

swisscanto

A brand of



Global & Thematic Engagement

Q3 Engagement Report 2024

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

Our Engagement Activities

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

Responsible and sustainability investing is a crucial element of our asset management strategy. We are convinced that integrating ESG factors may result in better-informed investment decisions allowing the generation of value for investors. Our investment stewardship activities complement our ESG-integrated investment focus and sustainability strategy.

Through our investment stewardship, we, or the fund management companies of the group of Zürcher Kantonalbank, seek to promote sustainable business practices advocating for the compliance within renowned international principles and widely accepted ESG best-practice standards. This may include promoting compliant practices, check-and-balance principles, adequate pay-for-performances, stewardship of environmental protection and climate change, supporting biodiversity, fair labor practices, non-discriminatory work and the protection of human rights and other best-practice ESG topics. The investment stewardship of the asset management of Zürcher Kantonalbank or the respective fund management companies 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 may benefit 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 the achievement of environmental and/or social goals (i.e. 17 UN SDGs). These collaborative engagements are mostly driven by the UN PRI platform, but opportunistic direct interactions with companies also take place. In addition, we support various ESG initiatives such as Climate Action 100+, TNFD, Climate Bond Initiative, etc.
- **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. We mandated Sustainalytics to leverage existing resources and to convey our key sustainability messages globally. Depending on relevance and materiality, we may 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 may 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 prioritize our engagements in general according to breaches against the UN Global Compact Principles and focus on promoting the UN SDGs. We believe that investors are well positioned to influence ESG best-practices among their investments, especially in material holdings.

About the following Engagement Report from Morningstar Sustainalytics

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

About Morningstar Sustainalytics

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

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

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

Asset Management of Zürcher Kantonalbank

Proven specialists manage high-quality investment and pension solutions for private investors, companies, and institutions. With its Swisscanto brand, Zürcher Kantonalbank Group is one of Switzerland's largest asset managers. It is also known for its role in sustainable investments.

Swisscanto Fondsleitung AG

Swiss fund management for Zürcher Kantonalbank and third parties

Swisscanto Fondsleitung AG, part of Zürcher Kantonalbank group, has been established in 1960 and serves as fund management company of the Swiss domiciled Swisscanto funds. Furthermore Swisscanto Fondsleitung AG also supports an increasing number of third-party customers with tailor-made services and flexible solutions.

Swisscanto Asset Management International S.A.

Swisscanto Asset Management International S.A., part of the Zürcher Kantonalbank Group, is a Luxembourg-based investment fund management company offering a range of fund solutions across various asset classes and risk profiles. In addition to serving as the in-house management company for Swisscanto funds under Luxembourg law, it operates as a third-party management company for private label funds, providing tailored solutions to meet specific client needs.

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www.swisscanto.com

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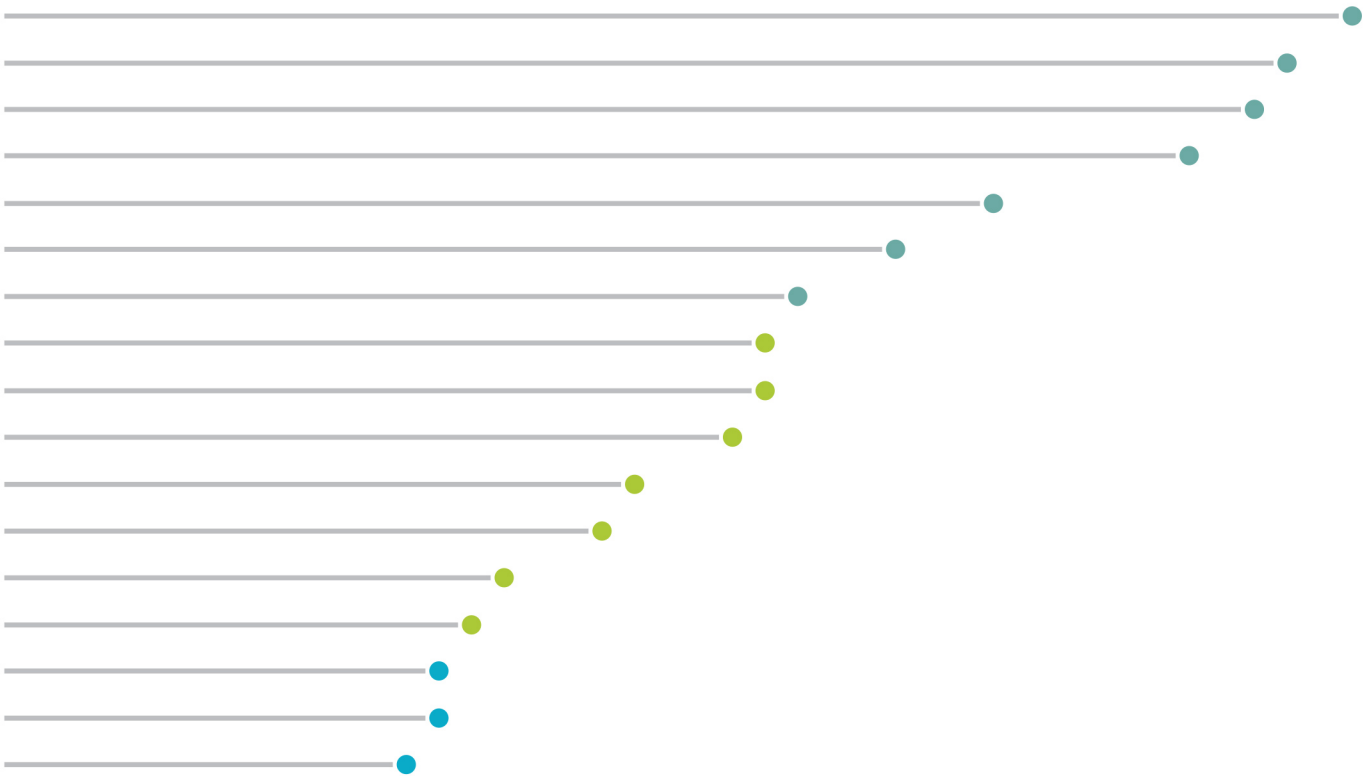
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Engagement 360

2024 Q3 Report



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

Table of Contents

| | |
|---------------------------------------------------------------|----|
| Stewardship Approach | 1 |
| Executive Summary | 2 |
| Stewardship Overview. | 3 |
| Engagement Status | 4 |
| Industry Distribution | 5 |
| Engagements by Headquarter Location. | 6 |
| Engagement Topics | 7 |
| Sustainable Development Goals – Mapping Engagements | 8 |
| Case Study: Deutsche Post AG. | 9 |
| Case Study: Honda Motor Co., Ltd.. | 10 |
| Engagement Results | 11 |
| Engagement Progress | 12 |
| Engagement Response | 12 |
| Engagement Performance | 13 |
| Engagement Milestones. | 13 |
| Engagements Resolved. | 14 |
| Resolved - Danske Bank A/S | 15 |
| Resolved - LONGi Green Energy Technology Co., Ltd.. | 16 |
| Resolved - Sanofi | 17 |
| Resolved - Uber Technologies, Inc.. | 18 |
| Resolved - Teva Pharmaceutical Industries Ltd. | 19 |
| Resolved - Westpac Banking Corp.. | 20 |
| Engagement Status Updates. | 21 |
| New Engage. | 21 |
| Incidents Engagement Updates. | 26 |
| Sustainability Insights. | 27 |
| Engagement Techniques: Appreciative Enquiry | 27 |

Table of Contents (cont.)

| | |
|------------------------------------------------------------------------------------------------------|-----|
| Rising Climate Litigation: Financial Implications of Increasing Legal Action. | .29 |
| The Role of the Board of Directors: Overseeing Human Capital Management and AI Integration | .32 |
| A Public Policy Perspective on Corporate Efforts to Build a Circular Economy | .33 |
| Endnotes | .34 |
| About Morningstar Sustainalytics and Contacts | .37 |
| Themes Engage List. | .38 |

This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed on behalf of Swisscanto / Zürcher Kantonalbank between July and September 2024. If there is no specific reference to date in graphs and tables, the data is presented as per end of the reporting period. The report has been produced in November 2024. Version 1 disseminated on 19 November 2024. Use of and access to this information is subject to Morningstar Sustainalytics' legal terms and conditions.

Stewardship Approach

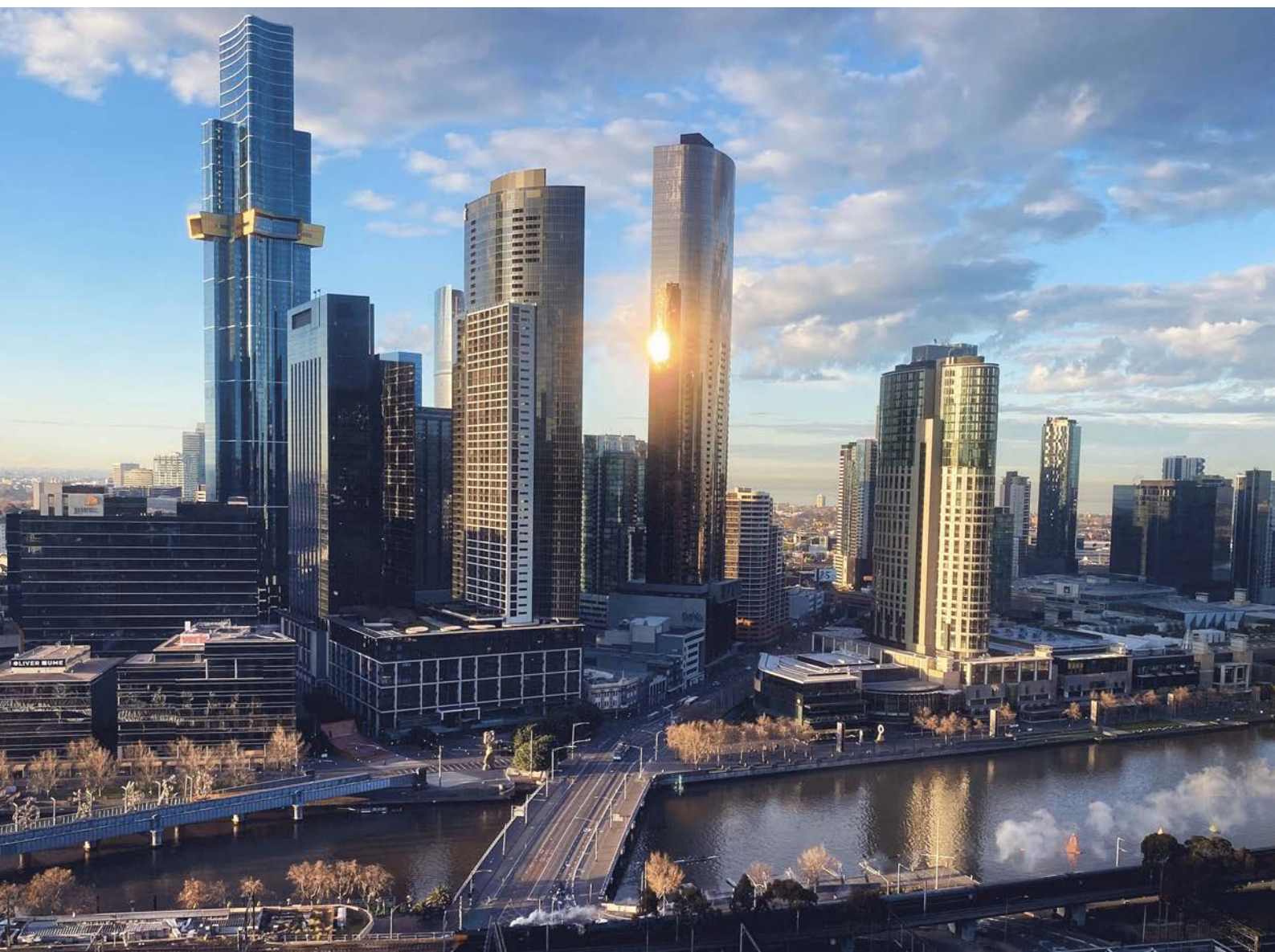
Engagement 360 is a holistic stewardship offering that promotes and protects the world's leading asset owners' and managers' long-term shareholder values through consistent engagement outcomes. Engagement 360 addresses ESG risks and strives to create positive social and environmental outcomes.

ESG STRATEGY AND RISK promotes and protects long-term value by flagging high- and severe- risk companies to proactively engage unmanaged and financially material ESG issues. The focus is on companies with unmanaged ESG risk greater than 30 as identified by Morningstar Sustainalytics' ESG Risk Ratings.

INCIDENT engagements address companies that severely or systematically violate international standards, such as the UN Global Compact and OECD Guidelines for Multinationals to ensure that investors are managing associated reputation risk. This engagement aims to not only to verify how a company addresses the incident but also to effectuate change in the company's policies and/or processes to ensure proper policies and programmes are in place to avoid future reoccurrences and improve its ESG disclosure. Companies flagged as Watchlist or Non-Compliant as identified by Morningstar Sustainalytics' Global Standards Screening research are targeted for this engagement.

THEMES are SDG-aligned proactive engagements that enable investors to align their interests in addressing specific systemic issues across the ESG spectrum. Thematic engagement's philosophy centers around systematic change, collaboration, root causes and best practice sharing at its core. The purpose of this engagement is to influence companies to proactively manage specific ESG risks and capitalize on opportunities.

Morningstar Sustainalytics' ESG Voting Policy Overlay provides vote recommendations that align to widely accepted ESG principles, sustainability objectives, ongoing corporate engagements and ESG issues most important to investors.



Executive Summary

We are delighted to report on the activities and results of Morningstar Sustainalytics' Engagement 360 in Q3 2024, providing an overview of activities and insights into the results of the stewardship work throughout the quarter.

Highlights of the Quarter

In both Incidents and, Strategy and Risk focused engagements, we resolved some key cases. This includes three engagements resolved due to an improvement in ESG Risk score, and six Incidents engagements successfully resolved, including **Uber Technologies, Inc.** and **Sanofi**.

The ESG Voting Policy Overlay delivered 94 voting recommendations plus 15 engagement company meeting commentaries. The recommendations and commentaries covered 83 meetings across 12 markets. This coverage represents an 8% increase in the number of meetings compared with the same period in 2023, when we delivered 88 recommendations for 77 shareholder meetings across 5 markets.

Themes continued to scale the three newest programmes but have noted delayed responses and pushback from issuers. We have distilled these responses into two main categories: increasing volume of engagement requests; and a push for transparency of participating investors in the engagement. Despite headwinds, with investor support progress continued. In the quarter, the Stewardship team:

- i. Conducted 133 meetings, including 4 meetings in-person;
- ii. Exchanged 1,829 emails and phone calls;
- iii. Achieved 76 Positive Developments and 77 Milestones; and
- iv. Resolved 9 engagements successfully.

Looking Ahead

In the final quarter, we will be attending the nature summit COP16 in Columbia and execute two field trips to Brazil and Europe. Our engagement trip to Brazil aims to advance understanding of the Brazilian deforestation and biodiversity context among investors, companies and other stakeholders. Our second trip aims to get firsthand insight into the unique challenges and opportunities faced by key players in driving the European and global energy transition.

Stewardship Overview



785

active engagements during Q3 2024

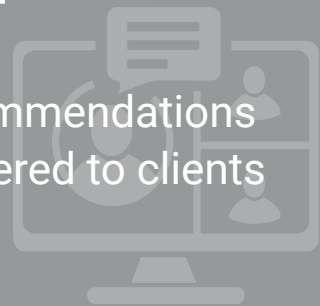
65

new engagements



94

vote recommendations delivered to clients



Utilities

is the most engaged industry



Highest number of engagements in a single market is the US

Disclosure and Net Zero/Decarbonization are the most engaged topics

SDG 13 Climate Action (51%) linked to engagement objective



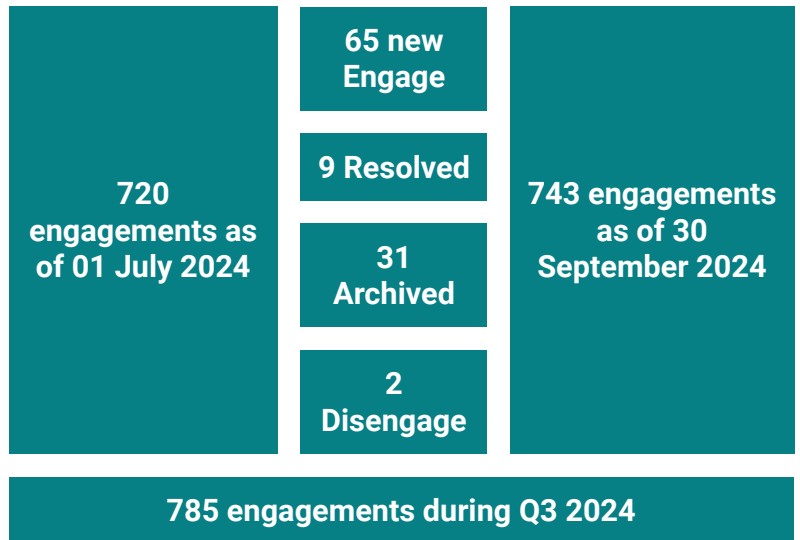
Engagement Status

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

Resolved The company has achieved the engagement objective.

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

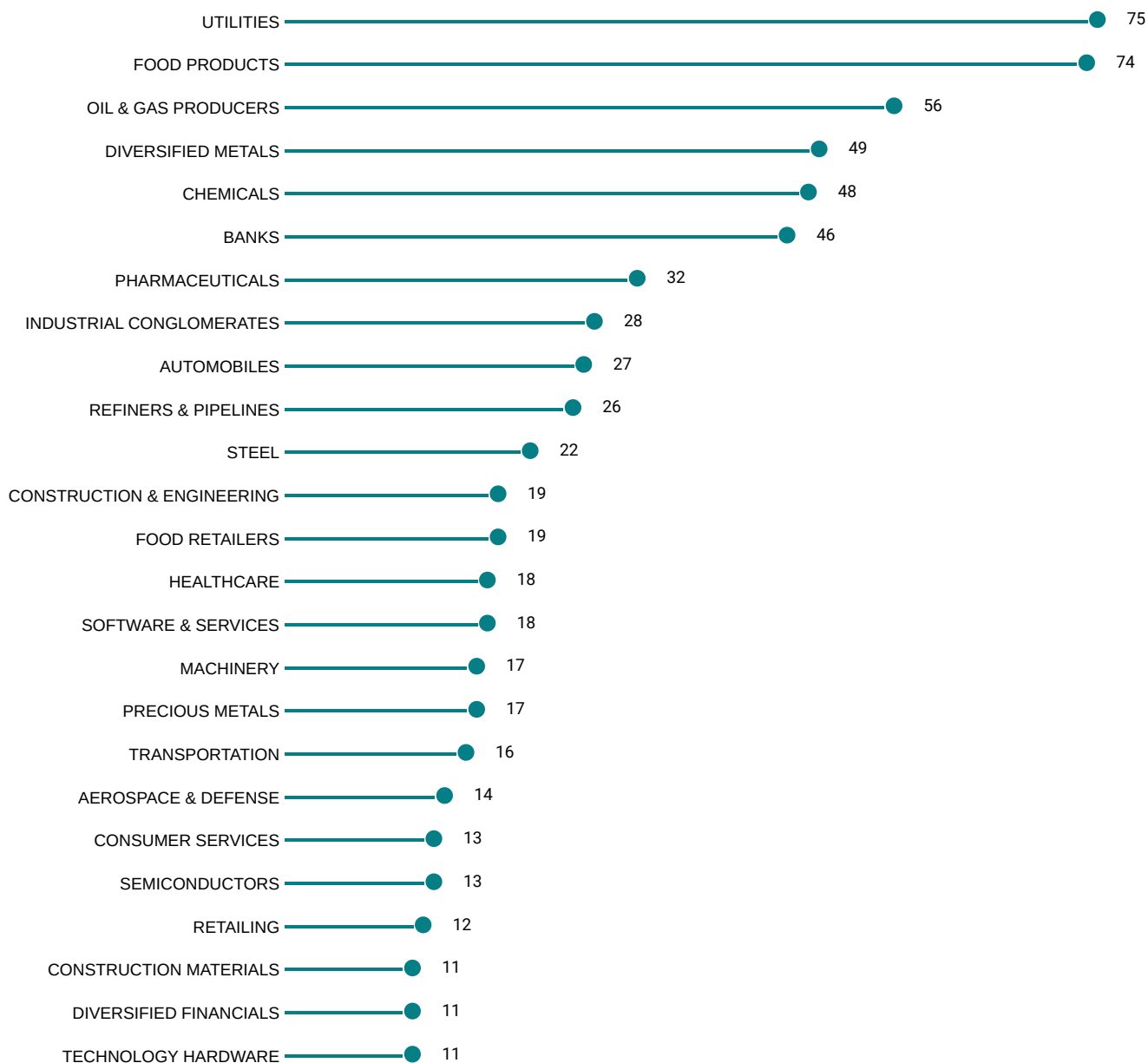
Disengage Engagement is deemed unlikely to succeed.



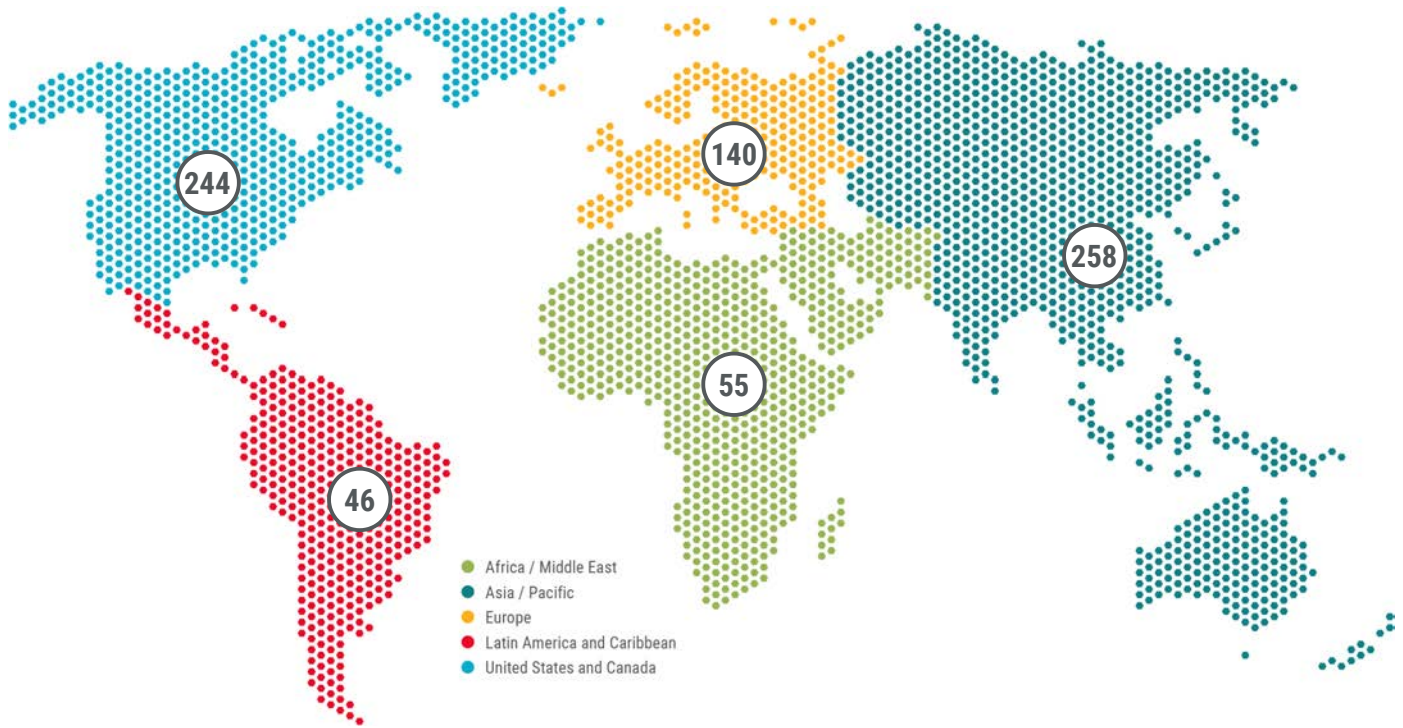
On a regular basis, universes are rebalanced and issuers might therefore be removed from our data set. Corporate changes can also affect case status. In such circumstances, opening and closing engagement counts will not match. Impacted companies may or may not overlap with investor holdings.

Industry Distribution

(Industries with a minimum of 10 engagements)



Engagements by Headquarter Location

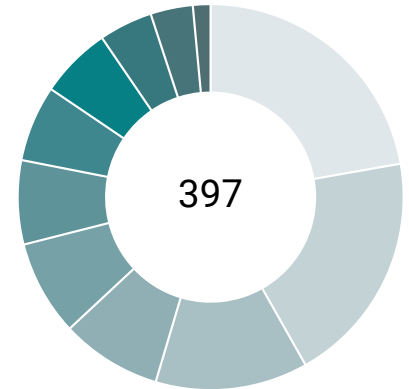


Engagement Topics

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

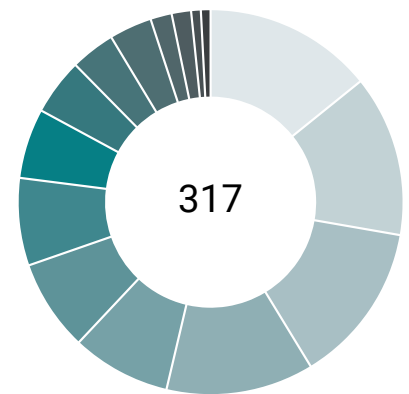
Environmental

- NET ZERO DECARBONIZATION (234)
- WATER SECURITY (134)
- DEFORESTATION (83)
- LAND POLLUTION AND SPILLS (66)
- NATURAL RESOURCE USE (46)
- AIR POLLUTANT EMISSIONS (14)
- CLIMATE CHANGE (206)
- WATER QUALITY (88)
- BIODIVERSITY (73)
- WASTE MANAGEMENT (62)
- CIRCULAR ECONOMY (36)



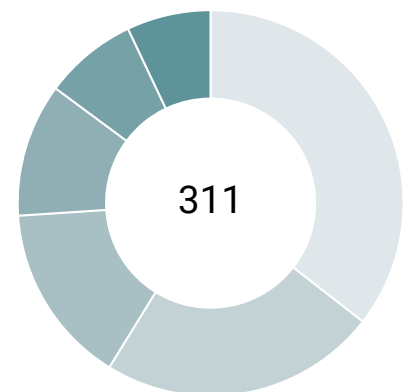
Social

- COMMUNITY RELATIONS (86)
- PRODUCT QUALITY AND SAFETY (82)
- OCCUPATIONAL HEALTH AND SAFETY (50)
- DIVERSITY, EQUITY AND INCLUSION (DEI) (44)
- JUST TRANSITION (28)
- DATA PRIVACY AND SECURITY (21)
- MARKETING PRACTICES (9)
- WEAPONS (4)
- HUMAN RIGHTS (82)
- HUMAN CAPITAL (75)
- LABOUR RIGHTS (46)
- INDIGENOUS PEOPLE (35)
- CHILD LABOUR (22)
- FORCED LABOUR (10)
- HIGH-RISK TERRITORIES (4)



Governance

- DISCLOSURE (231)
- BOARD COMPOSITION (98)
- ACCOUNTING AND TAXATION (50)
- ESG GOVERNANCE (151)
- BUSINESS ETHICS, BRIBERY AND CORRUPTION (72)
- SHAREHOLDERS RIGHTS (45)



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

Sustainable Development Goals – Mapping Engagements

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

| | | | |
|-----------------------------------------------------|-----|-----------------------------------------------------|-----|
| 1 No Poverty | 4% | 10 Reduced Inequality | 9% |
| 2 Zero Hunger | 2% | 11 Sustainable Cities and Communities | 10% |
| 3 Good Health and Well-Being | 27% | 12 Responsible Consumption and Production | 55% |
| 4 Quality Education | 4% | 13 Climate Action | 51% |
| 5 Gender Equality | 6% | 14 Life Below Water | 8% |
| 6 Clean Water and Sanitation | 10% | 15 Life on Land | 14% |
| 7 Affordable and Clean Energy | 22% | 16 Peace and Justice, Strong Institutions | 38% |
| 8 Decent Work and Economic Growth | 25% | 17 Partnerships to Achieve the Goal | 4% |
| 9 Industry, Innovation and Infrastructure | 28% | | |

Case Study: Deutsche Post AG

Human Capital Management Stewardship Programme – Engagement Since: 11 January 2024



Industry: **Transportation**

Base Location: **Germany**

Deutsche Post AG and its subsidiaries, collectively known as DHL Group, is a leading express shipping and contract logistics provider. As a major employer (594,000 employees) in the sector, it plays a critical role in the industry's future.

Engagement Update

Morningstar Sustainalytics held an introductory call with DHL Group in May 2024. DHL stressed the need for institutional investor feedback on its human capital management programmes highlighting the critical role of people in its business. The next step involves a call in Q4 to delve deeper into human capital management issues most relevant to the company, including its diversity, equity, inclusion and belonging (DEIB) strategy, and establish clear objectives for the next 12 to 18 months.

Focus Area

Engaging with Deutsche Post AG on human capital management is crucial to ensure the company's 2025 digital transformation strategy is fully aligned with its human capital commitments. This focus is integral to fostering resilience, driving innovation, and enhancing financial performance. Assessing workforce and organizational trends will keep Deutsche Post AG industry-leading.

Engagement Outcomes

The company has established an adequate governance structure to oversee its sustainability strategy as well as identified three employee-related focus areas material to its competitive success: employee engagement; employee health and safety; and gender diversity. On the latter, the company remains on track to reach its target of at least 30% women in upper management by 2025. Workforce-related reporting for fiscal year 2024 will include a double materiality analysis in compliance with ESRS S1 requirements. Remuneration of the Board of Management is tied to an employee engagement target weighing 10% of executive director's annual bonus.

Insights & Outlook

Deutsche Group AG appears committed to integrating innovation and human capital management into its strategy and business planning. In terms of DEI, the company established a Diversity, Equity, Inclusion and Belonging (DEIB) Board, comprised of upper management executives, in 2022. The company's DEI strategy currently focuses on increasing gender representation in top management. While the company is still in the early stages of adapting its strategy, strengthening DEI efforts, and improving its disclosure of progress and outcomes, we are confident that DHL is well-positioned to embrace the workplace and workforce transformation and respond to emerging trends.

Case Study: Honda Motor Co., Ltd.

Scaling Circular Economies Stewardship Programme – Engagement Since: 15 February 2024



Industry: Automobiles

Base Location: Japan

Honda serves about 30 million customers annually. It produces cars, motorcycles, power products (such as generators, pumps and boat engines), aircraft and aircraft engines, and hydrogen fuel cell applications. In fiscal 2024, Honda sold 2.3 million vehicles and achieved consolidated sales of USD 143 billion. Its largest markets are China, the US and Japan.

Engagement Update

The first call was held on 29 August 2024. The conversation helped to develop our understanding of the company's perspectives, priorities and progress. On the call, Honda presented its roadmap towards 100% usage of sustainable materials by 2050, counting on both known and yet unknown technologies to become feasible at scale. The company also highlighted its various initiatives, covering business innovation, circular design, circular value chain, advanced recycling, and data traceability. One investor joined the conversation to encourage more disclosure on the nature of the company's largest environmental impacts and the actions the company takes in response to them.

Focus Area

Honda's Triple ZERO initiative is relevant to the promotion of a circular economy, covering life-cycle emissions, materials and energy. While still in an early stage, the engagement has covered multiple topics, including car electrification, resource utilization and recycling of end-of-life components. The company acknowledges that there is still a long way to go, considering that 90% of the material flow is still virgin and 30% ends up as landfill waste or incinerated. The next engagement call will look at more specific actions on circular economy practices.

Engagement Outcomes

The initial engagement call set the stage for continued dialogue. We see key potential outcomes of this dialogue as including an assessment by the company of the anticipated environmental benefit, potential for upscaling and challenges of the company's most important circular economy related initiatives. Another potential outcome is enhanced reporting of recycled content performance. As a non-EU company, Honda is not required to comply with the CSRD until 2028. However, as a matter of best practice, we would expect Honda to deliver coherent and insightful disclosure, including on recycled content, without waiting for market-specific regulatory compliance deadlines.

Insights & Outlook

In Japan, Honda is pioneering reuse of EV batteries in stationary applications and refurbishing old cars with new parts. For plastics (a car easily contains 25 different kinds of plastics), Honda is looking into circular design improvements, such as smarter material selection, easier disassembly and separation, and procurement of recycled and biomass materials. However, some of the company's circular economy-related initiatives are only at a pilot stage and reported on in Japanese only. Looking ahead, we will encourage greater transparency on the company's progress on its 2050 sustainable materials roadmap.

Engagement Results



133

meetings, including 4 in-person meetings



1,829

emails and phone calls exchanged



9

engagements Resolved



77

Milestones achieved in Q3 2024

76

Positive Developments achieved



39%

of engagements show Good or Excellent Response

25%

of engagements show Good or Excellent Progress

Engagement Progress

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

| | | | |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Excellent | The company has adopted a proactive approach and addressed the issues related to the change objective. | 3% (18) | Excellent |
| Good | The company has taken sufficient measures to address the issues related to the change objective. | 22% (151) | Good |
| Standard | The company has undertaken a number of measures to address the issues related to the change objective. | 59% (407) | Standard |
| Poor | The company has indicated willingness to addressing the issues related to the change objective, but no measures have been taken yet. | 11% (73) | Poor |
| None | The company has not made any progress against the engagement objective. | 5% (36) | None |

Engagement Response

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

| | | | |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Excellent | The company is proactive in communicating around the issues related to the change objective. | 7% (46) | Excellent |
| Good | The company addresses all the issues related to the change objective. | 32% (219) | Good |
| Standard | The company provides responses to some of the issues related to the change objective. | 34% (233) | Standard |
| Poor | The company has initially responded but not properly addressed the issues related to the change objective and is unwilling to engage further with us. | 18% (122) | Poor |
| None | The company has not responded to the inquiries. | 9% (65) | None |

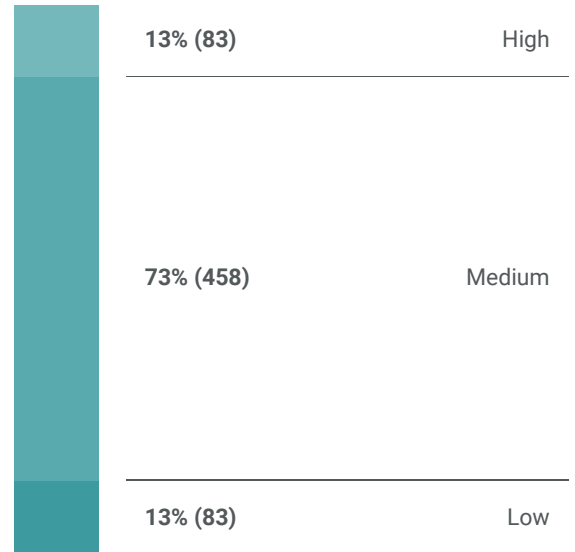
Engagement Performance

Performance describes the combined company Progress and Response.

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

- Medium** Standard level of Progress and Response.

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



Engagement Milestones

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

77
Milestones achieved in
Q3 2024

Milestone Framework Structure

- Milestone 5** Change objective is considered fulfilled.

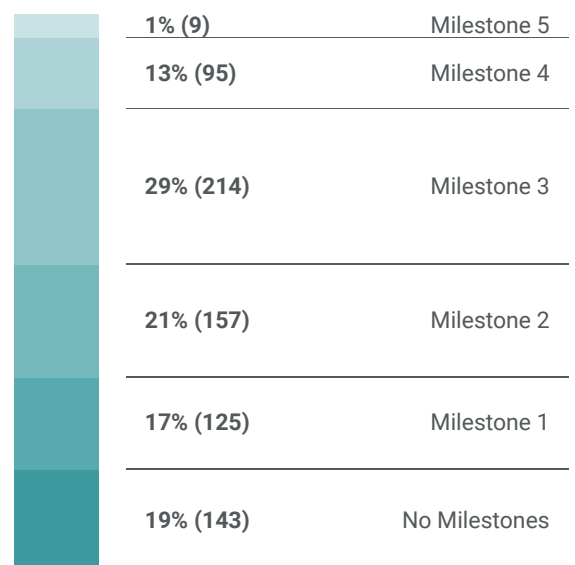
- Milestone 4** Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing.

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

- Milestone 2** Issuer establishes a strategy to address the issue.

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

Engagements by Highest Milestone Achieved



Engagements Resolved

| COMPANY | COUNTRY | INDUSTRY | ISSUE |
|-----------------------------------------|--------------------------|---------------------|-------------------------------------------------|
| Danske Bank A/S | Denmark | Banks | Money Laundering |
| LONGi Green Energy Technology Co., Ltd. | China | Semiconductors | Focus on Corporate Governance and Human Capital |
| Sanofi | France | Pharmaceuticals | Quality and Safety - Human Rights |
| Teva Pharmaceutical Industries Ltd. | Israel | Pharmaceuticals | Price-Fixing Violations |
| Uber Technologies, Inc. | United States of America | Software & Services | Data Privacy and Security |
| Westpac Banking Corp. | Australia | Banks | Money Launderin |

Resolved - Danske Bank A/S

Engagement Since: 17 October 2018



INDUSTRY:

Banks

BASE LOCATION:

Denmark

ISSUE:

Money Laundering

Danske Bank's governance and control mechanisms failed to prevent probable money laundering through its Estonian branch between 2007 and 2015.

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. The company 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.

Engagement Outcomes

- Danske Bank disclosed and fully executed its multi-year Financial Crime Plan at the end of 2023.
- The company's improvements spanned compliance, risk management, sanctions and Know-Your Customer (KYC) concerns, a variety of anti-money laundering measures (AML), and systems and technology advances.
- In 2022, the company settled all issues with the Swedish, US and Danish regulators.

Conclusion: Considering the steps Danske Bank has taken to address money laundering concerns via execution of its Financial Crime Plan and the ensuing changes in corporate governance, company operations, AML risk management and compliance, Morningstar Sustainalytics decided to resolve this engagement.

Resolved - LONGi Green Energy Technology Co., Ltd.

ESG Risk Ratings Score

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

24.8



INDUSTRY:
Semiconductors

BASE LOCATION:
China

ENGAGEMENT FOCUS:
Human Capital
Business Ethics
Corporate Governance

RATIONALE FOR RESOLVED STATUS:

LONGi Green Energy Technology Co., Ltd. has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- LONGi’s 2023 Sustainability Report is prepared in accordance with well-recognized international reporting standards (e.g. Global Reporting Initiative) and covers comprehensively all material ESG issues, as well as initiatives in all areas to mitigate the material ESG issues.
- The company has expanded the board-level Strategy Committee to become the Strategy and Sustainable Development Committee, which oversees the full scale of ESG issues within the company.
- It has obtained the ISO 37001 certification for Anti-Bribery Management Systems and the ISO 37301 certification for Compliance Management Systems.
- In June 2023, LONGi introduced its first Human Rights Policy. It has established a screening system for suppliers with environmental as well as social criteria.
- In 2023, LONGi was recognized by the Science Based Target initiative (SBTi) for its emission reduction targets, which align with the 1.5°C target in the Paris Agreement.

In the latest update of the ESG Risk Rating, LONGi has achieved a significant improvement that brings the score to below 28 and comfortably within the medium risk category.

Resolved - Sanofi

Engagement Since: 29 May 2020



INDUSTRY:

Pharmaceuticals

BASE LOCATION:

France

ISSUE:

Quality and Safety - Human Rights

Sanofi has faced a series of controversies concerning the negative impact on patients of its anti-epilepsy drug, Depakine, in Europe, and its anti-dengue vaccine, Dengvaxia, in the Philippines.

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 of the risks and side-effects of its products.

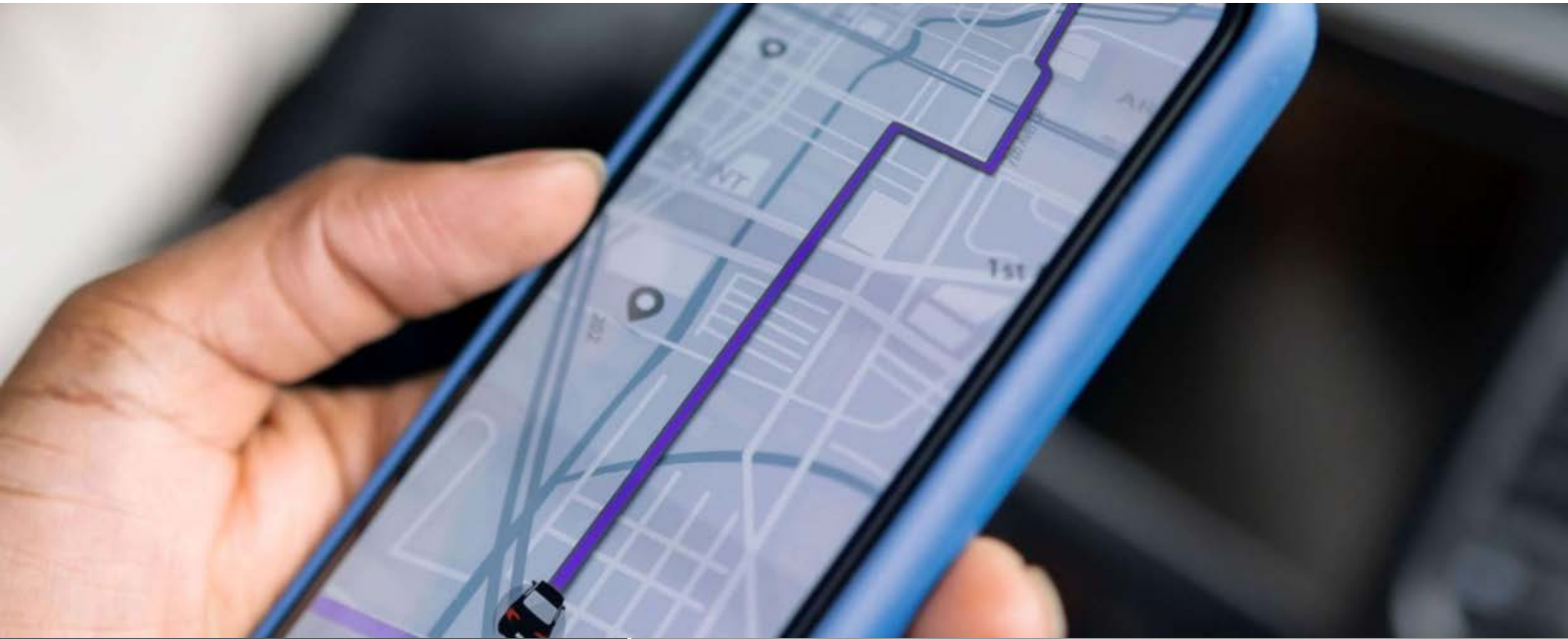
Engagement Outcomes

- Sanofi has an appropriately certified Quality Management System, along with many quality and safety-related policies, a thorough drug development process and good oversight of product quality and safety.
- The company has a risk management plan for all its products, and appropriate monitoring, labelling, communication, pharmacovigilance, and training.
- Both products, Depakine and Dengvaxia, have up-to-date labels and disclosures and approved by the US and EU regulators.

Conclusion: Based on the company's response to product quality and safety issues, and improvements the company made to address the matters, Morningstar Sustainalytics decided to resolve this engagement.

Resolved - Uber Technologies, Inc.

Engagement Since: 30 May 2019



INDUSTRY:

Software & Services

BASE LOCATION:

United States

ISSUE:

Data Privacy and Security

Uber has experienced several cybersecurity breaches and failed to safeguard the privacy of its customers and drivers.

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.

Engagement Outcomes

- Uber has introduced key governance improvements to ensure oversight of data privacy and security; notably a chief privacy officer and formal inclusion in its audit committee charter of responsibility for privacy matters.
- The company has adopted Privacy by Design and use of privacy impact assessments, ISO 27001 certification, and improved disclosure on these aspects.
- Uber has also made a culture change, a clear component of its privacy management, including training and its Privacy Champions programme.

Conclusion: Based on the company's response to the data privacy and security concerns, where it has improved on its data privacy and security management approach, and the reporting on this matter, as well as aligning policies with best practices and enhancing the board and executive team oversight, Morningstar Sustainalytics decided to resolve this engagement.

Resolved - Teva Pharmaceutical Industries Ltd.

Engagement Since: 30 August 2019



INDUSTRY:

Pharmaceuticals

BASE LOCATION:

Israel

ISSUE:

Price-Fixing Violations

Teva and its subsidiaries has faced allegations of anti-competitive practices, including price-fixing of generic drugs in the US and breach of EU antitrust rules.

CHANGE OBJECTIVE

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

Engagement Outcomes

- Teva has built and trained a dedicated team, the Office of Business Integrity, which reviews business decisions to ensure that ethics are included in the decision-making process.
- The company uses a third-party ratings provider to assess the effectiveness of the strengthened culture to support the delivery of ethics framework.
- It also stated that its future strategy is to discontinue the production of generic products thereby reducing the significance of understanding its pricing strategy.

Conclusion: Since the company has taken appropriate measures to ensure effective delivery of ethical behaviours, alongside the strategic decision to deliver only bespoke medicines which have a different pricing model to generics, Morningstar Sustainalytics has decided to resolve the case.

Resolved - Westpac Banking Corp.

Engagement Since: 28 February 2020



INDUSTRY:

Banks

BASE LOCATION:

Australia

ISSUE:

Money Laundering

Westpac was accused of anti-money laundering law violations on 23 million occasions, involving over AUD 11 billion (USD 7.5 billion) in transactions between 2013 and 2019.

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, and sufficient and effective board oversight.

Engagement Outcomes

- Westpac completely executed its remediation plan and made ensuing changes in governance, operational AML, risk management and culture of compliance with regards to business-ethics related matters.
- In 2024, Westpac disclosed the final report of its Remediation Programme, where the independent reviewers confirmed that Westpac had improved its culture, governance and AML risk accountability.
- The company's risk governance was improved by the establishment of a Board Compliance Committee and the creation of a Group Executive role for financial crime and compliance.

Conclusion: As Westpac has fully executed its remediation plan and made improvements in the governance, operational AML, risk management and culture compliance, Morningstar Sustainalytics decided to resolve this engagement.

Engagement Status Updates

The following is an overview of all engagement status updates from 1 July to 30 September 2024.

New Engage

| COMPANY | COUNTRY | ISSUE | RELATED COMPANY | QUARTER |
|----------------------------------------|---------------|--------------------------------------------------------------------------|----------------------------------------------|---------|
| LVMH Moët Hennessy Louis Vuitton SE | France | Labour Rights - Supply Chain | Christian Dior SE | Q3 |
| Norfolk Southern Corp. | United States | Incident(s) Resulting in Negative Environmental and Human Rights Impacts | Southern Railway Co. Mobile & Ohio RR Co. | Q3 |
| Tesla, Inc. | United States | Freedom of Association | None | Q3 |
| The Toronto-Dominion Bank | Canada | Money Laundering | Cowen, Inc, | Q3 |

New Engage – Details

LVMH MOËT HENNESSY LOUIS VUITTON SE

Norm Area:

Human Rights

Incident Location:

Italy

Issue:

Labour Rights - Supply Chain

Change Objective:

LVMH should put in place a human rights due-diligence programme that includes robust supplier monitoring system and addresses the root causes of labour rights violations in its supply chain.

In addition, the company should adopt an effective grievance mechanism accessible to supply chain workers. Any new allegations should be adequately investigated and remediated.

Incident Summary:

In June 2024, a Milan court placed Manufactures Dior Srl – a unit of Christian Dior Italia Srl (Dior), which is fully owned by LVMH Moët Hennessy Louis Vuitton SE (LVMH) – under judicial administration for a year following allegations of labour exploitation and poor working conditions at the operations of its Italian suppliers. The ruling follows an official investigation focused on four suppliers located in Milan, two of which were directly contracted by Manufactures Dior Srl for the partial assembly of leather goods. The investigation exposed labour abuses affecting at least 32 workers, including some employed with no regular contracts and staff made to sleep in the workplace in order to have “manpower available 24 hours a day”. Although Dior was not held criminally responsible, the court specified that the company did not take adequate steps to monitor the labour conditions of its suppliers. Separately, in July 2024, the Italian Competition Authority (AGCM) launched an investigation against a few Dior entities alleging that the brand misled consumers amid allegations of harsh working conditions at the operations of the company’s Italian suppliers. According to news media in July 2024, Dior announced that it will no longer place new orders for the foreseeable future. In July 2024, LVMH Chief Financial Officer Jean-Jacques Guiony said that the company has accepted full responsibility for the issues and announced that it will strengthen supply chain audits and controls.

NORFOLK SOUTHERN CORP.**Norm Area:**

Environment

Incident Location:

United States

Issue:

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

Change Objective:

Norfolk Southern Corporation must comply with the recommendations of the Atkins Nuclear Secured report.

The company must remediate contaminated land and water caused by its activities and compensate for any identified health and livelihood impacts. The company should demonstrate that its policies and procedures for the management and transportation of hazardous chemicals are at a minimum compliant with national legislative requirements and work towards compliance with international best practice.

Incident Summary:

In February 2023, a Norfolk Southern (NS) freight train derailed in East Palestine, Ohio, United States. About 50 of the 150 train cars derailed and 20 of those affected cars contained hazardous materials, including vinyl chloride, which is classified as carcinogenic to humans. Due to concerns over a potential explosion, government officials ordered a mandatory evacuation of homes and businesses within a mile of the derailment site. This decision came after the railcars caught fire and burned for more than two days, affecting 1,500 residents. Subsequently, emergency crews conducted a "controlled burn", a planned low-intensity fire to prevent a potentially deadly explosion. However, the fire posed new health and environmental concerns. Following the derailment, an environmental scientist from the University of Kentucky launched an online health tracking survey to assess the potential lingering health effects of the toxic chemicals that were released and formed from the derailment and the subsequent controlled burn of chemicals. The survey showed that three-quarters of local residents suffered health impacts after the derailment, and over half of the residents reported that these impacts persisted through the fall of 2023. In May 2024, the federal Environmental Protection Agency (EPA) and the Department of Justice (DOJ) announced a USD 310 million settlement with NS over the damage caused by the derailment. In June 2024, the National Transportation Safety Board (NTSB) confirmed that the cause of the derailment was the failure of a track sensor. It also found that NS's recommendation to have firefighters conduct a controlled burn was unnecessary, due to the toxic smoke and potential health hazards it caused. In the same month, a study published by Environmental Research Letters (ERL), a scientific journal, alleged that the impact of the train derailment has spread far beyond the initial wreckage site, as it could send hazardous pollution across parts of 16 US states.

TESLA, INC.

Norm Area:

Labour Rights

Incident Location:

United States

Issue:

Freedom of Association

Change Objective:

Tesla 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.

Tesla should ensure it respects its commitments to international standards are implemented throughout its operations.

Tesla should be transparent and provide disclosure on labour relations.

Incident Summary:

Tesla has allegedly interfered with workers’ rights to freedom of association and collective bargaining at several of the company’s manufacturing facilities. In the US, the National Labour Relations Board (NLRB) has repeatedly cited Tesla for illegal or improper antiunionizing activities, such as interrogating employees and disciplining or otherwise discriminating against employees because they support unionizing. For instance, in April 2023, the NLRB found Tesla supervisors in violation of US labour law for instructing employees not to discuss pay and other working conditions or report complaints to higher level managers. Additionally, in October 2023, the Swedish labour union IF Metall initiated a strike against Tesla’s Swedish subsidiary over the company’s refusal to sign a collective bargaining agreement with the mechanics working at the subsidiary. The strike is ongoing and has generated a number of sympathy strikes elsewhere in Sweden and in other Nordic countries. The company’s CEO, Elon Musk, has publicly stated on several occasions that he does not agree with the idea of unions and has made threats to withdraw benefits from employees who vote to unionize.

THE TORONTO-DOMINION BANK

Norm Area:

Business Ethics

Incident Location:

Canada

Issue:

Money Laundering

Change Objective:

Toronto-Dominion Bank should ensure that anti-money laundering and business ethics-related policies and programmes are robust and universally applied.

The company should ensure that governance and oversight is effective for these matters through the board and corporate structure.

The bank should disclose relevant details of its AML programme and the changes made to it.

Incident Summary:

The Toronto-Dominion Bank (TD) is under heavy regulatory scrutiny in Canada and the US for alleged failures of its anti-money laundering (AML) controls. In August 2023, TD confirmed that the US Department of Justice (DOJ) is investigating the bank's compliance with AML measures. While the bank did not provide many details on the DOJ probe, the Wall Street Journal (WSJ) reported, in May 2024, that the DOJ investigation is centred on how Chinese criminal groups used TD and other US-based banks to launder at least USD 653 million from illegal drug sales. According to the WSJ, TD played a central role in the scheme. Previously, in April 2024, TD's CEO, Bharat Masrani, admitted to failings in the bank's AML controls. Moreover, TD disclosed in April 2024 that it was in discussions with three unnamed US banking regulators and the DOJ concerning AML issues. In May 2024, TD announced an overhaul of its AML programme, and that it has already invested over CAD 500 million (USD 365 million) in enhancements. Furthermore, in June 2024, Bloomberg reported that TD is facing at least four cases of serious misconduct involving its employees in the US. Three of these cases concern money laundering (including the USD 653 million scheme). TD is also facing regulatory pressure in Canada. The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) issued TD a CAD 9.2 million (USD 6.71 million) administrative penalty for non-compliance with AML regulations in April 2024. FINTRAC identified a series of issues with TD's AML programme, including failure to submit suspicious transaction reports when there was evidence indicating that certain transactions were connected to money laundering, and failure to conduct ongoing monitoring of business relationships, among other violations. In May 2024, the Canadian Office of the Superintendent of Financial Institutions (OSFI) ordered TD to overhaul its risk controls to resolve money laundering concerns.

Incidents Engagement Updates

Highlights for the Quarter

The team experienced a highly active third quarter of 2024, ending the quarter with 127 engagements. More than 400 emails and phone calls have been exchanged, and 36 meetings have been conducted. The engagement effort has resulted in 12 Milestones being achieved.

Following the Global Standards Screening quarterly cycle, we made several status changes to our ongoing incident-driven engagements. In August, we opened seven Engage cases, all identified through the Global Standards Screening assessment downgrades to Watchlist.

We also concluded engagements with six companies, as they achieved the engagement objectives. We had been engaging with these companies for several years and had very meaningful dialogues. We concluded that the companies have improved significantly and addressed most of the issues raised throughout our engagement.

Additionally, based on our processes for incident-driven engagements related to the Disengage status (i.e., where we deem engagement unlikely to succeed), we assigned this status to three cases, including two cases due to lack of progress and response over a two-year period. Furthermore, two engagements were Archived.

Data Privacy and Security

Data Privacy and Security have become a significant concern for investors, especially with the continued rise of cyber threats and data breaches.

With this in mind, in Q3 we commenced engagement with two Australian companies on a topic of Data Privacy and Security. These companies have experienced major cybersecurity breaches, exposing personal and sensitive information of millions of Australians. The focus of our engagements will be to understand and provide input into the activities the companies are planning to take in order to prevent a re-occurrence of the incident, ultimately with the intent of building resilience.

Alongside the business imperative to prevent data breaches, compliance with tightening legislation presents additional challenges to company performance. Regulations such as the European Union's General Data Protection Regulation (GDPR), which serves as a reference point for many privacy rules is one such legislative tool with a particular emphasis on customer choice and control. This refers to a user's ability to make informed choices about how their personal information is being collected and used.

Addressing Challenges—Our Engagement Approach

In the article on *Appreciative Enquiry*, we present one of our approaches to ensuring that our engagements are meaningful and ultimately successful. This is the first in a series of articles where we focus on engagement techniques. Building a trusting relationship with a company is an absolutely fundamental requirement but it is very easy to get wrong. *Appreciative Enquiry* is a technique that focuses on identifying and leveraging an organizations strengths and successes. Such a dialogue develops a 'safe space' to enable the company to talk openly and confidently. Once this space is created we can start to introduce more controversial or challenging subjects.

Looking Ahead

The Incidents Engagement team organized an engagement trip to Brazil the week of 21-25 October 2024.

The overall objectives of this trip were to advance deeper, more nuanced understandings of the Brazilian deforestation and biodiversity context among investors, companies and other stakeholders, foster a space for new connections and potential solutions to further mitigate deforestation and biodiversity risks and impacts, share the viewpoints and expectations of stakeholders, and enhance relationships between companies and institutional investors in face-to-face meetings.

We visited several organizations in São Paulo, followed by a site visit and meetings in Brasília. The outcomes of the trip will be presented in the upcoming reports.

Furthermore, we plan to conclude several long-standing relationships with companies that have reached the final stages of our engagement.

Sustainability Insights

Engagement Techniques: Appreciative Enquiry

Introduction

Successful engagement is built on trust. For companies to meaningfully respond to our advances, to embed our recommendations and then create lasting strategies, they need to recognize the value in what we are bringing to them. It should not be a 'one way street' of the company providing responses to our queries, this being the conventional approach. Building trust requires consistency and honesty and needs to show mutual respect. To achieve this, we adopt a palette of techniques with one powerful approach being the use of *Appreciative Enquiry (AE)*.

Appreciative Enquiry is identified as a transformative assessment approach focusing on identifying and leveraging an organization's strengths and successes. It was developed by David Cooperrider and Suresh Srivastva during the 1980s at Case Western Reserve University.

Unlike traditional problem-solving methods that concentrate on identifying and fixing issues, *AE* seeks to uncover what works well and build upon it unlocking positive change that may have become 'trapped' in less positive actions. This strengths-based approach has been shown to lead to profound changes in organizational culture, employee engagement, and overall performance.²

Facilitating a New Conversation

Appreciative Enquiry is a collaborative and constructive process. The very nature of the collaborative approach makes it an ideal tool for use in engagement, from one-on-one discussions to round tables and webinars. By talking about the strengths of the company and repeating these strengths across the scope of the engagement, positive attributes and actions are cemented. This is especially relevant when we want to create a dialogue around controversial or sensitive topics that may be challenging for the company to discuss openly. *Appreciative Enquiry* is based on the premise that organizations grow in the direction of what they consistently ask questions about and focus on. Through our engagement we can influence both the tone and content of those questions by facilitating a new dialogue. Importantly *AE* fosters a culture of continuous improvement and innovation by emphasizing positive potential and possibilities.

Delivering Appreciative Enquiry

Adopting appreciative enquiry is not technically demanding but it does help to understand and deliver using the 5D's framework below:

- **Define:** Establish the focus of the enquiry. This involves identifying the topic or area that the company should want to improve—this may be the delivery of quality improvement processes, improved health and safety, or an awareness of what is strong 'culture'. This is what we want the company to achieve through the engagement.
- **Discover:** Gather stories and examples of when the company was at its best. This stage involves engaging stakeholders to share their experiences and insights and sits very comfortably into the engagement approach. This is a key part of the trust building, where we seek the company's view on what it thinks it does best and highlighting to them where we have identified its strengths. This does not necessarily have to be linked to the controversy but can be used to show that the company can deliver good practice.
- **Dream:** Envision the future by imagining what the company could achieve if it builds on its strengths. This is the 'new' more resilient company, one that for example understands how to deliver effective and meaningful human rights commitments.
- **Design:** Develop concrete plans and strategies to achieve the envisioned future. This involves co-creating actionable steps and initiatives and is the strategy that we want the company to adopt to get to the 'dream'. This is where we can employ our palette of engagement techniques—best practice, peer recognition, sector intelligence. We can co-create the strategy.
- **Destiny/Deliver:** Implement the plans and monitor progress. This stage focuses on sustaining the momentum and ensuring that the positive changes are embedded in the organizational culture. Culture change is one of the more challenging aspects of our engagements but in many instances is necessary to ensure sustainability and build resilience.

Conclusion

Our engagement outcomes seek to build lasting positive change in companies, to build their resilience confirming them as good corporate citizens. The logic-led approach we adopt in creating our outcome strategies using *theory of change* lends itself effectively to delivering a range of engagement techniques that probe the company at every level and offers recommendations to strengthen performance.³ *Appreciative Enquiry* is a tool that takes as its basis the strengths of the company and uses those strengths to develop a strategy to deliver change. The collaborative nature of the framework is an idea for developing robust engagement opportunities and allows us to build the necessary trust with the company.

Rising Climate Litigation: Financial Implications of Increasing Legal Action

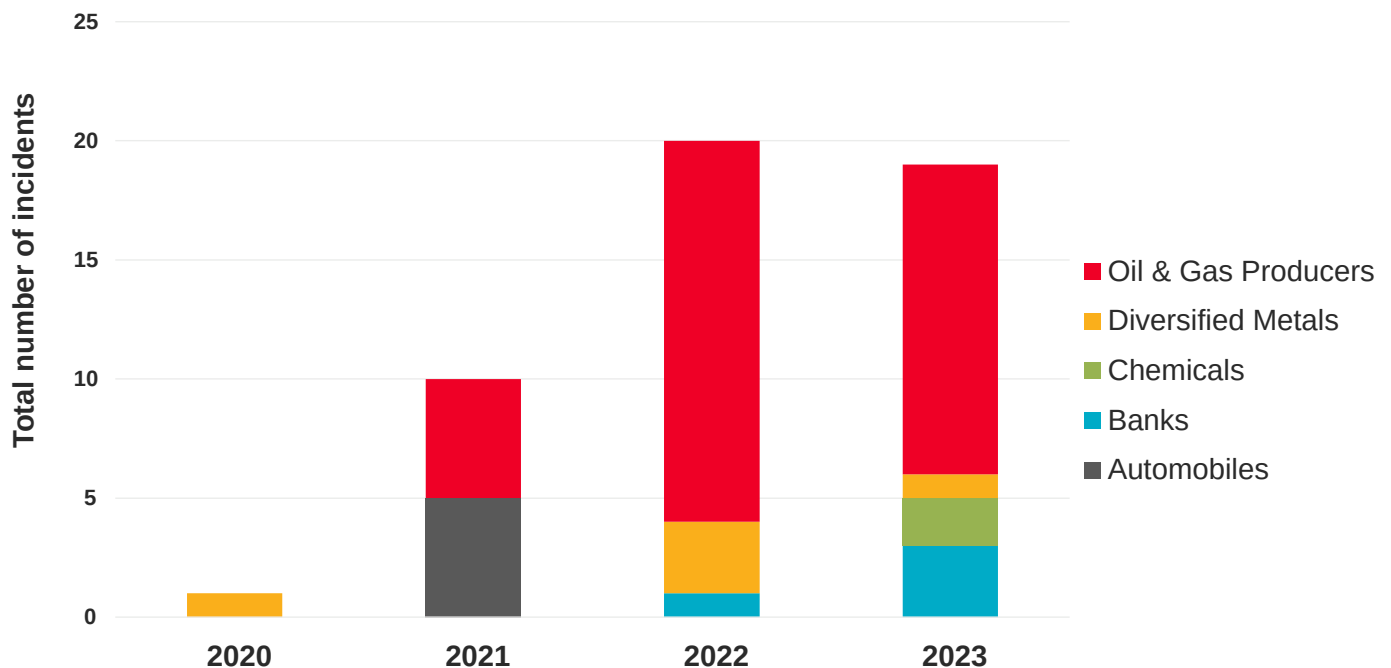
Introduction

Growing evidence suggests that traditional climate risk analysis may not fully account for legal risks.⁴ The increasing prevalence of climate litigation and enforcement actions amplifies financial risks related to climate change, extending beyond the scope of transition risks articulated by the Task Force on Climate-Related Financial Disclosures (TCFD). This article examines the trends in rising climate litigation, its impact on corporations, and the financial implications of legal risks associated with the low-carbon transition.

Litigation is an Emerging Element of Climate Risk

The number of climate litigation cases has surged significantly over the past decade, with claimants increasingly achieving successful outcomes.⁵ While governments were once the primary targets of such legal action, the 2015 Paris Agreement provided a strong framework to compel corporate climate action through the courts. Since the Paris Agreement, around 70% of climate litigation cases have been brought against corporations, reflecting a shift in how stakeholders hold companies accountable. Similarly, an analysis of Morningstar Sustainalytics data comparing the number of climate-related probes and litigation incidents between 2020 and 2023 across five heavy-emitting industries indicates an upward trend. Additionally, it shows that the degree of exposure varies by industry, with Oil & Gas Producers being the most affected (see Figure 1).

Figure 1. Industry Comparison of Probes and Litigation Incidents Related to the Carbon Impact of Products and GHG Emissions (2020–2023)



Source: Morningstar Sustainalytics. The data for this analysis was retrieved on September 10, 2024, from Sustainalytics Ratings Universe. For informational purposes only.

Note: Probes and litigation incidents refer to the status of allegations assessed under Sustainalytics' Controversies Research Event indicators:

- Carbon Impact of Products:** This assesses incidents related to the harmful environmental impacts of carbon dioxide emissions associated with the use of a company's products. For financial institutions, this may include the financing of projects or companies whose products result in significant carbon dioxide emissions.
- Energy Use and GHG Emissions:** This assesses incidents related to poor management or excessive release of greenhouse gas (GHG) emissions from a company's business activities.

A landmark case that may shape future litigation is *Milieudefensie et al. v. Royal Dutch Shell*, where a Dutch court ruled that **Shell** must reduce its global emissions by 45% by 2030, based on the Paris Agreement.^{6 7} While Shell's management is appealing the decision, recent court orders in the Netherlands to reduce emissions beyond the company's targets introduce additional risks in Shell's valuation associated with the energy transition. Shell has identified climate change and the energy transition as material risks based on societal concerns and developments related to climate change.⁸ To achieve its emissions reduction targets, Shell proactively manages all climate-related risk components, including societal and litigation risks. The company acknowledges that evolving societal expectations may impact its license to operate, reputation, and competitive position and that litigation is perceived to be an increasing risk for the oil and gas industry. Shell notes that legal action may result in forced strategic changes, hydrocarbon divestment, regulatory permit denials, or paying fines and compensation to plaintiffs. While Shell believes these lawsuits lack merit, the company recognizes that unfavourable outcomes may have a material impact on earnings, cash flows, and financial condition.⁹

Climate Legal Action in Reverse

In line with the global trend of increasing climate litigation against corporations, **ExxonMobil** is facing numerous lawsuits related to its historical emissions and climate change impact.^{10 11} The company acknowledges regulatory and litigation risks related to changes in environmental laws, which may increase compliance costs or delay business opportunities.¹² ExxonMobil further notes it could be adversely impacted by litigation outcomes, particularly in the US, where large and unpredictable penalties or lawsuits pushing policy changes or seeking financial gains may occur.¹³

In a surprising move, ExxonMobil has also taken legal action against activist investors challenging its climate strategy and mitigation efforts.¹⁴ In January 2024, ExxonMobil filed a Texas federal lawsuit attempting to prevent activist shareholders from submitting future climate change proposals after they called for emissions reductions across its value chain. The lawsuit set a precedent, and some believe it could trigger a wave of corporate litigation in the reverse direction—targeting climate activists and environmentally focused investors. Despite the withdrawal of the proposal and the lawsuit's eventual dismissal, ExxonMobil faced reputational damage and financial risks, including the loss of support from the California Public Employees' Retirement System.¹⁵

Climate Litigation Exposes Corporates to Financial Risk

Climate litigation poses direct threats to companies through successful lawsuits, but it may also carry broader financial implications. Exposure to litigation can lead to higher borrowing costs, subsidy cuts, stricter climate regulation with added compliance costs, and new disclosure requirements. Legal outcomes may further add complexity to mitigation and adaptation efforts of well-understood physical and transition risks. Additionally, reputational damage resulting from legal actions may exacerbate exposure to financial impacts, including reduced access to capital.¹⁶

Yet, little is known about the full financial impact of climate litigation on corporate value. While still a developing field, some evidence suggests that unfavorable rulings can negatively affect company valuations, with the largest emitters being the most vulnerable.¹⁷ Such findings imply that lenders, insurers, and financial regulators should treat climate litigation risk as a material financial issue.

Climate-related litigation and its impact on the financial sector in Europe has been discussed for several years, and it was identified as an emerging source of risk for the financial sector as early as 2021.^{18 19} However, others contest that despite the rapid rise in climate-related lawsuits, uncertainty surrounding court rulings and potential costs means these lawsuits have yet to significantly affect credit quality.²⁰

Conclusion

Policymakers, investors, and companies are increasingly recognizing the need to understand climate risk exposures. However, addressing these risks effectively requires a holistic approach that integrates legal reasoning with financial analysis and climate science. The growing attention from regulators, shareholders, and investors on climate litigation underscores the importance of developing proactive strategies to minimize vulnerabilities and mitigate future exposure to climate-related legal risks.

Case Study: Greenpeace Canada vs. Pathways Alliance

A current application by the nongovernmental organization (NGO) Greenpeace Canada to the Canadian Competition Bureau alleges that the claims made by **Pathways Alliance** (a consortium of the six largest oil sands producers in Canada) of, “actively reducing emissions and helping Canada achieve its climate targets,” are false and misleading. Greenpeace Canada has asked the Competition Bureau to have Pathways remove all the representations about reducing emissions, achieving net zero, cleaning air, and combatting climate change as well as issue a public retraction of these statements and pay a fine that is the greater of \$10 million or 3% of worldwide gross revenues to organizations for the rehabilitation and clean-up of oil sands production.²¹

The Role of the Board of Directors: Overseeing Human Capital Management and AI Integration

In today's fast-paced business world, the Board of Directors must prioritize overseeing human capital management and AI integration.²² Effective oversight ensures that AI initiatives align with the company's goals and that workforce impacts are managed ethically. Boards should be able to explain how the business integrates AI and the potential risks and impacts on the workforce, including job displacement, changes in job roles, and the need for new skills.²³ There are two key aspects critical when assessing Board oversight: talent strategy and workforce satisfaction, and ethical AI integration.

Talent Strategy and Workforce Satisfaction

Investors are increasingly concerned about whether companies have the right people and skills to execute their business strategies. The EY Center for Board Matters highlights that two-thirds of investors prioritize talent strategy over issues like climate change.²⁴ In today's complex environment, the integration of AI and other technologies makes talent management increasingly complicated. There is no one-size-fits-all solution to address AI's impact on the workforce. A crucial element of this strategy is ensuring that boards understand and enhance employee experiences. This involves maintaining open engagement with the workforce and leveraging data and AI to demonstrate progress. The UK Corporate Governance Code 2024 recommend practices such as including employee representatives on boards, creating specific committees, or assigning a non-executive director for employee engagement. These measures ensure that workforce satisfaction is addressed at the highest levels of governance, which is key to effective AI integration and managing its impacts on workflow.²⁵

Ethical AI Integration

Companies should be aware that AI development is not impervious to biases and so AI systems must be consciously set up in a way that can limit ethical risks and bias potential. The process must be transparent.²⁶ Boards must oversee the integration of AI into core business goals and processes, ensuring that AI is used responsibly and ethically. This includes implementing specific governance structures to oversee AI initiatives across the business.²⁷ Moreover, boards must ensure that the company maintains a human-centric approach by understanding the potential impacts of AI on the workforce. This involves preparing employees to work alongside AI technologies effectively and ethically. Ethical AI integration also requires continuous monitoring and adaptation to new developments and potential risks.

How to Assess a Company's Progress on This Topic?

Each Outcome within our Outcome Assessment framework has an established Best Practice Definition setting our expectations for any company we engage with. The Governance Outcome looks at effective Board oversight in talent management and AI integration. As part of our engagements with companies, we will look for:

1. Clear ESG Governance Practices: Establishing clear roles and responsibilities for overseeing human capital management.
2. Specific Governance Bodies: Implementing committees or task forces to oversee and ensure alignment of the human capital management strategy with business goals. It is also critical to understand how the Board receives training on this topic or plans to expand its level of expertise by adding new members.
3. Performance Oversight: Providing detailed information on board oversight of human capital strategies, ensuring alignment with business objectives.
4. Accountability Mechanisms: Linking executive compensation to human capital-related metrics that promote a healthy, engaged, and productive workforce.

The Board of Directors' oversight of human capital management and AI integration is vital for a company's success.²⁸ By prioritizing ethical AI practices, developing workforce skills, and ensuring transparent reporting, boards can drive sustainable growth and foster a productive workforce. Accountability through long term and short term incentives are also essential to ensure that companies are held accountable to delivery of long term strategy and objectives. For investors, understanding these aspects provides crucial insights into a company's long-term viability and strategic direction as well as confidence that companies are effectively addressing related risks to long term value.

A Public Policy Perspective on Corporate Efforts to Build a Circular Economy

A key aspect of our engagement is assessing how companies are navigating the evolution of key policies, particularly in the EU, which is fertile ground for public policy interventions on sustainability. We have heard from both European and non-European companies that European regulation has been dictating their reporting priorities to a significant extent.

The EU taxonomy for sustainable activities is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and broader environmental goals, including the promotion of a circular economy.²⁹ The taxonomy came into force in 2020 and is aligned with objectives of the European Green Deal.³⁰

Subsequently, the Corporate Sustainability Reporting Directive (CSRD) was adopted, requiring companies to report on their sustainability performance in line with the EU Taxonomy.³¹ The directive requires large companies in its remit to submit their first reports by January 2025, with the European Sustainability Reporting Standards (ESRS) providing the reporting framework and methodology for CSRD compliance.³² The directive also requires a double materiality assessment, which helps companies determine which of the individual standards of the ESRS are relevant to them.

The ESRS includes a standard specific to resource use and circular economy (ESRS E5).³³ It establishes accountability regarding companies' circular economy-related initiatives, targets and performance. Companies in scope of ESRS E5 are those involved in 'key products' under the EU Circular Economy Action Plan, including electronics and ICT, batteries and vehicles, packaging, plastics, textiles, construction and buildings and food, water and nutrients.³⁴ Prescribed reporting metrics cover the total weight of resource in- and outflows (also accounting for waste) as well as renewable and recycled content, and the volume and proportion of a company's products with circular design. The standards are mutually reinforcing, as, for example, the circular economy is connected to water, carbon and biodiversity.

Given the initial focus of this Thematic Stewardship Programme on the automotive value chain, it is worth considering the implications of two other pieces of European regulation. The first is the Directive on End-of-Life Vehicles, which has been in place since 2000.³⁵ The directive aims to reduce waste by setting clear targets for the reuse, recycling and recovery of end-of-life vehicles (ELVs). The directive mandates that at least 85% of the weight of each ELV is recycled and another 10% incinerated with energy recovery. The export of ELVs is already banned but proposed improvements to the directive will set minimum quality standards for cars before end of life to qualify for export.³⁶ The proposal will also add a target of 25% recycled plastic in new cars by 2030.³⁷ Our first engagement calls have shown that the industry is already responding to this requirement by working on their own recycled content commitments. As our dialogues progress, we will ask engaged companies to clarify whether and how their own targets extend beyond regulatory compliance.

The European Battery Regulation came into force in 2023 and over time builds up requirements on companies in relation to batteries. It starts with disclosure requirements, first regarding battery health (2024), then carbon footprint (2025), material recovery (2027) and recycled content (2028). It will also gradually introduce various performance classes, along with maximum carbon footprint limits. In our dialogues, we have heard from various car makers that they have already invested in 'battery passports' (linked to QR codes on batteries providing access to detailed information) and made use of a collaboration platform to improve supply chain traceability.³⁸ Some examples of pioneering non-profit or commercial organizations promoting better sustainability and traceability are Battery Pass, Global Battery Alliance, Everledger, Minespider and MOBI.

Turning to global legal frameworks, we note that in 2022 the UN Environment Assembly created an Intergovernmental Negotiating Committee (INC), which aims to establish an international, legally binding instrument on plastic pollution, addressing the full life cycle of plastic, including its production, design, and disposal. Its ambition is to complete the negotiations for a UN treaty by the end of 2024. Reportedly, much more progress is needed to gain sufficient support for globally binding rules and coverage of the full life-cycle of plastics, which would not only reduce waste but also plastics production and restrict chemicals of concern. We may encourage engaged companies to advocate in their public policy engagement for measures aligned with the Treaty that are both ambitious and attainable. We may also highlight collaborative initiatives committed to addressing plastic waste and pollution, such as the Business Coalition for a Global Plastics Treaty, national and regional Plastics Pacts, and the Circular Plastics Alliance in the EU.³⁹

We consider that these European and global policy initiatives create risks for automotive companies in terms of compliance costs and legal penalties, as well as opportunities, such as product innovation and enhanced reporting. We will review the development of these frameworks and encourage companies to respond to them proactively.

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About Morningstar Sustainalytics and Contacts

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

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

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

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Themes Engage List

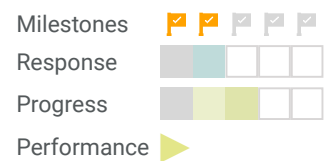
3M Co. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the next 18 months our engagement aims to prompt 3M to enhance its measurement and disclosure of Scope 3 emissions and to develop a clear strategy for reducing carbon emissions within its operational boundaries (Scope 1 & 2). This involves creating a comprehensive roadmap that integrates environmental considerations into its operations, supply chain, and product development processes, thereby generating shared value while minimizing environmental impact.



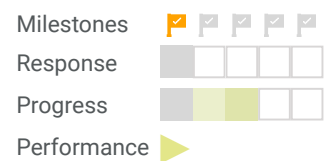
A.P. Møller-Mærsk A/S (Denmark, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics has set the following key change objectives for Mærsk during the engagement process: 1. Improve comprehensive disclosure on the company's political engagement and lobbying efforts, highlighting their role in the net zero transition. 2. Engage the company in depth about its strategy and concrete implementation steps in financing the net zero transition, with a special emphasis on how CAPEX serves as a platform for financing efforts toward achieving a net zero transition.



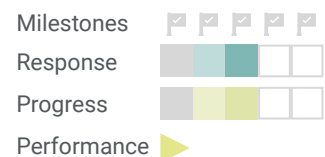
Abbott Laboratories (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



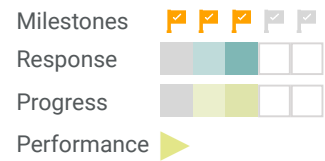
AbbVie, Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



AIA Group Ltd. (Hong Kong, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



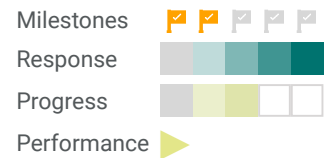
Air Liquide SA (France, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will aim to: 1. Align business unit remuneration with emissions reduction and broader climate-related targets. 2. Showcase examples of proactive engagement with investors and relevant stakeholders (excluding peers and competitors) to strengthen supply chain decarbonization efforts. 3. Encourage the company to integrate and disclose low-carbon transition investments within its financial planning to align with its sustainable growth strategy.



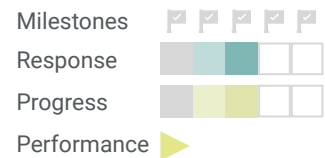
Air Products & Chemicals, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the next 12 – 18 months engagement activities will aim to influence changes to: 1. Develop a clear GHG emission reduction strategy for carbon reduction within its operational boundaries (Scope 1&2). 2. Set absolute Scope 3 emission reduction targets.



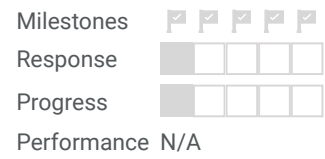
Airbnb, Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



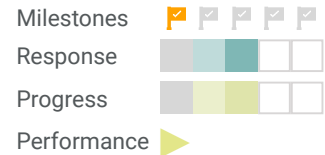
Al Rajhi Bank (Saudi Arabia, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



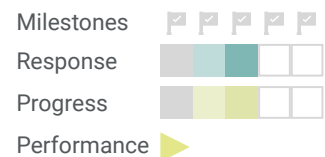
Alcoa Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objectives over the next 18 months include: 1. Clarify how the company's GHG emission reduction strategy for Scope 1 and Scope 2 emissions will close the emissions gap to achieve the net-zero by 2050 target. 2. Set Scope 3 GHG emission reduction targets. 3. Integrate absolute GHG emission reduction targets into the company's executive compensation. 4. Enhance the company's disclosure and transparency on capital allocation to align with its net-zero by 2050 targets for emissions within its operational boundaries.



Alibaba Group Holding Ltd. (China, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



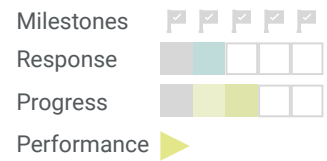
Alliant Energy Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: During the next 12 to 18 months, Sustainalytics' engagement with Alliant Energy on its net zero transition will primarily focus on the company's ongoing commitment to emission reduction goals, advancements in renewable energy deployment, and engagement with stakeholders to drive sustainability initiatives. Additionally, monitoring Alliant Energy's progress in achieving its GHG reduction targets, particularly in scope 1 and 2 emissions, will be crucial. This engagement will also involve assessing the company's responsiveness to emerging climate-related trends and technologies, ensuring alignment with its net zero objectives.



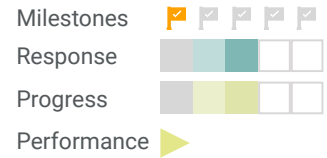
Alphabet, Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



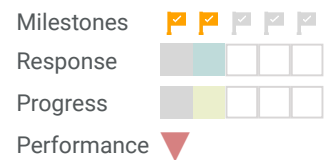
Alphabet, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: To reach Milestone 2, Alphabet, Inc. is urged to: - Provide disclosure on how executive and board remuneration is linked to GHG emission reduction metrics. - Demonstrate how its GHG reduction target and strategy will reduce the emissions gap to reach the Paris agreement goal.



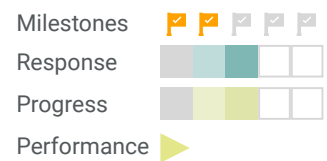
Amazon.com, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: To reach Milestone 3, Amazon is urged to: 1. Incorporate GHG emission targets within company's executive compensation programme. 2. Set mid-term absolute GHG emission reduction targets. 3. Develop and disclose a credible net zero strategy encompassing all three emission scopes.



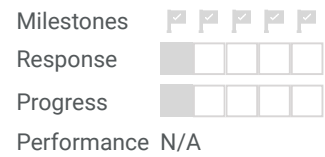
American Electric Power Co., Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



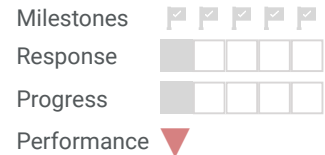
American Express Co. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



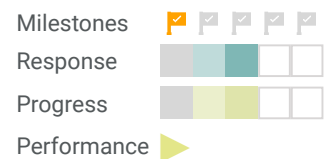
Amgen, Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



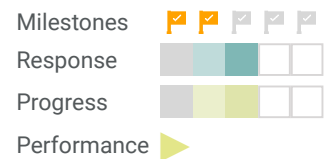
Anglo American Plc (United Kingdom, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will aim to: 1. Commit to implementing a non-monetary compensation program aligned with emissions reduction and broader climate-related targets until 2030. 2. Improve the granularity of disclosure by including key examples of how the company works to decarbonize its capital expenditures and to what extent this is possible for a company operating in the diversified metals sector.



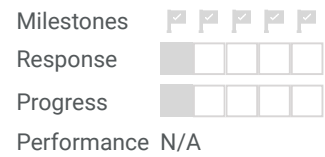
AngloGold Ashanti (Pty) Ltd. (South Africa, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



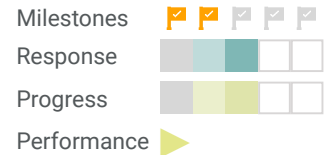
Anheuser-Busch InBev SA/NV (Belgium, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



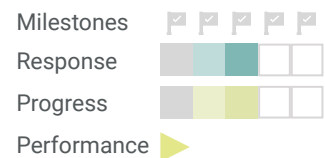
Apple, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: Apple's net zero engagement change objectives for the next 18 months include: 1. Provide detailed roadmap with clearly defined milestones on how the company is planning to address scope 3 emissions from product lifecycle. 2. Integrate more specifically scope 3 GHG emission reduction metrics into executive compensation to ensure accountability.



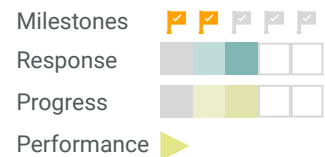
Aptiv Plc (Ireland, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



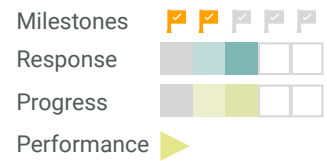
ArcelorMittal SA (Luxembourg, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will aim to: 1. Encourage the company to adopt non-monetary compensation mechanisms directly linked to emissions reduction and broader climate-related targets. 2. Improve the disclosure by advising the company to more actively engage with Tier 1 suppliers who already collect their greenhouse gas (GHG) emissions and report them directly to the company. 3. Advise the company to partially disclose lobbying activities related to climate change and the transition to net zero.



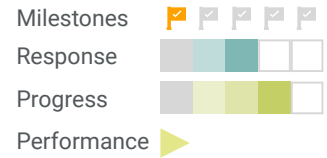
Archer-Daniels-Midland Co. (United States of America, 2023)
Net Zero Transition

Change Objective: 1. Develop a credible net zero strategy. 2. Improve Scope 3 emission disclosure and emission reduction performance.



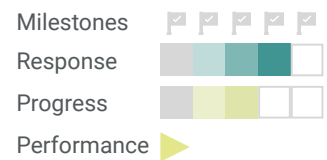
Archer-Daniels-Midland Co. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: ADM should assign clear board-level responsibility for managing biodiversity impacts and dependencies with relevant expertise, consider linking targets for identified biodiversity impacts and initiatives to the SBTN methodology and publicly commit to reporting in line with the final TNFD recommendations.



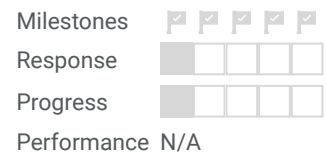
AstraZeneca PLC (United Kingdom, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



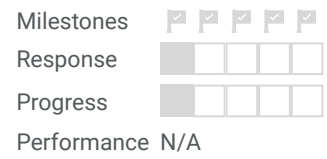
AT&T, Inc. (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



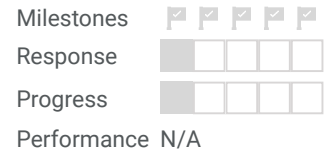
AutoZone, Inc. (United States of America, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Avis Budget Group, Inc. (United States of America, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



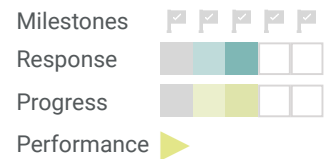
AXA SA (France, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Banco Bilbao Vizcaya Argentaria SA (Spain, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following the assessment of the company's position.



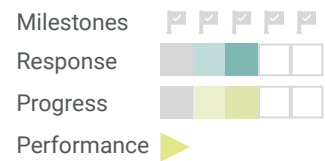
Banco do Brasil SA (Brazil, 2022)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



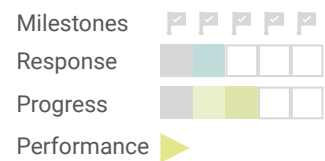
Banco do Brasil SA (Brazil, 2022)
Biodiversity and Natural Capital

Change Objective: Banco do Brasil should recognize that biodiversity and natural capital topic is material to its business and commit to addressing its nature-related impacts. The company should also conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and prioritize its mitigation strategy based on risk assessment results.



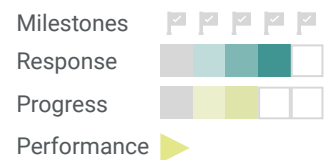
Banco Santander SA (Spain, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



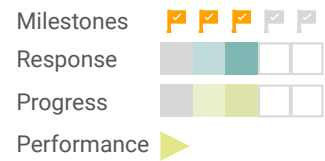
Bank of America Corp. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: To reach milestone 1, Bank of America needs to express a commitment to address nature through its financing activities. Furthermore, Bank of America should disclose the results of its nature-related assessment to highlight priority sectors and clients.



Barry Callebaut AG (Switzerland, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



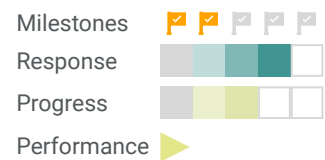
BASF SE (Germany, 2023)
Net Zero Transition

Change Objective: The engagement with BASF will focus on: 1. Ensure the company’s GHG reduction target is aligned with a deep decarbonization pathway. 2. Ensure the company’s GHG reduction target comprehensively addresses all Scope 3 emissions.



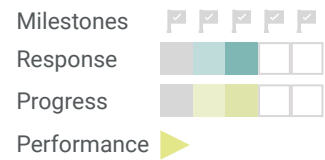
Bayer CropScience Ltd. (India) (India, 2022)
Biodiversity and Natural Capital

Change Objective: To reach Milestone 3, Bayer CropScience will need to commit to reporting in accordance with the TNFD recommendations.



Bayerische Motoren Werke AG (Germany, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 1, BMW would need to demonstrate that it has dedicated governance and/or organizational capacity for implementing its circular economy strategy. It is clear from the reporting that the company regards circularity to be an important strategic topic, but it is less clear to what extent there is dedicated governance and organizational capacity.



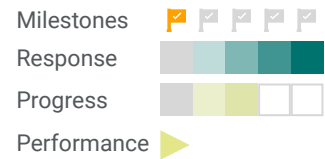
Berkshire Hathaway, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway. Potentially the dialogue change objectives will focus around: 1. Disclose conglomerate's GHG emissions, covering scope 1,2, and scope 3. 2. Set mid- and long term GHG emission reduction targets 3. Align company's capital allocation with net zero transition projects 4. Provide disclosure on climate lobbying



BHP Group Ltd. (Australia, 2023)
Net Zero Transition

Change Objective: In the months ahead, the net zero engagement initiative will center around: 1. Ensure that BHP explicitly mentions key mitigation technologies in their disclosure to align with the current engagement focus on effective greenhouse gas emission reduction strategies. 2. Encourage BHP to gather GHG emissions data from Tier 1 suppliers, advising those without calculations to do so, focusing on mature market suppliers. 3. Advise the company to align its capital expenditure with a 1.5°C pathway.



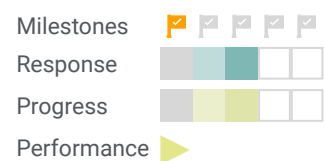
BHP Group Ltd. (Australia, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



BlueScope Steel Ltd. (Australia, 2023)
Net Zero Transition

Change Objective: Over the coming months, engagement activities will aim to influence changes to: 1.) Examine the possibility for a company to establish a GHG Emissions Target Performance that will improve net zero-related assessment and measurement of a company's progress in achieving its GHG emissions reduction goals and targets for 2030 and 2050. 2.) Initiate a more detailed discussion with the company in regard to improving risk management. Explore what the company is doing to establish carbon price integration and green procurement policy. 3.) Discuss instruments (e.g., green/sustainability bonds) the company can use to utilize better investments for the upcoming low-carbon transition (i.e., financing new technology developments). 4.) Discuss with the company which strategies and actions it will use to manage the key enablers (i.e., technological advancements, raw material supply, renewable energy integration, hydrogen availability, and policy support) necessary to decarbonize its operations to reach net zero in 2050. Special focus will be on the company's technological challenges on its path to zero emissions.



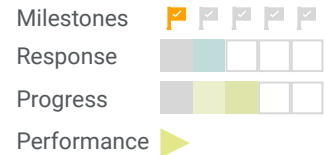
BNP Paribas SA (France, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



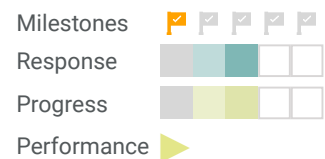
Boliden AB (Sweden, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



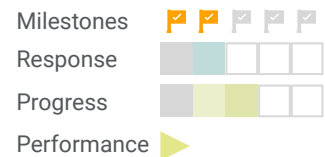
Bouygues SA (France, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



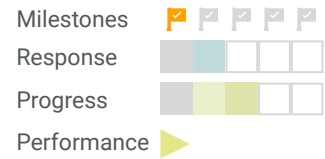
BP Plc (United Kingdom, 2023)
Net Zero Transition

Change Objective: As part of its engagement strategy, Sustainalytics has outlined specific objectives for BP to achieve over the next 18 to 24 months. Firstly, BP is urged to enhance transparency by providing clear disclosure of its total greenhouse gas (GHG) emissions. This includes emissions from its own operations (Scope 1 and 2) as well as scope 3 emissions upstream and downstream, with a particular focus on category 11, which pertains to emissions from the Use of Sold Products. Secondly, Sustainalytics advocates for BP to showcase tangible progress in reducing emissions that align with the goals outlined in the Paris Agreement. This involves demonstrating absolute emission reductions in a manner consistent with the Agreement's objectives. Moreover, Sustainalytics emphasizes the importance of aligning BP's growth strategies with a 1.5°C pathway by leveraging low-emission technologies. This entails encouraging the adoption of sustainable practices that facilitate progress towards environmental targets. Additionally, Sustainalytics advises against over-reliance on divestments as a sole strategy for decarbonization. Instead, the focus should be on implementing measures that lead to significant emission reductions, with divestments considered as one of several potential tools rather than the primary approach.



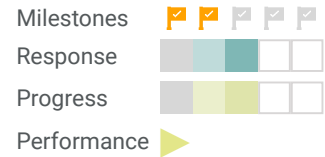
BRF SA (Brazil, 2022)
Biodiversity and Natural Capital

Change Objective: BRF should prove that the board has relevant expertise to address its nature-related risks and opportunities. Based on its initial assessment on its biodiversity risks and priority regions, BRF should establish a strategic approach to eliminate its negative nature-related impacts and seek for nature-positive opportunities. The company should also commit to report in accordance with the TNFD recommendations or participate in a TNFD pilot study.



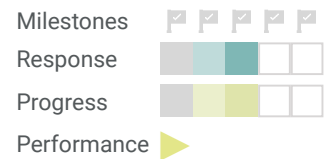
BRF SA (Brazil, 2022)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



Bridgestone Corp. (Japan, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 1, Bridgestone would need to demonstrate that it has dedicated governance and/or organizational capacity for implementing its circular economy strategy. Furthermore, the company would need to report a clearer ESG materiality assessment, confirming that circular economy (or related topics) need to be prioritized.



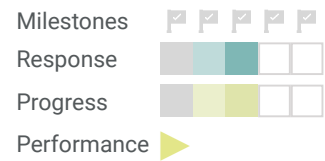
Broadcom Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



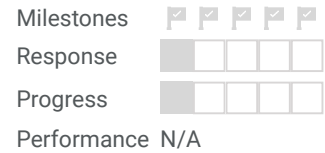
Brookfield Corp. (Canada, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



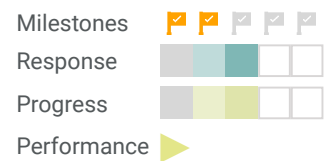
BT Group Plc (United Kingdom, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Bunge Global SA (United States of America, 2024)
Biodiversity and Natural Capital

Change Objective: To reach Milestone 3, Bunge should improve its impact and risk assessment by considering impacts and dependencies on nature beyond conversion, such as pollution, soil health, and interface with local flora and fauna. To guide this development, Bunge may leverage the methodologies of the Science-Based Targets Network and the Taskforce on Nature-related Disclosures Framework. Furthermore, Bunge should provide a roadmap for improving its management of nature-related risks with particular attention to negative impacts on biodiversity and supply chain disruptions due to water risks and biodiversity loss.



Bunge Global SA (United States of America, 2024)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



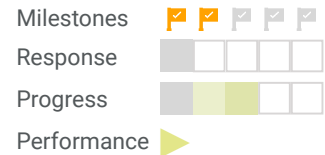
BYD Co., Ltd. (China, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 1, BYD would need to demonstrate that it has dedicated governance and/or organizational capacity for implementing its circular economy strategy. Furthermore, it should disclose SMART environmental targets that support the transition to a circular economy.



Canon, Inc. (Japan, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



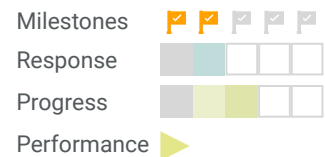
Cargill, Inc. (United States of America, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



Cargill, Inc. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: Cargill should conduct a detailed analysis of its most significant impacts and dependencies on nature and biodiversity. To guide this development, Cargill may leverage the methodologies of the Science-Based Targets Network and the Taskforce on Nature-related Disclosures Framework. Furthermore, Cargill should use the findings of the assessment to implement a consolidated strategy to address its nature-related risks.



Carrefour SA (France, 2022)
Biodiversity and Natural Capital

Change Objective: To reach Milestone 3, Carrefour must implement a biodiversity strategy with no significant omissions. The strategy should be guided by a robust understanding of the company’s nature-related impacts, dependencies, and the resultant risks and opportunities. Moreover, it should align with the goals and targets of the Global Biodiversity Framework.



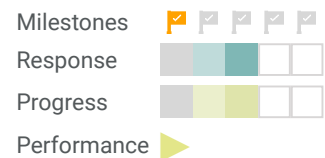
Cencosud SA (Chile, 2022)
Biodiversity and Natural Capital

Change Objective: To achieve Milestone 1, Cencosud must acknowledge biodiversity as a material aspect of its business and commit to addressing its impacts, dependencies, risks and opportunities related to biodiversity.



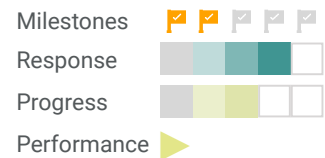
Central Retail Corp. Public Co. Ltd. (Thailand, 2022)
Biodiversity and Natural Capital

Change Objective: Central Retail will need to implement a clear and structured strategy to address its biodiversity-related risks. This strategy must include targets to address its key biodiversity impacts and dependencies. Finally, its board or subcommittees should oversee the company’s biodiversity strategy and monitor progress towards relevant targets.



CF Industries Holdings, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: 1. Incorporate GHG emission targets within company's executive compensation programme. 2. Set absolute GHG emission reduction targets for Scope1, Scope 2 and more importantly for Scope 3. 3. Conduct a 3rd party verification of its GHG emission measurement and disclosure. 4. Develop and disclose a credible net zero strategy encompassing all three emission scopes.



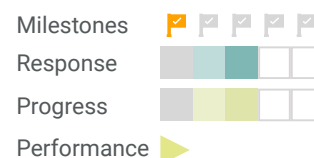
Chevron Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



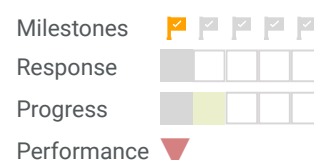
China Hongqiao Group Ltd. (China, 2023)
Net Zero Transition

Change Objective: The change objective-related engagement activities will aim to influence the following changes during the engagement process: 1. The company should advance its commitment to sustainability and proactive climate action by appointing a board member with proven expertise in climate change strategies (i.e., net zero). 2. The company should establish a GHG reduction program with defined short- and long-term goals and milestones that align with diverse commitments and frameworks. 3. The company should align its disclosure with the TCFD.



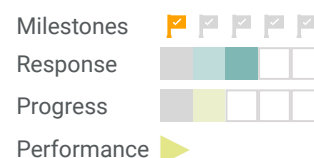
China National Building Material Co., Ltd. (China, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics has set the engagement change objectives for the next 18 months: 1.) Enhance the disclosure and verification of its GHG emissions data, reduction targets, and progress, and align them with the Science Based Targets initiative and the Task Force on Climate-related Financial Disclosures recommendations. 2.) Increase the investment and deployment of low-carbon technologies, products, and services, and explore new business models and markets that can generate green value and competitive advantages. 3.) Strengthen the governance and management of climate risks and opportunities, and integrate them into its strategic planning, performance evaluation, and incentive mechanisms. 4.) Collaborate with industry associations, research institutions, policy makers, and other stakeholders to promote the development and implementation of low-carbon standards, policies, and best practices in the building materials industry.



China Resources Building Materials Technology Holdings Ltd. (Hong Kong, 2023)
Net Zero Transition

Change Objective: In the forthcoming period engagement activities will seek to impact the following: 1.) Advising the company to appoint in its board a dedicated individual responsible for managing business model transformation and/or climate-related matters. 2.) Collaborate with the company to facilitate knowledge sharing on best practices within the cement sector, offering insights from various companies' experiences in addressing net zero-related emissions reduction practices. The company will be empowered to discern valuable insights and adapt these practices to its specific context, fostering a unique and tailored approach to emissions reduction. 3.) Keep conversation regarding establishing a GHG risk management programme active. This is necessary for any future net zero-related development, including target alignments with the Chinese government's ambitions to peak carbon emissions before 2030 and achieve carbon neutrality by 2060. 4.) Oversee the company's progress in implementing TCFD disclosure.



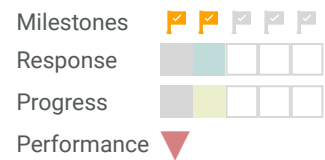
Chubu Electric Power Co., Inc. (Japan, 2023)
Net Zero Transition

Change Objective: The engagement with Chuden will focus on: 1. Appoint a board member with expertise in business model transformation or climate-related matters. 2. Set a target to reduce supply chain GHG emissions.



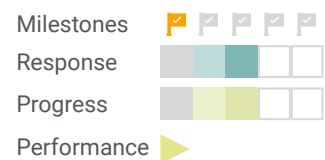
CMS Energy Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: Sustainalytics' engagement strategy with CMS Energy will revolve around three core components: 1. Incorporating GHG Emission Reduction Goals into Executive and Board Compensation Frameworks. 2. Enhancing CMS's Investment Planning for Low-Carbon Transition 3. Setting Science-Based GHG Emission Reduction Targets



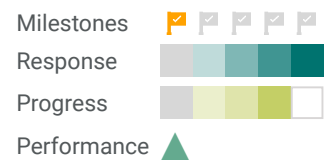
Compagnie Générale des Établissements Michelin SCA (France, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 2, Michelin would need to demonstrate an understanding of the risks associated with staying in a linear economy setup and develop a strategy to mitigate these risks. Its environmental targets should address these risks at the appropriate levels in the company and its value chain. Furthermore, the company's dedicated circular economy disclosure should be accompanied with specific capex quantification.



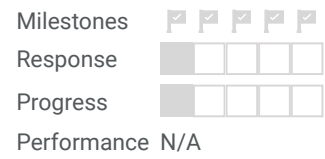
Companhia de Saneamento Basico do Estado de Sao Paulo SABESP
(Brazil, 2023)
Net Zero Transition

Change Objective: The company's net zero engagement change objectives for the next 18 months are to: - Integrate GHG emission reduction goals within company's executive compensation. - Improve company's sustainability disclosure by leveraging reporting frameworks such as CDP. - Set mid and long-term carbon emission reduction targets. - Develop and disclose its carbon reduction strategy and demonstrate how it will close the emissions gap. - Provide details on capital allocation to finance the transition to net zero.



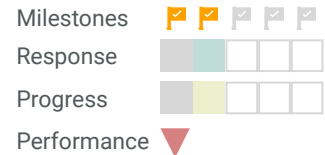
Compass Group Plc (United Kingdom, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



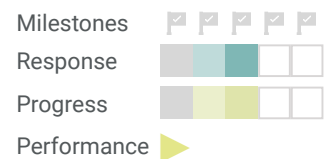
Consolidated Edison, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



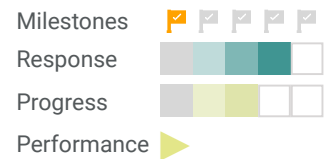
Contemporary Amperex Technology Co., Ltd. (China, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 1, CATL would need to demonstrate that it has dedicated governance and/or organizational capacity for implementing its circular economy strategy.



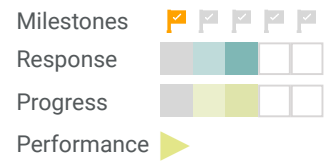
Continental AG (Germany, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 2, Continental would need to demonstrate an understanding of the risks associated with staying in a linear economy setup and develop a strategy to mitigate these risks. Its environmental targets should address these risks at the appropriate levels in the company and its value chain. Furthermore, the company's dedicated circular economy disclosure should be accompanied with specific capex quantification.



Corteva, Inc. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: Sustainalytics will encourage the company to clearly link board oversight and board education to biodiversity and natural capital. Moreover, the company is urged to conduct a detailed risk and opportunity assessment to inform a corporate wide biodiversity strategy and relevant public disclosures.



Costco Wholesale Corp. (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



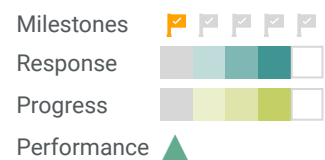
Crédit Agricole SA (France, 2022)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



Crédit Agricole SA (France, 2022)
Biodiversity and Natural Capital

Change Objective: Crédit Agricole SA should enhance its impact and dependencies assessments by taking into account its various business lines and activities, and report transparently on its assessment results. CA should further strengthen its commitments on natural capital and biodiversity by setting a robust strategy and implementing it accordingly. Based on its risk assessment findings and commitment, CA should set some targets or metrics associated with its material impacts and risks to ensure CA's nature actions are accountable, measurable and practical.



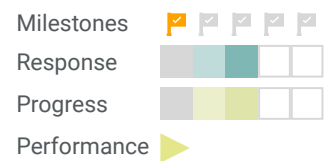
CRH Plc (Ireland, 2023)
Net Zero Transition

Change Objective: Over the coming months, engagement activities will aim to influence changes to: 1. Continue the discussion regarding the trajectory of renewable energy sourcing, focusing on the type of energy source and its economic profitability. 2. Monitor company progress in commercial upcycling of low-carbon concrete solutions across the European market. 3. Enhancing Scope 3 emissions reduction strategies with special emphasis on meeting SBTi's standards.



CVS Health Corp. (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



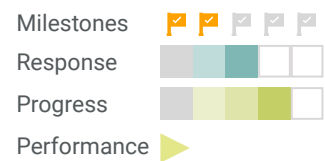
Daiichi Sankyo Co., Ltd. (Japan, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



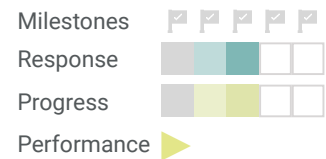
Danone SA (France, 2022)
Biodiversity and Natural Capital

Change Objective: To achieve Milestone 3, Danone should conduct a detailed analysis of its most significant impacts and dependencies on biodiversity and nature. In addition, Danone should develop a comprehensive nature strategy to guide the company towards making a meaningful contribution towards a nature-positive world.



Dassault Systèmes SA (France, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



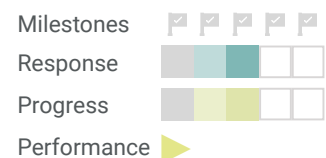
DBS Group Holdings Ltd. (Singapore, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



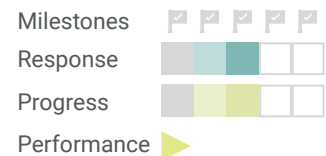
DBS Group Holdings Ltd. (Singapore, 2022)
Biodiversity and Natural Capital

Change Objective: DBS should recognize that biodiversity and natural capital topic is material to its business and commit to address its nature-related negative impacts. The company should also conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and prioritize its mitigation strategy based on risk assessment results.



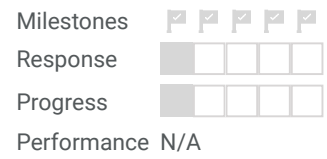
Deere & Co. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: Sustainability will encourage the company to articulate how the results of the June 2024 double materiality assessment will be incorporated into the company's current sustainability framework (Leap Ambitions), governance structures and Business Impact Report disclosure.



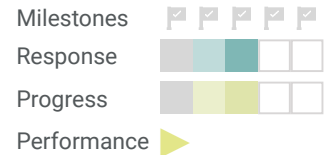
DENSO Corp. (Japan, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



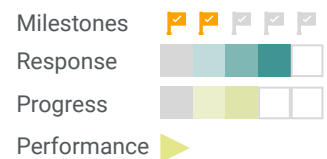
Deutsche Börse AG (Germany, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following the assessment of the company's position.



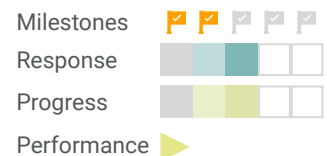
Deutsche Lufthansa AG (Germany, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will focus on: 1. Disclose information that the Board receives climate change-related training (net zero transformation included). 2. Disclose detailed information about the company's efforts to align capital expenditures (CAPEX) with the 1.5°C or 2°C target. 3. Commit to requiring its Tier 1 suppliers, who already measure their GHG emissions, to report them directly to the company.



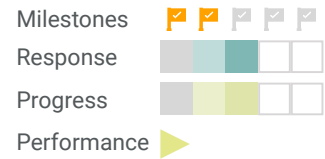
Deutsche Post AG (Germany, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Dow, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the next 18 months, Sustainalytics will advocate for Dow to take concrete steps towards net zero goals. Specifically, we aim to urge Dow to validate its Scope 1 and 2 emission reduction targets with the Science Based Targets initiative (SBTi). Additionally, we will work with Dow to establish and validate Scope 3 emission reduction targets, which represent over 70% of the company's emissions. Our focus will be on ensuring that Dow provides a clear and comprehensive strategy outlining how these targets will be achieved, thereby advancing its commitment to environmental stewardship and carbon neutrality.



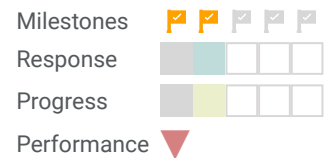
DSM BV (Netherlands, 2022)
Biodiversity and Natural Capital

Change Objective: To reach Milestone 2, DSM-Firmenich's board or subcommittees should oversee the company's strategy regarding biodiversity and monitor progress towards relevant targets.



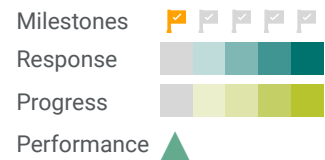
DTE Energy Co. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the upcoming 18 months, Sustainalytics has outlined the following objectives for change at DTE: 1. Implement GHG emission reduction metrics in executive compensation. 2. Strengthen climate-related disclosures. 3. Validate GHG emission reduction targets through SBTi (Science-Based Targets initiative).



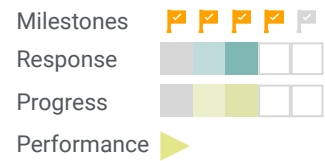
Eastman Chemical Co. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the next 18 months, Sustainalytics' net zero transition dialogue with Eastman will prioritize the following change objectives: Firstly, to validate the scope 1 and 2 GHG emission targets with SBTi. Secondly, to establish scope 3 emission reduction targets, and thirdly, to provide clear information on the company's capital allocation to finance the transition to net zero.



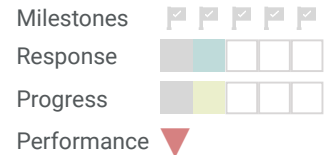
EDP-Energias de Portugal SA (Portugal, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



Eli Lilly & Co. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Emera, Inc. (Canada, 2023)
Net Zero Transition

Change Objective: Over the next 18 months, Sustainalytics will concentrate its engagement strategy with Emera on several primary objectives, including the validation of existing Scope 1 and 2 greenhouse gas (GHG) emission reduction targets by a third-party organization and the establishment of GHG emission reduction targets for the company's Scope 3 emissions.



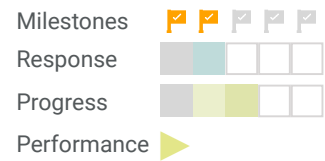
Empresas Copec SA (Chile, 2023)
Net Zero Transition

Change Objective: • Provide detailed Scope 3 GHG emissions breakdown by category. • Include GHG emission reduction metrics in executive and board incentive programs. • Complete an initial climate risk assessment. • Extend net zero goals to encompass both the parent company and its subsidiaries. • Establish interim net zero goals and key milestones. • Verify net zero objectives with SBTi once the methodology is accessible. • Demonstrate how the company's net zero strategy will address the emissions gap.



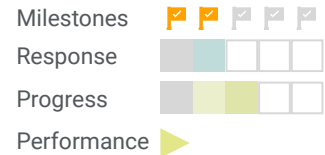
Enel SpA (Italy, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



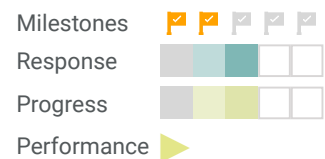
ENGIE SA (France, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



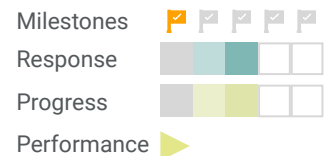
Eni SpA (Italy, 2023)
Net Zero Transition

Change Objective: In the months ahead, net zero engagement initiative will center around: 1.) Evaluate the company's commitment to integrating renewable energy into its operations and assess the feasibility of swift and large-scale adoption. 2.) Continue to oversee the company's advancements in implementing Carbon Capture, Utilization, and Storage (CCUS) technologies, emphasizing the importance of making them secure, dependable, and effective. 3.) Encourage and explore the possibility of the company issuing a sustainability bond tailored to support its net-zero transition, thereby attracting the necessary capital to finance initiatives aligned with the 2030 and 2050 net zero goals. 4.) Continue discussing strategies to address the significant challenge of reducing Scope 3 Downstream emissions with the company. Foster an ongoing dialogue to explore feasible measures and potential emissions reduction approaches.



Equinor ASA (Norway, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



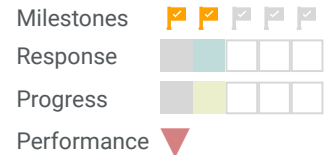
EssilorLuxottica SA (France, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



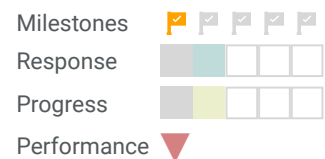
Exxon Mobil Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



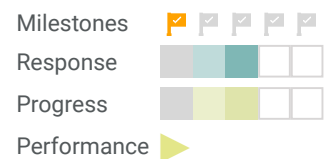
FedEx Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: Objectives for next 18 - 24 months: 1. Set absolute interim and long-term reduction targets for emissions within its own operations (Scope 1 & 2) and supply chain (Scope 3). 2. Incorporate GHG emission reduction metrics within executive and board compensation plan (short and long-term). 3. Develop a clear emission reduction strategy to achieve the interim and long-term emission reduction and demonstrate how initiatives put in place close emissions gap between current performance and the targeted emissions reduction.



First Quantum Minerals Ltd. (Canada, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



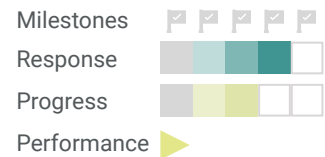
First Solar, Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: Going forward, our focus we will aim to work with the company to address identified governance gaps, such as: board diversity improvements, risk oversight, better linking short-term and long-term targets to material topics, tracking progress, and transparency and accountability.



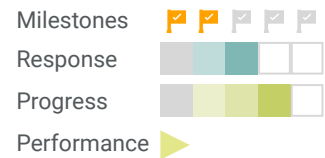
Ford Motor Co. (United States of America, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 1, Ford would need to demonstrate that it has dedicated governance and/or organizational capacity for implementing its circular economy strategy. There is oversight of "Sustainability and Vehicle Environmental Matters", but it is not clear to what extent this is linked to circular economy objectives.



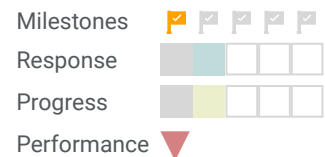
Fortum Oyj (Finland, 2023)
Net Zero Transition

Change Objective: In the months ahead, the net zero engagement initiative will center around: 1. Address and minimize indirect emissions, recognizing their complexity and the need for collaborative efforts across the supply chain. 2. Obtain more details on the practical implementation of the Green Finance Framework and its role in financing Fortum's path towards net zero transition.



Freeport-McMoRan, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: The engagement change objectives for the next 18 months are to: • Encourage FCX to complete the validation of its 2030 GHG reduction targets through the SBTi and to set interim milestones to track its progress towards its net zero aspiration. • Set net zero by 2050 targets encompassing all the emission scopes. • Urge FCX to accelerate its plans to replace its coal-fired power plant at PT-FI with a gas-fired facility and to increase its use of renewable and alternative energy sources across its operations. • Support FCX to advance its innovation and collaboration efforts to electrify its equipment, improve its energy and asset efficiency, and explore new process technologies to reduce its emissions.



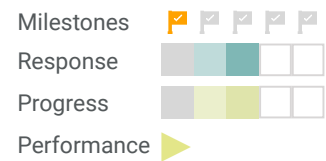
Freeport-McMoRan, Inc. (United States of America, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



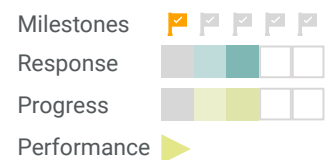
Fresenius Medical Care AG (Germany, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



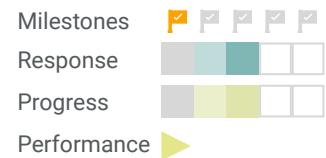
Fresenius SE & Co. KGaA (Germany, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



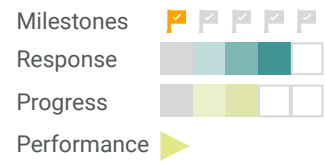
Fresh Del Monte Produce, Inc. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: The focus of engagement over the next twelve to eighteen months will be on maturing the company's current case study approach into a fully developed corporate-wide biodiversity strategy as well as understanding the company's perspective on the TNFD framework and its own timeline for potential adoption.



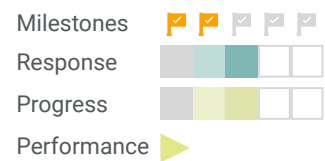
Galp Energia SGPS SA (Portugal, 2023)
Net Zero Transition

Change Objective: The engagement process will focus on the following: 1. Asses the progress in implementing strategy supporting Galp’s transition toward achieving a gross renewable operating capacity. 2. Encourage Galp to enhance transparency and disclosure regarding its Scope 3 emissions and integrate Scope 3 emissions management into its overall sustainability strategy. 3. Monitor Galp’s development of green hydrogen solutions, including potential risks and efforts to scale the production capacity.



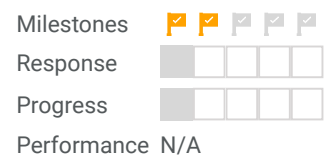
General Mills, Inc. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: General Mills should conduct and publish analysis of its most significant impacts and dependencies on nature. The company should also implement a strategy on biodiversity with no significant omissions.



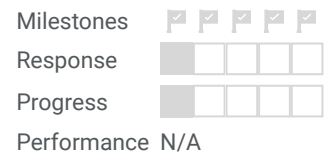
General Motors Co. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company’s progress towards aligning with a net zero pathway.



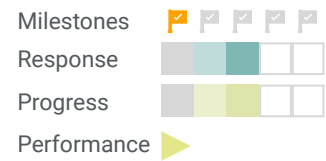
George Weston Ltd. (Canada, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company’s progress.



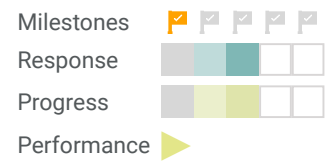
Gerdau SA (Brazil, 2023)
Net Zero Transition

Change Objective: Net zero engagement objectives for the next 18 months: 1. Developing and disclosing absolute emissions reduction targets for scopes 1, 2, and 3, in line with the Science Based Targets initiative and the Task Force on Climate-related Financial Disclosures recommendations. 2. Formulating a robust net zero strategy and illustrating how it bridges the emissions gap. 3. Enhancing the assessment and disclosure of climate-related risks and opportunities, using scenario analysis and financial metrics. 4. Increasing the investment and innovation in low-carbon technologies and solutions, such as hydrogen, carbon capture and utilization, and circular economy.



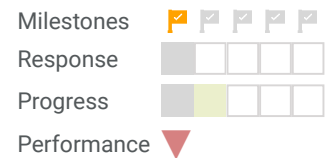
Glencore Plc (Switzerland, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



Gold Fields Ltd. (South Africa, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



Golden Agri-Resources Ltd. (Singapore, 2021)
Climate Change - Sustainable Forests and Finance

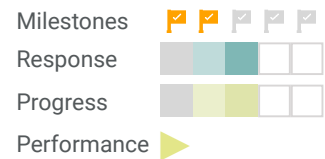
Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



Golden Agri-Resources Ltd. (Singapore, 2022)

Biodiversity and Natural Capital

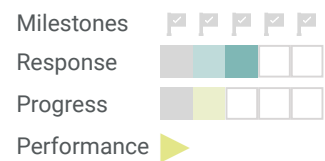
Change Objective: GAR should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and prioritize its mitigation strategy based on risk assessment results. GAR should also provide further information on its risk assessment result and analysis in its public disclosure. Furthermore, GAR should set targets for its most material impacts and risks and ensure the targets are realistic, achievable, and measurable to mitigate its identified biodiversity-related risks.



Gruma SAB de CV (Mexico, 2022)

Biodiversity and Natural Capital

Change Objective: Gruma should assign clear board-level responsibility for managing biodiversity impacts and dependencies with relevant expertise, conduct and disclose an initial assessment of biodiversity-related impacts and dependencies and publicly commit to reporting in line with the final TNFD recommendations.



GSK Plc (United Kingdom, 2024)

Sustainability and Good Governance

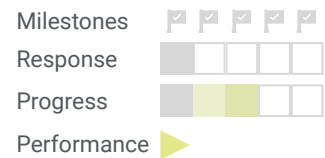
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



HCA Healthcare, Inc. (United States of America, 2024)

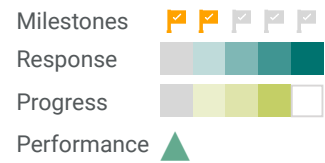
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



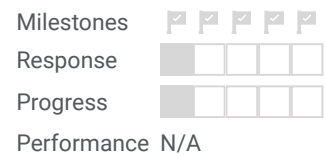
Heidelberg Materials AG (Germany, 2023)
Net Zero Transition

Change Objective: In the upcoming months, engagement efforts will focus on: 1.) Advocate for optimizing the reduction of clinker by integrating alternative materials and implementing CCUS technologies for lower carbon emissions. 2.) Monitor progress in achieving alternative fuel usage targets, emphasizing the transition to renewables and increased waste-based biomass. 3.) Observing evolving regulatory changes, particularly in the EU, and their impact on carbon reduction goals for company's Scope 1 emissions. 4.) Continue addressing the technological challenges in cement decarbonization, emphasizing the need for balanced innovation and risk management to ensure a successful transition to net zero emissions.



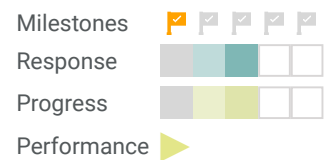
Hertz Global Holdings, Inc. (United States of America, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



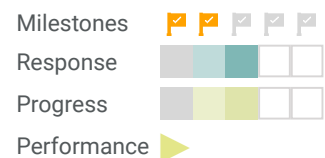
Hindalco Industries Ltd. (India, 2023)
Net Zero Transition

Change Objective: Over the coming months, engagement activities will aim to influence changes to: 1. Improve the granularity of disclosure on Scope 3 reporting. 2. Further the dialogue surrounding the company's decarbonization strategy, focusing on expediting the short-term expansion of renewable energy power supply. 3. Address the challenges of scaling up pilot decarbonization technologies (e.g., green hydrogen production and secure storage of captured carbon dioxide).



Holcim Ltd. (Switzerland, 2023)
Net Zero Transition

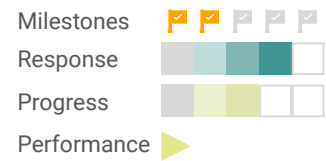
Change Objective: Over the coming months, engagement activities will aim to influence changes to: 1.) Engage Holcim in discussions aimed at advising the company on the importance of ensuring that the board and senior management possess the requisite skills, expertise, and incentives to effectively oversee and implement their net zero strategy. 2.) Enhance the disclosure of a long-term climate strategy and transparency by providing more detailed information in Holcim's reporting on the long-term financial impacts of climate change. This includes specifying how the company plans to meet its 2030 targets across its Scope 1, 2, and 3 emissions. Additionally, there should be increased clarity on how the company intends to transition its assets to a low-carbon approach beyond the year 2030. 3.) Address the significant technological challenges that arise in scaling up and commercializing innovative solutions like CCUS, green hydrogen, synthetic fuels, and electrification essential for deep decarbonization. 3.) Encourage collaboration with its stakeholders (e.g., governments, regulators, industry associations, and civil society) to advocate for favorable policies and standards that promote low-carbon construction. 4.) Monitor evolving EU regulatory changes impacting carbon reduction goals for Scope 1 emissions, adjusting strategies and operations to ensure compliance. 5.) Advocating transition to net zero by advancing sustainable investments and optimizing its Capital Expenditure (CAPEX) allocation.



Hon Hai Precision Industry Co., Ltd. (Taiwan, 2022)

Human Rights Accelerator

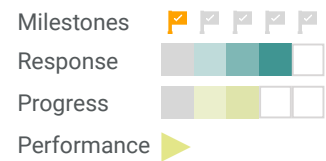
Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



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

Scaling Circular Economies

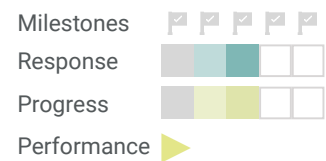
Change Objective: To reach Milestone 2, Honda would need to demonstrate an understanding of the risks associated with staying in a linear economy setup and develop a strategy to mitigate these risks. Its environmental targets should address these risks at the appropriate levels in the company and its value chain. Furthermore, the company's dedicated circular economy disclosure should be accompanied with specific capex quantification.



HSBC Holdings Plc (United Kingdom, 2024)

Sustainability and Good Governance

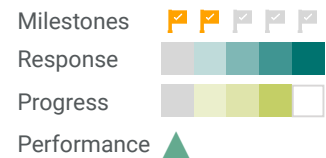
Change Objective: The specific change objective will be set following an assessment of the company's position.



Iberdrola SA (Spain, 2023)

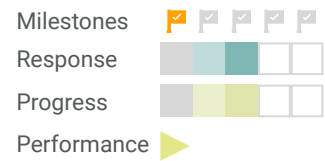
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will aim to: 1. Ensure Tier 1 suppliers consistently report their GHG emissions, either directly to the company or via a supplier-based disclosure portal 2. Establish interim goals for reducing Scope 3 emissions, which will serve as benchmarks to evaluate the company's progress between 2024 and 2040. 3. Showcase examples of proactive engagement with investors (excluding peers and competitors) to strengthen supply chain decarbonization efforts.



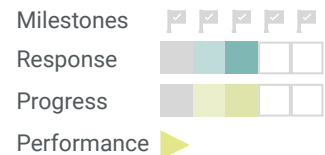
ICL Group Ltd. (Israel, 2022)
Biodiversity and Natural Capital

Change Objective: To reach Milestone 2, ICL will need to develop nature-related targets for some of its material impacts and/or dependencies. In addition, ICL's board or subcommittees should oversee the company's strategy regarding biodiversity and monitor progress towards relevant targets.



Infineon Technologies AG (Germany, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



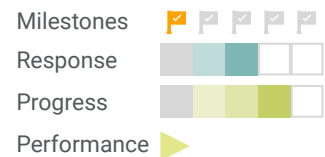
ING Groep NV (Netherlands, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



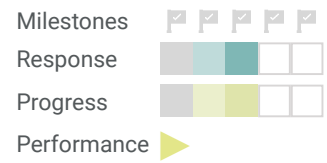
ING Groep NV (Netherlands, 2022)
Biodiversity and Natural Capital

Change Objective: ING Groep NV should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and prioritize its mitigation strategy based on risk assessment results. In addition, ING should set targets and metrics to manage its nature-related impacts and dependencies.



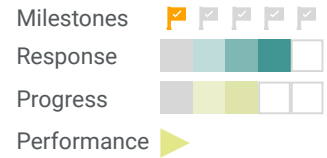
Intesa Sanpaolo SpA (Italy, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



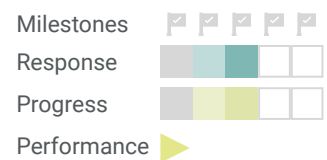
IOI Corp. Bhd. (Malaysia, 2022)
Biodiversity and Natural Capital

Change Objective: To reach milestone 2, IOI Corp needs to clearly demonstrate how its board oversees the company's biodiversity strategy and how the board monitors progress made on biodiversity.



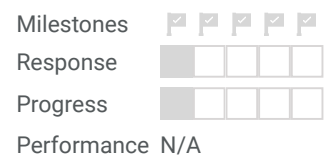
Itaú Unibanco Holding SA (Brazil, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



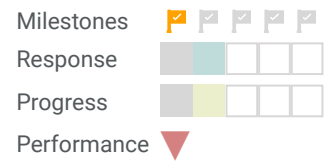
J Sainsbury Plc (United Kingdom, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



James Hardie Industries Plc (Ireland, 2023)
Net Zero Transition

Change Objective: The engagement process focuses on the following issues: 1.) Establish a schedule for periodic training sessions to ensure the board members are well-informed and equipped to navigate evolving business models and climate challenges. 2.) Integrate qualitative assessments of the strategy's resilience, considering previously disclosed transition risks and opportunities. 3.) Investigate and establish financing options to support sustainability goals, including but not limited to the issuance of green bonds and exploration of other ESG-linked instruments.



Johnson & Johnson (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



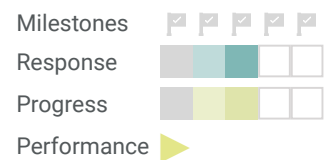
JPMorgan Chase & Co. (United States of America, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



JPMorgan Chase & Co. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: Sustainalytics will urge JPMorgan Chase & Co. to conduct a materiality assess to determine if the biodiversity and natural capital topic is material to its business and if so, to commit to addressing its nature-related impacts. Furthermore, we will request the company conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and prioritize its mitigation strategy based on risk assessment results.



KDDI Corp. (Japan, 2024)

Sustainability and Good Governance

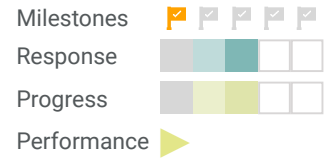
Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



Kerry Group Plc (Ireland, 2022)

Biodiversity and Natural Capital

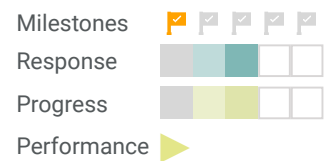
Change Objective: To reach Milestone 1, Kerry Group needs to commit to an overarching ambition to biodiversity and nature.



KEYENCE Corp. (Japan, 2024)

Sustainability and Good Governance

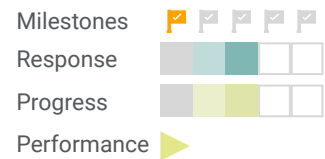
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Kia Corp. (South Korea, 2024)

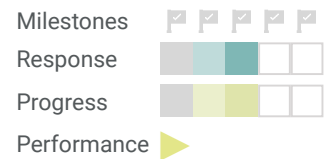
Scaling Circular Economies

Change Objective: To reach Milestone 2, Kia would need to demonstrate an understanding of the risks associated with staying in a linear economy setup and develop a strategy to mitigate these risks. Its environmental targets should address these risks at the appropriate levels in the company and its value chain. Furthermore, the company's dedicated circular economy disclosure should be accompanied with specific capex quantification.



KKR & Co., Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



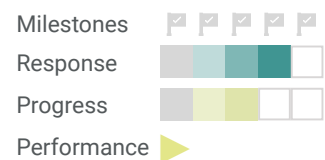
Koninklijke Ahold Delhaize NV (Netherlands, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



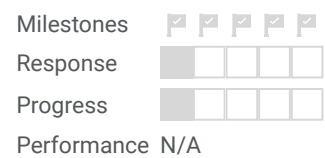
Koninklijke Ahold Delhaize NV (Netherlands, 2022)
Biodiversity and Natural Capital

Change Objective: Ahold Delhaize should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and commit to address its nature-related risks and impacts accordingly. In addition, Ahold Delhaize should set targets and metrics to manage its nature-related impacts and dependencies.



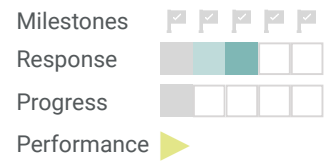
L'Oréal SA (France, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Lear Corp. (United States of America, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



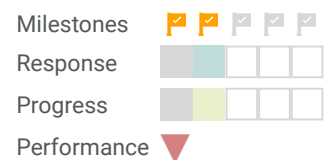
Lenovo Group Ltd. (Hong Kong, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



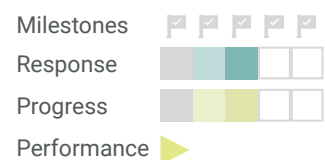
LG Chem Ltd. (South Korea, 2023)
Net Zero Transition

Change Objective: The engagement process will support LG Chem in its journey toward net zero emissions by: 1.) urging the establishment of science-based emission reduction targets aligned with the 1.5°C pathway; 2.) providing guidance on expediting the transition to renewable energy and low-carbon fuels; 3.) assisting in the expansion of a decarbonization-focused business portfolio and fostering innovation, along with enhancing the net zero aspects of products and services throughout their life cycle; and 4.) overseeing the development of a Scope 3 management process.



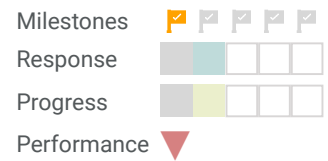
LG Energy Solution Ltd. (South Korea, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 1, LGES would need to demonstrate that it has dedicated governance and/or organizational capacity for implementing its circular economy strategy. Furthermore,



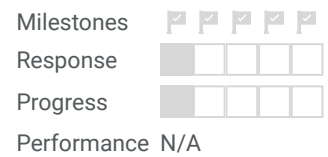
Linde Plc (United Kingdom, 2023)
Net Zero Transition

Change Objective: Sustainalytics has set the following engagement change objectives for the next 18 months: 1. Urge Linde to detail its transition plan and milestones for achieving 2035 and 2050 targets, providing regular progress reports. 2. Advocate for expanded GHG reporting, especially scope 3 emissions, aligned with TCFD recommendations. 3. Encourage Linde's comprehensive scenario analysis and strategy stress-testing against diverse climate scenarios. 4. Promote increased investment in low-carbon tech and demonstrate its value in decarbonizing challenging sectors. 5. Enhance Linde's stakeholder engagement, supporting policies for a net-zero transition.



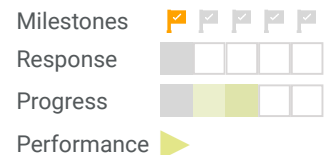
Localiza Rent A Car SA (Brazil, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



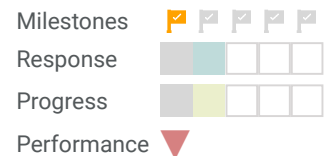
Lowe's Companies, Inc. (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



LyondellBasell Industries NV (United Kingdom, 2023)
Net Zero Transition

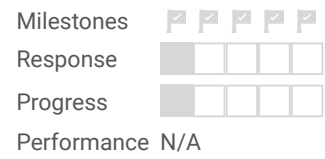
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



Mahindra & Mahindra Ltd. (India, 2024)

Scaling Circular Economies

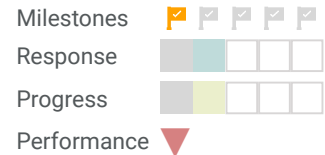
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Marathon Petroleum Corp. (United States of America, 2023)

Net Zero Transition

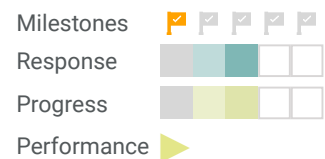
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



Mazda Motor Corp. (Japan, 2024)

Scaling Circular Economies

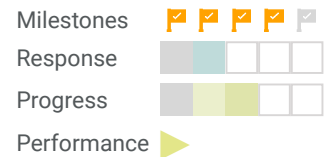
Change Objective: To reach Milestone 2, Mazda would need to demonstrate an understanding of the risks associated with staying in a linear economy setup and develop a strategy to mitigate these risks. Its environmental targets should address these risks at the appropriate levels in the company and its value chain. Furthermore, the company's dedicated circular economy disclosure should be accompanied with specific capex quantification..



McDonald's Corp. (United States of America, 2021)

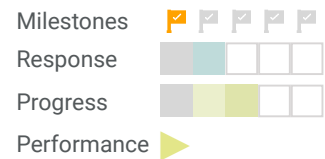
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



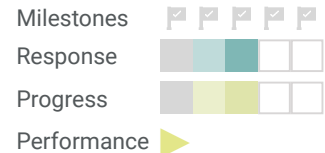
McDonald's Corp. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: To achieve Milestone 2, McDonald's should assess and publish its material impacts and dependencies on nature across its value chain.



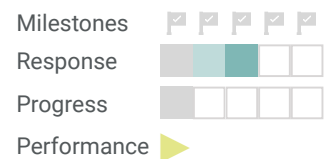
MercadoLibre, Inc. (Uruguay, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



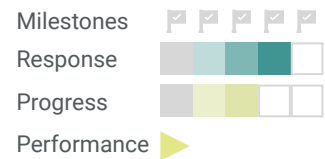
Mercedes-Benz Group AG (Germany, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



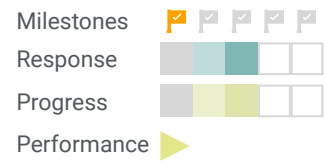
Microsoft Corp. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: To enhance Microsoft's sustainability governance and meet investor expectations, it is recommended that the company establishes a comprehensive framework to improve the board's sustainability skills and diversify its composition. Additionally, Microsoft should adopt a clear definition of 'double materiality' in disclosures and refine its double materiality matrix to align with long-term sustainability goals, updating it biennially and detailing its methodology. The sustainability strategy should integrate all initiatives, including tax transparency, in line with global standards, and set measurable ESG performance targets for executives. Finally, Microsoft should ensure transparency and accountability by providing detailed clarifications on its mechanisms and processes.



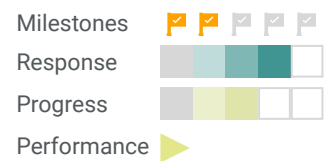
Microsoft Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: Microsoft's net zero engagement change objectives for the next 18 months include: 1. Strengthen company's commitment to setting science-based GHG reduction targets across its value chain, including scope 3 emissions, and develop a comprehensive, time-bound plan for achieving these targets. 2. Enhance transparency and reporting on its progress towards net zero, providing specific projections and targets for GHG emission reductions. 3. Integrate GHG emission reduction metrics into executive and board compensation.



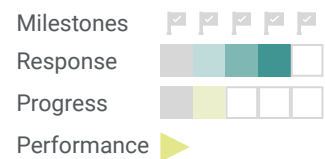
Minerva SA (Brazil, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



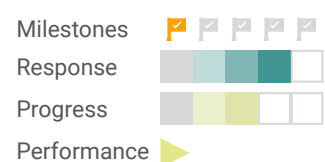
Minerva SA (Brazil, 2022)
Biodiversity and Natural Capital

Change Objective: Minerva should conduct a comprehensive nature-related risk assessment to identify its impacts and dependencies hot spots. Based on the assessment, Minerva should commit to address its negative nature-related impacts and risks and ensure the board is overseeing the progress toward its commitments. The company should also commit to report in accordance with the TNFD recommendations or participate in a TNFD pilot study.



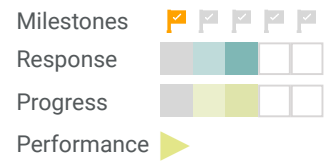
Mitsubishi Chemical Group Corp. (Japan, 2023)
Net Zero Transition

Change Objective: The change objective of the net zero engagement with the company will focus on: 1.) Elevate the Board's understanding and decision-making processes regarding business model transformation and/or climate-related matters. 2.) Facilitate discussions on instituting a program for low-carbon transition investment planning, aiming to attract additional capital for the purpose of mitigating risks, expanding operations, and advancing the commercialization of low-carbon technologies. 3.) Foster dialogue with the company regarding challenges associated with targets and disclosures related to Scope 3 upstream emissions, specifically those within the value chain.



Mitsubishi Corp. (Japan, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will focus on: 1. Ask the company to improve disclosure regarding the low-carbon transition investment planning programme, providing more details on how it will finance major decarbonization-related investments until 2030. 2. Advise the company to commit to developing a supply chain-related GHG emissions reduction programme.



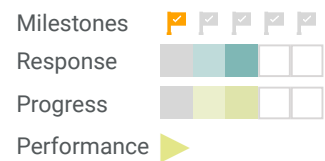
Mitsubishi Corp. (Japan, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



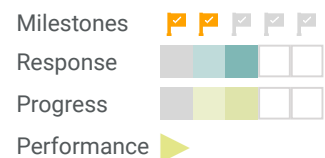
Mitsubishi Corp. (Japan, 2022)
Biodiversity and Natural Capital

Change Objective: Mitsubishi Corp. should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations and address its nature-related risks and impacts by setting out a strategic approach accordingly. In addition, Mitsubishi should set targets and metrics to manage its material nature-related impacts and dependencies.



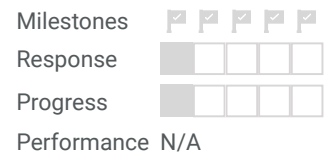
Mitsubishi Materials Corp. (Japan, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



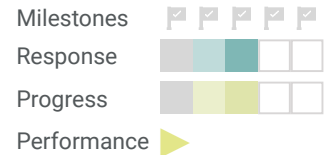
Mizuho Financial Group, Inc. (Japan, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



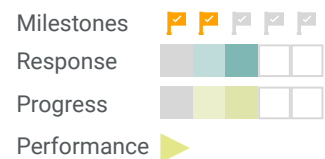
Moderna, Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Mondelez International, Inc. (United States of America, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



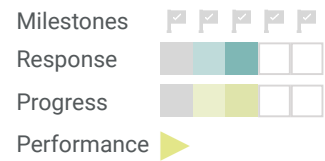
Mowi ASA (Norway, 2022)
Biodiversity and Natural Capital

Change Objective: Mowi has mapped its biodiversity strategy to the Global Biodiversity Framework, the next step would be to achieve full alignment with the Global Biodiversity Framework. Leveraging its comprehensive understanding of its biodiversity impacts and dependencies, Mowi should establish and disclose science-based targets to effectively address them.



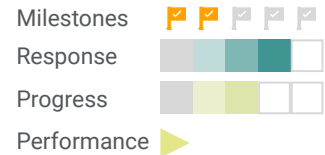
Naspers Ltd. (South Africa, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Neste Corp. (Finland, 2023)
Net Zero Transition

Change Objective: In the months ahead, net zero engagement will: 1.) Continue discussing strategies to address the significant challenge of reducing Scope 3 Downstream emissions with the company. 2.) Suggest the company increase the speed in which it would substitute palm oil feedstock for its renewable diesel production with an alternative with lesser environmental impact. 3.) Observe evolving regulatory changes, particularly in the EU, and their impact on Neste's decarbonization efforts. 4.) Discuss the technological innovation risk and potential problems it might have on the company's technological and innovation capabilities to produce high-quality and low-carbon products. 5.) Discuss with Neste the plans to allocate the proceeds of its Green Bonds to finance eligible assets and projects, such as renewable product refineries, sustainable aviation fuel, and raw materials for polymers and chemicals.



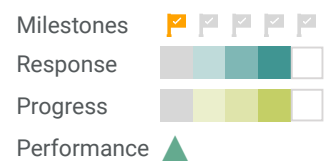
Nestlé SA (Switzerland, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



Nestlé SA (Switzerland, 2022)
Biodiversity and Natural Capital

Change Objective: Nestlé must implement an overarching nature strategy that is linked to its biodiversity baseline assessments.



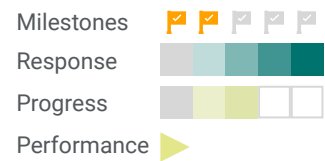
Newmont Corp. (United States of America, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



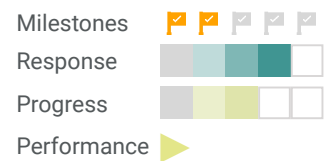
NextEra Energy, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: 1. Strengthen company's net zero governance by exploring the addition of a board member with expertise in climate action or organizational transformation, and integrating greenhouse gas emission reduction objectives into executive compensation plans. 2. Develop a comprehensive and transparent net zero strategy with clear steps, timelines, and actions for emissions reduction in all three emission scopes. 3. Enhance company's resilience to climate change risks, ensuring its long-term sustainability and profitability while securing a more resilient energy infrastructure against the effects of extreme weather events and changing regulatory landscapes.



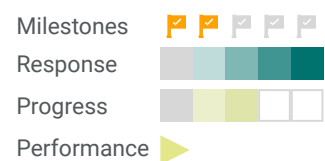
NIPPON STEEL CORP. (Japan, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will focus on: 1. Advise the company to develop a GHG performance incentive plan for the CEO. 2. Encourage the company to organize net zero-specific training in business model transformation.



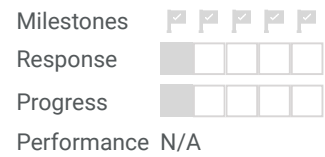
Nippon Yusen KK (Japan, 2023)
Net Zero Transition

Change Objective: The engagement with NYK will focus on: 1. Track the company's fleet decarbonization investment efforts with special emphasis on planned net zero investments for 2026–2030. 2. Discuss the risks and opportunities for new technologies such as hydrogen and carbon capture and storage (CCS). 3. Identify "low-hanging fruit" and long-term challenges across fuel options, emissions avoidance, and energy efficiency to prioritize investments for maximum environmental impact and financial returns. 4. Assess the efficiency and potential leverage of the company's Internal Carbon Pricing (ICP) mechanism in driving cost-effective decarbonization efforts and supporting the transition to net zero emissions, enabling investors to evaluate its impact on investment decisions and overall business performance.



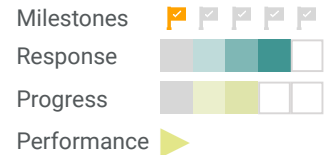
Nissan Motor Co., Ltd. (Japan, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Nissui Corp. (Japan, 2022)
Biodiversity and Natural Capital

Change Objective: To achieve Milestone 2, Nissui must implement a biodiversity strategy with no significant omissions. The strategy should be guided by a robust understanding of the company's nature-related impacts, dependencies, and the resultant risks and opportunities. Moreover, it should align with the goals and targets of the Global Biodiversity Framework.



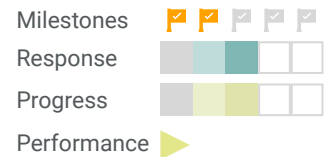
Norsk Hydro ASA (Norway, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will focus on: 1. Advising the company to publish green/transition loan performance covenants. 2. Requiring Tier 1 suppliers to report their GHG emissions directly to the company or via a disclosure portal.



NRG Energy, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics engagement dialogue for the next 18-24 months will focus on encouraging NRG to: • Strengthen its Scope 3 emissions reduction strategies and disclosures. • Enhance the linkage between executive compensation and GHG reduction performance. • Provide more detailed disclosures on the financial implications of its net zero transition, including capital expenditures and expected returns on investments in low-carbon technologies.



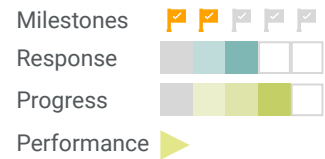
Nucor Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the next 18 months, Morningstar Sustainalytics will focus its engagement strategy with Nucor on several key objectives. These include: 1. Improve Scope 3 GHG emission measurement and disclosure. 2. Set GHG emission reduction targets covering all emission scopes (Scope1,2,3). 3. Develop a credible carbon reduction strategy to achieve net zero by 2050.



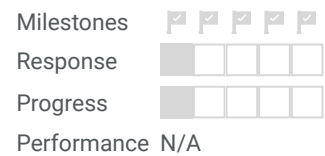
Nutrien Ltd. (Canada, 2022)
Biodiversity and Natural Capital

Change Objective: Sustainalytics will encourage the company to clearly link board education to biodiversity and natural capital. Moreover, the company is urged to conduct and disclose a detailed value chain level risk and opportunity assessment which can be leveraged to form a corporate wide biodiversity strategy.



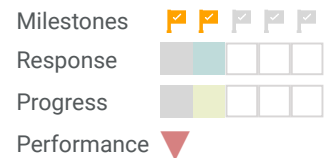
O'Reilly Automotive, Inc. (United States of America, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



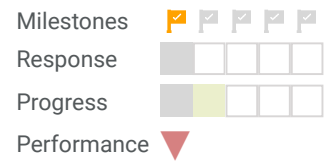
Occidental Petroleum Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the next 18 - 24 months, Sustainalytics will focus its engagement strategy with Occidental Petroleum on several key objectives. These include: - Validate existing GHG emission reduction targets - Set interim scope 3 GHG emission reduction targets - Provide clarity on capital allocation alignment to organization's climate transition



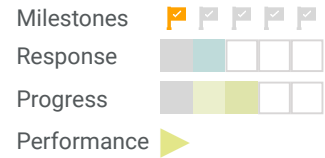
OCI NV (Netherlands, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



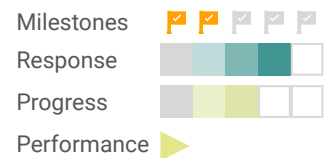
Olam Group Ltd. (Singapore, 2024)
Biodiversity and Natural Capital

Change Objective: Olam Group should assign clear board-level responsibility for managing biodiversity impacts and dependencies. Olam Group should also conduct a comprehensive nature-related risk assessment in line with SBTN methodology and TNFD LEAP assessment.



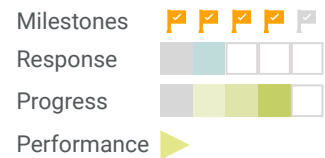
Panasonic Holdings Corp. (Japan, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



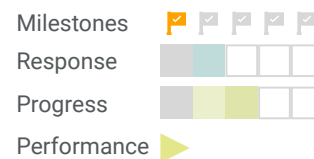
PepsiCo, Inc. (United States of America, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



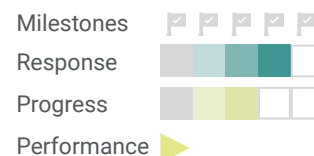
PepsiCo, Inc. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: PepsiCo, Inc. should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and further address its nature-related risks and impacts by setting out a strategic approach accordingly. In addition, PepsiCo should report on its progress in its public disclosure.



Pfizer Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: We recommend that Pfizer, in the short term, enhances its board expertise in alignment with its materiality matrix, ensuring diverse perspectives and clear communication of progress to stakeholders. The company should also improve transparency and accountability by allowing stakeholders to track materiality matrix priorities across financial years. In the medium term, Pfizer should set specific targets related to prioritized SDGs with individual accountability, and integrate sustainability metrics into both LTIP and STIP, ensuring consistency. Additionally, Pfizer should fully adopt GRI standards with external verification of sustainability data and implement public country-by-country tax reporting globally, in line with EU and expected Australian requirements.



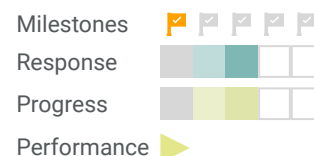
Phillips 66 (United States of America, 2023)
Net Zero Transition

Change Objective: To reach Milestone 3 Phillips 66 is urged to: - Set mid- and long-term absolute GHG emission reduction targets for Scope 1, 2, and 3, validated by an independent third party. - Develop a transparent, actionable roadmap that outlines steps and strategies to meet these targets. - Strengthen disclosure by providing comprehensive information on the company's climate policy engagement and aligning lobbying activities with the Paris Agreement's objectives. - Ensure future capital expenditures align with the company's GHG reduction goals and support the Paris Agreement's aim of limiting global warming to 1.5°C.



PPG Industries, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the next 18-24 months, Sustainalytics will focus its engagement strategy with PPG on several key objectives. These include: - Set more ambitious GHG emission reduction goals across all three scopes, aligning with a 1.5°C pathway. - Develop a comprehensive net-zero transition strategy outlining specific steps, timelines, and actions for emissions reduction across operations and the value chain. - Strengthen engagement with the supply chain, collaborating closely with suppliers and customers to assess and reduce Scope 3 emissions, showcasing leadership in sustainability.



Procter & Gamble Co. (United States of America, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



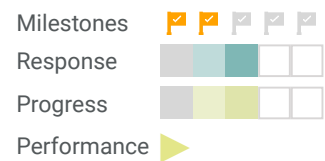
Procter & Gamble Co. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: Sustainalytics will urge P&G conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and prioritize its mitigation strategy based on risk assessment results. Furthermore, we will inquire about the company's intentions around setting targets and metrics to manage its nature-related impacts and dependencies.



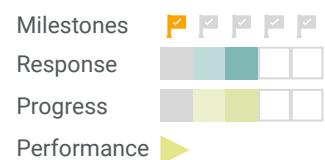
PT Astra Agro Lestari Tbk (Indonesia, 2022)
Biodiversity and Natural Capital

Change Objective: To reach Milestone 3, PT AAL will be expected to conduct a detailed analysis of its most material impacts and dependencies on biodiversity and natural capital. This assessment should inform a comprehensive strategy to address its biodiversity and nature impacts, dependencies, risks, and opportunities.



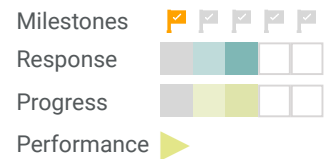
PT Bank Mandiri (Persero) Tbk (Indonesia, 2022)
Biodiversity and Natural Capital

Change Objective: Bank Mandiri must assess its portfolio's exposure to nature-related impacts, dependencies, risks, and opportunities. As Bank Mandiri progresses in integrating biodiversity and natural capital into its activities, board-oversight of biodiversity will be important to establish a robust sense of ambition and effectively mainstream the topic into its overall sustainability strategy.



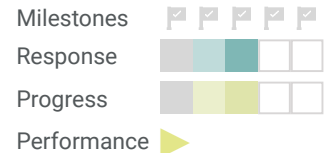
Public Service Enterprise Group, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



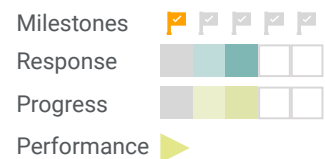
Regeneron Pharmaceuticals, Inc. (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



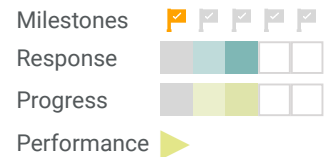
Renault SA (France, 2024)
Scaling Circular Economies

Change Objective: To advance to milestone 2 the company will need to demonstrate a strategy to mitigate material linear economy risks and pursue circular economy opportunities in its business and value chain, set specific, measurable and time-bound targets on salient areas of environmental performance and includes dedicated and substantial disclosure of its approach to advancing with the transition towards a circular economy in its annual sustainability reporting.



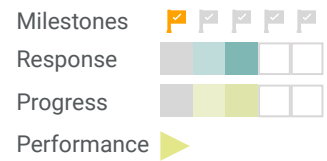
Republic Services, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: Over the next 18-24 months, Sustainalytics will focus its engagement strategy with Republic Services on several key objectives. These include: - Provide disclosure on low carbon transition investment planning



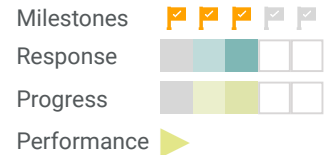
Rio Tinto Ltd. (Australia, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



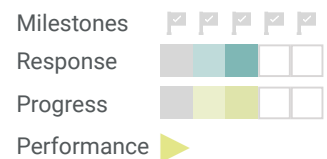
Roche Holding AG (Switzerland, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



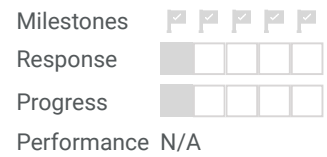
Royal Bank of Canada (Canada, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Royal Caribbean Group (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



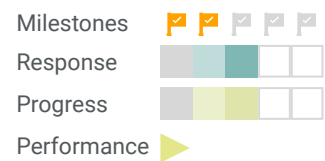
RWE AG (Germany, 2023)
Net Zero Transition

Change Objective: The engagement has the following change objectives: 1. Disclose that the company conducts board-wide training in business model transformation and climate-related matters such as net zero. 2. Improve the granularity of disclosure on the company’s coal phase-out process. 3. Enhance transparency and accountability by providing detailed information on the company’s engagement with suppliers and methods for obtaining data on their GHG emissions.



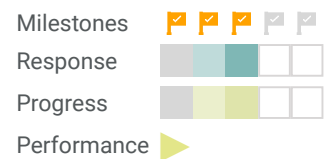
Samsung Electronics Co., Ltd. (South Korea, 2023)
Net Zero Transition

Change Objective: The engagement has the following change objectives: 1.) Monitor and evaluate Samsung’s response and performance on net zero and provide feedback and suggestions for improvement. 2.) Enhance resilience to the physical impacts of climate change to mitigate potential operational disruptions and associated cost increases. 3.) Streamline processes for compliance with diverse environmental regulations and standards globally. 4.) Regularly monitor and prepare responses for barriers in developing and deploying scalable technologies for achieving net zero and decarbonization.



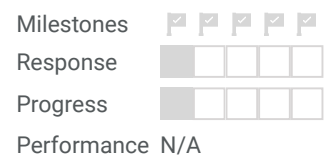
Samsung Electronics Co., Ltd. (South Korea, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



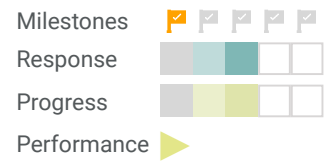
Samsung SDI Co., Ltd. (South Korea, 2024)
Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Schneider Electric SE (France, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 2, Schneider Electric would need to demonstrate an understanding of the risks associated with staying in a linear economy setup and develop a strategy to mitigate these risks. Its environmental targets should address these risks at the appropriate levels in the company and its value chain. Furthermore, the company's dedicated circular economy disclosure should be accompanied with specific capex quantification.



SD Guthrie Bhd. (Malaysia, 2022)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



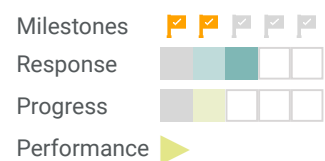
SD Guthrie Bhd. (Malaysia, 2022)
Biodiversity and Natural Capital

Change Objective: SDP should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and prioritize its mitigation strategy based on risk assessment results. SDP should also provide further information on its risk assessment result and analysis in its public disclosure. Furthermore, SDP should set targets for its most material impacts and risks and ensure the targets are realistic, achievable, and measurable to mitigate its identified biodiversity-related risks.



Shell Plc (United Kingdom, 2023)
Net Zero Transition

Change Objective: To reach Milestone 3, Shell is urged to: 1. Fossil Fuel Investments: Provide clarity on how Shell's fossil fuel projects align with its net zero strategy and push for stronger action in reducing fossil fuel production. 2. Scope 3 Emissions: With Scope 3 emissions as Shell's largest source, set more aggressive reduction targets. 3. Short-Term Targets: Set more ambitious short- and medium-term absolute emission reduction goals aligned with a 1.5°C pathway.



Shopify, Inc. (Canada, 2024)

Sustainability and Good Governance

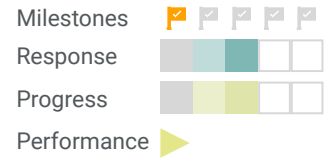
Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



Shoprite Holdings Ltd. (South Africa, 2022)

Biodiversity and Natural Capital

Change Objective: Shoprite should: outline its response to the recommendations of the study prepared in partnership with the Endangered Wildlife Trust which looks at its eight largest sites; disclose its biodiversity action plan and the associated targets, as well as its progress on the plan; and adopt the final TNFD recommendations.



Siemens AG (Germany, 2024)

Human Capital Management

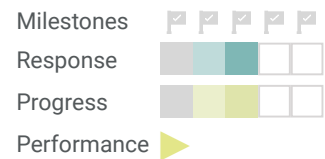
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



SK hynix, Inc. (South Korea, 2024)

Sustainability and Good Governance

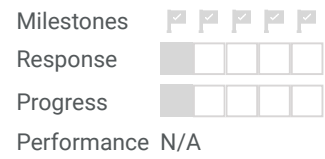
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



SK Innovation Co., Ltd. (South Korea, 2024)

Scaling Circular Economies

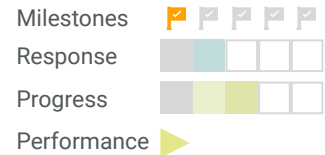
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Sociedad Quimica y Minera de Chile SA (Chile, 2022)

Biodiversity and Natural Capital

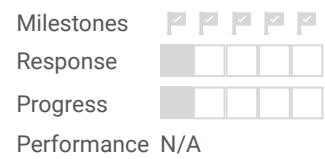
Change Objective: To reach Milestone 2, SQM's board or subcommittees should oversee the company's strategy regarding biodiversity and monitor progress towards relevant targets.



Sodexo SA (France, 2024)

Human Capital Management

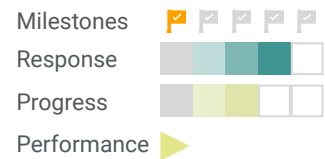
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Solvay SA (Belgium, 2023)

Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will aim to: 1. Encourage the company to link non-monetary compensation at all levels to emissions reduction or broader climate-related targets. 2. Recommend the company actively engage with peers and competitors in collaborative efforts to facilitate supply chain decarbonization. 3. Monitor the company's reapplication process for SBTi following its demerger.



Sony Group Corp. (Japan, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



South32 Ltd. (Australia, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will aim to: 1. Encourage the company to provide detailed explanations and quantifications of the actions identified in its decarbonization strategy, focusing on meeting the medium-term (2026–2035) GHG reduction target to enhance transparency and accountability. 2. Advise South32 to improve disclosure by disclosing the information that the Board is receiving training provided by internal and external stakeholders in business model transformation and climate-related matters (i.e., net zero).



Spotify Technology SA (Luxembourg, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Starbucks Corp. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: To achieve Milestone 1, Starbucks will need to recognize biodiversity as a material issue for its business and demonstrate a clear commitment to addressing biodiversity loss.



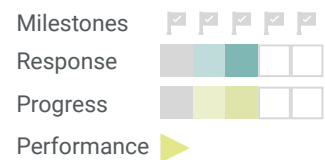
Steel Dynamics, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: To reach Milestone 2, Steel Dynamics would need to: 1. Commit to establish clear and ambitious Scope 3 emission reduction targets, considering their substantial contribution, accounting for nearly 50% of the company's total greenhouse gas (GHG) emissions in 2022. 2. Outline a robust and achievable strategy to accomplish the Net Zero objective by 2050, specifically focused on the steel mills. This approach should encompass comprehensive plans addressing operational emissions reduction and renewable energy adoption aligned with the set Net Zero goal. 3. Articulate how the company's investment strategies and capital allocation will be geared toward closing the emissions gap to reach the 2050 target. Detailed demonstration of the investments and resource allocations essential for driving emissions reduction initiatives will be key in ensuring the success of the Net Zero commitment.



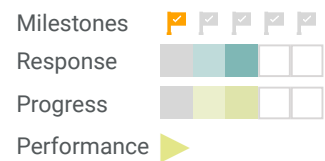
STMicroelectronics NV (Netherlands, 2024)
Sustainability and Good Governance

Change Objective: The specific change objective will be set following an initial dialogue and assessment of the company's position.



Sumitomo Metal Mining Co. Ltd. (Japan, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



Sumitomo Mitsui Financial Group, Inc. (Japan, 2021)
Climate Change - Sustainable Forests and Finance

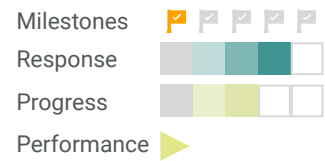
Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



Sumitomo Mitsui Financial Group, Inc. (Japan, 2022)

Biodiversity and Natural Capital

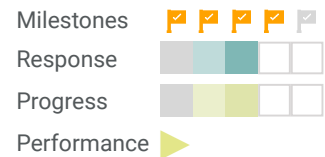
Change Objective: SMFG should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and prioritize its mitigation strategy based on risk assessment results. In addition, SMFG should set targets and metrics to manage its nature-related impacts and dependencies.



Swiss Re AG (Switzerland, 2024)

Sustainability and Good Governance

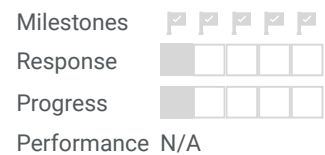
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



T-Mobile US, Inc. (United States of America, 2024)

Human Capital Management

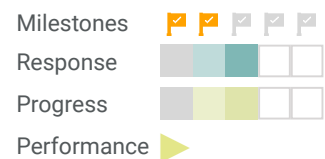
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Taiwan Semiconductor Manufacturing Co., Ltd. (Taiwan, 2023)

Net Zero Transition

Change Objective: The change objective will focus on the dialogue: 1. Monitor and discuss TSMC's plan to increase the domestic use of renewable energy and reduce emissions of Scope 2. 2. Addressing challenges related to operational growth while strategizing to meet Science Based Targets (SBTs) requirements in the mid-term. 3. Advocate for increased disclosure on Scope 3 emissions.



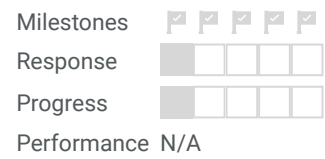
Taiwan Semiconductor Manufacturing Co., Ltd. (Taiwan, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



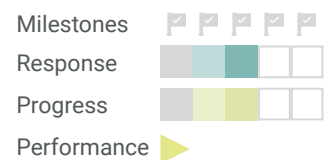
Target Corp. (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



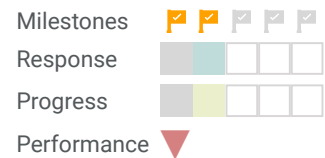
Tata Motors Ltd. (India, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 1, Tata Motors would need to demonstrate that it has dedicated governance and/or organizational capacity for implementing its circular economy strategy.



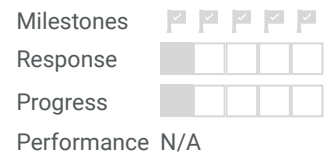
Tata Steel Ltd. (India, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



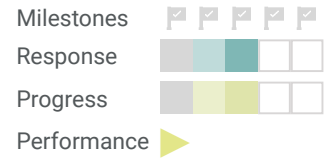
Tesco Plc (United Kingdom, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



Tesla, Inc. (United States of America, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 1, Tesla would need to demonstrate that it has dedicated governance and/or organizational capacity for implementing its circular economy strategy.



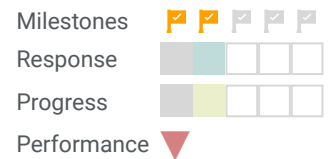
Texas Instruments Incorporated (United States of America, 2024)
Sustainability and Good Governance

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



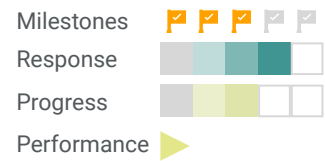
The AES Corp. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



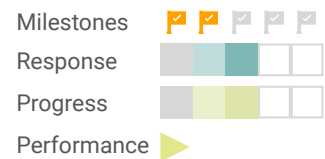
The Hershey Co. (United States of America, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



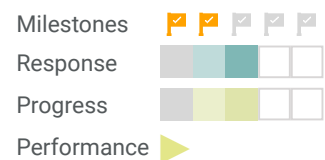
The Home Depot, Inc. (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



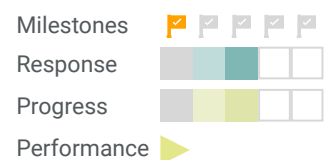
The Kroger Co. (United States of America, 2022)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



The Kroger Co. (United States of America, 2022)
Biodiversity and Natural Capital

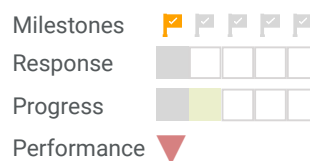
Change Objective: Kroger should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and commit to address its nature-related risks and impacts accordingly. In addition, Kroger should set targets and metrics to manage its nature-related impacts and dependencies.



The Siam Cement Public Co. Ltd. (Thailand, 2023)

Net Zero Transition

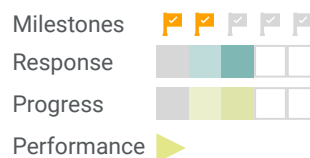
Change Objective: The engagement process with SCG aims to conduct the following: 1.) Encourage SCG to enhance its board oversight and executive accountability on business model transformation and climate-related matters by disclosing more information on the board training, the senior executive role, and the performance indicators and targets for these issues. 2.) Monitor the company’s progress in adopting and deploying low-carbon technologies, such as CCUS, hydrogen, and renewable energy, by requesting more details on the company’s research and development activities, projects and initiatives, barriers and risks, collaborations and partnerships in this area. 3.) Encourage the company to establish a low-carbon transition investment planning programme addressing the high cost of transforming its existing production processes and facilities to reduce carbon emissions. 4.) Advise SCG to the company to improve its disclosure of its Scope 1, 2, and 3 emissions by measuring and reporting its GHG emissions across its value chain, using a science-based approach to set ambitious and realistic targets for emission reduction, and tracking and communicating the progress and performance of its mitigation actions.



The Southern Co. (United States of America, 2023)

Net Zero Transition

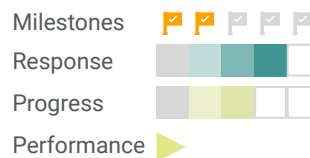
Change Objective: To reach Milestone 3, Southern Co. is urged to: 1. Validate the existing GHG emission targets through SBTi verification. 2. Improve the measurement and disclosure of scope 3 emissions. 3. Set science-based targets for Scope 3 GHG emissions. 4. Provide a clear plan illustrating how the current GHG emission reduction strategy will bridge the gap between current GHG performance and the net zero objectives.



The Williams Cos., Inc. (United States of America, 2023)

Net Zero Transition

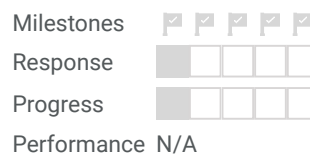
Change Objective: Sustainalytics aims to engage with Williams on its net zero progress over the next 18 months with the following objectives: Set absolute mid-term greenhouse gas (GHG) emission reduction targets to complement existing intensity targets for the company's scope 1 and 2 emissions. Validate these targets through independent third-party verification to ensure their credibility and transparency. Continue to explore strategies to reduce GHG emissions across the company's entire value chain, including upstream and downstream operations. Provide transparent metrics detailing the allocation of capital expenditure (CAPEX) towards supporting decarbonization goals and broader sustainability strategies. Assess the feasibility of aligning reporting practices with the EU taxonomy to understand potential implications for the company's operations and sustainability efforts.



Tofas Turk Otomobil Fabrikasi AS (Turkey, 2024)

Scaling Circular Economies

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



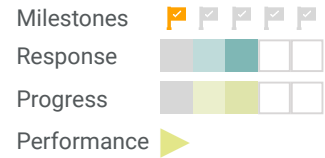
Tosoh Corp. (Japan, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



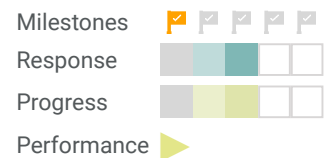
TotalEnergies SE (France, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement process will focus on: 1. Advise the company to partially disclose lobbying activities related to climate change and the transition to net zero. 2. Ensure that the company successfully persuades at least 20% more of its top 400 emitting suppliers to establish Scope 1 and 2 emission reduction goals, thereby achieving the company's target of having 90% of the key suppliers set reduction goals.



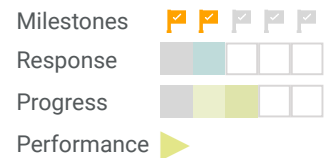
Toyota Motor Corp. (Japan, 2023)
Net Zero Transition

Change Objective: Over the next 12-18 months, the engagement activities will aim to influence changes to: 1. Address technical and operational challenges and risks in developing and deploying new technologies. 2. Enhance the detailed disclosure of the role of CAPEX in the long-term transition, aligning it with the journey towards achieving net zero emissions.



Tyson Foods, Inc. (United States of America, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



Tyson Foods, Inc. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: Tyson Foods should recognize that its business activities have material impacts and dependencies on biodiversity and natural capital and commit to address its nature-related impacts and risks accordingly.



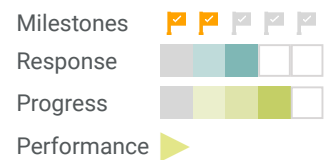
UBS Group AG (Switzerland, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



UBS Group AG (Switzerland, 2022)
Biodiversity and Natural Capital

Change Objective: To reach Milestone 3, UBS will need to deepen its assessment of nature-related impacts and dependencies and implement a strategy with no significant omissions. The strategy will need to encompass nature-related targets.



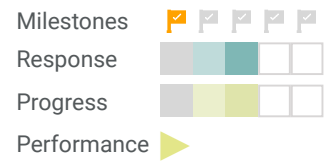
United Parcel Service, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: To reach Milestone 1, UPS is urged to: 1. Provide disclosure on low carbon transition investment planning 2. Integrate GHG emission reduction targets into company's executive compensation 3. Demonstrate progress on GHG emission reduction



UnitedHealth Group, Inc. (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



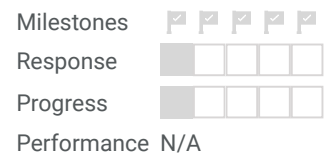
Vale SA (Brazil, 2022)
Human Rights Accelerator

Change Objective: The prevention of adverse impacts on people is the main purpose of human rights due diligence. The overarching goal of the HRA thematic engagement is to support companies in their journey to set robust and effective human rights due diligence (HRDD) systems that align with the global standard set by the UNGPs. Our aim is to trigger positive improvement in the livelihood of people directly involved in supply chains—workers and local communities—and address the root causes of some of the salient human rights risks in the selected focus sectors, namely the electronics, the mining and the cocoa sectors.



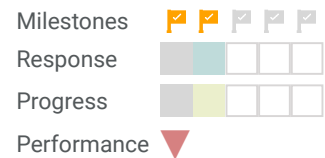
Valeo SE (France, 2024)
Scaling Circular Economies

Change Objective: More information will be added here shortly indicating the rationale behind company selection, how they are exposed to Thematic ESG risks and the long-term objective of the engagement.



Valero Energy Corp. (United States of America, 2023)
Net Zero Transition

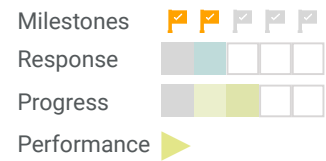
Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



Veolia Environnement SA (France, 2023)

Net Zero Transition

Change Objective: For the next 18 months, Morningstar Sustainalytics has set the following engagement change objectives for Veolia: 1. Strengthen Veolia's disclosure regarding its Scope 3 emissions, ensuring alignment with the Science Based Targets initiative. 2. Improve the company's climate scenario analysis and stress testing by considering diverse physical and transition scenarios, encompassing all assets and operations. 3. Demonstrate how Veolia's carbon reduction strategy aims to bridge the gap in GHG emissions.



VINCI SA (France, 2023)

Net Zero Transition

Change Objective: Morningstar Sustainalytics' net zero engagement objectives with Vinci over the next 18 months will encompass the following topics: 1.) Enhance transparency by providing comprehensive insights into its climate scenario analysis and alignment with Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 2.) Provide more evidence on the efficacy and broader impact of Vinci's low-carbon solutions and services, including its Exegy® concrete range, Power Road technology, and AirPact program for airports. 3.) Expand and accelerate the implementation of the company's environmental ambition throughout its value chain, notably focusing on its supply chain and customer solutions.



Vistra Corp. (United States of America, 2023)

Net Zero Transition

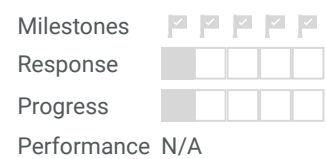
Change Objective: This engagement dialogue sets the following change objectives for the next 12-18 months:: - Integrate absolute GHG emission reduction targets into executive compensation. - Develop a carbon reduction strategy do demonstrate the GHG emission reduction aligned to the net zero goals. - Set scope 3 GHG emission reduction targets.



Vodafone Group Plc (United Kingdom, 2024)

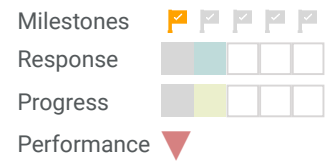
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



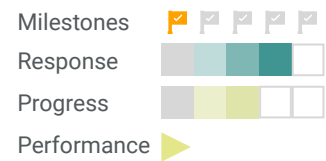
voestalpine AG (Austria, 2023)
Net Zero Transition

Change Objective: Morningstar Sustainalytics net zero engagement change objectives with Voestalpine over next 18 months: 1.) Advocate for Voestalpine to improve its risk management and scenario analysis concerning climate-related physical and transition risks, in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework. 2.) Encourage the company to establish distinct and ambitious goals for emissions reduction across all scopes, disclose its climate-related risks and opportunities. 3.) Incorporate climate considerations into its decision-making processes and executive incentive frameworks.



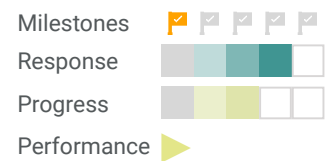
Volkswagen AG (Germany, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 2, Volkswagen would need to demonstrate an understanding of the risks associated with staying in a linear economy setup and develop a strategy to mitigate these risks. Its environmental targets should address these risks at the appropriate levels in the company and its value chain. Furthermore, the company's dedicated circular economy disclosure should be accompanied with specific capex quantification.



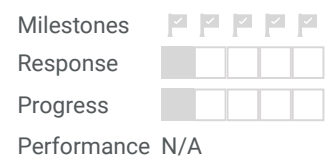
Volvo Car AB (Sweden, 2024)
Scaling Circular Economies

Change Objective: To reach Milestone 2, Volvo Cars would need to demonstrate an understanding of the risks associated with staying in a linear economy setup and develop a strategy to mitigate these risks. Its environmental targets should address these risks at the appropriate levels in the company and its value chain. Furthermore, the company's dedicated circular economy disclosure should be accompanied with specific capex quantification.



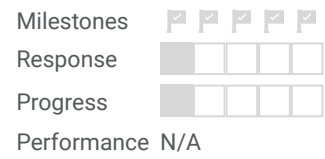
Wal-Mart de México SAB de CV (Mexico, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



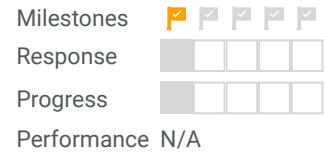
Walgreens Boots Alliance, Inc. (United States of America, 2024)
Human Capital Management

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress.



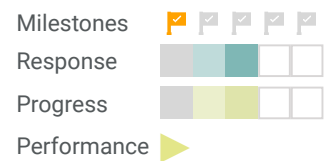
Walmart, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



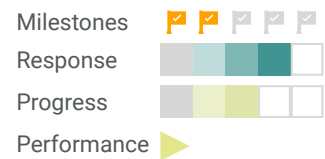
Walmart, Inc. (United States of America, 2022)
Biodiversity and Natural Capital

Change Objective: Sustainalytics will encourage the company to clearly link board education to biodiversity and natural capital. Moreover, the company is urged to publicly disclose its commodity and landscape level nature related impacts and dependencies analysis.



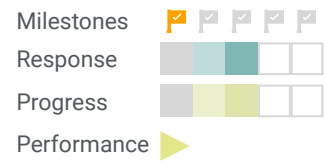
Waste Management, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: To reach Milestone 3, Waste Management is urged to: 1. Enhance net zero governance practices by integrating internal and external stakeholder to inform the transition to the low carbon economy. 2. Set Scope 3 emission reduction targets and formulating a comprehensive reduction plan 3. Set net zero by 2050 targets.



Woolworths Group Ltd. (Australia, 2022)
Biodiversity and Natural Capital

Change Objective: Woolworths Group should conduct a comprehensive nature-related risk assessment in line with TNFD recommendations to identify its impact and dependency hot spots and commit to address its nature-related risks and impacts accordingly. In addition, Woolworths Group should set targets and metrics to manage its nature-related impacts and dependencies.



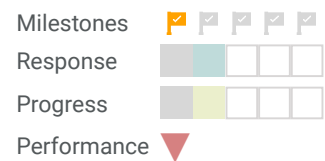
Woolworths Group Ltd. (Australia, 2021)
Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



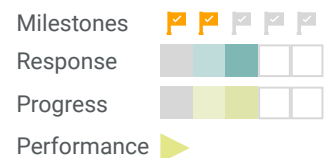
Xcel Energy, Inc. (United States of America, 2023)
Net Zero Transition

Change Objective: The change objective will be set following an initial dialogue and assessment of the company's progress towards aligning with a net zero pathway.



Yara International ASA (Norway, 2023)
Net Zero Transition

Change Objective: The net zero engagement process with Yara will focus on the following issues: 1.) Monitor the progress in implementing new low-carbon technology in the production process and mitigate the risks associated with these technologies. 2.) Discuss the enablers for implementing Yara's climate transition plan and achieving its SBTs and other climate-related goals. 3.) Encourage the company to enhance the disclosure of Scope 3 emissions. 4.) Advise Yara to collaborate with its value chain partners and customers to reduce the emissions from its Scope 3 categories, especially from agricultural production and the use of sold products.



Yum! Brands, Inc. (United States of America, 2021)

Climate Change - Sustainable Forests and Finance

Change Objective: At the end of the three-year timeline of this project, the company should have demonstrated how its management of climate change & forestry-related activities is in line with international disclosure standards and have science-based targets aligning with a 1.5-degree transition pathway or beyond, as well as being actively involved in efforts to further SDG goals. On a secondary level, the engagement seeks to promote the integration of nature-related risks and disclosures into reporting, strategic planning and risk management, for long-term value creation in forestry value chains.



Yum! Brands, Inc. (United States of America, 2022)

Biodiversity and Natural Capital

Change Objective: Yum! Brands should recognize that its business activities have material impacts and dependencies on biodiversity and natural capital and commit to address its nature-related impacts and risks.

