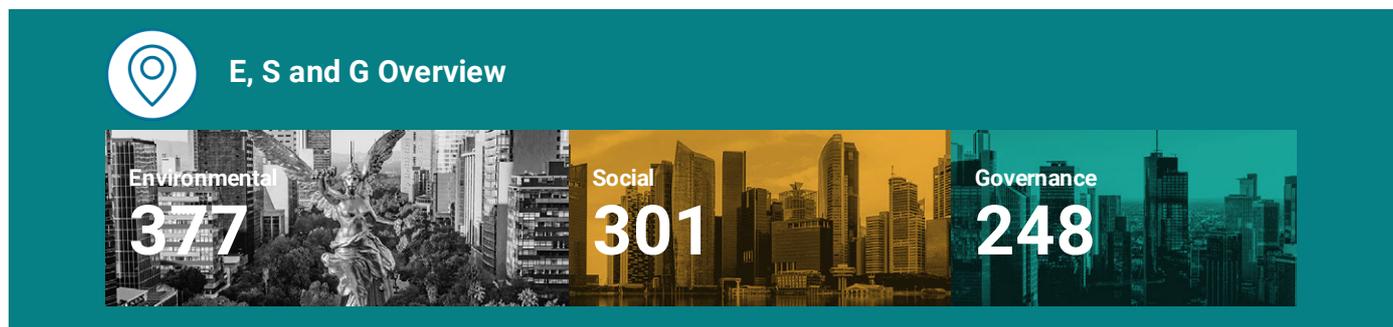
(Industries included with a minimum of 10 engagements)



Engagements by Headquarter Location



Environmental, Social and Governance Overview



Note: Stewardship can cover one or more issues and objectives reflected in overlapping issue statistics.

Engagement Topics

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

ENGAGEMENT TOPICS		ENGAGEMENTS
	Net Zero Decarbonization	228
	Disclosure	206
	Climate Change	201
	Water Security	148
	ESG Governance	143
	Human Rights	102
	Deforestation	101
	Biodiversity	98
	Water Quality	96
	Community Relations	90
	Land Pollution and Spills	85
	Product Quality and Safety	79
	Labour Rights	73

ENGAGEMENT TOPICS		ENGAGEMENTS
	Business Ethics, Bribery and Corruption	70
	Board Composition	68
	Human Capital	57
	Occupational Health and Safety	47
	Waste Management	46
	Child Labour	45
	Indigenous People	41
	Accounting and Taxation	36
	Diversity, Equity and Inclusion (DEI)	32
	Shareholders Rights	30
	Natural Resource Use	29
	Forced Labour	28
	Circular Economy	19
	Data Privacy and Security	18
	Just Transition	12
	Air Pollutant Emissions	9
	Marketing Practices	8
	High-Risk Territories	5
	Weapons	4
	Sanctions	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	5%	10 Reduced Inequality	11%
2 Zero Hunger	11%	11 Sustainable Cities and Communities	10%
3 Good Health and Well-Being	25%	12 Responsible Consumption and Production	56%
4 Quality Education	0%	13 Climate Action	55%
5 Gender Equality	6%	14 Life Below Water	11%
6 Clean Water and Sanitation	13%	15 Life on Land	17%
7 Affordable and Clean Energy	23%	16 Peace and Justice, Strong Institutions	41%
8 Decent Work and Economic Growth	25%	17 Partnerships to Achieve the Goal	5%
9 Industry, Innovation and Infrastructure	24%		

Engagement Results



159

meetings, including 13 in-person meetings



2,105

emails and phone calls exchanged



12

engagements have been Resolved



48

Milestones achieved in Q1 2024

58%

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



41%

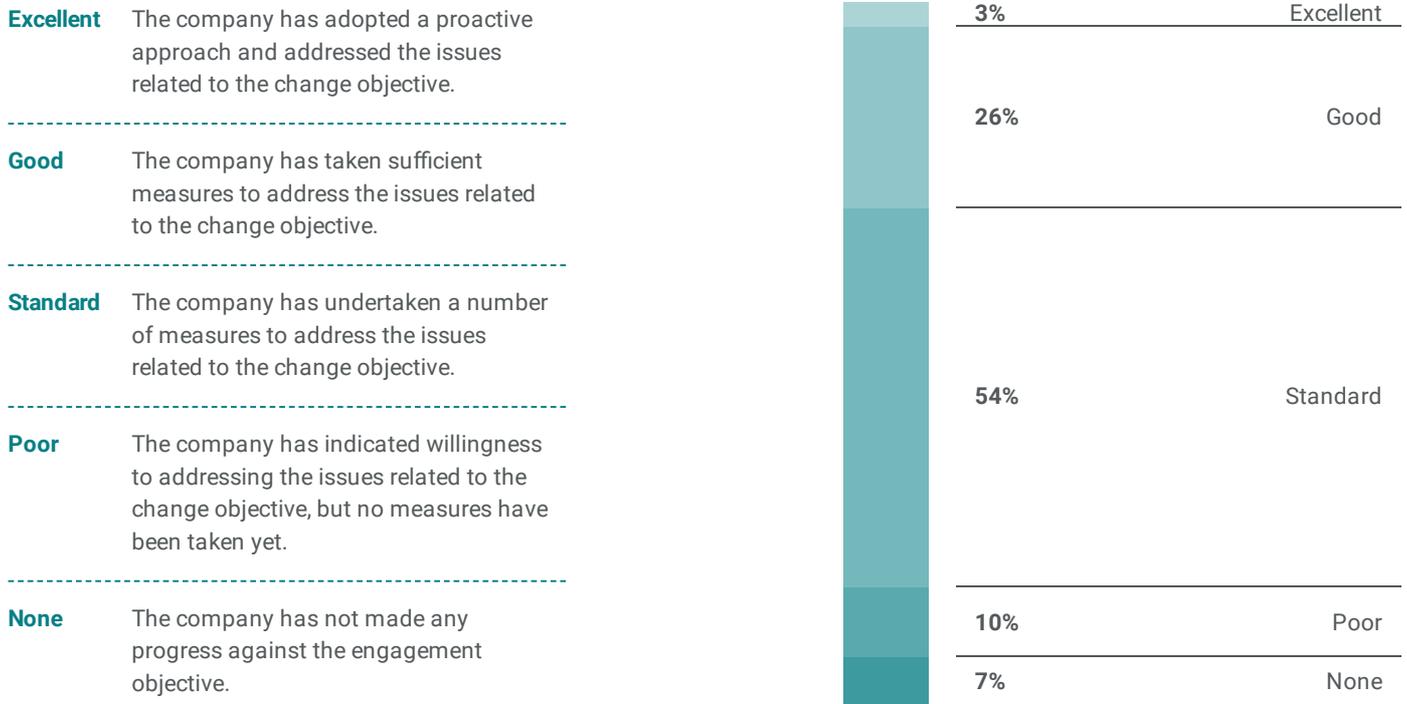
of the engagements show Good or Excellent Response

29%

of the engagements show Good or Excellent Progress

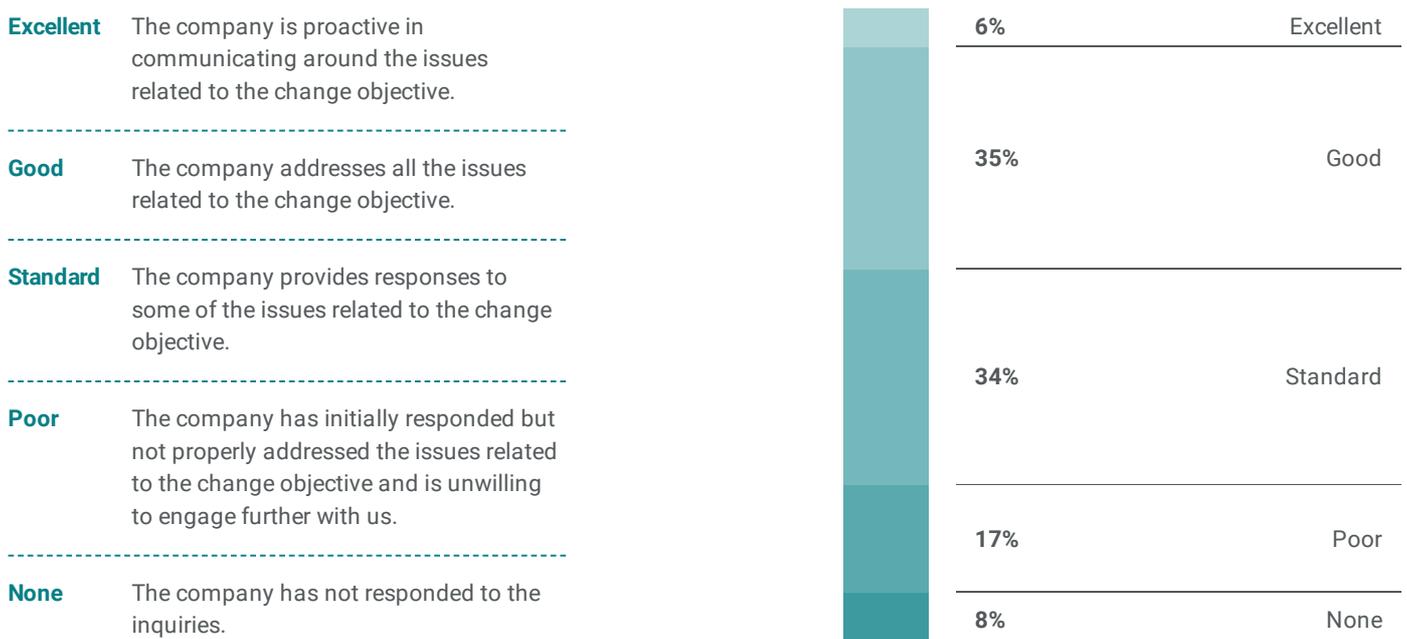
Engagement Progress

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



Engagement Response

Response reflects the company's willingness to engagement dialogue with investors, assessed on a five-point scale.



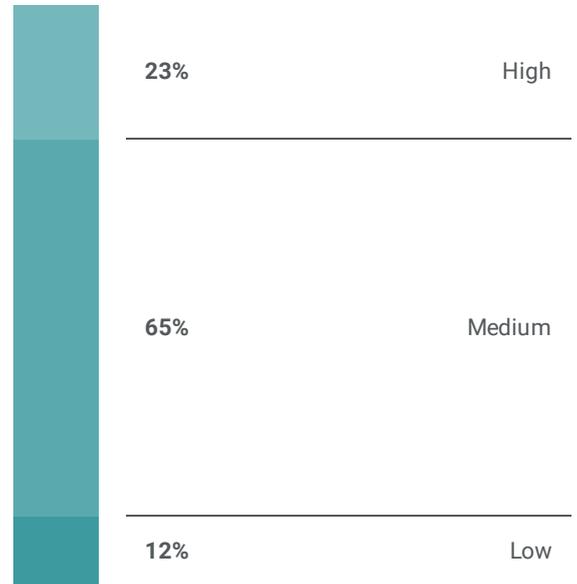
Engagement Performance

Performance 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.



Engagement Milestones

Milestones are our five-stage tracking of Progress in achieving the engagement objective.

48
Milestones achieved in
Q1 2024

Milestone Framework Structure

- Milestone 5** Change objective is considered fulfilled.

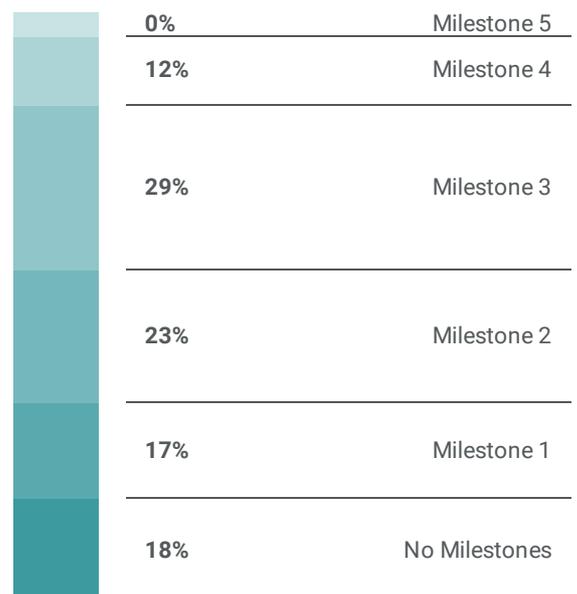
- Milestone 4** Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing.

- Milestone 3** Strategy is well formed and has moved into early stages of implementation.

- Milestone 2** ESG risk management and strategy established.

- Milestone 1** Acknowledge of issue(s) and commitment to mitigation.

Engagements by Highest Milestone Achieved



Engagements Resolved

COMPANY	COUNTRY	INDUSTRY	ISSUE	RELATED COMPANY
Banco de Credito e Inversiones SA	Chile	Banks	Focus on ESG Integration Financials	
BRF SA	Brazil	Food Products	Focus on E&S Impact of Products and Services and Land Use and Biodiversity	
China Construction Bank Corp.	China	Banks	Focus on ESG Integration Financials	
Hitachi Ltd.	Japan	Industrial Conglomerates	Focus on Product Governance	
Kumho Petrochemical Co., Ltd.	South Korea	Chemicals	Focus on Carbon Own Operations	
Mahindra & Mahindra Ltd.	India	Automobiles	Focus on Risk Assessment and ESG Disclosure	
Metropolitan Bank & Trust Co.	Philippines	Banks	Focus on ESG Integration Financials	
NovoCure Ltd.	United Kingdom	Healthcare	Focus on Risk Assessment and ESG Disclosure	
Stryker Corp.	United States of America	Healthcare	Focus on Product Governance	
Syngenta AG	Switzerland	Chemicals	Quality and Safety	China National Chemical Corp., Ltd.; Sinochem Group Co., Ltd.; Sinochem Holdings Corp. Ltd.
Teva Pharmaceutical Industries Ltd.	Israel	Pharmaceuticals	Focus on Business Ethics	
Top Glove Corp. Bhd.	Malaysia	Healthcare	Labour Rights - Operations	

Resolved - Mahindra & Mahindra Ltd.

ESG Risk Ratings Score

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

24.5

INDUSTRY:

Automobiles

BASE LOCATION:

India

ENGAGEMENT FOCUS:

ESG Governance

Carbon – Own Operations

Product Governance

RATIONALE FOR RESOLVED STATUS:

Mahindra & Mahindra Ltd. (M&M) has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- M&M has established ten time bound commitments labelled "Our 10 Commitments" towards ESG, including Water positivity at group level, educating 1 million children by 2026, zero waste to landfill by 2030, carbon neutrality by 2040, energy positivity by 2026 and many other SBTIs. It has already met their 2026 target of supporting 1 million women through work, capacity building, community engagement and women's empowerment activities.
- M&M has reached two-thirds market share of all electric three wheelers across India, underpinning it's commitment to environmental developments, well-positioning its thought leadership with environmental ESG risk performance and examples.
- All Scope 1, 2 and 3 disclosures show that the company is well ahead of its 2040 carbon neutrality target.
- M&M is the first Indian company to establish an internal carbon price for directly funding carbon emission reductions.

In the latest ESG Risk Rating update, M&M's score improved by more than 10 points, bringing the company into the medium risk category and below the 28-point threshold for engagement.

Resolved - NovoCure Ltd.

ESG Risk Ratings Score

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

27.9

INDUSTRY:
Medical Devices

BASE LOCATION:
United Kingdom

ENGAGEMENT FOCUS:
Risk Assessment and ESG Disclosure
Product Governance
Business Ethics
Human Capital

RATIONALE FOR RESOLVED STATUS:

NovoCure Ltd. has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- NovoCure has significantly expanded its reporting on product quality and safety, including oversight, risk management, monitoring systems, and the scope of external certifications (e.g., ISO 13485, 21 CFR part 820, MDR regulation 2017/745, JPAL MHLW Ministerial Ordinance #169, ISO/IEC 27001 and ISO 14155). Additionally, NovoCure has detailed its approach to patient grievances and product recall risks.
- NovoCure has enhanced transparency in its clinical trials, specifically by clarifying how it obtains patients' free, prior and informed consent.
- NovoCure has extended its disclosure on employee performance management, talent development, and employee benefits programs.
- NovoCure has begun reporting in alignment with the SASB Standard for Medical Equipment and Supplies.

In the latest ESG Risk Rating update, NovoCure's score improved by 4.6 points, bringing the company below the 28-point threshold for engagement.

Resolved - Syngenta AG

Engagement Since: 30 May 2019



INDUSTRY:
Chemicals

BASE LOCATION:
Switzerland

ISSUE:
Quality and Safety

Syngenta AG has faced severe criticism for the adverse health impacts of its paraquat herbicide.

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.

Engagement Outcomes

- Syngenta has addressed the environmental and/or health impacts of its products and discloses research material on these chemicals and their impacts. It reports that 120 countries have Syngenta toxicovigilance programmes in place.
- With an ambitious global drive to reach and educate users of the product to prevent misuse, partnering with a reputable NGO 'Crop Life', the company recognizes the need for proactive and long reaching action.
- The company has implemented a new internal reporting system that tracks adverse impacts from the use of its products. This allows focused responses and a systematic way to track and analyze incidents.
- Whilst the company does not have a process for seeking independent review of new products, it does have in place a sustainability criteria screening to ensure new products are not harmful to human health or the environment.

Conclusion: Since Syngenta has introduced a number of improvements to its product safety implementation, despite the potential litigation linked to its legacy product, Morningstar Sustainalytics decided to resolve this engagement.

Resolved - Top Glove Corp. Bhd.

Engagement Since: 26 February 2021



INDUSTRY:
Healthcare

BASE LOCATION:
Malaysia

ISSUE:
Labour Rights – Operations

Top Glove Corp. Bhd. previously faced claims of labour abuse at its manufacturing operations in Malaysia, including alleged forced labour practices related to recruitment fees imposed on migrant workers by employment agents, unsafe working and poor living conditions, and requirements to work excessive overtime.

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.

Engagement Outcomes

- Top Glove has shown considerable improvements in establishing policies, strategies and systems to prevent forced labour, aligned with international labour standards.
- It has also significantly increased its practices in ensuring the health and safety of employees, including migrant workers.
- In addition, the company resolved all labour right issues that emerged during the investigation and put in place remedial strategies, it also reimbursed of all migrant workers who had paid substantial recruitment fees to agencies.
- The company strategically reduced the number of recruitment agencies, opting for two dedicated ones. Top Glove provides these agencies with human rights training and assesses them regularly to strengthen its oversight.

Conclusion: Considering the improvements in labour rights practices of the company, Morningstar Sustainalytics decided to resolve the case.

Materiality Considerations for Evolving Responsible Investment Strategies

Introduction

As responsible investment strategies move beyond ESG integration to impact investing, it's important to consider how newly standardized ESG reporting requirements align with investor preferences. At the core of all ESG reporting frameworks is the materiality assessment. This article focuses on the key distinctions between financial, impact, and double materiality concepts and the related implications for issuers and investors.

Materiality, in the view of ESG reporting, is a concept which provides criteria for determination of whether a sustainability topic or information should be included in an ESG disclosure. The debate on global alignment of sustainability disclosure rules revolves around the concept of materiality.

The inaugural International Sustainability Standards Board (ISSB) disclosure standards and the U.S. Securities and Exchange Commission (SEC) climate disclosure rules both define materiality based on an assessment of the financial risks and impacts that a sustainability issue poses to cash flow and enterprise value. In contrast, the recently enforced EU Corporate Sustainability Reporting Directive (CSRD) and the EU Sustainable Finance Disclosure Regulation (SFDR) adopt a double materiality approach, which includes both financial and impact materiality.

Doubling Down on Materiality

In financial reporting, companies typically assess materiality with a focus on the information needs of potential and existing investors and lenders as the primary users of financial statements. According to the International Financial Reporting Standards (IFRS), information is financially material if omitting, obscuring, or misstating it could be reasonably expected to influence investor decisions.¹ The use of financial materiality is rooted in several core legal principles, starting with fiduciary duty. However, as investors begin to shift focus from ESG integration to impact investment strategies, issuers who limit sustainability and climate disclosures to align only with financially material ESG topics may also be limiting opportunities to demonstrate their performance in line with external impact.

According to guidance issued by the European Financial Reporting Advisory Group (EFRAG), a sustainability topic or information is material from an impact perspective if the undertaking is connected to actual or potential significant impacts on people or the environment and is related to the sustainability topic over the short, medium, or long term. Double materiality is the combination of impact materiality and financial materiality. A sustainability topic or information meets the criteria of double materiality if it is material from the impact perspective or from the financial perspective, or from both perspectives.² SFDR, which mandates the disclosure of sustainability information by financial services firms, also requires that firms disclose how they manage ESG risks that impact the financial performance, as well as how investment decisions impact on sustainability factors.

Getting to Impact

Fiduciary duty, as the primary responsibility of investors, is subject to interpretation across different regulatory environments. Traditionally, fiduciary duty prioritizes investment factors with direct financial impacts, while the progressive model applies a broader lens that balances long-term financial liabilities with ESG factors that could impact value over long time horizons.

As the concept of fiduciary duty evolves globally, there is a parallel emergent investment trend towards a greater emphasis on sustainability outcomes and impact, reflecting a broader

interpretation of value beyond immediate financial returns. Double materiality assessments are key to adopt an impact perspective. This method not only uncovers potential risks and opportunities that may be missed by taking a financial focus only, but also contributes to evaluating investments' impacts.

The European sustainable debt market, valued at EUR 1.7 trillion in 2022,³ grew 130% over 2021 and 2022 signaling a broader global shift toward sustainable finance, which is projected to reach USD 30.9 trillion by 2032.⁴ Such growth, driven by steady demand for sustainable finance products like green bonds and sustainability-linked loans, underscores the increasing interest in impact-oriented investments. The rising appetite for sustainable investment products highlights the need for issuer double materiality assessments, and issuers across the globe are taking note.

In 2024, large financial institutions and listed companies in the EU will conduct their materiality assessments under the CSRD's double materiality standard and begin to collect data for reporting in 2025. As part of the double materiality exercise, European issuers need to engage meaningfully with stakeholders and understand material sustainability risks, impacts and opportunities in their value chains. Driven by regulatory push in the EU, the first wave of CSRD reporting will provide valuable learnings on the double materiality approach for issuers globally.

In Canada, an October 2023 ESG disclosure study of 227 S&P/TSX Composite Index constituents showed that 19% of materiality assessments undertaken by Canadian issuers are currently applying a double materiality approach.⁵ And in February 2024, an ESG Sentiment Study of Canadian Institutional Investors⁶ showed that 43% of asset managers interviewed were planning to launch impact-oriented products that year. However, the Canadian Sustainability Standards Board (CSSB) announced on 14 March the release of new proposed standards for companies to report sustainability and climate-related information based on the ISSB disclosure standards, which only focuses on financial materiality. Following the release of the proposed CSSB standards, the Canadian Securities Administrators (CSA) said that it would consider the final CSSB standards, with potential capital markets-focused modifications, for incorporation into a CSA rule.⁷

China has also issued draft guidelines for a mandatory climate disclosure regime including a double materiality approach, requiring its biggest listed companies to report on a broad range of sustainability-related risks and impacts from 2025. The Shanghai, Shenzhen, and Beijing exchanges are requiring issuers to report on the impact of their activities on the environment as well as the risks and impact of environmental factors on their businesses.⁸

Promoting Long-Term Value

There is mounting evidence⁹ that financially immaterial sustainability issues may become financially material over time. For instance, investors increasingly factor in climate-related risks and impacts, previously considered immaterial, to mitigate exposure to climate-related financial risks in portfolios. The concept of dynamic materiality¹⁰ argues that sustainability issues, which are only material from an impact perspective, will eventually become financially-material. As a result, investors might not be sufficiently informed about potential and emerging financial risks if issuers' ESG disclosures are limited to financially-material information. A forward-looking approach to integrating dynamic ESG issues in portfolio construction and security selection may enable investors to better anticipate and respond to future material issues.

Integrating real-world impact into investment strategies further offers an opportunity to address systemic ESG issues, thereby promoting long-term value. By considering impact, investors can assess and respond to risks and opportunities associated with systemic environmental and social issues before they become apparent to the broader market. This proactive approach allows for the early identification of potential issues, enabling investors to make better-informed decisions that mitigate risks and capture emerging opportunities. Ultimately, considering impact in investment decision-making helps investors proactively manage systemic risks that could materially affect investment returns at the portfolio level.

Responsible Mining Companies Should Have an Unwavering Commitment to Safety

What is Safety in Responsible Mining?

The World Bank¹¹ and the Global Investor Commission on Mining 2030¹² (a collaborative investor-led initiative) acknowledges that a low-carbon future is only possible with the mining of minerals and metals. Growth in renewable/clean energy technologies (wind, solar, electric vehicles, battery storage, electrolyzers and fuel cells) is required for the transition to a low carbon economy. Minerals and metals are a vital enabler for clean energy transitions,¹³ and yet the great paradox is that the world needs mining to increase substantially, to mitigate climate change. However, for the energy transition to be just, mining companies have a vital role in ensuring that human rights are safeguarded.

Having safe and healthy conditions of work is a globally recognized human right. In 2022, the International Labour Convention adopted a resolution to include a safe working environment as the fifth of the International Labour Organization's (ILO)¹⁴ fundamental principles and rights at work. Workers in the mining sector face numerous safety hazards due to the nature of the work they perform. Because of the many hazards inherent in mining that can lead to injuries, illnesses, and death, a strong focus on safety must be present at responsible mines.¹⁵ The International Council on Mining and Metals¹⁶ defines responsible mining companies as those that have a staunch commitment to the safety of workers and their families, local communities and wider society. Responsible mining companies have a safety management system in place which promotes practices that prevent loss of life, minimise injuries, and have a goal of zero harm.

Engagement Questions for Testing Safety Management Basics

Morningstar Sustainalytics' experience in engaging with mining companies is that complying with international conventions (such as the 1995 ILO Safety and Health in Mines Convention),¹⁷ adhering to safety regulations, having a safety policy and a commitment to zero harm are not enough to prevent loss of life or injury among mineworkers. As part of information gathering and ESG performance evaluation for engagements focused on the issue of occupational health and safety with mining companies (such as **ArcelorMittal SA**, **Harmony Gold Mining Co. Ltd.**, **Ntpc Ltd.** and **Sibanye Stillwater Ltd.**), Morningstar Sustainalytics tests whether the building blocks of an effective safety management system are in place by reviewing the organizational approach to safety including aspects such as safety governance, safety leadership, safety risk management, emergency response planning, training, contractor safety management and learning from incidents.

What is Required for a Step Change in Safety Performance?

In our Global Standards/Incidents engagements with mining companies, some of the areas where we have seen gaps and that would trigger significant positive developments (in improvement of safety performance) include:

- Safety governance: board members and the executive leadership make personal commitments to safety and visibly demonstrates duty of care and culture of care for workers' welfare.
- Visible-felt safety leadership: the top management's visible actions in participating in safety initiatives and where workers can "feel" their leaders' safety expectations.
- Digitization to focus on risk prediction and proactive measures: invest in real-time monitoring and predictive analytics (using artificial intelligence, machine learning and internet of things) for early warning detection of hazards to initiate preventive or emergency action.
- Implementing a gender-based approach in safety practices: ensure that safety policies and programmes contain a well-defined and transparent gender dimension, for example developing detailed guidance explaining menopause and its impacts in the workplace.
- Safety culture: develop a dedicated culture transformation programme to improve employees' safety mindset to empower employees at all levels to take personal accountability for safety and to develop a culture of caring for one another.

Some of the key ongoing safety challenges that still remain in the mining sector include: fatality prevention, safety leadership, ensuring consistent safety performance across regions, empowering workers and implementing cultural shifts. On the other hand, some of the key areas where Morningstar Sustainalytics has seen mining companies making significant strides and having a positive impact on safety performance, include: increasing gender diversity (there are numerous anecdotes that point to the positive influence that women have on enhancing safety initiatives), acknowledging mental health and applying digitization to optimize safety initiatives.

Towards Transparency: Exploring the Rise of Nature Disclosure

Nature-related disclosure is quickly becoming a reality, evidenced by 320 organizations signalling their intent to align with the Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations in their corporate reporting. Among the 50 companies engaged in the Biodiversity and Natural Capital Stewardship Programme, approximately one-fifth are on this list, with five companies intending to disclose by the financial year 2024 or earlier and four by 2025.

COMPANY	INDUSTRY GROUP	TNFD-ALIGNED DISCLOSURE(S) BY FINANCIAL YEAR
Bank of America Corp.	Banks	2025
Bunge Ltd.	Food Products	2024 (or earlier)
Carrefour SA	Food Retailers	2024 (or earlier)
Crédit Agricole SA	Banks	2025
Mowi ASA	Food Products	2024 (or earlier)
Nissui Corp.	Food Products	2025
Olam International Ltd.	Food Products	2025
Sumitomo Mitsui Financial Group (SMFG) Inc	Banks	2024 (or earlier)
UBS Group AG	Diversified Financials	2024 (or earlier)

Figure 1. Organizations within our engagement programme who have signaled their intent to start adopting the TNFD Recommendations.¹⁸

Although most engaged companies on the list belong to the Foods Products group, these also constitute the majority of our current engagement. Banks stand out as an industry group, with three out of the eight in our programme indicating their intention to disclose against the TNFD.

The Europe and Asia Pacific regions lead the way towards TNFD-aligned disclosure. Conversely, none of the companies we engage with from Latin America or Africa and the Middle East have signalled their intent to disclose in alignment with the TNFD. However, these regions also represent a smaller percentage of our current engagements (12% and 4% respectively). Despite companies from the United States comprising the largest portion of our engagement cases (36%), only 2 out of 17 companies from the United States are on the list. Meanwhile, 21% of companies from Asia Pacific and 40% of European companies are represented. These regional disparities are reflected across all 320 organizations, with 85% being European or from Asia and the Pacific.¹⁹

Global Biodiversity Framework: Target 15

Target 15 of the Global Biodiversity Framework will require countries to take legal, administrative, or policy measures to regularly monitor, assess, and transparently disclose their risks, dependencies, and impacts on biodiversity along value chains and portfolios.²⁰ With countries realigning their National Biodiversity Strategies and Action Plans with the Framework ahead of COP16, the TNFD will be an important element in implementing this target.

Nature Disclosure in EU Regulation

Some companies will soon be required to start nature-related disclosure through the Corporate Sustainability Reporting Directive (CSRD). Companies within the regulation's scope and for which biodiversity and ecosystems are material topics will report against the European Sustainability Reporting Standards (ESRS) E4 on "Biodiversity and Ecosystems". The phased approach began in January 2024, with the first reports due in 2025.²¹ To enhance corporate disclosure on biodiversity, the ESRS disclosures and the TNFD Recommendations have been designed with a high level of alignment and interoperability.²²

Engagement Focus for the Year Ahead

Nature-related disclosure is a key part of our Programme's Outcome Assessment under the Transparency Pillar (see *Figure 2*). Advancing companies from Marker 1 to Marker 2, where "TNFD reporting is in place but with significant omissions", will be an area of focus for our engagements this year. We anticipate leading companies to progress to Marker 2 by the end of the year. For companies yet to commit to TNFD reporting, we will encourage progression to Marker 1, fostering commitment to nature-related disclosure. There will be a second opportunity for companies to join the list of TNFD Early Adopters at the Biodiversity Conference in October this year, COP16.

Challenges to Committing to TNFD-Aligned Disclosure

From our recent engagement, we have identified the top three reasons why companies have yet to commit to TNFD-aligned reporting:

- They are currently assessing the TNFD's relationship to other nature-related frameworks and standards such as the ESRS.
- They are prioritizing mandatory reporting first.
- They aim to enhance readiness on data quality and availability before committing to disclosure.

While the above motives have been consistently cited across our engagement companies, one company has said that they prefer to ensure the topic is material to its business before committing to disclosure and another company is openly skeptical of the added value or relevance of the TNFD.

Conclusion

Challenges in reporting nature-related impacts, dependencies, risks, and opportunities across the value chain are valid. However, organizations possess significant relevant data to leverage, such as waste, water, climate, and pollution. As organizations step forward, this year's disclosure will demonstrate the feasibility of reporting on this data.

Collating and disclosing such data will provide organizations with a better understanding of the nature-related challenges and clearer oversight to apply better management responses. Transparent and comparable nature data are essential to comprehend our current status and the necessary actions to halt and reverse nature loss by 2030.

Transparency and Accountability

Best practice definition: The company discloses on biodiversity in line with best practice, following international standards and frameworks, including the Taskforce for Nature-related Financial Disclosures (TNFD). The company's annual report includes biodiversity-related targets and progress towards these.

0	The company has not made significant progress towards the outcome.
1	The company has committed to report in accordance with the TNFD or participated in a TNFD pilot study.
2	TNFD reporting is in place but with significant omissions.
3	TNFD reporting is in place with no significant omissions.
4	TNFD reporting considers relevant reporting standards.
5	The company has met expectations on the outcome.

Figure 2. The outcome scorecard for the Transparency and Accountability pillar defines a five-level hierarchy outlining the trajectory towards best practice.

What Obstacles do Businesses Encounter in Substantiating Their Scope 3 Science-Based Net Zero Targets?

In early March 2024, the Science Based Targets initiative (SBTi) altered the status of 239 companies within its tracking dashboard, shifting them to "commitment removed," emblematic of the intricate challenge corporations face in formulating strategies to achieve net zero objectives.²³ Significant entities, such as Microsoft, Proctor & Gamble, Unilever and Walmart are now categorized as "commitment removed" for net zero by SBTi, collectively representing a market capitalization exceeding \$4 trillion.

This adjustment arises from an SBTi policy implemented in 2023, granting companies a 24-month window to submit science-based targets for validation following a commitment. The entities affected by the status modification had until 31 January 2024 to fulfill this requirement concerning previously declared net zero commitments.²⁴

One of the primary hurdles encountered by companies pertains to reducing their Scope 3 emissions in alignment with SBTi's objectives. This challenge was underscored by an unrelated decision from the United States Securities and Exchange Commission, which exempted corporations from reporting Scope 3 emissions in its recent climate disclosure rule.²⁵ Under this proposed mandate, public companies must disclose solely Scope 1 and Scope 2 emissions.

The Net Zero Transition Thematic Stewardship Programme's approach involves assessing engaged companies' current positions regarding Scope 3 emissions and exploring strategies to drive progress despite regulatory delays. Recognizing that companies are at different stages regarding Scope 3 reduction efforts is essential. The programme focuses on engaging with companies to understand their strategies and progress. We are committed to working collaboratively with companies to drive progress on Scope 3 emissions reduction, recognizing the importance of transparency and alignment with sustainability goals.

Committing to carbon reduction within one's value chain proves challenging due to the distant deadline of 2050, extending beyond typical corporate planning cycles of three to five years. This complexity arises from the independence of suppliers, who may not have aligned themselves with net zero initiatives.²⁶

Furthermore, SBTi validates near-term initiatives aimed at halving emissions by 2030 with 60% of the companies labeled with "commitment removed" retaining such near-term targets, as the organization states.²⁷

Elevating Human Capital Management: A Data-Driven and Technology-Enhanced Transformation

In engaging companies on human capital management (HCM), our focus is underpinned by two critical insights: the transformative power of people analytics and the undeniable potential of technological innovations in developing, implementing, and measuring the effectiveness of HCM initiatives.²⁸ As we navigate the intricacies of workforce management, we believe that HCM strategies and programmes need to be forward-thinking and focused on data-driven and technology-enhanced insights. Progress is measurable, outcomes are tangible, and strategies are adaptable, based on empirical evidence and cutting-edge technological tools.²⁹

Effective Board Oversight of Human Capital Management

Effective board oversight of human capital management is instrumental in guiding organizational strategy and fostering a culture of accountability and transparency. Boards play a pivotal role in ensuring alignment between human capital initiatives and business objectives. By actively engaging with management on human capital issues, boards can mitigate risks, drive performance, and enhance stakeholder value.³⁰ This involves ensuring that decisions around workforce management are backed by robust data insights and leveraged through technological advancement, transforming governance into a catalyst for informed decision-making, strategic foresight, and enhanced operational efficiency.

Strategic Workforce Planning: Leveraging Analytics for Future Readiness and Technological Agility

In dialogues around strategic workforce planning, we aim to understand how companies are leveraging the utilization of advanced analytics and predictive modeling, along with the strategic deployment of digital tools and platforms. We advocate for a planning process that harnesses data to anticipate future trends, identify skill gaps, and formulate strategies to navigate the evolving business landscape, all while incorporating technological solutions to enhance flexibility and innovation. This approach enables companies to move from reactive workforce adjustments to strategic positioning that proactively addresses emerging business needs through both data insight and technological adaptability.³¹

Skills-based Approach: Analytics and Technology at the Core of Talent Development

Our engagement emphasizes the critical role of data and technology in transitioning towards a skills-based talent management approach. By adopting people analytics, companies can gain deeper insights into the existing skills landscape and employee potential. Furthermore, the use of artificial intelligence, machine learning, and digital platforms can personalize learning and development efforts, ensuring they are aligned with both individual growth and strategic business needs. This empowers organizations to not only tailor reskilling and upskilling programs more effectively but also to measure the impact of these initiatives through data, thereby ensuring continuous improvement and alignment with business objectives.³²

Assessing Diversity, Equity and Inclusion (DEI) Initiatives: The Imperative for Outcome-Based Metrics

In our engagements on DEI, we will place a strong emphasis on the need for data-driven assessment frameworks, augmented by technological tools that facilitate deeper insights and broader inclusivity. While many companies report on DEI activities, the shift towards a results-oriented approach necessitates the adoption of quantifiable metrics, benchmarks, and technology-enabled practices.³³ This not only enables the tracking of progress over time but also helps in identifying areas for improvement, scaling successful practices, and ensuring that DEI efforts are inclusive and impactful across all levels of the organization.

Technological Innovation in HCM: A Paradigm Shift

At the forefront of our engagement strategy is the recognition of technological innovations as key drivers of HCM excellence. The integration of AI and emerging technologies represents a paradigm shift in how companies approach talent management and throughout the entire employee life cycle.³⁴ These technologies offer new avenues for enhancing the efficacy of HCM practices, ensuring a more engaged, agile, and future-ready workforce. By championing these technological advancements, companies can optimize their human capital potential while navigating the complexities of the modern workplace with greater agility and innovation.

Conclusion: A Call for Data-Driven and Technology-Enhanced Transformation

As we advise investor clients and engage with companies on enhancing their HCM strategies, our call-to-action centres on the adoption of a data-driven and technology-enhanced mindset. The integration of people analytics and technological innovations into all facets of human capital management represents a comprehensive approach—a move towards evidence-based decision-making that ensures accountability, measures progress, and drives continuous improvement, all while leveraging technological advancements to optimize operations and enhance employee experiences. In this data-oriented and technologically-enabled era, the ability to articulate, measure, and report on the tangible outcomes of HCM initiatives becomes a key differentiator for companies, aligning them more closely with the expectations of ESG-focused investors and positioning them for sustainable success in an increasingly complex and competitive environment.³⁵

Towards a Circular Economy in the Global Automotive Value Chain

Before reaching out to the first batch of companies, Morningstar Sustainalytics studied the public reporting of these companies, identifying highlights of their current efforts. Most of the targeted companies are already demonstrating awareness of and commitment to circular economy principles. It is likely that these companies already satisfy some markers in our outcome assessment framework for this Scaling Circular Economies Stewardship Programme, but we would like to use the first round of engagement calls to confirm our analysis of the reporting before granting any markers.

In pursuit of a transition toward a circular economy, along with general environmental aspirations such 'net-zero' carbon emissions, 'water positive', 'nature positive', green logistics and packaging and site-level environment management systems, investors can help identify and promote the most promising industry-specific efforts. The examples presented below offer a first impression of innovative measures already being taken in the automotive industry specifically. These offer excellent entry points for our engagement dialogues on the Scaling Circular Economies Stewardship Programme.

- **BMW** and **Tesla** stand out positively in terms of reporting environmental performance metrics per vehicle sold.
- **Kia** has started to report the combined weight of recycled plastic or bio-based materials per vehicle.
- **Ford** has notably specific and quantified targets for increasing the use of recycled and renewable plastics.
- **LG Energy Solution** has set an ambitious renewable energy target ('RE100') not just for its own sites but also for its direct suppliers.
- With its own charging infrastructure, Tesla contributes to making EV charging with renewable energy possible.
- **Tata Motors** is developing a stationary energy storage system powered by second-life EV batteries.
- **Michelin** reports tire and road wear particle (TRWP) emissions and claims to outperform its main peers.
- **Volvo** quantifies average vehicle utilization and reports percentages of recycled content with regard to plastics, steel and aluminium and bio-based materials.
- Ford, LG Energy Solution, Tesla and **Volkswagen** have been piloting 'battery passport' reporting. Tesla and Volvo have published particularly detailed life cycle analysis results on the carbon footprint of specific models.
- BMW and LG Energy Solution engage in venture capital investing to search for promising innovations with circular economy benefits. **Bridgestone** has teamed up with specialized business partners to recover materials from end-of-life tires. Tata Motors has initiated several recycling projects in India and the UK. Volvo has been collaborating with suppliers to increase the supply of low-carbon and high recycled content materials, and Tesla reports that it invests in battery reverse logistics and recycling and it 'in-sourced' an upstream activity with the purpose of demonstrating that acid-free lithium refining is possible.
- To improve resource efficiency, there are opportunities to improve the utilization of cars. Volkswagen acquired **Europcar** to diversify into car rental; Ford sponsors local community-led mobility improvement programmes in the US; **Renault** and Volvo have each launched a car-sharing service. Tesla has been developing a 'Robotaxi' supported by autonomous driving technology.
- Companies can try to accelerate their circular innovation by participating in a collaboration platform, such as Ford and Renault in the Ellen MacArthur Foundation, BMW in UnternehmerTUM's Circular Republic, and Volvo in the World Economic Forum's 'Circular Transformation of Industries'.

It has become common among companies to make circular economy progress in terms of relative decoupling, i.e. reducing the ecological intensity per unit of economic output. It is often possible to establish a strong business case for resource and energy efficiency improvements. However, there has been a persistent lack of evidence of the feasibility of absolute decoupling from intensive resource use. The pursuit of economic growth still continues to deplete natural resources, compromise nature and surpass many so-called planetary boundaries³⁶ within which humanity can continue to develop and thrive for generations to come.

In the automotive industry, circular economy aspirations easily conflict with targets to sell ever more cars. The Scaling Circular Economies Stewardship Programme encourages companies to prioritize alternative 'value pools' (sources of revenue) that are less resource intensive. Examples involve maintenance, reuse and mobility-as-a-service offerings. Growing markets for recycled and renewable materials will also help, but for the transition to a circular economy to reach scale, companies will need to find ways to end their reliance on linear economy, 'take-make-waste' business models. Circular solutions need to become standard as opposed to serving only a niche market that is willing to pay a green premium. Considering how large and well-capitalized the targeted companies are, institutional investors expect them to be ambitious and accountable. The Scaling Circular Economies Stewardship Programme seeks to leverage what companies do best, e.g. raising capital, innovating, producing, marketing, selling and lobbying.

Sustainability and Good Governance: An Aspiring Journey

In today's business landscape, corporate governance and sustainability are intertwined in shaping companies and investment strategies. Corporate governance ensures transparency and accountability, while sustainability principles guide responsible practices and investment. Understanding this connection is vital for fostering long-term value creation and resilience in companies.³⁷ Engaging with enterprises to address corporate governance issues is important because it ensures that the rules and structures governing their operations are aligned with their sustainability strategy. When the corporate governance framework is well-defined, investors can better understand how companies make decisions and can hold them accountable. This clarity is essential for investors, as it facilitates a deeper understanding of resource allocation and the pursuit of long-term sustainability objectives within businesses.³⁸

A company with a robust governance strategy is also better able to address material risks and succeed.³⁹ Based on the outcomes of Morningstar Sustainalytics' corporate governance thematic engagements concluded in 2023,⁴⁰ we have pinpointed four challenges companies are facing to fine-tune their corporate governance strategies which we will address in the Sustainability and Good Governance Stewardship Programme. By anchoring the companies' response to these four challenges within our Core Pillars of Corporate Governance, they will be able to navigate complexities and drive meaningful progress towards sustainability and responsible business practices.

Corporates need to better define and communicate their purpose. In 2023, it became evident that investors and key stakeholders wanted to know business strategies beyond profit maximization and understand the reason an organization existed.⁴¹ According to Principles for Responsible Investment (PRI),⁴² clearer purpose enhances transparency, fosters trust, and aligns corporate goals with investors' expectations, driving long-term value creation. Furthermore, it enhances the ability of investors to align with companies that are well positioned to deliver sustainable financial returns while also making positive contributions to society and the environment.

Corporates need to clearly communicate their sustainability vision to stakeholders.⁴³ Companies need to define their long-term sustainability goals and create quantifiable ESG targets to achieve those. This information should be precise and reliable to avoid greenwashing risks,⁴⁴ and board members should be well-versed in the data delivered.⁴⁵ When disclosing data and sharing information, corporates should engage with all relevant stakeholders, stimulating them to embrace their sustainability vision and embark on their shared ESG journey.

Corporates need to be more transparent regarding ESG performance metrics in executive pay. According to recent disclosures, 76% of the largest publicly traded companies were embedding some type of ESG metric into their leadership compensation policies in 2023.⁴⁶ However, they were failing to disclose the awards linked to the ESG performance and the steps the company was taking to achieve their long-term sustainability goals. Investors and stakeholders wanted to better understand what executives were expected to achieve and how they would be awarded for that.

There is a need for consensus around a standardized set of ESG indicators. There is a promise of standardization coming from the EU Corporate Sustainability Reporting Directive (CSRD)⁴⁷ and the International Sustainability Standards Board (ISSB)⁴⁸ framework. Sustainable companies are also using the UN Sustainable Development Goals (SDGs) as a guideline; however, there is no standardized way to measure the impact of business on the SDGs yet. We expect the trend towards unification of ESG reporting to continue in 2024.

This programme encompasses these topics as its outcome assessment scrutinizes the companies' governance, risk management, strategy, targets and performance, accountability, and transparency. By addressing these challenges during the programme, companies will not only foster trust and credibility but also align their governance strategies with evolving investor expectations—paving the way for sustainable growth and long-term value creation. As corporates navigate these issues, embracing transparency and accountability will be integral to their future resilience and competitiveness in an increasingly conscious marketplace.

Engagement Events and Industry Initiatives

Engagement Trip to Türkiye and Saudi Arabia

In January 2024, Associate Director Matthew Gray conducted an engagement trip to Türkiye and Saudi Arabia for Material Risk Engagement. On this trip he met with eight companies and toured two sites, including Aramco's headquarters. These companies were selected because they are amongst the most at risk per Sustainalytics' ESG Risk Ratings and among the largest and most influential companies in the countries. The meetings gave deep insight into the ESG focus and trends of the country due to the companies' influence and dependence with the government's regulations, and because these companies are the main clients of the medium-sized companies through the value chains.

With this trip, our team aimed to build trust and expand our network so we can have wider and deeper engagements with these companies and more engagements with other companies. We also wanted to provide investors with a more contextually driven understanding of the challenges facing these companies. At an in-person meeting, it is also much easier to have the full attention of stakeholders and this adds to collaboration and offers an opportunity to contribute where you might not have been able to virtually. When you meet someone once, the next time you meet them they have a stronger reference point for the relationship. You can also develop more of an offline relationship in a less formal setting which can allow you to breach more challenging topics in the future, and in that region it's very important.

Most of the companies we visited don't have decarbonization pathways for 2050 and 2060. It is clear that they are depending on new technology to achieve carbon neutrality. In the short-medium term, they are dependent on green ammonia / green steel to be imported and the viability of carbon capture and storage.

Today, Saudi Arabia and Türkiye both reflect the emerging markets' ESG momentum towards increased government buy-in, as well as corporate action. Both countries are now committed to making ESG disclosures mandatory for large cap public and private companies, with both using International Sustainability Standards Board (ISSB) standards as the primary disclosure requirements, yet with their own local adjustments. Türkiye's reporting requirements will take effect in 2025, while Saudi Arabia is targeting 2027 or sooner.

Endnotes

- 1 "How do ISSB Standards approach materiality?" International Financial Reporting Standards (IFRS) Frequently Asked Questions. <https://www.ifrs.org/groups/international-sustainability-standards-board/issb-frequently-asked-questions/>
- 2 "[Draft] European Sustainability Reporting Guidelines 1 Double materiality conceptual guidelines for standard-setting." European Financial Reporting Advisory Group (EFRAG). Published January 2022. <https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/Appendix>
- 3 "The European sustainable debt market – do issuers benefit from an ESG pricing effect?" European Securities and Markets Authority (ESMA). Published October 2023. https://www.esma.europa.eu/sites/default/files/2023-10/ESMA50-524821-2938_The_European_sustainable_debt_market_-_do_issuers_benefit_from_an_ESG_pricing_effect_0.pdf
- 4 "Sustainable Finance Market Size - By Investment Type (Equity, Fixed Income, Mixed Allocation), By Transaction Type (Green Bond, Social Bond, Mixed-Sustainability Bond, ESG Funds), By Investor Type (Institutional, Retail), Investor Type & Forecast, 2023 – 2032." Global Market Insights (GMI). Published July 2023. <https://www.gminsights.com/industry-analysis/sustainable-finance-market>
- 5 "Millani's 7th Annual ESG Disclosure Study: A Canadian Perspective." Millani. Published October 2023. https://66e92bb4-13f5-462a-98c4-69b0f2ad5f7d.usrfiles.com/ugd/66e92b_184f379cd39d4cbfa22c1e237478ae75.pdf
- 6 "Semi-Annual ESG Sentiment Study of Canadian Institutional Investors." Millani. Published February 2024. https://www.millani.ca/_files/ugd/66e92b_f15bc0c6b93b4b81bcc84af26194f6a3.pdf
- 7 Segal, M. "Canada Releases Proposed IFRS-Based Sustainability Reporting Standards." ESG Today. Published 14 March 2024. <https://www.esgtoday.com/canada-releases-proposed-ifrs-based-sustainability-reporting-standards/>
- 8 "Major Chinese stock exchanges publish draft guidelines for sustainability reporting." Deloitte. Published February 2024. <https://www.iasplus.com/en/news/2024/02/china-sustainability>
- 9 Slovik, P., Azman, F. "Materiality of ESG factors in financial markets and financial statistics." Irving Fisher Committee on Central Bank Statistics and the Bank for International Settlements (BIS). Published August 2022. https://www.bis.org/ifc/publ/ifcb58_18.pdf
- 10 "Embracing the New Age of Materiality Harnessing the Pace of Change in ESG." World Economic Forum. Published March 2020. https://www3.weforum.org/docs/WEF_Embracing_the_New_Age_of_Materiality_2020.pdf
- 11 "Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition." International Bank for Reconstruction and Development/ The World Bank. Published 2020. <https://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf>
- 12 "Mining 2030." Global Investor Commission on Mining 2030. Accessed March 2024. <https://mining2030.org/>
- 13 "Role of Critical World Energy Outlook Special Report Minerals in Clean Energy Transitions." The International Energy Agency (IEA). Published May 2021. <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions>
- 14 "A safe and healthy working environment is a fundamental principle and right at work." International Labour Organization (ILO). Accessed March 2024. <https://www.ilo.org/global/topics/safety-and-health-at-work/areasofwork/fundamental-principle>
- 15 "Draft Standard for Responsible Mining and Mineral Processing 2.0." Initiative for Responsible Mining Assurance (IRMA). Published October 2023. [IRMA-Standard-for-Responsible-Mining-and-Mineral-Processing-2.0-DRAFT-20231026.pdf](https://www.irma-international.org/~/media/IRMA-Standard-for-Responsible-Mining-and-Mineral-Processing-2.0-DRAFT-20231026.pdf)
- 16 "Mining Principles: Performance Expectations." International Council on Mining and Metals (ICMM). Published June 2022. <https://www.icmm.com/en-gb/our-principles/mining-principles/mining-principles>
- 17 "Convention C176 - Safety and Health in Mines Convention, 1995 (No. 176)." International Labour Organization (ILO). Accessed March 2024. https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C176
- 18 "TNFD Early Adopters." Taskforce on Nature-related Financial Disclosures. Published January 2024. <https://tnfd.global/engage/inaugural-tnfd-early-adopters>

19 "320 companies and financial institutions to start TNFD nature-related corporate reporting." Taskforce on Nature-related Financial Disclosures. Published January 2024. <https://tnfd.global/320-companies-and-financial-institutions-to-start-tnfd-nature-related-corporate-reporting>

20 "Decision adopted by the Conference of the Parties to the Convention on Biological Diversity." Convention on Biological Diversity. Published 19 December 2022. <https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf>

21 Carabia, A. "Implications of CSRD: What the Final Standards Mean for Investors and Issuers." Published October 2023. <https://www.sustainalytics.com/esg-research/resource/investors-esg-blog/implications-of-csrd-what-the-final-standards-mean-for-investors-and-issuers>

22 "EFRAG and TNFD sign a cooperation agreement to further advance Nature-related Reporting." Taskforce on Nature-related Financial Disclosures. Published December 2023. <https://tnfd.global/efrag-and-tnfd-sign-a-cooperation-agreement-to-further-advance-nature-related-reporting>

23 <https://www.ft.com/content/f54bd007-4409-4a75-b516-ece83ac9c384>

24 <https://sciencebasedtargets.org/resources/files/Commitment-Compliance-Policy.pdf>

25 <https://www.weforum.org/agenda/2023/06/taking-responsibility-and-working-together-the-keys-to-unlocking-scope-3-emissions/>

26 <https://www.sciencedirect.com/science/article/abs/pii/S0925527322001840>

27 <https://www.greenbiz.com/article/microsoft-pg-unilever-and-walmart-among-239-companies-miss-net-zero-deadline>

28 Deloitte. 2024 HR technology trend predictions. <https://www2.deloitte.com/us/en/blog/human-capital-blog/2024/2024-hr-technology-trends.html>

29 McKinsey & Company. The organization of the future: Enabled by gen AI, driven by people. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-organization-of-the-future-enabled-by-gen-ai-driven-by-people>

30 Harvard Law School Forum on Corporate Governance (2024). What directors need to know about the 2024 proxy season. <https://corpgov.law.harvard.edu/2024/02/14/what-directors-need-to-know-about-the-2024-proxy-season/>

31 Deloitte. 2024 Global Human Capital Trends <https://www2.deloitte.com/us/en/insights/focus/human-capital-trends.html>

32 LinkedIn Learning. Workplace Learning Report 2024 <https://learning.linkedin.com/resources/workplace-learning-report>

33 Harvard Business Review. Data-Driven Diversity. <https://hbr.org/2022/03/data-driven-diversity>

34 IBM. Augmented work for an automated, AI-driven world. <https://www.ibm.com/thought-leadership/institute-business-value/en-us/report/augmented-workforce>

35 McKinsey Global Institute. Performance through people: Transforming human capital into competitive advantage. <https://www.mckinsey.com/mgi/our-research/performance-through-people-transforming-human-capital-into-competitive-advantage>

36 <https://www.stockholmresilience.org/research/planetary-boundaries.html>

37 Henisz, W., Koller, T. and Nuttall, R., "Getting your environmental, social and governance (ESG) proposition right links to higher value creation. Here's why", McKinsey Quarterly, Five Ways that ESG Creates Value, 14 November 2019.

38 Recommendation of the Council on Principles of Corporate Governance, OECD Legal Instruments, 2024.

39 Teigland, J. and Hobbs, A., "How can boards strengthen governance to accelerate their ESG journey?", EY, 17 February 2022.

40 Data is according to Morningstar Sustainalytics' Tomorrow's Board, Governance of SDGs, and Taxation Thematic Engagements, which comprised more than 50 issuers in developed and emerging markets. The engagements ran for three years and were concluded in December 2023.

41 Bailey, C., Tilley, C. and Sandoghdar, A., "What makes a great corporate purpose statement", Harvard Business Review, 11 September 2023.

42 The PRI podcast, "What does Corporate Purpose mean for investors?", 08 March 2022. <https://www.unpri.org/the-pri-podcast/what-does-corporate-purpose-mean-for-investors/9630.article>

43 Simonarson, M., "How to set a company vision and get buy-in from stakeholders", Forbes, 6 September, 2017.

44 "How to avoid greenwashing in corporate sustainability reporting", BDO USA, 2024 <https://www.bdo.com/insights/advisory/how-to-avoid-greenwashing-in-corporate-sustainability-reporting>

45 Paranjpe, M., Saush, A., "ESG – The role of the board: an European perspective", The Conference Board, 22 May 2023.

46 Tonello, M., "ESG Performance Metrics in Executive Pay", The Conference Board, 15 January 2024.

47 Corporate Sustainability Reporting Directive of the European Union. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>

48 International Sustainability Standards Board: <https://www.ifrs.org/groups/international-sustainability-standards-board/>

About Morningstar Sustainalytics and Contacts

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.

Legal notices

Marketing information - This document is for information and advertising purposes.

It does not constitute an offer or a recommendation to purchase, hold or sell financial instruments or to obtain services, nor does it form the basis for a contract or an obligation of any kind.

Due to legal, regulatory or tax provisions, the availability of products and services to certain persons may be subject to restrictions, which may arise in particular due to their place of residence or domicile, nationality or customer segmentation. Restrictions apply in particular to US persons in accordance with the relevant regulations. This document contains general information and does not take into account personal investment objectives, the financial situation or the special needs of any specific individual. The information should be carefully checked for compatibility with personal circumstances before making an investment decision. For the assessment of legal, regulatory, tax and other implications, it is advised to seek advice from specialists.

The document was prepared by Zürcher Kantonalbank with customary due diligence and may contain information from carefully selected third-party sources. However, Zürcher Kantonalbank provides no warranty as to the correctness and completeness of the information contained therein and accepts no liability for damages resulting from the use of the document or information contained therein.

Every investment involves risks, especially risks related to fluctuations in value, returns and, if applicable, currencies. Past performance and returns or estimates regarding future performance, returns and risks are not reliable indicators of future results. The return may increase or decrease as a result of currency fluctuations. All information and opinions as well as stated forecasts, estimates and market prices are current only as of the date of this document and are subject to change without notice. The information contained in this document has not been prepared in accordance with any legislation promoting the independence of investment research, nor is it subject to any prohibition on trading following the dissemination of investment research.

This document or any information contained herein may not be reproduced or transmitted without the written consent of Zürcher Kantonalbank. © 2024 Zürcher Kantonalbank. All rights reserved.

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.



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.



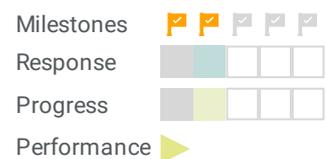
Adani Ports & Special Economic Zone Ltd. (India, 2021)
Involvement With Entities Violating Human Rights

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.



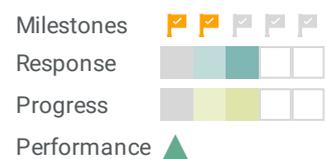
Adani Ports & Special Economic Zone Ltd. (India, 2020)
Controversial Project(s) - Environmental and Human Rights Impacts

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.



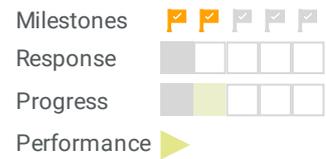
Allied Universal Manager LLC (United States of America, 2021)
Forced Labour

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.



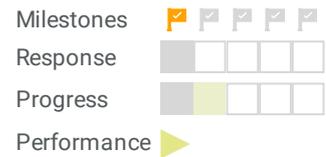
Amazon.com, Inc. (United States of America, 2020)
Occupational Health and Safety

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.



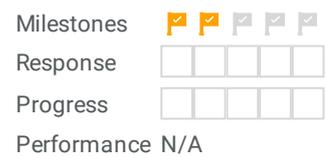
Amazon.com, Inc. (United States of America, 2021)
Freedom of Association

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.



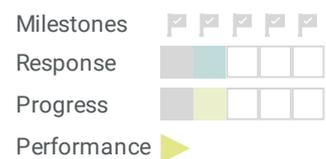
Amazon.com, Inc. (United States of America, 2024)

Change Objective: Amazon should identify, prevent, and minimize the risk and incidence of forced labour in all its operations. The company should work with its labour supply contractors to protect human rights and ensure access to remedy for all workers. It should provide transparency into steps and processes it will enact to ensure commitments to respect labour rights are implemented.



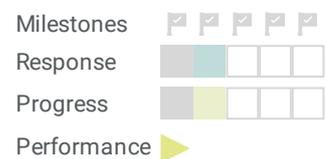
ArcelorMittal SA (Luxembourg, 2015)
Occupational Health and Safety

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.



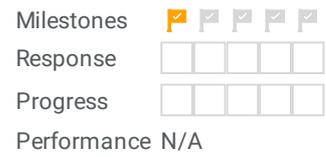
Baidu, Inc. (China, 2021)
Involvement With Entities Violating Human Rights

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.



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

Change Objective: Barrick Gold should align its policies and practices to international human rights norms, in particular with regards to security and human rights and community relations. The company must provide information on how the Voluntary Principles on Security and Human Rights have been implemented and communicated at North Mara mine. Barrick should use its leverage with the Tanzanian government to promote that public forces respect and protect human rights.



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.



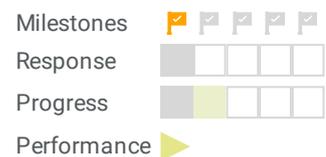
Bezeq The Israeli Telecommunication Corp. Ltd. (Israel, 2018)
Bribery and Corruption

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.



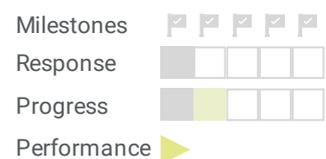
Blackstone, Inc. (United States of America, 2023)
Child Labour

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.



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.



Bolloré SE (France, 2019)

Activities Resulting in Adverse Human Rights Impacts

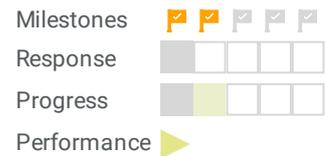
Change Objective: Bolloré should ensure that affected communities are consulted according to the principle of free, prior and informed consent. The company should also implement its human rights policy and demonstrate due diligence in its different business relationships to prevent adverse human rights impacts.



boohoo group Plc (United Kingdom, 2020)

Labour Rights - Supply Chain

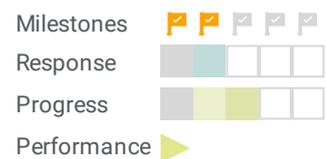
Change Objective: Boohoo should ensure that it no longer sources from suppliers that violate workers' rights. It should also put in place a human rights due-diligence programme that includes robust audits and addresses the root-causes of illegal practices in its supply chain (e.g. purchasing practices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



Bunge Ltd. (United States of America, 2017)

Land Use and Biodiversity

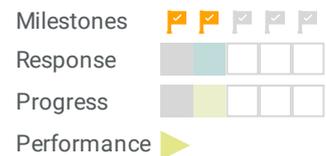
Change Objective: Bunge should stop sourcing soy from suppliers that are directly or indirectly involved in deforestation practices. Bunge should fully implement comprehensive measures to identify non-compliant suppliers, use best practice to achieve its commitments in relation to deforestation, and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



Cargill, Inc. (United States of America, 2017)

Land Use and Biodiversity

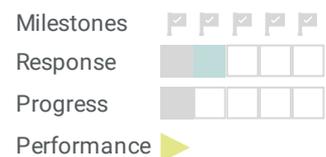
Change Objective: Cargill should demonstrate a clear action plan and targets in relation to deforestation, for both the company and its suppliers. It should establish a monitoring and verification system for supplier's compliance and disclose progress against its company and supplier targets. In Brazil,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



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.



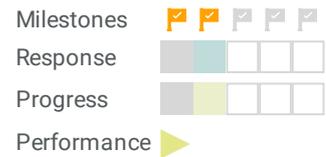
Cencora, Inc. (United States of America, 2023)
Consumer Interests - Human Rights

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.



Centrais El?tricas Brasileiras SA (Brazil, 2020)
Controversial Project(s) - Human Rights Impacts

Change Objective: Eletrobras should carry out a human rights' due diligence process of projects with alleged human rights impacts and address the identified issues in alignment with international norms. It should disclose information on progress, dialogue with the affected communities and conclusions. The company should also be transparent about the methodology used, remediation measures and, where necessary, cooperate with third-party experts.



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.



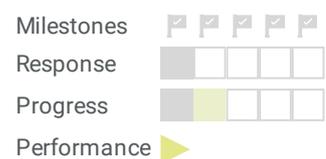
China Gas Holdings Ltd. (Hong Kong, 2021)
Quality and Safety - Human Rights

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.



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.



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.



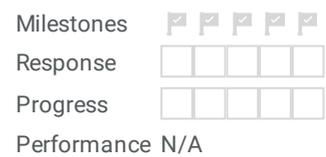
CoreCivic, Inc. (United States of America, 2018)
Incident(s) Resulting in Negative Human Rights Impacts

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.



Daihatsu Motor Co., Ltd. (Japan, 2024)

Change Objective: Daihatsu should improve its compliance and audit system for vehicle testing, certification and safety standards. The company should have adequate internal controls, corporate governance, training and communication focused on ethics, integrity and culture. Furthermore, the company should implement remedial measures for quality and assurance to promote a culture of compliance with technical and regulatory requirements.



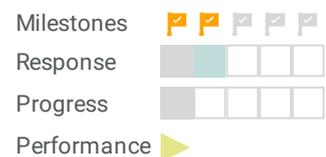
Danske Bank A/S (Denmark, 2018)
Money Laundering

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.



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.



EDP-Energias de Portugal SA (Portugal, 2020)

Bribery and Corruption

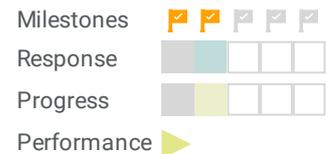
Change Objective: EDP should commission an independent investigation into the allegations, it should disclose the findings and show how it plans to enact any recommendations. The company should also ensure that executive contracts have both malus and clawback provisions.



Elsewedy Electric Co. (Egypt, 2020)

Controversial Project(s) - Environmental Impacts

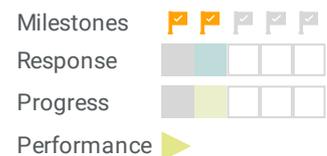
Change Objective: Elsewedy should identify the gaps in the existing strategic environmental assessment, demonstrate actions taken to address the gaps, and publicly disclose the results. The company should use its leverage to ensure that mitigation measures are in place wherever possible to address the 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.



Empresas P?blicas de Medell?n ESP (Colombia, 2018)

Controversial Project(s) - Environmental and Human Rights Impacts

Change Objective: EPM should conduct a comprehensive assessment of the safety and stability of the dam, together with independent experts. The company should take appropriate mitigation measures as a result, both on legacy issues and identified impacts and risks. The company should make sure consultations with, and compensation to, project-affected communities are aligned with international norms, such as the IFC performance standards or similar and put in place relevant processes to ensure compliance with international norms for future projects.



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.



Eskom Holdings SOC Ltd. (South Africa, 2023)

Quality and Safety

Change Objective: Eskom should ensure that business ethics issues are thoroughly investigated, and it should cooperate with investigating authorities. It should develop robust business ethics - related policies, programs, controls, and training.



Eskom Holdings SOC Ltd. (South Africa, 2018)

Air Pollutant Emissions

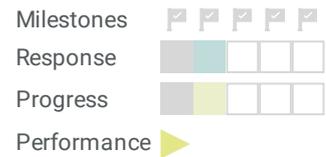
Change Objective: Eskom should make sure that more extensive maintenance programme is introduced to its plants and the implementation of environmental offset programmes in the communities is confirmed. It should prioritize the plants which will remain operational for a longer time and be able to prove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



Eskom Holdings SOC Ltd. (South Africa, 2023)

Quality and Safety

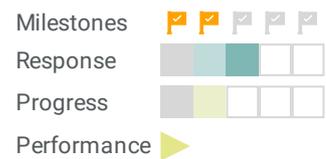
Change Objective: Eskom should establish electricity system reliability to minimize disruptions to society and critical services. The company should achieve this by restructuring into three separate units (generation, transmission and distribution), implementing loadshedding schedules, utilizing smart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



FGV Holdings Bhd. (Malaysia, 2015)

Forced Labour

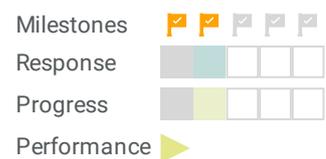
Change Objective: FGV Holdings Bhd should establish a social and human rights due diligence programme to identify, prevent and mitigate any social and/or human rights impacts caused, or, contributed by its own activities or its business partners. The company should also develop supplier guidelines for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



FirstEnergy Corp. (United States of America, 2021)

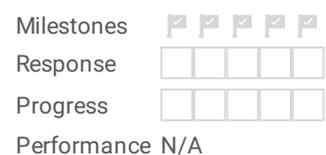
Bribery and Corruption

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.



Fresh Del Monte Produce, Inc. (United States of America, 2024)

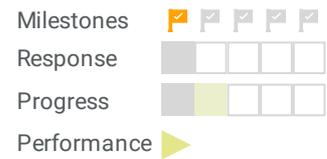
Change Objective: Del Monte should align its policies to international human rights norms, in particular with regards to security and community relations, and ensure their implementation on its Kenyan subsidiary. The company should also assess and address the human rights impacts on local communities in its farm in Kenya and deliver stakeholder engagement aligned to international standards.



GCL Technology Holdings Ltd. (Hong Kong, 2021)

Forced Labour

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.



Glencore Plc (Switzerland, 2021)

Child Labour

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

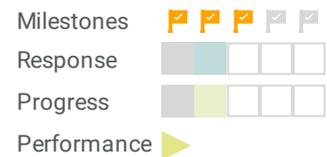
Change Objective: Glencore should implement on-going systematic controls related to business ethics, corruption and bribery and disclose these controls whenever appropriate.



Golden Agri-Resources Ltd. (Singapore, 2020)

Land Use and Biodiversity

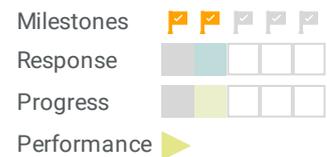
Change Objective: Golden Agri Resources should implement robust environmental protection policies, and enhanced policies to oversee executive conduct in order to prevent illegal deforestation and properly track environmental activities. GAR should disclose these changes to the aforementioned policies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



Grupo M?xico S.A.B. de C.V. (Mexico, 2014)

Leaks, Spills and Pollution - Environmental and Human Rights Impacts

Change Objective: Grupo Mexico 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. Grupo Mexico should strengthen its management of its tailings storage facilities to meet international tailings dam standards.



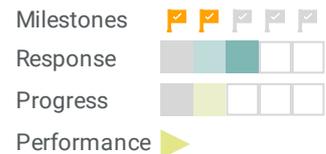
Grupo M?xico S.A.B. de C.V. (Mexico, 2020)
Freedom of Association

Change Objective: Grupo Mexico 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 their effectiveness.



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.



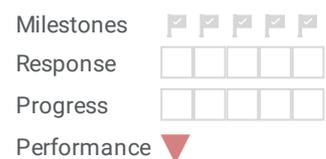
Harmony Gold Mining Co. Ltd. (South Africa, 2014)
Occupational Health and Safety

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.



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.



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.



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.



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.



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).



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.



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.



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.



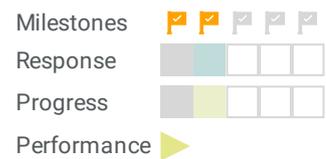
JBS SA (Brazil, 2020)
Business Ethics

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.



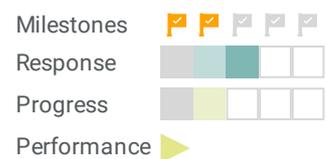
Koninklijke Philips NV (Netherlands, 2022)
Quality and Safety

Change Objective: Koninklijke 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.



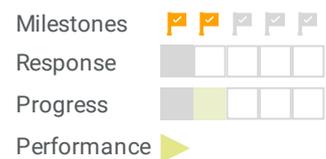
Korea Electric Power Corp. (South Korea, 2018)
Incident(s) Resulting in Negative Human Rights Impacts

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.



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.



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

Involvement With Entities Violating Human Rights

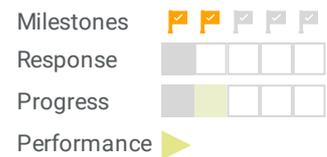
Change Objective: Lockheed should establish clear criteria to identify high-risk destination countries and develop human rights due diligence procedures to be applied to military equipment sales deals.



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.



Mallinckrodt Plc (Ireland, 2020)

Quality and Safety - Human Rights

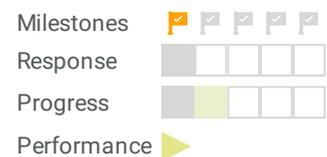
Change Objective: Mallinckrodt should ensure that there are robust governance, compliance, and risk management systems in place. These should address marketing practices, the disclosure of risks from its products, and ethical business practices such as, demonstrated enhancements to anti-diversion systems,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



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

Quality and Safety - Human Rights

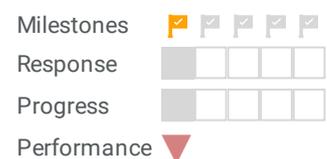
Change Objective: Mattel should undertake a complete review (and commission an independent validation of the appropriateness of any review) of all infant sleep / soothing products it has on the market, in production and in design process against the relevant safety standards for potential recall and 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.



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.



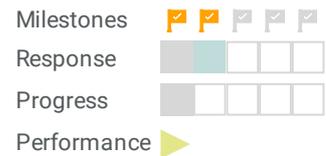
McKesson Corp. (United States of America, 2019)
Consumer Interests - Human Rights

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.



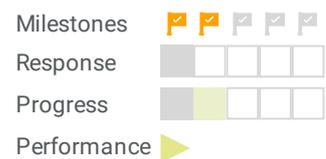
Medtronic Plc (Ireland, 2022)
Quality and Safety - Human Rights

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.



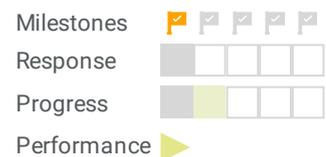
Meta Platforms, Inc. (United States of America, 2018)
Data Privacy and Security

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.



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.



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.



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.



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.



OCP SA (Morocco, 2015)

Involvement With Entities Violating Human Rights

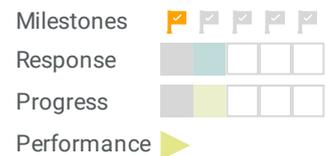
Change Objective: OCP should demonstrate how its activities in Western Sahara will continue in line with international law as well as the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International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



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

Involvement With Entities Violating Human Rights

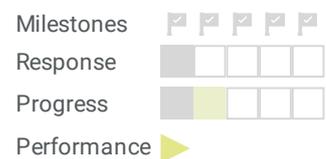
Change Objective: Oil and Natural Gas Corporation Limited should follow international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake due diligence adapted to the specific situation of the region and act adequately on the findings. The company 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.



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.



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

Change Objective: Packers should implement a compliance and remedial programme to eliminate child labour. The company should demonstrate responsibility to provide remedy and respect human rights, especially the rights of children. Furthermore, the company should improve its disclosures to demonstrate compliance with international norms.



Pan American Silver Corp. (Canada, 2019)

Community Relations - Indigenous Peoples

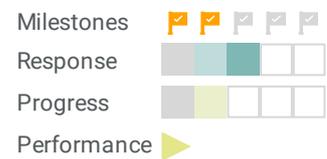
Change Objective: Pan American Silver should align policies and practices to international human rights norms, in particular with regards to security and human rights and community relation, and in particular with regards to the Escobal mine.



Petr?leos Mexicanos EPE (Mexico, 2014)

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

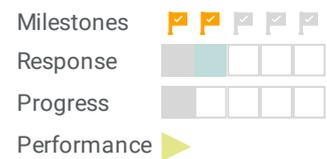
Change Objective: PEMEX should mitigate environmental and health impacts from the spills. The company should trace the causes of spills and strengthen its internal programmes, leak control and monitoring systems to minimize likelihood of new spills. The company should also exert its influence on all stakeholders to counter oil theft activity and its related impacts.



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.



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.



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.



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.



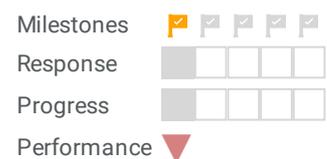
Power Construction Corporation of China, Ltd. (China, 2022)
Controversial Project(s) - Environmental and Human Rights Impacts

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.



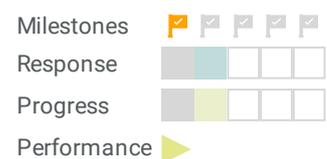
PT Astra Agro Lestari Tbk (Indonesia, 2023)
Community Relations

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.



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.



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

Emissions, Effluents and Waste

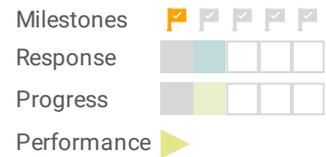
Change Objective: PT Indonesia Asahan Aluminium (Inalum) should introduce a policy prohibiting riverine tailings disposal in future projects, where there is a viable and more environmentally sustainable alternative. Inalum should ensure that the existing monitoring and reporting of the tailings management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



PT Pabrik Kertas Tjiwi Kimia Tbk (Indonesia, 2020)

Land Use and Biodiversity

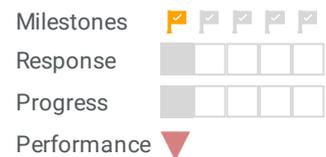
Change Objective: PT Pabrik Kertas Tjiwi Kimia Tbk should stop contributing to peatland destruction directly and through its suppliers. The company should ensure responsible and consistent execution of its deforestation and biodiversity programmes across its own and supplier operations.



PTT Exploration & Production Plc (Thailand, 2022)

Involvement With Entities Violating Human Rights

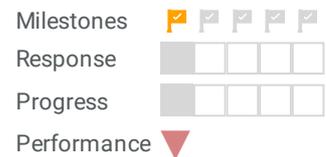
Change Objective: PTTEP should undertake the human rights due diligence of its operations in Myanmar adopting approaches recognized by the international community, satisfying itself that it is not complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership.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



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

Involvement With Entities Violating Human Rights

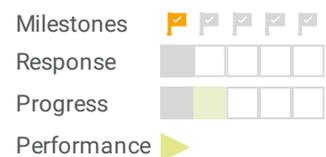
Change Objective: PTTOR should undertake the human rights due diligence of its operations in Myanmar adopting approaches recognized by the international community, satisfying itself that it is not complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership. 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.



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.



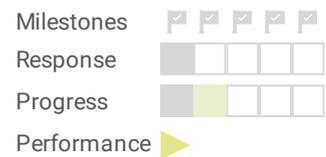
RTX Corp. (United States of America, 2020)
Involvement With Entities Violating Human Rights

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.



Samling Global Ltd. (Hong Kong, 2012)

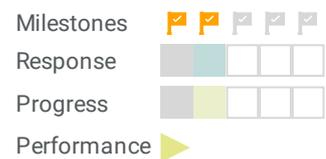
Change Objective:



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

Accounting and Taxation

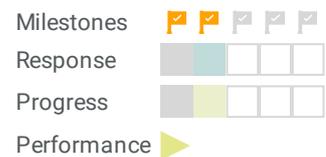
Change Objective: Samsung BioLogics should ensure that robust policies and internal controls addressing business ethics – and accounting fraud especially – are implemented effectively throughout the organization, including subsidiaries. It should strengthen its corporate governance and culture of integrity.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



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.



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.



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.



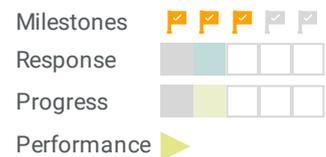
SDIC Power Holdings Co., Ltd. (China, 2022)
Controversial Project(s) - Environmental and Human Rights Impacts

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.



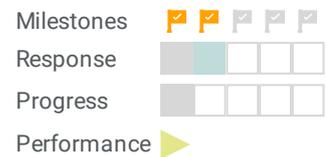
Sibanye Stillwater Ltd. (South Africa, 2018)
Occupational Health and Safety

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.



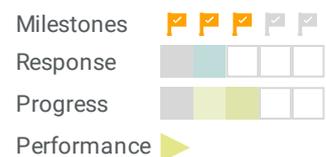
Siemens Gamesa Renewable Energy SA (Spain, 2013)
Involvement With Entities Violating Human Rights

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.



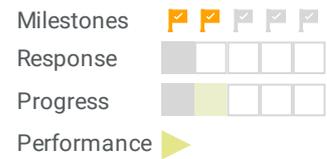
Sime Darby Plantation Bhd. (Malaysia, 2021)
Forced Labour

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.



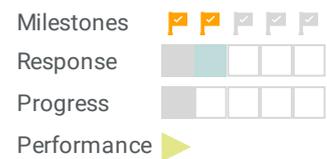
SK, Inc. (South Korea, 2018)
 Incident(s) Resulting in Negative Human Rights Impacts

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.



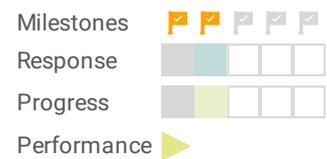
SLC Agricola SA (Brazil, 2021)
 Land Use and Biodiversity

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

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.



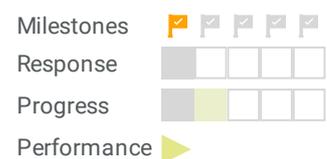
Southern Copper Corp. (United States of America, 2020)
 Freedom of Association

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.



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.



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.



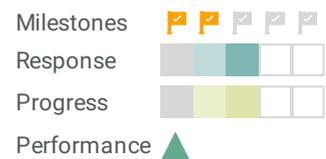
Telefonaktiebolaget LM Ericsson (Sweden, 2020)
Bribery and Corruption

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.



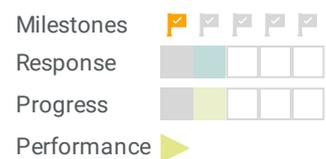
Teleperformance SA (France, 2021)
Freedom of Association

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.



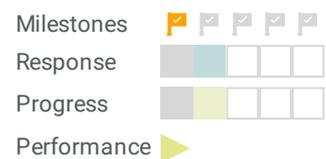
Tencent Holdings Ltd. (China, 2021)
Involvement With Entities Violating Human Rights

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.



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.



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.



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.



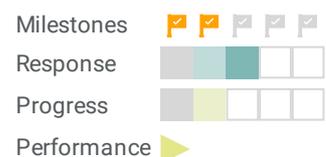
The Chemours Co. (United States of America, 2017)
Activities Resulting in Adverse Environmental and Human Rights Impacts

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.



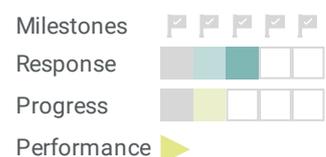
The GEO Group, Inc. (United States of America, 2018)
Incident(s) Resulting in Negative Human Rights Impacts

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.



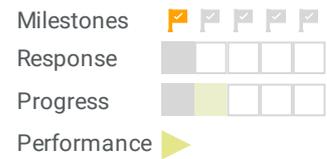
The Star Entertainment Group Ltd. (Australia, 2022)
Money Laundering

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.



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 to its products/services and business relationships. The company should also demonstrate efforts to support internationally accepted human rights standards as well as norms governing the collection, use and storage of human genetic data.



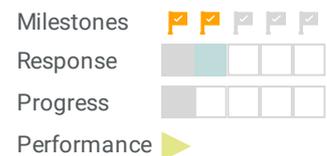
Tiger Brands Ltd. (South Africa, 2018)
Quality and Safety - Human Rights

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.



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 measure 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.



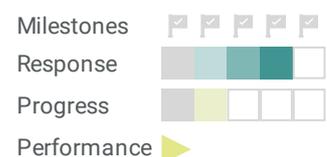
Tongling Nonferrous Metals Group Co., Ltd. (China, 2022)
Controversial Project(s) - Human Rights and Environmental Impacts

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.



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.



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.



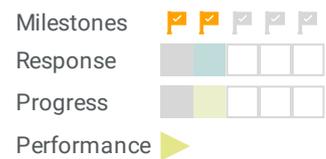
Uber Technologies, Inc. (United States of America, 2017)
Data Privacy and Security

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

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

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

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.



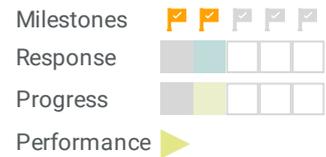
Vedanta Ltd. (India, 2018)
Community Relations

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.



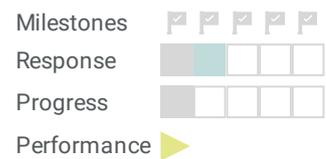
Vedanta Resources Ltd. (United Kingdom, 2018)
Community Relations

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.



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.



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.



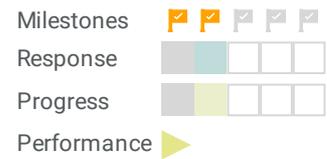
Westpac Banking Corp. (Australia, 2020)
Money Laundering

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.



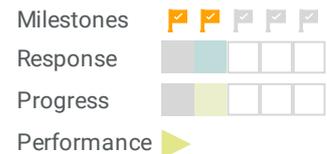
Wilmar International Ltd. (Singapore, 2017)
Community Relations - Indigenous Peoples

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.



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.



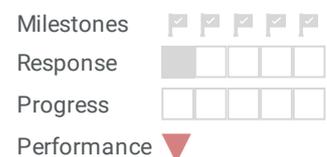
Xinjiang Xinxin Mining Industry Co., Ltd. (China, 2022)
Forced Labour

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.



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.



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.



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

Change Objective: Zijin Mining Corp should demonstrate that it has initiated a process to align its practices to international human rights standards.



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.

