

# Quarterly Engagement Report

## Q1 2023

Global & Thematic Engagement

## Our Engagement Activities

As global investor with a strong Swiss heritage and pioneering 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 includes 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 by us alone or selectively with other investors 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 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. This document provides an overview of our global and thematic engagements.

## Your contacts

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For all matters relating to engagement, foremost issuers/companies who want to engage with us.
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# Quarterly Engagement Report

## Q1 2023

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This report summarizes the shareholder engagement activities that Sustainalytics performed on behalf of Swisscanto. Use of and access to this information is limited to clients of Sustainalytics and is subject to Sustainalytics' legal terms and conditions.

For this Global Standards Engagement Quarterly Engagement Report, the engagement status updates and statistics cover a period of three months, i.e. from December 2022 to February 2023. The reporting period is dictated by the underlying Global Standards Screening, of which investors receive an update one month prior to the start of each new quarter. The Global Standards Screening identifies violations of international standards (such as UN Global Compact Principles et al.) and this determines which new Global Standards Engagement cases are opened.

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# Global Standards Engagement

## Executive Summary

Between December 2022 and February 2023, Global Standards Engagement initiated engagement with one company and resolved no new case.

### New engage case:

- **AmerisourceBergen Corp.**, one of the largest distributors of pharmaceuticals in the US, and two of its subsidiaries are accused of violating federal law in connection with the distribution of controlled substances to pharmacies and other customers across the country. For almost a decade, the company reportedly failed to register hundreds of thousands of suspicious orders (e.g. orders unusual in size, frequency or pattern) of controlled substances to the US Drug Enforcement Administration, as required by law.

We trust you will find the summaries shared in this Quarterly Engagement report insightful, and we look forward to continuing our work together.

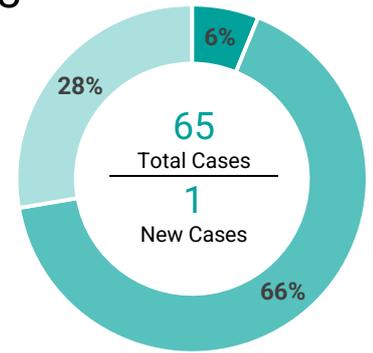
# Quarterly Statistics December 2022 – February 2023

During December 2022 – February 2023, Sustainalytics has continued our dialogue to track specified engagement goals and to seek measurable results of business conduct changes in relation to 65 Engage and Resolved cases.<sup>1</sup>



## Cases by Theme

Environmental	4
Social	43
Governance	18

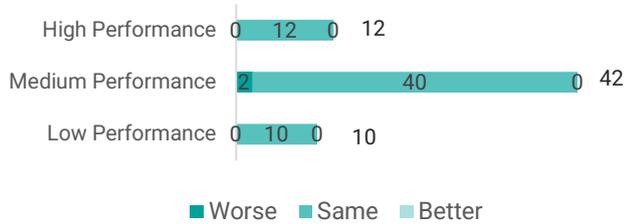


## Case Status Overview

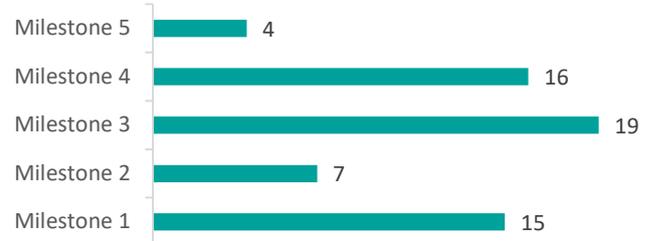
	Engage	Associated	Disengage	Resolved	Archived
New Status in this Quarter	1	0	0	0	0
<b>Total</b>	<b>65</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>



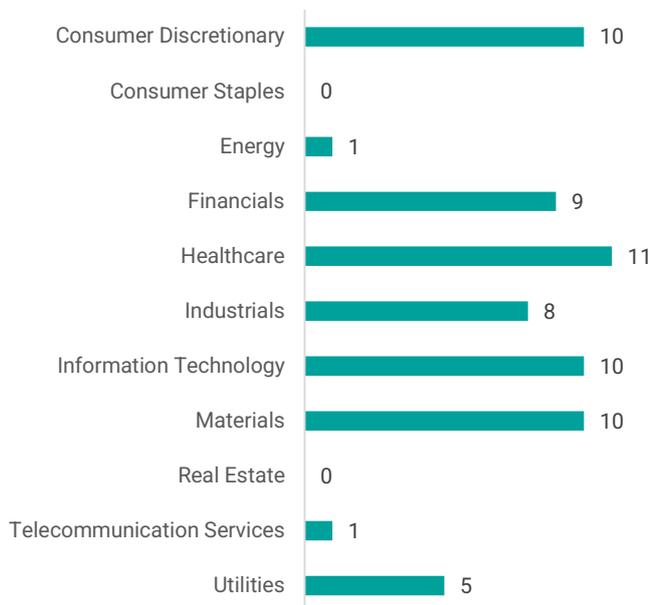
## Engagement Performance Overview



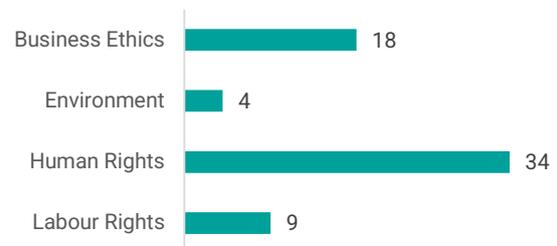
## Milestone Overview



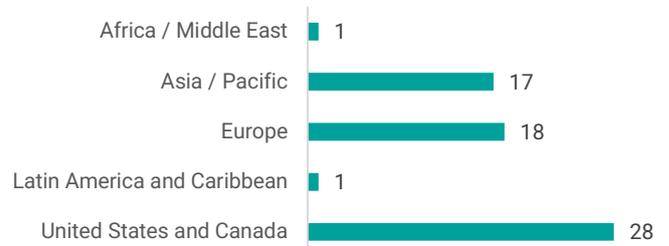
## Cases by Sector



## Cases by Norm



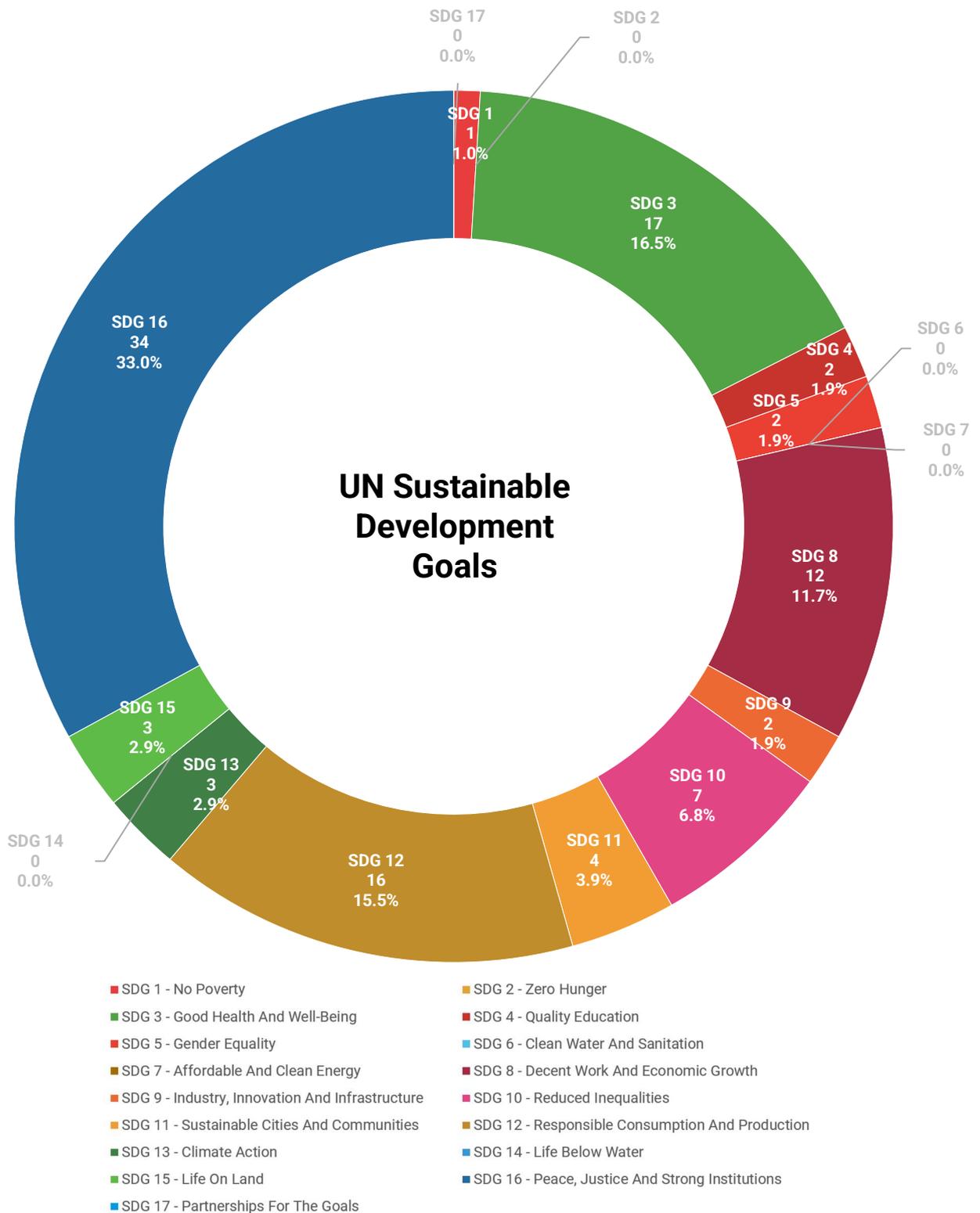
## Cases by Headquarter



<sup>1</sup> The quarterly statistics is mapped according to Swisscanto's portfolio focus list which is updated on quarterly basis. Therefore, the statistics is refreshed every quarter.

### UN Sustainable Development Goals Attribution

65 Engage and Resolved cases in this quarter can be attributed to the following SDGs. The count within the chart below might add up to more than these cases as a case can relate to more than one SDG. We map the Global Standards Engagement cases with relevant SDGs and our engagement dialogue aims to work toward achieving sustainable outcomes.



## Companies Mentioned in this Engagement Brief

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● Engage   ● Associated   ● Disengage   ● Resolved   ● Archived

● AMERISOURCEBERGEN CORP..... 8

## Engage Cases

### AmerisourceBergen Corp.

#### Background

In December 2022, the US Department of Justice (DOJ) filed a civil complaint alleging that AMERISOURCEBERGEN CORP. (ABC), one of the largest distributors of pharmaceuticals in the US, and two of its subsidiaries, AmerisourceBergen Drug Corporation and Integrated Commercialization Solutions, had violated federal law in connection with the distribution of controlled substances to pharmacies and other customers across the country. According to the DOJ, the company had violated the Controlled Substances Act for almost a decade by failing to report hundreds of thousands of suspicious orders of controlled substances to the US Drug Enforcement Administration (DEA) as required by law. The government's complaint specifies that ABC and its two subsidiaries were allegedly aware of significant "red flags" raised by suspicious orders of several pharmacies, suggesting a diversion of prescription drugs to illicit markets; nevertheless ABC and its two subsidiaries continued to distribute drugs to those pharmacies for years and reported too few suspicious orders to the DEA. The DOJ is seeking civil penalties and injunctive relief, potentially resulting in billions of dollars of fines. ABC denies the allegations and intends to defend itself vigorously. The lawsuit is separate a global settlement reached by the company in February 2022, which became effective in April 2022.

#### Engagement Objective and Activity

Engagement will focus on how the company can ensure an appropriate level of governance and risk management. The engagement will seek improved disclosure of ethical business practices as well as commitments and methodologies to improve anti-diversion systems.

#### Next Step

The next step is to commence engagement with the company in order to understand how it intends to implement recommendations arising from regulator involvement. Alongside this, an assessment will be made of the company's policies and procedures in relation to business ethics.

#### STATUS

Engage

#### ISSUE(S)

▶ Consumer Interests – Human Rights

#### ENGAGEMENT MANAGER



**Joe Attwood**  
Associate Director  
London

#### CONTRIBUTION TO SDGs



# Company Dialogue & Progress Summary

## Legend

**Country** The country in the list indicates where the business conduct issue occurred. The breakdown into the regions: Africa/ Middle East, Asia/ Pacific, Europe, Latin America and Caribbean and United States and Canada is based on where the company headquarter is.

**Year** The year shows when the case was downgraded to Engage status.

**Response** The indicator describes how the company responds to Sustainalytics’ inquiries.



**Progress** The indicator describes whether or not the violation continues, or how the company’s work to prevent future violations is developing.



**Performance** The indicator describes the combined company progress and response performance.

- ▲ **High Performance** - good or excellent Response in combination with good or excellent Progress.
- ▶ **Medium Performance** - standard level of Response and Progress.
- ▼ **Low Performance** - poor or no Response in combination with poor or no Progress.

**New, Same, Better or Worse Performance** - indicates the change in either Response or Progress since the last quarterly report.

**Low Performance Tracker (Tracker)** The indicator describes the time elapsed with Low Performance. One piece equals three months.



After two years, the case will be reviewed by Sustainalytics and a Disengage status can be selected if all other engagement options are ineffective.

**Milestones** The indicator describes the milestone achieved from 1 to 5.

 3/5 Achieve

## Engage

### AFRICA / MIDDLE EAST

#### MTN Group Ltd. (South Africa, 2019)

##### ► 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.



### ASIA / PACIFIC

#### AMP Ltd. (Australia, 2019)

##### ► Consumer Interests - Business Ethics

**Change Objective:** AMP should ensure that robust policies and internal controls addressing product governance and business ethics are implemented, universally applied and where appropriate, disclosed.



#### 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.



#### China Gas Holdings Ltd. (China, 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.



#### 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.



#### Li Ning Co., Ltd. (China, 2022)

##### ► Forced Labour - Supply Chain

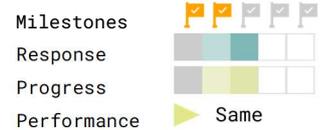
**Change Objective:** Li Ning should implement a robust due diligence programme to provide disclosure on relevant policies on labour rights. The company should implement transparency, audit and disclosure of supply chain to ensure suppliers commit to respect labour rights. It should also adopt a grievance mechanism accessible to all workers.



**Oil & Natural Gas Corp. Ltd.** (India, 2019)

► Involvement With Entities Violating Human Rights

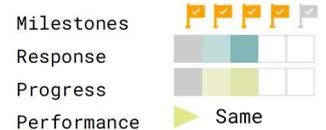
**Change Objective:** Oil and Natural Gas Corporation Limited should follow international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake due diligence adapted to the specific situation of the region and act adequately on the findings. The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



**Rio Tinto Ltd.** (Australia, 2020)

► Community Relations - Indigenous Peoples

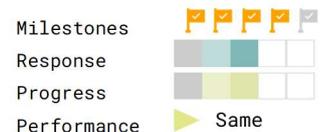
**Change Objective:** RioTinto should agree on a compensation package with the Puutu Kunti Kurrama and Pinikura (PKKP), the Traditional Owners of the destroyed rock-shelters. The company should ensure that it rebuilds community relations with the PKKP and has suitable community relations mechanisms across all its operations that inform communities of important findings in a timely manner. The company should ensure that its community relations teams are fully integrated into its operations to ensure that all operational decisions are made in conjunction with the community relations teams to prevent similar incidents in the future.



**Samsung Electronics Co., Ltd.** (South Korea, 2017)

► 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.



**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.



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

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

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



**TOSHIBA Corp.** (Japan, 2020)

► Accounting and Taxation

**Change Objective:** Toshiba should ensure that robust policies and internal controls addressing business ethics – and accounting fraud especially – are implemented effectively throughout the organization, including subsidiaries.



**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.



**Vedanta Ltd.** (India, 2019)

► 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.



**Westpac Banking Corp.** (Australia, 2020)

► Money Laundering

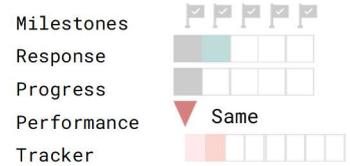
**Change Objective:** Westpac should ensure it is not complicit in any money laundering. The company should strengthen its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) processes and implement all improvements in accordance with the Response Plan. The company should ensure it has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



**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.



**ZTE Corp.** (Iran, 2019)

► Involvement With Entities Violating Human Rights

**Change Objective:** ZTE should take steps to ensure its technology products and services, particularly those providing surveillance or monitoring capabilities, are not complicit in the violation of human rights. The company should implement a robust human rights due diligence programme to improve its business policies and practices in line with internationally accepted standards, particularly for its activities 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.



## EUROPE

### Barclays PLC (United Kingdom, 2019)

► Business Ethics

**Change Objective:** Barclays should ensure on-going implementation of whistle-blower policies as mandated by regulators, as well as relevant international organizations and global banking industry best-practices. The company should also implement best practices regarding whistle-blower protections and procedures, ensure that whistle-blower bodies have the appropriate independence and provide disclosures regarding the on-going enforcement of whistle-blower policies. To the extent possible, Barclays should disclose all relevant material regarding whistleblowing protections, business ethics at the executive level, and corporate culture.



### Bayer AG (United States, 2018)

► 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.



### Bolloré SE (Cameroon, 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.



### Credit Suisse Group AG (Switzerland, 2019)

► Business Ethics

**Change Objective:** Credit Suisse should ensure that it reviews all of its operations with regard to anti-money laundering. Credit Suisse should implement robust policies, programmes, compliance processes and risk management systems that prevent anti-money laundering (AML) and corruption throughout the entire company and where appropriate, disclose these policies.



### Danske Bank A/S (Estonia, 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 programme.



### Deutsche Bank AG (Russia, 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.

\*Associated company: **EDP Renováveis, SA****Glencore Plc** (Switzerland, 2022)

► 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.

**Glencore Plc** (Bolivia, 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.

**Indivior PLC** (United States, 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.

**Koninklijke Philips NV** (United States, 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.

**Medtronic Plc** (United States, 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.

**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. Orpea 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.

**Sanofi** (Philippines, 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.



**Siemens Gamesa Renewable Energy SA** (Western Sahara, 2018)

► 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.



\*Associated company: **Siemens Energy AG**

**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.



## LATIN AMERICA AND CARIBBEAN

**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.

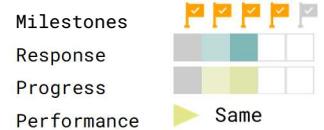


## UNITED STATES ADN CANADA

### 3M Co. (United States, 2019)

► Activities Resulting in Adverse Environmental and Human Rights Impacts

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



### Activision Blizzard, Inc. (United States, 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.



### Amazon.com, Inc. (United States, 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, 2020)

► Occupational Health and Safety

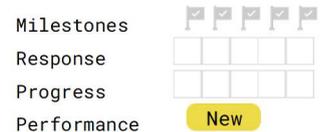
**Change Objective:** Amazon should take steps to understand the health and safety risks faced by its workers. It should introduce appropriate improvements involving H&S policies and practices aligned with international standards, including proactively mitigating hazards and improving working conditions.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



### AmerisourceBergen Corp. (United States, 2023)

► Consumer Interests - Human Rights

**Change Objective:** AmerisourceBergen 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.



### Blackstone, Inc. (Australia, 2022)

► Money Laundering

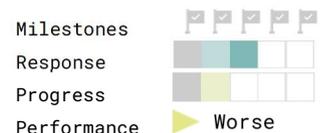
**Change Objective:** Blackstone should have a robust governance framework to ensure effective oversight of the implementation of Crown Resorts anti-money laundering (AML) programme and remedial plan. The company should have an adequate risk management framework covering AML, reporting and monitoring.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



### Caterpillar, Inc. (Myanmar, 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.



**Citigroup, Inc.** (United States, 2019)  
 ▶ 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.



**FirstEnergy Corp.** (United States, 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.



**Johnson & Johnson** (United States, 2018)  
 ▶ Quality and Safety - Human Rights

**Change Objective:** Johnson and Johnson should ensure that the lessons learned from the numerous product quality issues have been incorporated into its protocols and procedures, to minimize the risk of future litigation.

\*Associated company: **ABIOMED, Inc.** (New)



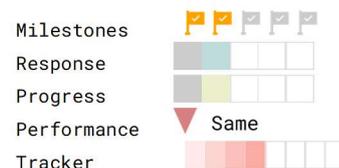
**Mattel, Inc.** (United States, 2021)  
 ▶ Quality and Safety - Human Rights

**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, 2015)  
 ▶ 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, 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.



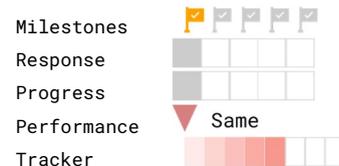
**Meta Platforms, Inc.** (United States, 2018)  
 ▶ Data Privacy and Security

**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, 2021)  
 ▶ Social Impact - Products

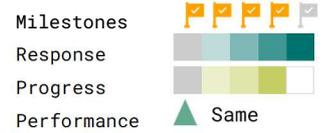
**Change Objective:** Meta should undertake human rights due diligence of its policies and business impact on users. The company should increase transparency of enforcement of content moderation policies and provide insight into their implementation by country. The company should demonstrate governance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



**Pan American Silver Corp.** (Guatemala, 2019)

► Community Relations - Indigenous Peoples

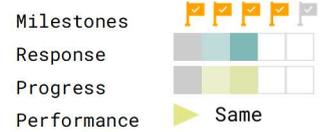
**Change Objective:** Pan American Silver should align policies and practices to international human rights norms, in particular with regards to security and human rights and community relation, and in particular with regards to the Escobal mine.



**PG&E Corp.** (United States, 2019)

► 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.



**Raytheon Technologies Corp.** (Saudi Arabia, 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.



**Southern Copper Corp.** (Mexico, 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.



**Southern Copper Corp.** (Mexico, 2020)

► Leaks, Spills and Pollution - Environmental and Human Rights Impacts

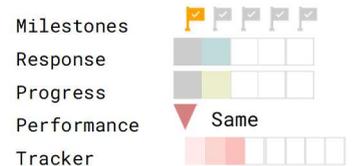
**Change Objective:** Southern Copper Corporation should consult with affected communities and authorities to address concerns over shortcomings in the remediation and compensation measures taken. The company should mitigate any remaining negative impacts of the spill and address shortcomings in compensation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



**Starbucks Corp.** (United States, 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.



**Stryker Corp.** (United States, 2019)

► Quality and Safety - Human Rights

**Change Objective:** Stryker should take appropriate actions to responsibly address the negative impacts of its products. The company should continue to improve quality and safety of its devices and improve the disclosure of all product-related data to ensure that relevant information is communicated to the public.



**Tesla, Inc.** (United States, 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.



**The Boeing Co.** (United States, 2019)

► Quality and Safety - Human Rights

**Change Objective:** Boeing should accomplish the safe return of the 737 MAX aircraft to commercial flight (i.e. re-certified and flight bans lifted). It should ensure that the people affected by the two accidents are appropriately supported and compensated. Boeing should adopt a robust, precautionary approach to product quality management at all of its commercial aircraft manufacturing facilities.



**The Chemours Co.** (United States, 2018)

► 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.



**Thermo Fisher Scientific, Inc.** (China, 2021)

► Involvement With Entities Violating Human Rights

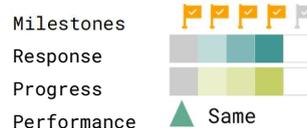
**Change Objective:** Thermo Fisher should improve its human rights due diligence and disclosure, especially in relation to its products/services and business relationships. The company should also demonstrate efforts to support internationally accepted human rights standards as well as norms governing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



**Uber Technologies, Inc.** (United States, 2019)

► 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.



**Wells Fargo & Co.** (United States, 2019)

► 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.



## Archived

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### UNITED STATES AND CANADA

**Motorola Solutions, Inc.** (Palestinian Authority, 2009)

Sustainalytics decided to archive the case due to the fact that in the past three years there has been no new evidence to confirm the company's recent involvement in the controversy.

**ISSUE**

- ▶ Involvement With Entities Violating Human Rights

## Global Standards Engagement Overview

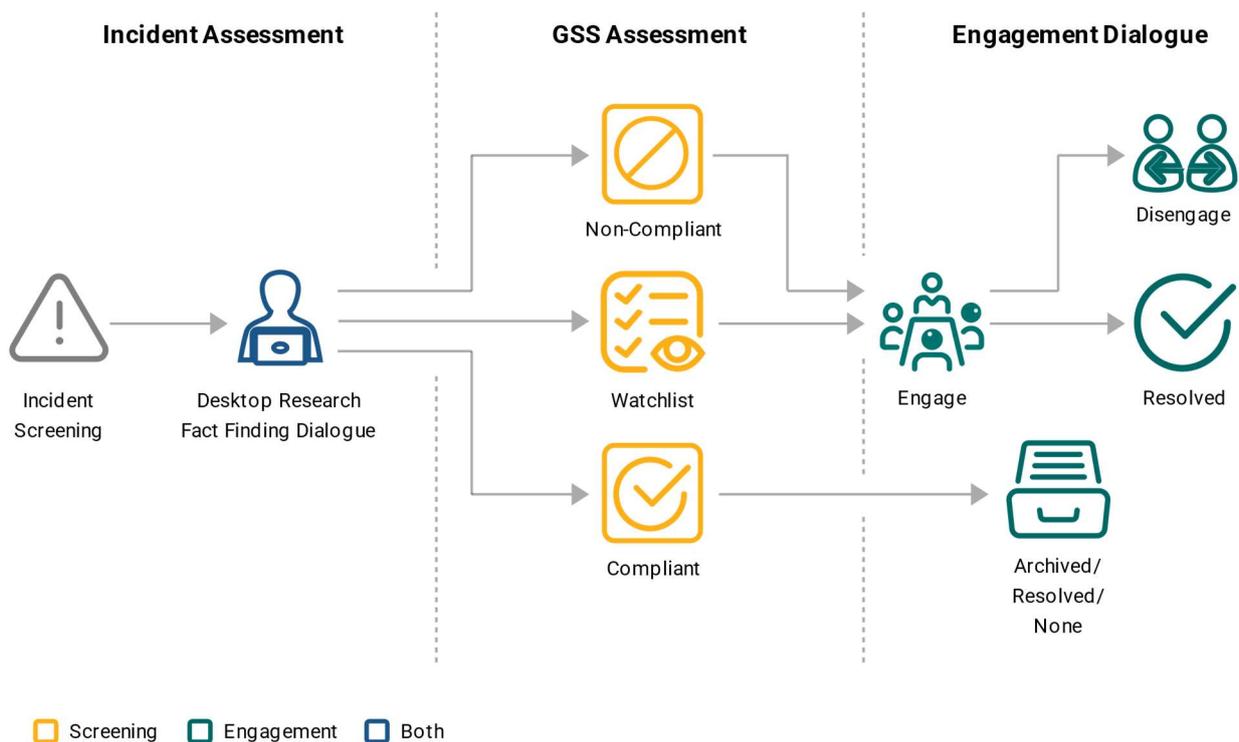
Global Standards Engagement (GSE) is an incident-driven engagement with focus on companies that severely and systematically violate international standards, such as the UN Global Compact Principles and the OECD Guidelines for Multinationals. The engagement is based on a thorough and continuous assessment of the incident as well as the company's role in mitigating the related repercussions and recurrence. The aim of Global Standards Engagement is not only to verify how a company addresses the incident, but also to effectuate change in the company's policies and/or processes, in order to ensure that it has proper policies and programmes in place to avoid future reoccurrences as well as improve its ESG disclosure.

The Global Standards Engagement is based on our Global Standards Screening (GSS) analysis of more than 20,000 companies. The engagement scope is global and spread across all sectors. Company size ranges from small to large cap.

GSS provides an assessment of a company's impact on stakeholders and the extent to which a company causes, contributes to or is linked to violations of international norms and standards. The basis of the GSS' assessments is the United Nations (UN) Global Compact Principles. GSS company assessments reflect several dimensions, including:

- Severity of Impacts on Stakeholders and/or Environment – scale, scope and irremediability.
- Company Responsibility – accountability, exceptionality and systematic nature.
- Company Management – response, management systems and implementation.

We start engaging with the companies that are assessed as **Watchlist** or **Non-Compliant** in the Global Standards Screening.



## Global Standards Engagement Status

### Evaluate

- Cases with potential systematic incidents or an isolated incident that has severe consequences in relation to the environment or humans.
- Verification of the severity and company's responsibility takes between three-six months.
- The fact-finding dialogue and desktop research aims to assess companies' responses to the incident and preparedness to address the problem.

### Engage

- Issue identified by Global Standards Screening (assessed as Watchlist or Non-Compliant) such as cases with systematic incidents or an isolated incident that has severe consequences in relation to the environment or society.
- Companies with clear gaps in their policies and management systems.
- Using a variety of engagement activities, the dialogue aims to effect change at the company, to be evidenced by it making a commitment and developing a strategy to address the identified shortcomings.

### Associated

- This status flags to clients when the company or case is related to another company or case (for instance a non-autonomous subsidiary), where engagement will take place at the parent company and/or the company involved in the issue. We might engage with other companies in the corporate group if the engagement dialogue with the company closest to the incident is not willing to engage. This also means that some of the companies that are Watchlist/Non-Compliant will receive the engagement status 'Associated'.

### Disengage

- Poor or no progress and/or poor or no response from the company within a period of two years after the start of engagement.
- Companies classified as non-engageable due to no or limited publicly traded securities or under significant distress.
- Companies whose business models rely on activities where engagement would likely be not fruitful (such as involvement in controversial weapons or State-Owned Enterprises complicit in human rights abuses).
- Regular engagement case on Russian or Belarusian company, where we pause our engagement due to the situation in Ukraine.

### Resolved

- The change objective has successfully been met, and the engagement has been concluded.

### Archived

- Engagement is currently not warranted, and the case will be continuously assessed for any future changes.



# **Thematic Engagement**

## **Climate Change - Sustainable Forests and Finance**

# EXECUTIVE SUMMARY

## Climate Change—Sustainable Forests and Finance Thematic Engagement

2022 has been proved as a year of climate extremes<sup>2</sup>, with the hottest summer ever recorded in Europe and extreme weather events happening across the globe. The unforeseeable extreme climate disasters have led to tremendous costs in the world, with an example from the US that a total of 18 disasters in 2022 have cost more than USD 165 billion and 474 deaths<sup>3</sup>. The UN's Intergovernmental Panel on Climate Change (IPCC) also concluded with a striking warning of "Now or Never" to urge immediate climate to limit global warming to 1.5 degrees. Meanwhile, there has been growing awareness of the nexus between climate and natural capital. Ending deforestation is a must-do to achieve net-zero by 2050<sup>4</sup> and EU has made its commitment to enforcement<sup>5</sup>. Presumably, more regulatory requirements will follow across different jurisdictions on these topics.

Sustainalytics climate change – sustainable forests and finance thematic engagement targets companies across forestry-linked value chains, from high-risks commodity sector to its major customers and financiers. Throughout the past year of engagement, the dialogues focus on companies' readiness to manage its climate-related risks and natural resources management to ensure companies' practices are science-based and in line with international standards.

## Developments in 2022

The April 2022 UN Land Report concluded that food systems account for 80% of deforestation and are also the leading contributor to biodiversity loss<sup>6</sup>. As the forestry and agriculture value chain is exacerbating climate change, companies involved in this sector are recognizing these risks and are increasingly implementing their climate mitigation plan. The specter of climate change risk has also resulted in increased regulatory action. Including most recently, EU developments on a new law to prevent companies from selling high-risk commodities linked to deforestation into the EU market. The law will require companies to produce a due diligence statement to ensure zero deforestation in their supply chains, or they could face hefty fines.

Yet, not all of the developments have been positive; the June 2022 US Supreme Court decision on the Environmental Protection Agency's ability to consider carbon emissions as a pollutant, and the inclusion of gas and nuclear energy in the EU Taxonomy as sustainable business activities are both widely perceived as significant setbacks. Meanwhile, the growth of ESG continues to be challenged in the U.S. Despite these impediments, the new climate bill in the US will help meet the ambitious goal of a 40% cut in emissions by 2030<sup>7</sup>. Furthermore, the US Securities and Exchange Commission (SEC) has proposed expansive new climate-related disclosures that could represent both a catalyst and an inflection point for businesses<sup>8</sup>. The International Sustainability Standards Board (ISSB) has also delivered proposals that could create a comprehensive global baseline of sustainability disclosures and are based on the recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD). Reporting on the TCFD has become mandatory by law in the UK, compelling over 1,300 UK companies to disclose information in alignment with the guidelines. Finally, the Taskforce on Nature-related Financial Disclosures (TNFD) has expanded its beta framework for nature risk management and disclosure with recommendations similar to the ones by the TCFD, with a final version expected in September of 2023.

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<sup>2</sup><https://climate.copernicus.eu/copernicus-2022-was-year-climate-extremes-record-high-temperatures-and-rising-concentrations>

<sup>3</sup><https://www.ncei.noaa.gov/access/billions/overview>

<sup>4</sup><https://climatechampions.unfccc.int/wp-content/uploads/2022/06/Why-net-zero-needs-zero-deforestation-now-June-2022.pdf>

<sup>5</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_7444](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7444)

<sup>6</sup> <https://www.unccd.int/resources/global-land-outlook/overview>

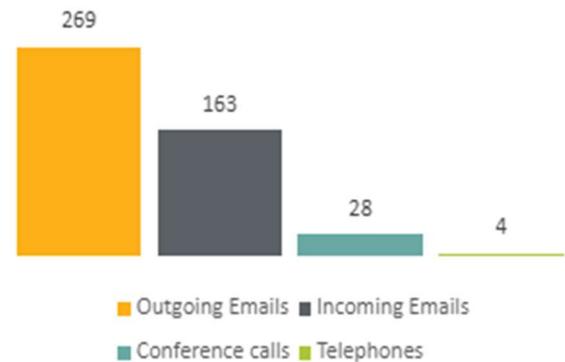
<sup>7</sup><https://www.science.org/content/article/surprise-climate-bill-will-meet-ambitious-goal-40-cut-us-emissions-energy-models>

<sup>8</sup><https://www.responsible-investor.com/morningstar-calls-for-elimination-of-esg-integration-label-in-sec-consultation-response/>

## Engagement Update

Throughout 2022 Sustainalytics' focus moved from getting acquainted with the companies in the three sectors (financiers, mid-value chain companies, and end-of-value chain companies) and exploring the initial gaps into addressing the major goals of the engagement theme, creating a stronger dialogue, outlining investor expectations, and recognizing potential issues. In this period, Sustainalytics conducted 28 engagement calls, 269 outgoing emails, 163 incoming emails and 4 telephone calls. In addition, for the first time since the beginning of this program, we prepared and sent out investor letters to nine companies that had either insufficient responses or were unresponsive to the invitation for dialogue. Four companies agreed to enter the dialogue, and we escalated our engagement efforts with two low-response companies by issuing voting recommendations against specific related items on their annual shareholder meeting agendas. The five remaining companies have been replaced with others while taking into consideration both the geographic and value chain location, size, and business lines to be as close to the original list, as possible. A baseline assessment was conducted on five new companies who are all now in active dialogue by end of 2022. Throughout the engagement, Sustainalytics assesses the engaged companies on 5 key performance indicators (KPIs) that cover: Disclosure and Governance; Strategy; Forests and Mitigation; Physical risk; and Natural Resource Management.

## Engagement Dialogues 2022



## Company Performance

We have continued to observe some improvement in scoring across the board, largely driven by increased disclosure, but also by establishing strategies for reaching climate targets. Many companies are seriously considering increasing the ambition of their targets and having them validated by third parties in line with 1.5 degrees, something that will be helped with the recent release of the SBTi FLAG methodology. Most companies believe that tackling this crisis needs to be a joint effort which indicates a willingness to collaborate via different initiatives, something we have seen an increase in throughout agricultural supply chains. Regarding specific engagement with financiers, climate emissions accounting has continued at a steady pace. Several financiers have finalized its portfolio-based carbon emissions mapping for high emitters such as power, oil & gas and automobile sectors according to international standards such as Partnership for Carbon Accounting Financials (PCAF). These companies are also preparing for the next stage which would encompass accounting in less heavy emitting industries i.e., agriculture. Still, the highest improvement in financiers has been establishing strategies on how to decrease the carbon emissions in their portfolios, ensuring they could reach net zero largely led through the Net-Zero Banking Alliance (NZBA). That said there is still a lack of third-party validation in targets and practical transparency regarding the detail of such strategies. On the other hand, commodity companies have gradually increased their scoring due to enhanced disclosure, including information on how they mitigate their deforestation risks and their approach to physical risks and nature. Companies have implemented some strategies to tackle climate and deforestation issues, such as satellite technology to monitor its land management and regenerative agriculture to increase climate resilience and biodiversity. The end-of-value chain companies have also begun to disclose their strategies and their measures to reach zero deforestation but there is still much to be done to bring further clarity. Hence the engagement dialogue has been focusing on not only its policy and commitment but also the supply chain due diligence and any indicators to track progress.

## 2023 Q1 Update

In Q1 2023, Sustainalytics Climate Change - Sustainable Forests and Finance theme continues to engage with 22 companies across the agriculture supply chain. The engagement conversation covers topics around strategy on decarbonization, net-zero and climate-nature nexus, and Sustainalytics tries to push early uptake of TNFD and SBTi FLAG in our dialogue with companies. Sustainalytics also published the 2022 annual summary report at the end of January. Lastly, in order to align the internal reporting schedule with other Sustainalytics' stewardship offerings, we shift the release of the upcoming biannual report from 28 February 2023 to 15 April 2023. The upcoming biannual report will cover the timeframe from 1 September 2022 – 31 March 2023.



# **Thematic Engagement Feeding the Future**

# EXECUTIVE SUMMARY

## Feeding the Future Thematic Engagement

Ensuring a sustainable supply of food for the world's fast-growing population is a major challenge. As with other man-made activities, food production contributes to climate change, water scarcity, soil degradation and the destruction of biodiversity. It is estimated that by 2050 the world's population will be nearly 10 billion people and according to the [World Resources Institute](#), about "3 billion more mouths to feed than there were in 2010."<sup>9</sup> More food will need to be produced and more land will be needed to grow it while climate change targets demand we limit the energy used to produce these.

Sustainalytics' Feeding the Future Thematic Engagement aims to contribute more sustainable food production by focusing on contingency planning, science-based scenario analysis, land stewardship, eliminating food waste and shifting consumer trends. It targets the entire value chain including companies from agriculture, agricultural chemicals, packaged foods, and food retailer sectors. This engagement was initiated in Q2 2021 and has just marked the first 18 months of engagement. Through this engagement we expect to contribute to a sector-wide transition to more sustainable agriculture practices.

## Developments in 2022

Food production has increased in prominence this year in the UN Climate Change Conference process, culminating in COP27 in Sharm-El-Sheik in November. This included agreement on a new four-year plan on agriculture and food security and a new initiative aimed as scaling up finance to transform agriculture by 2030<sup>10</sup>. In parallel the international policy framework on nature and biodiversity was strengthened in important ways. March 2022 saw the publication of the beta version of the Taskforce on Nature-related Financial Disclosures (TNFD) framework. In December 2022, GRI released the Biodiversity Standard exposure draft for public comments and the [World Benchmarking Alliance](#) released its first [Nature Benchmark](#) covering 400 companies. These initiatives will give additional impetus to advancing and harmonizing corporate disclosures in this sphere. The UN Biodiversity Conference in December 2022 convened governments from around the world to agree to a new set of goals for nature over the next decade. The outcome of this meeting was the Kunming-Montreal Global Biodiversity Framework, which aims to address biodiversity loss, restore ecosystems and protect indigenous rights through 23 targets, including a requirement on transnational companies and financial institutions to monitor, assess and disclose risks and impacts on biodiversity<sup>11</sup>. As climate and biodiversity risk management are important strands of our assessment framework, we will seek to better understand food companies' responses to these developments in the year ahead.

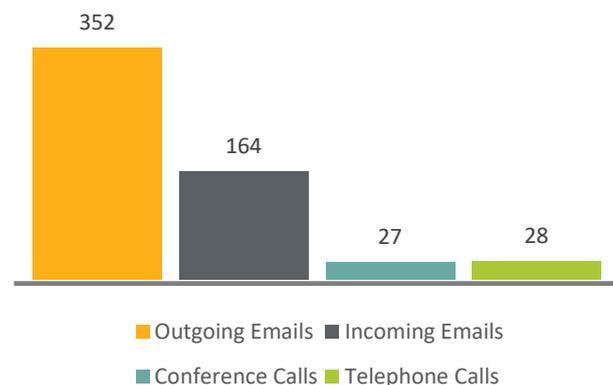
## Engagement Update

During the last 18 months of engagement Sustainalytics has contacted 20 companies regarding participation in the Feeding the Future thematic engagement, as well as four replacement companies, and established dialogue with 15 companies.

In 2022, as is displayed here in the chart, Sustainalytics exchanged 516 emails, made 28 follow-up telephone calls and held 27 conferences calls with engagement companies.

In parallel to the *Feeding the Future* thematic engagement, Sustainalytics has commenced a *Biodiversity and Natural Capital Impact* engagement (BNCIE) programme. This initiative aims to gain a deeper understanding of participating companies' management of biodiversity-related impacts and dependencies and collaborate with companies to strengthen alignment with the Post-2020 Global Diversity Framework. Biodiversity and land use is part of the *Feeding the Future* KPI framework and important to global food production, while BNCIE is focused on the food value chain, among other sectors. Accordingly, the two programmes are sharing some company calls and indeed we have already held biodiversity-focused calls with several companies over the past year.

## Engagement Dialogues 2022



## Company Performance

The chart below illustrates engagement company performance across the different parts of the dedicated KPI framework for this programme. Governance is the area where we see the best average performance. Companies are taking a high-level view of risks and impacts related to climate and nature, analyzing physical and transitional risks and opportunities in line with TCFD and engaging with the process of setting Science-Based Targets for Nature. We have also seen improvement in the management of non-land resources (water, carbon, food waste) over 2022. For example, several companies have published carbon neutrality targets going up to 2050 or earlier and interim carbon reduction targets.

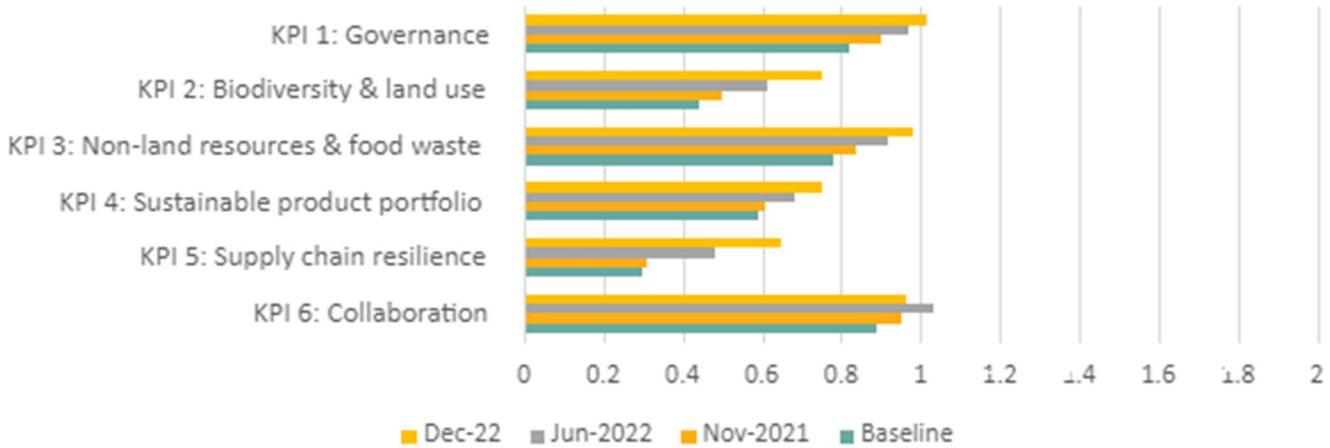
<sup>9</sup> <https://www.wri.org/insights/how-sustainably-feed-10-billion-people-2050-21-charts>

<sup>10</sup> <https://unfccc.int/news/governments-step-up-action-on-agriculture-and-food-security-at-cop27>

<sup>11</sup> <https://www.unep.org/news-and-stories/story/cop15-ends-landmark-biodiversity-agreement>

Collaboration remains another area of leading performance, with agricultural and agricultural chemicals announcing milestones in major collaborations with peer companies or academic institutions on reducing biodiversity impacts or expanding regenerative agriculture.

### Feeding the Future: Average KPI scores



Resulting from our engagement focus in the last year, we now see moderate performance on average in the area of biodiversity and land use. Companies are recognizing the connection between avoiding deforestation and protecting biodiversity and deploying geospatial mapping as a tool to identify suppliers associated with tree clearance. We have had more limited discussion on product innovation this year, but there have been a few prominent examples, associated with the sustainability of food products and the environmental impacts of agricultural chemicals. Supply chain resilience has been another area of focus during the last six months in particular and, although average performance is lagging here, we have seen some positive signs, including support for third party growers by agricultural companies on technical, practical and sustainability issues, including certification.

A key theme that has surfaced, which cuts across different sectors, is the interconnectedness of sustainability issues associated with food, such as climate change mitigation, biodiversity and soil health. Various companies have observed that: limiting deforestation helps to mitigate climate change; likewise, healthy soil sequesters carbon; and climate change mitigation is beneficial for flora and fauna.

### 2023 Q1 Update

In Q1 2023, engagement dialogues in Sustainalytics’ Feeding the Future theme continued to take place on a range of topics related to sustainable food production, such as climate risk mitigation, biodiversity and regenerative agriculture. Sustainalytics published the 2022 annual summary report on all themes in January 2023. In order to align the internal reporting schedule with other Sustainalytics’ stewardship offerings, the release of the next Feeding the Future biannual report is moved from 21 June to 17 July 2023. The subsequent issue of Swisscanto’s Quarterly Engagement Report will bring a full update of the latest progress made.



# **Thematic Engagement Localized Water Management**

# EXECUTIVE SUMMARY

## Localized Water Management Thematic Engagement

The water crisis is a global challenge, that requires local solutions. The growing scarcity of freshwater resources is a risk to the economic, social and environmental well-being of communities around the world, in addition to being a material issue for companies. Reputational risks are mounting related to local tensions over water access and rights. Regulatory scrutiny is intensifying as governments grapple with funding ageing infrastructure and ensuring safe and reliable access to water. Company-wide water strategies are therefore essential, but because water security challenges are experienced at the local level, and water basin conditions are unique, there is no one-size-fits-all solution for companies to implement.

The Localized Water Management thematic engagement has a geographic focus (as opposed to a more common sector focus). All companies participating in this engagement are dependent on water from the Tiete River basin in Brazil and/or the Vaal River basin in South Africa. The engagement aims to improve companies' awareness of the importance and benefits of adapting their water management to the local context, provide opportunities for intra basin collaboration, encourage tangible on-the-ground impacts, and strengthen the role of investors as a stakeholder in integrated responses to water crises – all with the view of reducing company risks, enhancing operational stability and water security for all. This three-year engagement will conclude in the first quarter of 2023.

## Developments in 2022

In our two basins, dam storage levels can be used as a proxy for basin health. Above-average rainfall over the past two years has greatly improved the storage levels in the Integrated Vaal River System (IVRS) thereby significantly reducing supply risks, but this has come with increased flooding risks. The high rainfall also increased run-off into dams resulting in water quality challenges. Moreover, community protest actions at critical pump transfer stations, mainly due to the need for jobs, also continued to persist in the Vaal Basin. The Integrated Vaal River System water storage capacity (consisting of 14 dams) at the close of 2022 was at 100%. The water storage levels are a very positive sign, and it implies that there is immediate security of raw water for South Africa's economic hub of Gauteng Province. Despite the high levels, the South African Department of Water and Sanitation continues to urge all water users to use water sparingly.

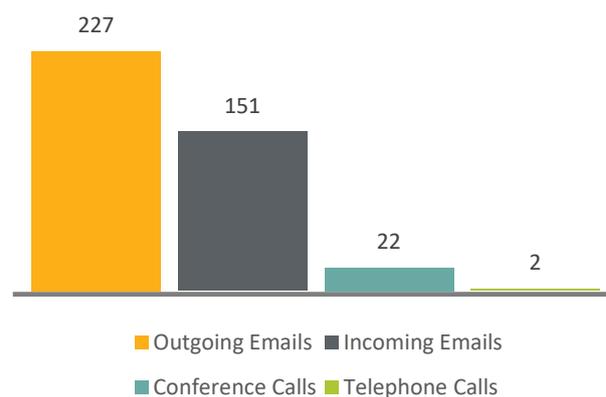
In Brazil, rainfall has been below historical averages in recent years due to a third consecutive year of the La Niña weather pattern which resulted in two years of drought. Some positive signs emerged in 2022, above average rainfall resulted in reservoirs in the southeast/center-west region increasing to around 65% of capacity, which was a ten-year high and up from only 29% a year before. Water availability is expected to be an ongoing challenge in Brazil's eastern and southern regions, linked to the continued loss of forest cover and the consequential loss of masses of vapour generated by tree transpiration that drives rain in these agricultural and hydroelectric generating areas.

## Engagement Update

Over the past three years, Sustainalytics has contacted 53 companies regarding participation in the Localized Water Management engagement and dialogues are ongoing with 18, although one utility company did not respond to our dialogue attempts in 2022. The engaged companies have one or more facilities that are dependent on water from one or both of the basins targeted in this engagement. Efforts will continue to engage with all 18 companies until the conclusion of this theme in the first quarter of 2023.

In 2022, as is displayed in the Figure 1 above, Sustainalytics exchanged 378 emails, held two telephone calls, and hosted 23 engagement meetings (22 conference calls and one in-person meeting). Overall, the intent of the engagement calls in 2022 was to continue to emphasize the gaps that Sustainalytics perceived and push for company-appropriate strategies and solutions. Strategies and goals related to water risk management in the supply chain was the largest area of focus along with wastewater quality beyond minimum regulatory standards. Moreover, we continue to challenge companies to take an investor lens and consider whether their reporting meaningfully discloses localized water risk and mitigation measures.

## Engagement Dialogues 2022



## Company Performance

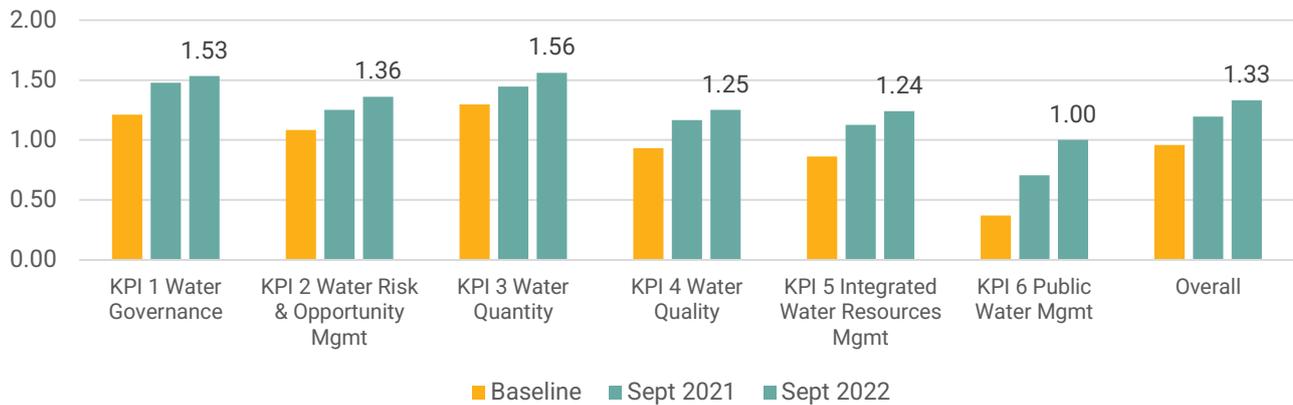
From September 2021 to September 2022, incremental improvements occurred across all six KPIs (see Figure 2) and were linked to changes at 15 companies. Most companies continue to display strong performance on KPI 1 Water Governance. Five companies marginally improved their scores since year over year related to approved plans to link executive compensation to water metrics, expansion of its environmental management system certification, and completion of a value chain pilot program for ESG among other improvements. Five companies improved on KPI 2 Water Risk & Opportunity Management, the most significant of which was by completing a physical climate risk scenario analysis for the first time. The average

scoring on KPI 3 Water Quantity has been consistently high since the baseline and four companies improved across localized reporting, programs, and targets.

Since September 2021, some limited scoring improvements occurred within KPI 4 Water Quality at six companies related to restoration programs, and site-specific programs to address water pollution. Although most companies do not have public wastewater quality goals, several have implemented or are planning to implement municipal wastewater recycling. The current ineffective state of wastewater treatment is well documented in our target basins and by both increasing the capacity and efficiency of municipal wastewater and reusing it in industrial operations, companies are able to improve local water quality and water security for all basin users. Wastewater reuse agreements tend to make financial sense while also decreasing reputational risk related to localized competition for water.

Shifting a company’s management perspective to a basin level from a facility level (or corporate-wide) approach can be difficult. Companies are willing to work hard to secure business continuity, but basin-level stewardship requires more serious consideration of other stakeholders’ interests which can be difficult to model and quantify internally. As such, improvements in KPI 5 and 6 demonstrate maturity in a company’s water stewardship programs, although it should be mentioned that engagement on these two KPI was limited in the first year of this theme. Improvements across seven companies was demonstrated for KPI 5 Integrated Water Resources Management mostly related to recognizing the interconnected and interdependent nature of water resource management, and stakeholder mapping. KPI 6 Public Water Management, demonstrates the largest score increase year over year. Improvements at ten companies were noted in crisis management and monitoring the reliability of local water infrastructure. In this last quarter, the Localized Water Management engagement program will focus our final dialogues on individual gaps while ensuring companies have a strategic position on impact and basin-wide efforts. As a next step, we intend to host a small collaborative basin-level forum to bring companies together to share their current and future basin-level projects. Some companies have expressed explicit interest in exchanging knowledge and are open to exploring collaboration not only within their industry but among industries. This is a positive step towards the inter-company networking that will be needed to facilitate concrete on-the-ground impacts.

### Progress Per KPI





# **Thematic Engagement**

# **Responsible Cleantech**

# EXECUTIVE SUMMARY

## Responsible Cleantech Thematic Engagement

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

## Developments in 2022

The engaged companies are headquartered in China, Japan, South Korea, the U.S., Denmark, France, Germany, Switzerland and the U.K. Geopolitical tensions and cultural differences aside, the engaged companies share a sense of urgency to take more initiative on corporate sustainability and support a transition towards a low-carbon, circular and socially just economy. If we are to pick out one development that impacted this thematic engagement in 2022, then it would be the internationally escalated accusations of large-scale forced labor practices in Xinjiang by the Chinese authorities. Both Chinese and non-Chinese companies have been stressing that they do not tolerate any forced labour but most companies still do not have much visibility beyond the first tier of their supply chain. There is a growing consensus that merely 'de-risking' the supply chain by prohibiting labour rights violations is not effective. In China, acknowledgement of such risk is still in its early stages, and more capacity building with suppliers is needed to make more progress. That said, the engagement dialogues with both Chinese companies and foreign companies with operations and/or suppliers in China remained constructive in 2022 with evidence of positive developments.

## Engagement Update

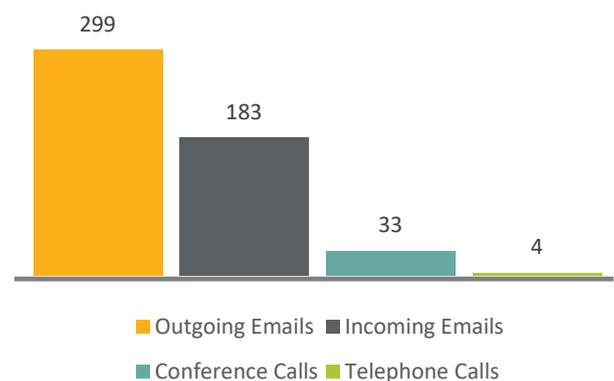
Multiple engaged companies have expressed acknowledgement that the Responsible Cleantech thematic engagement dialogue as well as various serious multi-stakeholder initiatives are useful. Investor relations staff and other sustainability staff tend to represent companies on the calls. Occasionally they are joined by colleagues of other departments such as human resources or procurement. With many dialogues now well established, many companies dare to trust us, share dilemmas, ask for feedback and they are okay with being held to account on live calls with little room for scripted responses.

In 2022, Sustainalytics held active engagement dialogues with the following 19 companies: Daqo New Energy, First Solar, Ford Motor, Gurit, Hanwha Solutions, Honda Motor, Hyundai Mobis, Johnson Matthey, LG Energy Solution, LONGi Green Energy Technology, Nordex, Plug Power, Schneider Electric, SunPower, Tesla, TPI Composites, Vestas Wind Systems, Volkswagen, and Xinjiang GoldWind Science & Technology. Having already covered a wide range of topics since the start of this theme in September 2020, it is increasingly possible for us to bring the attention to those topics that still leave considerable room for further improvement.

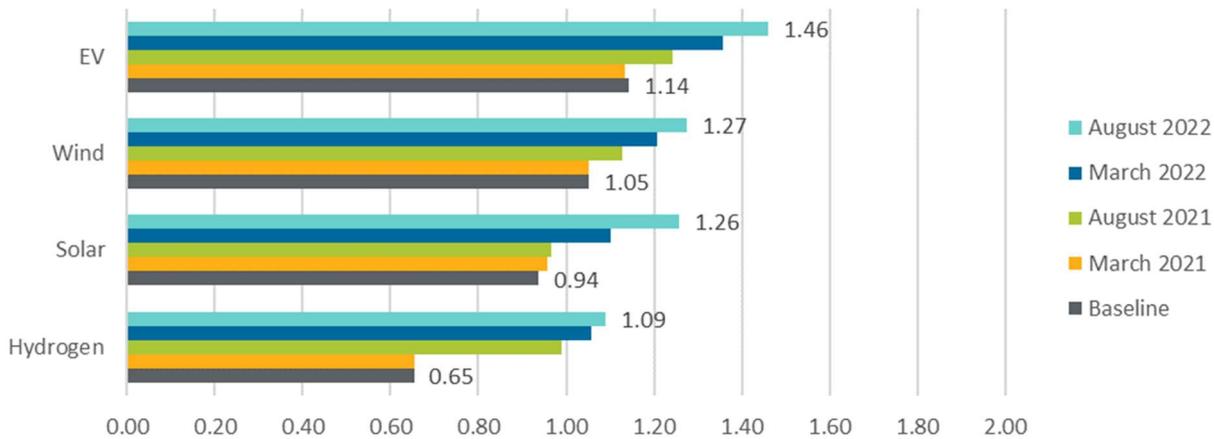
Besides regular engagement calls with Investor Relations and/or Sustainability managers, Sustainalytics also had some calls with more special representation, involving managers from other departments such as Procurement or Human Resources, the CEO or CFO, or a speaker from an external sustainability standard-setting organization of which the company in question is a committed member. Just in metal supply chains alone, companies can choose from a variety of multi-stakeholder initiatives. In 2022, Sustainalytics engaged two initiatives that stand out positively, i.e., the Aluminium Stewardship Initiative (ASI) and the Initiative for Responsible Mining Assurance (IRMA).  
Company Performance

Throughout the engagement, Sustainalytics assesses the engaged companies on five key performance indicators (KPIs) that cover governance, operational management, supply chain management, circularity, and stakeholder engagement. A scoring scale from 0.00 up to 2.00 is used for this purpose. The chart below shows the average overall score per cleantech domain. The EV domain continues to lead. The solar domain has been catching up with the wind domain. The hydrogen domain still lags behind, although also here there continue to be incremental improvements.

## Engagement Dialogues 2022



## Responsible Cleantech: Average overall score per cleantech domain



The auto industry is still fairly occupied with stimulating demand for battery electric vehicles (BEVs), by maximizing driving range, engine power, speed, size and comfort. When asked, the manufacturers do acknowledge that there is room for further improvement with respect to battery efficiency, aerodynamics and circular economy considerations. The high cost of high-grade, battery-usable cobalt, lithium and nickel and the challenges with responsibly sourcing cobalt from the Democratic Republic of Congo have helped increase global market interest in batteries with lithium ferro phosphate (LFP) cathode chemistry. Lithium remains hard to substitute. LFP helps make BEVs more affordable and the shorter range is still sufficient to attract demand. Lithium nickel manganese cobalt (NMC) can remain the dominant chemistry in the premium market – possibly until solid-state battery technology takes over.

Much of the wind turbine industry seems less advanced with supply chain due diligence and accountability than the auto industry. It also seems less connected to various established multi-stakeholder initiatives. Instead of solving challenges in supply chains of specific materials, it can be tempting to focus on reducing exposure. For example, little is disclosed about the supply chain of rare earth metals. It is not always clear how much supply chain due diligence really happens. Furthermore, while solutions are becoming technically viable to recover materials from decommissioned rotor blades and to decarbonize the supply chain of turbine towers, there is still significant uncertainty how these solutions can be made economically viable.

While a 'Sustainability Leadership Standard for Photovoltaic Modules and Photovoltaic Inverters' is available, it has been a challenge to get the solar PV industry to adopt it widely. China dominates the supply side globally, and some Chinese companies have joined the Global Alliance for Sustainable Energy but it is not yet clear to what extent this new initiative can really improve the sustainability performance of the solar PV industry. On the demand side, new legislation such as the new Uyghur Forced Labor Prevention Act in the U.S. and the proposed Corporate Sustainability Due Diligence Directive in the European Union help encourage supplier due diligence in the solar industry. Yet, Also, material traceability remains challenging due to a lack of transparency and polysilicon blending in China.

Hydrogen is energy and water intensive to produce. In the European Union, policy makers are trying to define 'green' hydrogen more specifically, seeking to assure that producers also add green electricity generation capacity to the grid instead of competing with other users. Similarly, competition for water is best avoided in water-stressed locations. Innovations such as wastewater recycling, dry cooling and reverse osmosis may help improve local water stewardship. Many of today's electrolyzers (using electricity to produce hydrogen from water) and fuel cells (using hydrogen to produce electricity) rely on platinum group metals. Due to their high cost, the recycling rate of these precious metals is, reportedly, already high. However, global demand growth continues to outpace recycling, making more mining necessary. The hydrogen equipment industry is working to increase power density and to reduce PGM loading, while a

### 2023 Q1 Update

In Q1 2023, Sustainalytics' Responsible Cleantech theme next biannual report continued to engage companies involved in the manufacturing of cleantech equipment, covering battery electric vehicles, solar panels, wind turbines and hydrogen electrolyzers and fuel cells. Sustainalytics published the 2022 annual summary report on all themes in January 2023. In order to align the internal reporting schedule with other Sustainalytics' stewardship offerings, the release of the next biannual report is moved from 30 March to 17 July 2023. The subsequent issue of Swisscanto's Quarterly Engagement Report will bring a full update of the latest progress made.



# **Thematic Engagement The Governance of SDGs**

# EXECUTIVE SUMMARY

## The Governance of SDGs Thematic Engagement

The United Nations Sustainable Development Goals (SDGs), launched in 2015, recognize the private sector as a key agent in closing the development gap and achieving a more sustainable future by addressing global challenges. The SDG framework provides companies and investors with tools to translate global development needs into business solutions and investment strategies, opportunities, and products.

Sustainalytics launched the Governance of SDGs thematic engagement in April 2020 to support investors in answering the UN's call for action. The engagement focuses on encouraging companies in the Financial, Consumer Goods, and ICT sectors to implement meaningful SDG strategies aligned with their business models and plans and seek out opportunities that produce positive outcomes. Through engagement, we evaluate companies' SDG governance and strategies, risk and impact assessment and management, board oversight of the sustainability framework, reporting, and engagement with stakeholders. The overarching goal is to ensure that the companies' decision-making process considers SDG impacts, guides culture, and is geared towards achieving concrete impacts.

## Developments in 2022

Globally, 2022 saw notable setbacks in progress on SDGs. However, there were developments in some respects. One visible improvement is that sustainability rose further up business and regulatory agendas. There have been major developments in unifying and improving the quality of ESG reporting in the EU, the US, and other markets, which is a good step forward in measuring companies' impact on SDGs. Still, current global events, such as the prolonged pandemic, the war in Ukraine, and the rising costs of living present a huge setback for the achievement of the 2030 Agenda. Progress in reaching SDGs has stalled and, in some cases, reversed for the second year in a row due to geopolitical and economical crises.<sup>12,13</sup> A recent report by the UN Global Compact and Accenture reveals that 87% of CEOs believe that progress on the SDGs is at risk, even though they increasingly see sustainability as their top priority.<sup>14</sup> With the crises still unfolding, the 2023 outlook looks pessimistic. Yet, the need to achieve the 2030 Agenda and improve resilience is more vital than ever.

## Engagement Update

In 2022, there was a high level of resonance with the Governance of SDGs theme in our engagement dialogues as you can see in the chart.

We organized 21 conference calls with engagement companies – 40% more than in the previous year. Furthermore, 33% of the meetings included the attendance of top-level non-executives. In two cases, board chairs were present, and five other dialogues we held were attended by corporate secretaries. In 2021, we had only two such high-level meetings. This provides strong evidence that the topic of SDGs governance – or sustainability oversight more generally – is increasingly considered a material boardroom matter to be discussed with investors. It also reflects on the strength of our relationships with engagement companies.

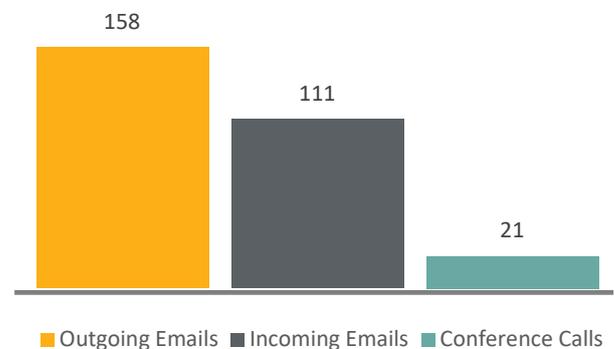
Not only were we able to increase our communication with the companies across all three sectors, but they were also more responsive. We exchanged 269 emails – 107% more than in 2021. We also note that several companies proactively reached out to us to organize a meeting, or to invite us to their sustainability or corporate governance roadshows.

We met with 18 out of 21 companies in the engagement – also an increase from 2021. Presently, there is only one unresponsive company in the engagement, and we plan to escalate our communication approach in 2023.

We covered a number of topics during our 2022 meetings with the companies, which varied based on individual companies' progress on the theme's KPIs and the role of the participants from the company's side. The issues we gave special attention to were the board's oversight of the sustainability strategy and the metrics that the company uses to measure its impact on SDGs, which we scrutinized in more detail.

To sum up, the Governance of SDGs thematic engagement reached a mature stage, with intensive communication covering comprehensive topics with contributions from high-level representatives.

## Engagement Dialogues 2022



<sup>12</sup>United Nations (UN) (2022), "The Sustainable Development Goals Report 2022", UN, accessed (03.10.22) at: <https://unstats.un.org/sdgs/report/2022/>

<sup>13</sup>Sustainable Development Solutions Network (SDSN) (2022), "Sustainable Development Report 2022. From Crisis to Sustainable Development: the SDGs as Roadmap to 2030 and Beyond", SDSN, accessed (03.10.22) at: <https://www.sustainabledevelopment.report/reports/sustainable-development-report-2022/>

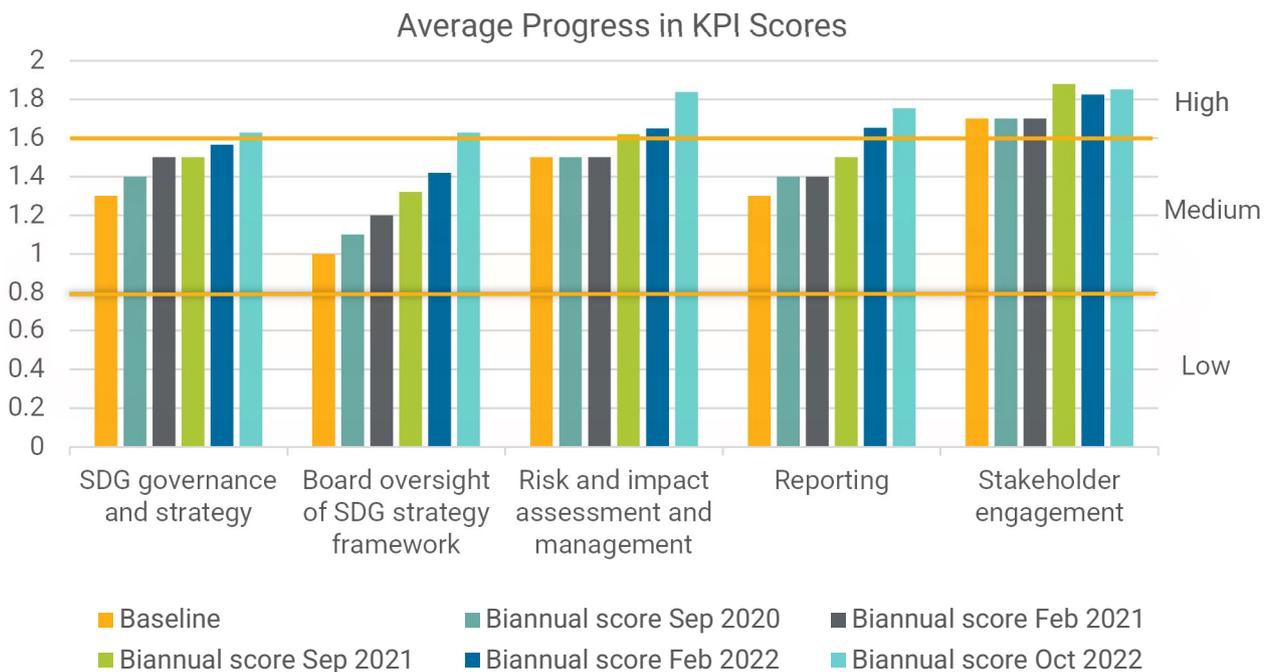
<sup>14</sup>Accenture, UN Global Compact (UNGC) (2023), "Reimagining the Agenda. Unlocking the Global Pathways to Resilience, Growth, and Sustainability for 2030", UNGC, accessed (19.01.23), at: <https://info.unglobalcompact.org/ceo-study>

## Company Performance

In 2022, we have seen progress in achieving the Governance of SDGs engagement goals across all sectors and this has been a continuing trend since the start of our engagement in April 2020. Companies’ average performance rose from a medium score of 6.8/10 in 2020 to a high of 8.7/10 in 2022.

In 2022, we noted the biggest increase in the KPI related to the board’s oversight of the SDGs strategy framework as you can see in the graph below. It was the companies’ weakest point from the beginning of the engagement – the average score was 1/2 and is 1.6/2 now. The change is a strong indicator that sustainability oversight has become an important topic for boards. The board members’ attendance in some of our meetings (as mentioned above) is also evidence of that. The second most significant improvement across all sectors involves corporate reporting. It is a wider business trend, related to growing regulatory expectations in this area.

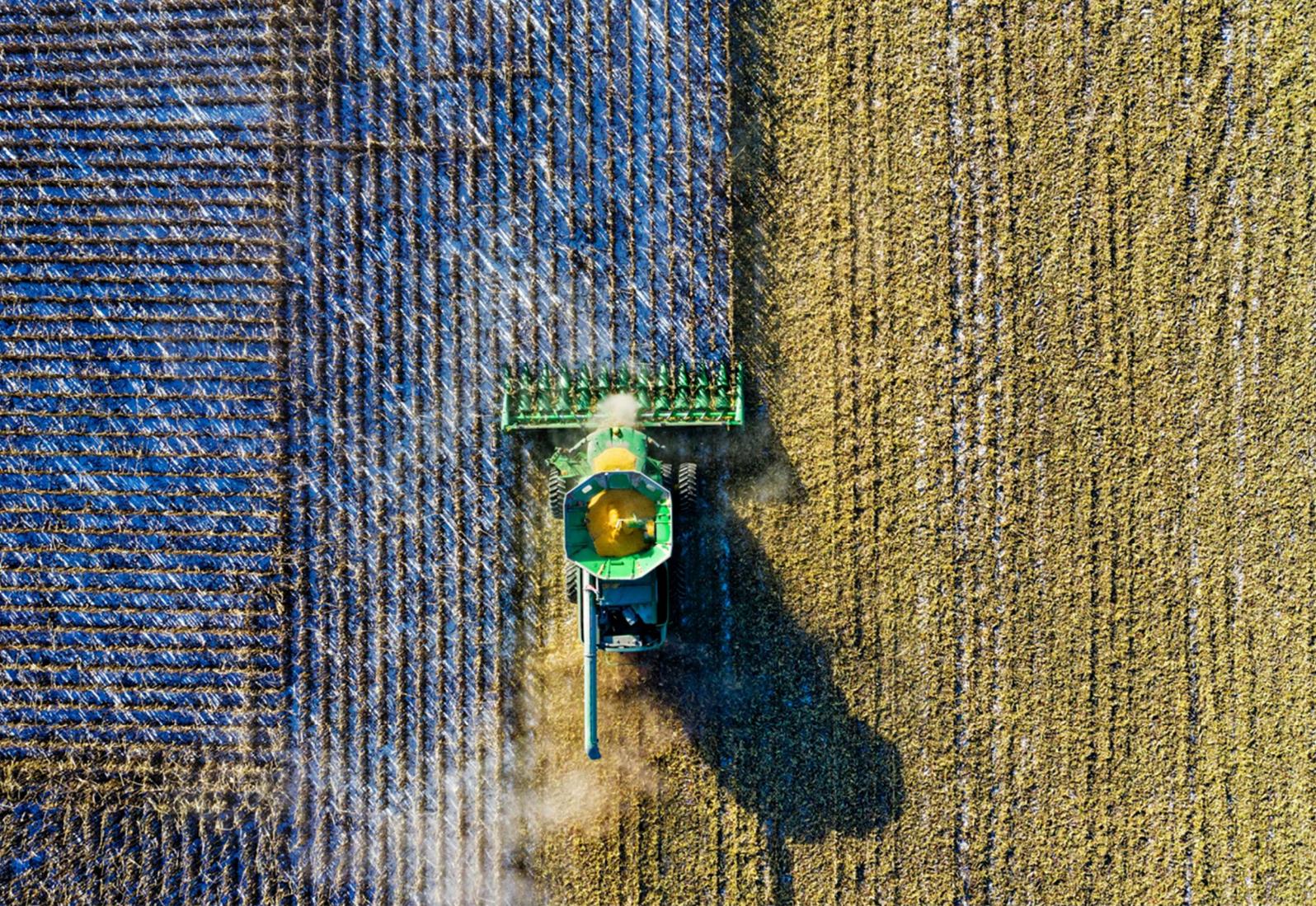
At this point, all five KPIs reached a high level (above 1.6/2 points each), and the total average score for all sectors is 8.7 points out of 10. Overall, the best-scoring sector in 2022 was Information and Communication Technology, reaching as high as 9.2 points out of 10, however, the other industries are not far behind, with Consumer Goods at 8.5 points and Financials at 8.3 points.



We determine that most companies in the engagement now exhibit satisfactory governance of the SDGs. However, the purpose of this engagement is also to produce positive outcomes in line with the 2030 Agenda, contributing to a more stable, long-term operating environment for business. This goal proves to be a challenge. Recent global crises are reversing the progress in reaching the SDGs. Measuring companies’ impact on the SDGs continues to be another major challenge, as there is still no common, standardized business framework of SDG indicators, despite intensified efforts in this area. Therefore, during the theme’s extension in 2023, we will focus firstly on how measuring the companies’ impact on the SDGs can be improved and, secondly, how their impact can be maximized, to contribute to achieving the 2030 Agenda.

## 2023 Q1 Update

In Q1 2023, Sustainalytics’ The Governance of SDGs theme continued to engage companies from the Consumer goods, Financials and ICT sectors. Ahead of the proxy season, we followed developments in the board’s composition and thus sustainability expertise, as well as sustainability oversight and reporting, with a focus on SDGs impacts. Sustainalytics published the 2022 annual summary report on all themes in January 2023. In order to align the internal reporting schedule with other Sustainalytics’ stewardship offerings, the release of the next biannual report is moved from 30 April to 17 July 2023. The subsequent issue of Swisscanto’s Quarterly Engagement Report will bring a full update of the latest progress made.



# Thematic Engagement Biodiversity and Natural Capital

# EXECUTIVE SUMMARY

## Engagement Update

The Biodiversity and Natural Capital programme launched on 4 May 2022. Following the selection of companies in August, we sent e-mails to company representatives requesting dialogues on biodiversity-related risks and opportunities. Most companies were quick to respond and agreed to engage on the topic.

The programme shares 42 of 52 companies with the two themes Feeding the Future and Climate Change Sustainable Forests and Finance. Sharing companies between themes resulted in a unique opportunity to leverage preexisting relationships and cover the interlinkages between biodiversity, climate change and sustainable agriculture.

In the period August-December 2022, we hosted 27 conference calls and three face-to-face meetings. We sent a total of 307 e-mails to companies and received 189 responses. Please see the attached 2022 statistics report for more details.

The objective of the first round of calls has been to establish a good relationship with companies and introduce the topic of biodiversity and natural capital as a foundation for future dialogues – this has largely been successful. Given most issuers are at the beginning of their journey on biodiversity, they have welcomed our initiative and appreciated the feedback we have provided. We are optimistic issuers will move positively towards our engagement objectives and progress on the outcome scorecard.

When developing the engagement programme, we leveraged ongoing initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Science-based Targets Network (SBTN). In our dialogues, issuers identified these initiatives as relevant to their organisation. At the end of this year, Sustainalytics submitted its application to become a part of SBTN's corporate engagement programme and was accepted shortly after. Collaborating with SBTN will be a unique opportunity to encourage companies to set science-based targets for nature as defined in the outcome scorecard. For more information, see this document's case study and engagement outlook.

This year, collaboration and knowledge exchange have been strategic priorities to identify synergies with other initiatives and significant trends. Over the year, we have had valuable conversations with various organisations, including for example: Ceres, UNEP-WCMC, WWF, IBAT, University of Copenhagen etc.

We ended the year by **attending COP15** in Montreal as a part of the Danish delegation in an advisory capacity to the Danish Ministry of Environment. Joining the Danish delegation was a unique opportunity to advise policymakers on the investor-related implications of a global deal for nature and provide us with unique insights on the negotiations and the final framework. For more information, see this document's article on COP15. In April, we also **attended the TRADE Hub meeting** organised by the UNEP-WCMC.

## Expected Engagement Outcomes

As we continue dialogues in 2023, we expect more issuers to recognise biodiversity and natural capital as material topics from a risk and opportunities perspective. This includes board-level oversight of the most significant impacts and dependencies. While many issuers in the programme have done some initial assessment of their impacts on biodiversity and natural capital, we expect these assessments to become more detailed and include some consideration of dependencies in 2023. The above developments should lay the foundation for an overarching strategy and roadmap on how the companies will address the identified impacts, dependencies, and opportunities.

This year, a limited number of companies will be able to submit science-based targets for validation by SBTN. While we encourage companies to have their targets validated, we expect the majority will not have this opportunity. However, it should not prevent them from setting meaningful targets that are quantifiable and time-bound as well as aligned with the best available science. Crucially, the SBTN will release the methodologies for target-setting related to land and biodiversity for public consultation, which we will share with relevant companies. In February, the TNFD will release its last beta version before the final release of the framework this September. We will continue to suggest issuers conduct pilots of the framework and provide feedback to the TNFD to prepare for the framework's full launch.

## Unresponsive Companies and Escalation

Five companies in the programme remain unresponsive to our dialogue request, of which four companies are shared with the theme Feeding the Future. Beyond Meat and Want Want China! will be archived without replacements bringing the total number of engaged dialogues to the programme's target of 50 cases. We will notify Central Retail, Olam and Starbucks their case has been escalated to our proxy voting team and give them a reasonable amount of time to engage.

## Key Programme Developments

In 2023, we will continue to refine the programme in collaboration with its participating investors. We expect the review cycle to begin by mid-year and conclude in September. The 2023 annual report will include an overview of the changes to be implemented in 2024. If companies within the programme require replacement, we may look to include other relevant sectors, such as mining. Participating investors can provide input on sectors and individual company selection.

We will continue our dialogues with relevant stakeholders. Two key objectives guide these dialogues. Firstly, we will continue to engage with organisations such as TNFD and SBTN to explore future best practices for managing biodiversity-related risks and opportunities. Secondly, we will look to collaborate with organisations hosting investor-focused engagement initiatives, such as Ceres and PRI.



# **Thematic Engagement Circularity**

## New Engagement Programme Update

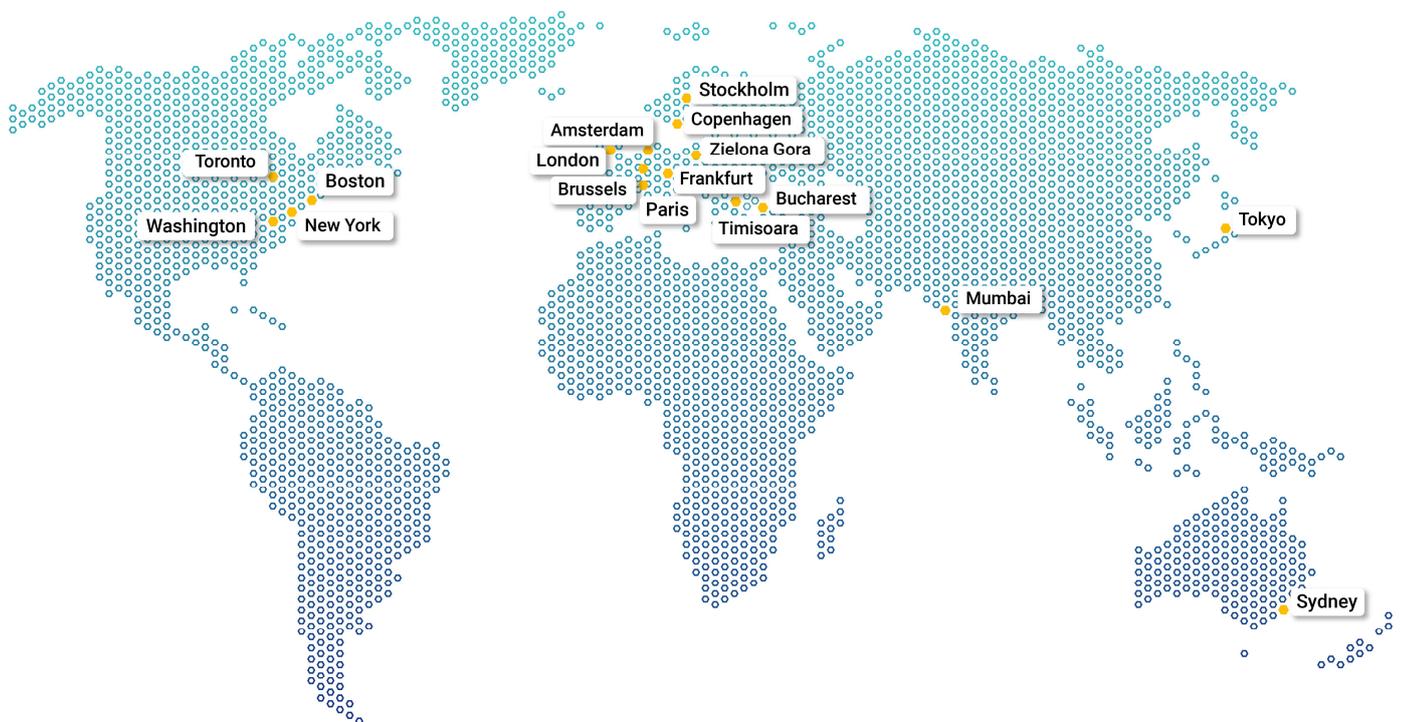
Waste materials from the production, use and post-use phases of product lifecycles are impacting climate, nature and public health. These impacts represent significant reputational, regulatory and litigation risks to companies and their investors. Moreover, the accelerated depletion of natural resources threatens companies' business continuity. The transition towards a circular economy has been an important sustainability topic on the political and business agenda for some time and it may also play an effective role in the response of investors to these risks. In essence, a circular economy maximizes the useful lifespan of products and their constituent parts. However, the focus now needs to evolve from generating promising concepts to delivering solutions at scale. Policy frameworks need to be strengthened, producers' responsibilities need to be extended, and circularity improvements need to be more effectively marketed. Throughout 2023 we will develop our strategy to expand engagement in this area, create a framework for engagement and identify a target list of companies that to approach for engagement on these issues.

# About Sustainalytics

## About Sustainalytics, a Morningstar Company

Morningstar Sustainalytics is a leading ESG research, ratings and stewardship firm that supports investors around the world with the development and implementation of responsible investment strategies. For 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 which incorporate ESG and corporate governance information and assessments into their investment processes. Morningstar Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Morningstar Sustainalytics has more than 1,800 staff members, including more than 800 analysts and over 40 Engagement Managers with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



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