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Managed by
Zürcher Kantonalbank

Global & Thematic Engagement
2025 Engagement Report

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 while fostering compliance with renowned international principles and widely accepted ESG best-practice standards. This may include promoting compliant practices, check-and-balance principles, adequate pay-for-performances, environmental protection and climate change stewardship, supporting biodiversity, fair labour practices, non-discriminatory work and the protection of human rights, and other relevant ESG best practices. 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 fundamental bottom-up capabilities and focuses on equity and fixed income 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 asset manager by promoting ESG best practices in the interest of our investors by leveraging on our home base expertise.
- **Collaborative engagements:** The focus is to promote ESG best practices for entire industries as well as their 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+, Nature Action 100, TNFD, Climate Bond Initiative etc.
- **Global and thematic engagements:** Our engagements aim to promote best-practice ESG standards and sustainable themes on a global scale in the interests of our investors. Within thematic engagements, we focus on climate change, biodiversity, circular economy and healthy longevity. We commissioned Sustainalytics to leverage existing resources and convey our key sustainability messaging 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 an ambitious and transparent climate strategy to reduce greenhouse gas emissions.
- Clearly define responsibilities and accountability for the definition, control and implementation of the climate strategy.
- Establish incentive systems for implementing the climate strategy (e.g. ESG KPIs in compensation shemes).

Besides our climate-related engagement, we 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.

Swiss fund management for Zürcher Kantonalbank and third parties

Swisscanto Fund Management Company Ltd., part of the Zürcher Kantonalbank Group, was established in 1960 and serves as the fund management company of the Swisscanto funds domiciled in Switzerland. Furthermore, Swisscanto Fund Management Company Ltd. 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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Engagement 360
2025 Annual Report



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

Table of Contents

Table of Contents (cont.)

This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed on behalf of Swisscanto / Zürcher Kantonalbank between January and December 2025. If there is no specific reference to date in graphs and tables, the data is presented as per end of the reporting period. Due to periodic quality reviews throughout the year, small discrepancies between cumulative quarter and annual statistics may occur. The report has been produced in February 2026 and uses data for the year ending 31 December 2025. Version 1 was disseminated on 12 February 2026. Use of and access to this information is limited to clients of Morningstar Sustainalytics and 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.

Year in Review

We are delighted to present the Morningstar Sustainalytics Engagement 360 Annual Report for 2025. This year, our engagement services navigated an increasingly complex landscape shaped by converging global trends. Several cross-cutting themes stood out across our interactions with companies and stakeholders: regulatory uncertainty, uneven transition readiness, geopolitical volatility, and the foundational role of corporate culture and governance in driving long-term resilience. These themes surfaced consistently across stewardship and underscore the importance of coherent, forward looking engagement strategies.

Regulatory uncertainty remained one of the most significant challenges for companies across all regions. In Europe and North America, shifting or inconsistent rules complicated transition planning, particularly where industrial scale decarbonization efforts faced infrastructure constraints and cost pressures.[1,2] Engagement with US issuers highlighted persistent gaps between emergency preparedness and long-term physical climate risk management, reflecting the wide divergence between short-term operational planning and long-term adaptation strategies.[3] Delays to the EU Deforestation Regulation (EUDR) and adjustments to the CSRD Omnibus Directive created confusion for companies undertaking biodiversity and nature related risk assessments, often slowing the implementation of nature positive commitments. Furthermore, US political developments continued to influence corporate behaviour, requiring issuers to adjust diversity related approaches and commitments in ways to align with shifting administrative positions.

In standards, the EU continued to advance toward harmonized sustainability reporting – ESRS and alignment with International Sustainability Standards Board (ISSB) S1 and S2 – while the United States reversed several sustainability related rules, including the withdrawal of Nasdaq's Board Diversity Rule. This fragmentation contributed to a growing strategic uncertainty for global issuers, particularly those operating across multiple regulatory jurisdictions. Many large US companies are also likely to fall within the remit of the EU's Corporate Sustainability Reporting Directive and therefore be required to produce ESRS-compliant sustainability reports for reporting periods beginning in January 2028. Preparations for complying with these requirements are likely to already be shaping companies' internal sustainability tracking. In Japan, we analyzed corporate governance developments and concluded that Japanese issuers showed progress in board independence, remuneration and disclosure practices under the new Corporate Governance Code. However, when compared to Western standards, there remained room for improvement in areas such as the structure of remuneration and the transparency of remuneration amounts.[4]

Transition readiness gaps were evident across sectors and geographies. Within our Strategy and Risk service, companies noted significant uncertainty in planning for fast changing energy demand, especially in the United States where utilities appeared underprepared for AI driven surges in electricity consumption due to grid constraints, slow permitting processes, and limited local siting capacity.[5] In the Net Zero Transition programme, companies continued setting ambitious climate targets, but progress has seemingly slowed. Many issuers became more cautious in communicating climate achievements even as the global temperature trajectory shifted from 3.6°C a decade ago to 2.6°C today. This suggests a widening gap between ambition and operational delivery.

Canada's oil and gas sector struggled to reconcile rising production with national decarbonization goals, despite incentives for carbon capture, utilization, and storage (CCUS).[6] Meanwhile, our circularity engagements revealed both innovation and stagnation. Industry leaders advanced material efficiency, repairability, and component remanufacturing, while other companies lagging continued to miss plastics and waste reduction targets. A site visit to a major consumer electronics retailer's repair facility highlighted how design for repairability can create tangible environmental and commercial value – yet these practices remain unevenly adopted across the sector.

In our newly launched Human Rights and Transition programme, companies highlighted limited supply chain visibility in high-risk geographies – particularly in the extraction and processing of transition minerals. This gap not only hindered upstream due diligence but also increased vulnerability to human rights risks in regions with geopolitical instability or limited regulatory oversight. Strengthening human rights due diligence (HRDD) practices therefore became a central focus of engagement as companies look to build socially responsible and resilient green transition pathways.

Geopolitical volatility reshaped risk profiles and heightened the need for anticipatory governance. Energy security debates intensified, most notably illustrated by Norway's Arctic petroleum licensing expansion, which raised concerns regarding Indigenous rights, biodiversity safeguards, and operational risk in one of the world's most sensitive ecosystems.[7] This will likely form a key area for engagement once the Awards in Predefined Areas 2025 licensing outcomes are announced.

Political shifts across multiple markets also drove rapid changes in corporate reporting practices, HRDD expectations, and labour rights exposure, reinforcing the need for ongoing monitoring. Incidents-driven engagements continued to show that local controversies – such as corruption allegations, environmental violations, or labour rights abuses – quickly generate global reputational and financial consequences due to growing investor scrutiny and cross border regulatory cooperation.

Culture and governance emerged as a strong focus – and a structural determinant – of company resilience. Multi-jurisdictional companies were encouraged to align ESG compliance strategies with the most rigorous regulatory standards rather than relying solely on local minimum requirements. Across Incidents-based engagements, cultural weaknesses such as poor communication channels, limited “speak up” environments, and misaligned performance incentives were repeatedly linked to governance failures. Strengthening grievance mechanisms aligned with the UN Guiding Principles remains essential for both risk management and rights holder protection, and this theme featured prominently in our webinar on practical implementation of grievance mechanisms earlier in the year. Governance maturity was equally important in circularity engagements, where board level competence and aligned financial incentives determined whether circular business models were successfully scaled. These governance enablers also played a crucial role in delivering progress against climate targets, especially in sectors undergoing structural transition.

Looking Ahead

Ambition must now translate into execution. Companies will be expected to deliver robust nature-related risk and impact assessments, accelerate adoption of the Taskforce on Nature related Financial Disclosures, and set credible biodiversity targets ahead of COP17 in Yerevan. Climate transition scrutiny will intensify as investors evaluate 2025 annual and sustainability disclosures, many of which represent mid-decade checkpoints for companies with 2030 targets. Human Capital engagements will increasingly focus on the implementation of worker-centric practices and greater transparency around AI deployment – issues that surfaced repeatedly in 2025 and now present material risks for unprepared companies. In Human Rights and Transition, we will prioritize target setting, upstream HRDD effectiveness, and sector specific due diligence challenges. Circularity strategies will centre on scaling financially viable models aligned with ESRS E5 and preparing for the 2027 Battery Regulation. Governance engagements will utilize updated assessment frameworks and escalation pathways where dialogue stalls, while Incidents-based engagements will continue emphasizing HRDD implementation, supply chain accountability, and environmental and social risk prevention. Across all thematic areas, credibility, transparency, and organizational resilience will shape investor expectations as companies navigate a year likely to be defined by accelerating regulatory developments, geopolitical uncertainty, and rapid technological change.

Stewardship Overview

894
active engagements during 2025

150
new engagements

Utilities
is the most engaged industry

Highest number of engagements in a single market
is the Asia / Pacific

Climate Change - Transition Risk and Disclosure
are the most engaged topics

SDG 13 Climate Action
42% linked to engagement objective

Engagement Status

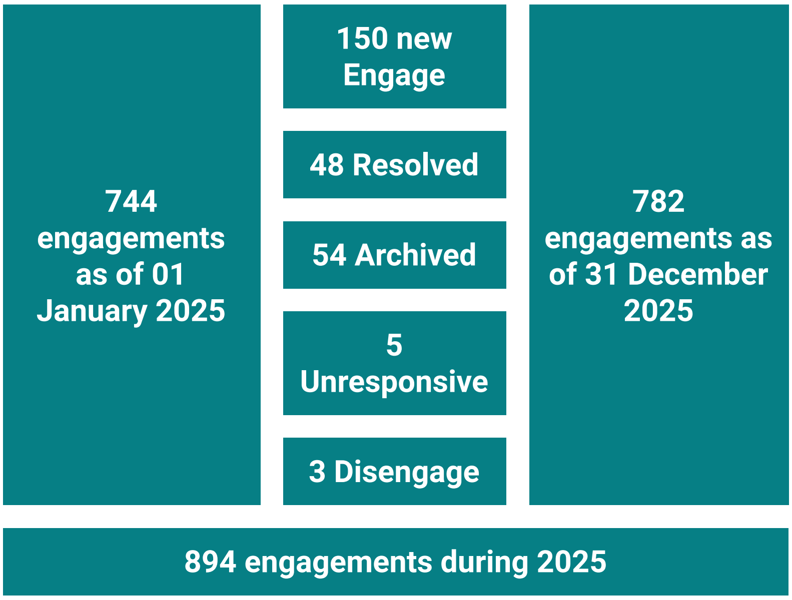
When we open an engagement, the status is Engage. We will then pursue engagement until we change status to:

Resolved The company has achieved the engagement objective.

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

Unresponsive Unresponsive is the final step in the escalation for companies not responding to our engagement. At this final step, we have exhausted all other engagement tools.

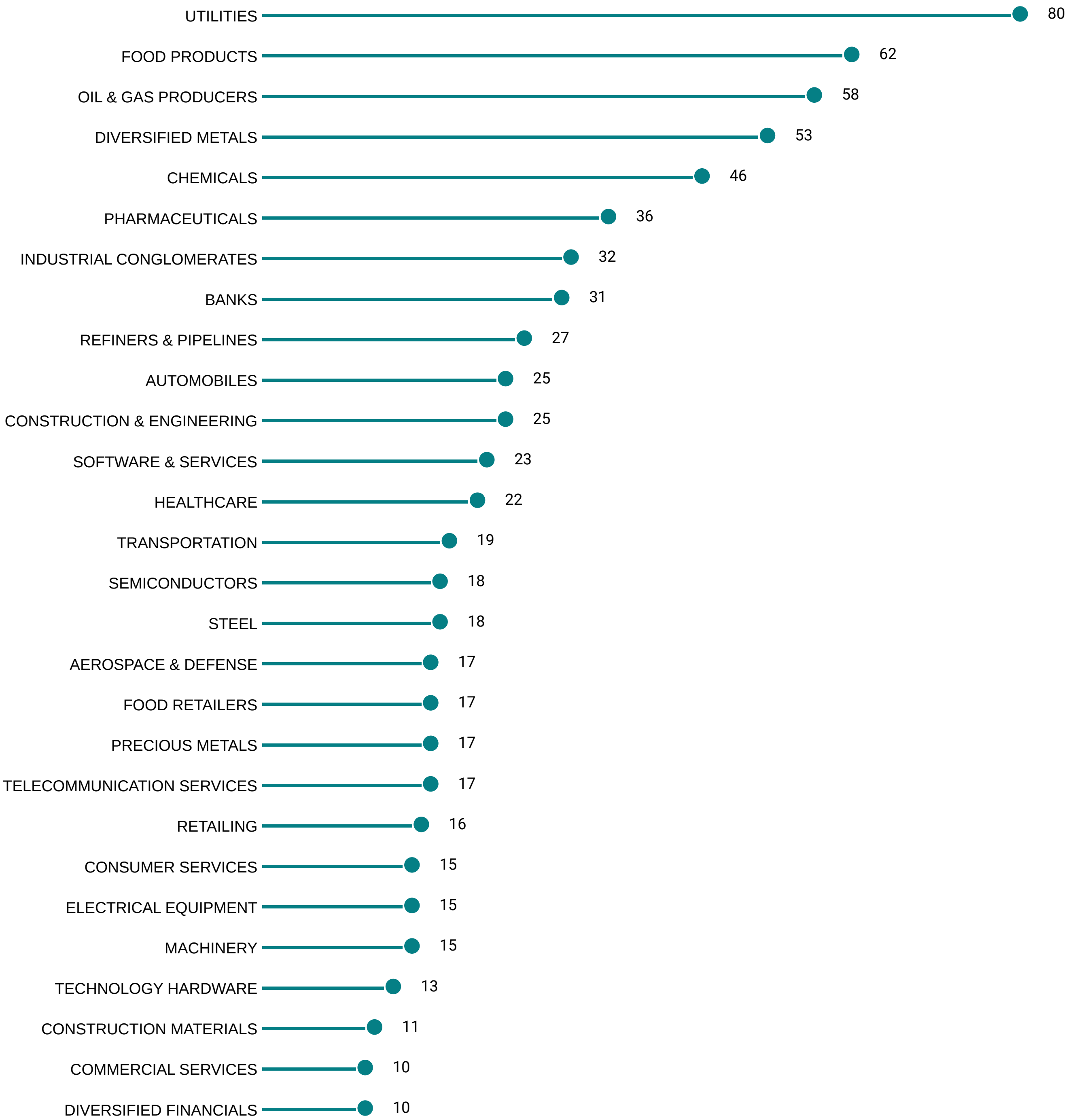
Disengage Engagement is deemed unlikely to succeed.



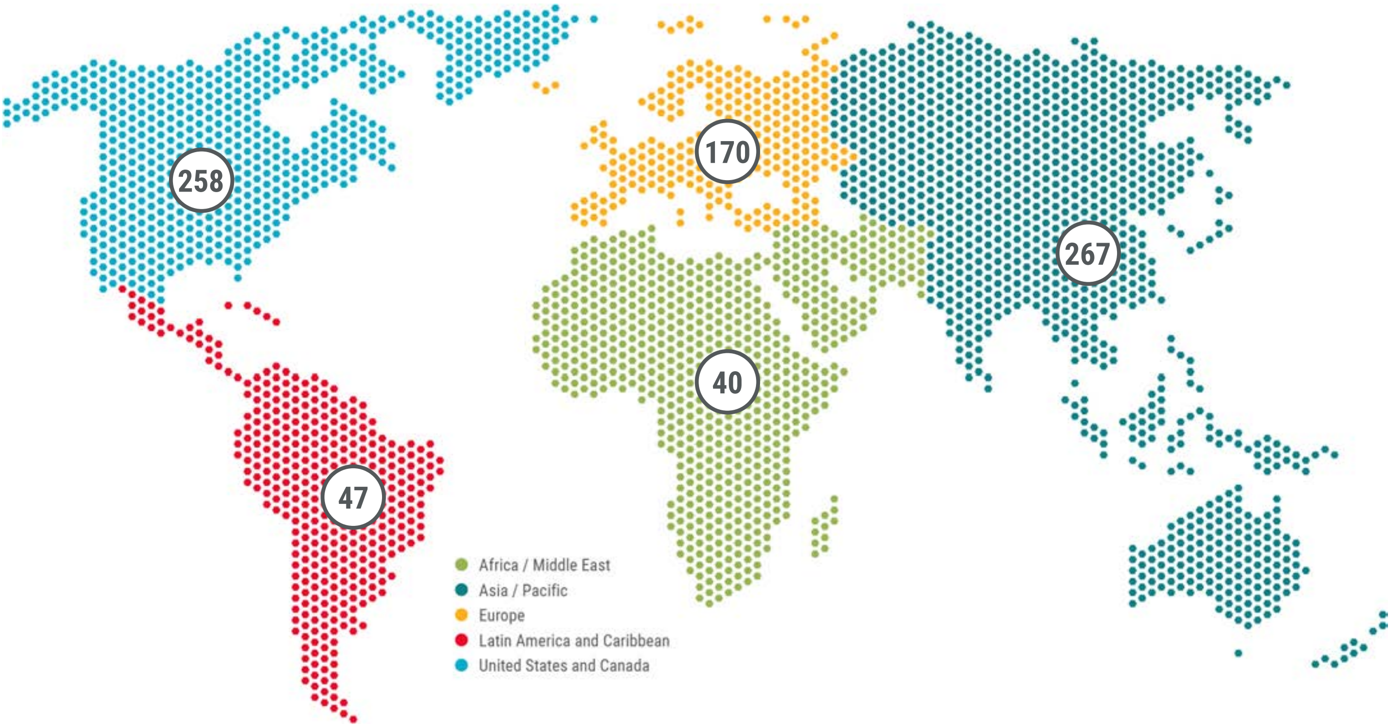
On a regular basis, universes are rebalanced and issuers might therefore be removed from our data set. Corporate changes can also affect case status. In such circumstances, opening and closing engagement counts will not match. Impacted companies may or may not overlap with investor holdings.

Industry Distribution

(Industries with a minimum of 10 engagements)



Engagements by Headquarter Location

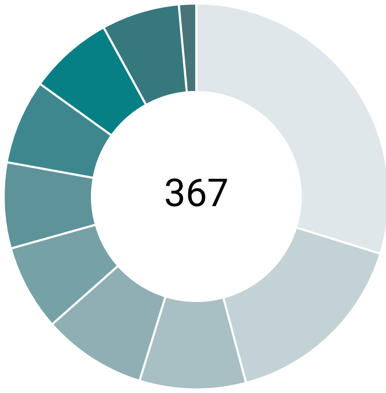


Engagement Topics

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

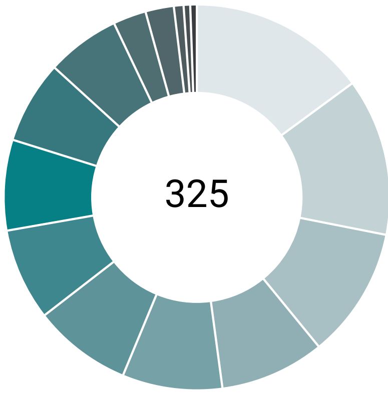
Environmental

- CLIMATE CHANGE - TRANSITION RISK (274)
- WATER QUALITY (81)
- BIODIVERSITY (65)
- DEFORESTATION (64)
- CIRCULAR ECONOMY (59)
- WATER SECURITY (147)
- WASTE MANAGEMENT (79)
- NATURAL RESOURCE USE (65)
- LAND POLLUTION AND SPILLS (64)
- AIR POLLUTANT EMISSIONS (12)



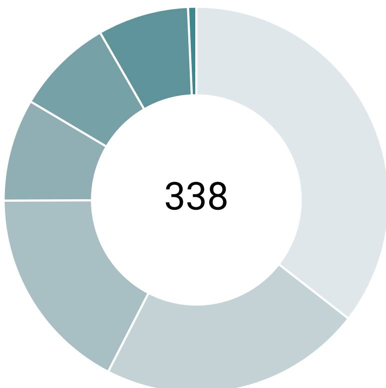
Social

- HUMAN RIGHTS (113)
- HUMAN CAPITAL (83)
- PRODUCT QUALITY AND SAFETY (63)
- COMMUNITY RELATIONS (58)
- CHILD LABOUR (52)
- LABOUR RIGHTS (20)
- MARKETING PRACTICES (5)
- WEAPONS (3)
- JUST TRANSITION (100)
- INDIGENOUS PEOPLE (66)
- DIVERSITY, EQUITY AND INCLUSION (DEI) (62)
- FORCED LABOUR (57)
- OCCUPATIONAL HEALTH AND SAFETY (46)
- DATA PRIVACY AND SECURITY (17)
- HIGH-RISK TERRITORIES (3)



Governance

- DISCLOSURE (265)
- BOARD COMPOSITION (129)
- SHAREHOLDERS RIGHTS (60)
- COMPETITION (4)
- ESG GOVERNANCE (164)
- ACCOUNTING AND TAXATION (63)
- BUSINESS ETHICS, BRIBERY AND CORRUPTION (56)



Note: Each engagement case may address multiple ESG topics. The numbers in parentheses indicate how many engagements include that specific topic. The total in the chart reflects the count of engagements with an Environmental, Social, or Governance focus. While a single engagement may span multiple ESG pillars, it is counted only once in the total. However, there is no limit to the number of topics an engagement can cover, so the topic counts will not sum to the total per pillar.

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	8%	10 Reduced Inequality	9%
2 Zero Hunger	14%	11 Sustainable Cities and Communities	9%
3 Good Health and Well-Being	28%	12 Responsible Consumption & Production	53%
4 Quality Education	7%	13 Climate Action	42%
5 Gender Equality	8%	14 Life Below Water	8%
6 Clean Water and Sanitation	10%	15 Life on Land	11%
7 Affordable and Clean Energy	20%	16 Peace & Justice, Strong Institutions	30%
8 Decent Work and Economic Growth	32%	17 Partnerships to Achieve the Goal	2%
9 Industry, Innovation & Infrastructure	30%		

Case Study: Crédit Agricole SA (Crédit Agricole)

Biodiversity and Natural Capital Stewardship Programme - Engagement Since: 18 July 2022

Industry: **Banks**

Base Location: **France**

Crédit Agricole is the world's largest cooperative financial institution, originally founded to support the French agricultural sector. Due to its strong ties to the agri-food sector, Crédit Agricole's financing and investment portfolios are highly exposed to biodiversity-related risks.

Progress: **Good** | Response: **Excellent** | Latest Milestone: **1**

Engagement Update

In 2025, we held three engagements with Crédit Agricole, the most recent being an in-person meeting in December during the Finance for Biodiversity Summit. Together, we joined a workshop on livestock investment due diligence. Later we met with Amundi, the group's asset management arm, to discuss its deforestation-free policy and biodiversity investment trends. Despite global underperformance, strong domestic demand in France drove Amundi to launch a biodiversity credit fund.

Focus Area

Engagement focused on its ESG governance and participation in TNFD piloting projects. Sustainalytics provided toolkits to help address commodity-driven deforestation and strengthen human rights in its sectoral policy. Moving forward, discussions will continue on how Crédit Agricole assesses its nature-related impacts and financial risks, as well as the metrics and methods used for monitoring. The company is encouraged to transparently disclose its risk assessment results and establish a nature transition plan with clear targets to align with best practices.

Engagement Outcomes

Crédit Agricole recognized our efforts to bring investors' voices forward and embed biodiversity more deeply in its internal agenda. It has made progress throughout our engagement dialogue. In 2023, it published a statement on natural capital and biodiversity, outlining its commitment and strategic plan. Crédit Agricole actively participates in industry initiatives, joining two TNFD pilot projects and contributing to nature target-setting guidance for UNEP FI's Principles for Responsible Banking (PRB). Its latest development in its Group CSR Sector Policy is a robust policy that aligns with global standards and covers all high-risk commodities across its business lines.

Insights & Outlook

Crédit Agricole has shown transparency and leadership in integrating nature and biodiversity into governance, strategy, and disclosure. Key milestones include its Group CSR Sector Policy on Deforestation and Ecosystem Conversion, setting a strong precedent for addressing deforestation risks across portfolios. In June 2025, it committed to excluding financing for deep-sea mining projects, reinforcing its role in protecting ecosystems and supporting a responsible blue economy – a precaution few financial institutions have taken. Moving forward, robust implementation will be critical to halting biodiversity loss and supporting client transitions. We expect a call in Q1 2026.

Case Study: LVMH Moët Hennessy Louis Vuitton SE (LVMH)

Global Standards/Incidents Engagement | Engagement Since: 29 August 2024

Industry: **Luxury Apparel**

Country: **France**

Incident Location: **Italy**

Global Standards Screening: **Watchlist**

LVMH is a global luxury group, operating across six segments, including fashion leather goods, watches, and jewelry. The company's subsidiary, Christian Dior SE, faced allegations of labour exploitation, and health and safety violations in its Italian supply chain in 2024.

Progress: **Standard** | Response: **Good** | Latest Milestone: **2**

Engagement Update

Engagement with LVMH began in September 2024, focusing on labour rights in the supply chain. The company has shown commitment by providing detailed responses to investor queries and consulting stakeholders like Morningstar Sustainalytics. During two conference calls in 2025, LVMH outlined governance reforms under its Duty of Vigilance programme, including enhanced oversight of supplier compliance. It also presented updated auditing systems, revised supplier requirements, and a strengthened policy framework aimed at improving labour conditions and accountability across its global operations.

Focus Area

This engagement focuses on LVMH's systems for screening and monitoring suppliers, improving purchasing practices, and establishing effective grievance mechanisms. It challenges the company to assess and mitigate the impacts of purchasing practices on working conditions and enhance disclosure.

Engagement Outcomes

The ultimate goal of the engagement is for LVMH to implement a comprehensive human rights due diligence framework that ensures effective oversight of all suppliers and enables prompt remediation in cases of non-compliance. At this stage, the company is committed to conducting detailed incident reviews to uncover root causes, identify systemic gaps, and develop targeted preventive strategies.

Insights & Outlook

Labour rights violations remain systemic across global supply chains, and the luxury sector is not exempt. While fast fashion brands are frequently scrutinized for purchasing practices that contribute to labour abuses, similar risks are increasingly evident in the luxury apparel industry. LVMH is well positioned to drive meaningful change: its relatively smaller, more stable supplier base enables stronger oversight and long-term engagement. To leverage this advantage, LVMH should review its procurement strategies and implement robust mechanisms to capture worker perspectives and supplier feedback, thereby promoting higher labour standards.

Case Study: Waste Management, Inc. (WM)

Net Zero Transition Stewardship Programme - Engagement Since: 13 June 2023

Industry: **Commercial Services**

Base Location: **United States**

WM is North America's largest environmental solutions provider, offering waste collection, recycling, renewable energy, and landfill services. Its decarbonization progress is material to investors given WM's scale, emissions footprint, and role in enabling the circular, low-carbon economy.

Progress: **Good** | Response: **Good** | Latest Milestone: **2**

Engagement Update

The company remains open and transparent, emphasizing measurable progress toward its 2031 science-based target and exploring feasibility of a long-term net zero pathway. Our third engagement call in November 2025 focused on methane capture, RNG expansion, fleet decarbonization, and integrating direct-measurement technologies to improve methane data accuracy. WM's responses reflected strong operational focus and pragmatic recognition of current technological limits.

Focus Area

Engagement has centered on WM's climate-transition strategy and decarbonization levers – notably its landfill gas management, low-carbon fleet conversion, and renewable energy investments. Investors aim to ensure that WM's 2031 goal of a 42% scope 1 and 2 reduction (relative to 2021 levels) is supported by transparent milestones, credible capital allocation, and governance accountability. The dialogue also addressed the company's pilot work on direct-emissions measurement, scope 3 methodology updates, and long-term planning for a credible net zero pathway amid sector-specific methane-capture constraints.

Engagement Outcomes

WM has cut scope 1 and 2 emissions by 22% surpassing the halfway mark towards its 2031 target. Landfill-gas capture rates improved from 78% to 83% between 2021-2024, supported by USD 1.6 billion invested in 20 RNG plants. The company operates North America's largest alternative-fuel fleet, with 74% of gas now RNG. Its internal carbon price rose to USD 135/t CO_2 and renewable electricity covers about 60% of use. WM strengthened governance by doubling its ESG-pay modifier to ± 10 % in 2024, linking executive incentives to climate metrics tied to landfill-gas capture and RNG production.

Insights & Outlook

WM demonstrates credible near-term climate progress and leadership within its sector through methane-capture innovation and rapid RNG deployment. The company acknowledges technological barriers to full methane elimination and the early stage of heavy-duty fleet electrification. Future engagement will focus on broadening decarbonization beyond landfills, increasing renewable-electricity sourcing, and integrating verified GHG outcomes into executive pay. WM's pilots in direct methane measurement and collaboration with academic partners position it to inform future sector standards. With sustained investor dialogue, WM is well-placed to translate operational success into a transparent, science-aligned net zero roadmap.

Engagement Results

829
meetings, including
17 in-person meetings

10,701
emails and phone
calls exchanged

48
engagements
resolved

583
Milestones achieved

661
Positive Developments

34%
of engagements with
Excellent or Good
Response

21%
of engagements
with Excellent or
Good 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.

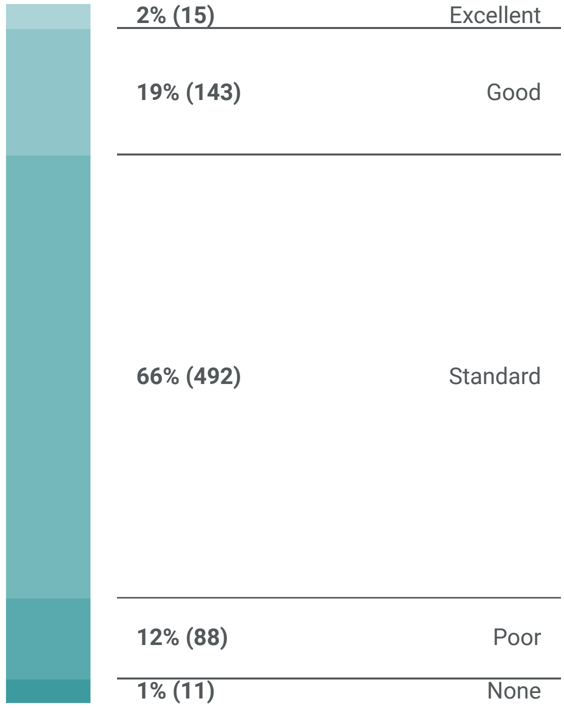
Excellent The company has adopted a proactive approach and addressed the issues related to the change objective.

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

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

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

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



Engagement Response

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

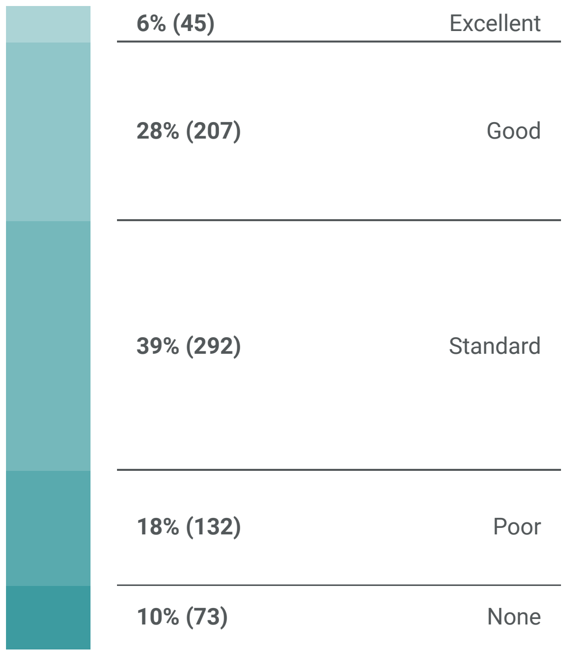
Excellent The company is proactive in communicating around the issues related to the change objective.

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

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

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

None The company has not responded to the inquiries.

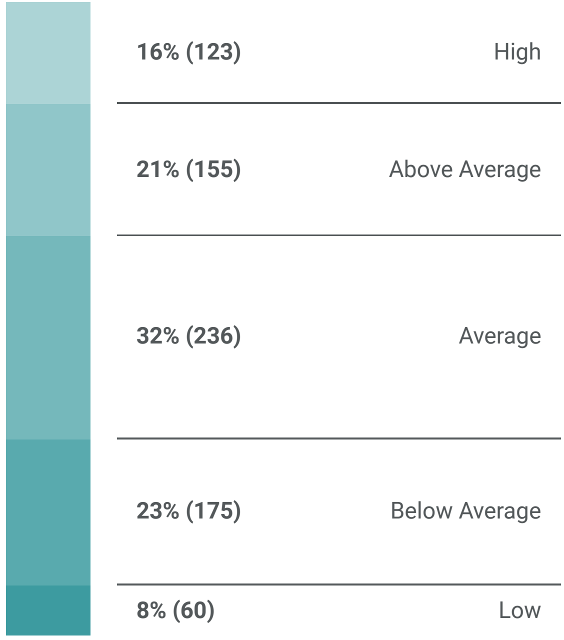


Engagement Performance

Performance describes the combined company Progress and Response.

We have five tiers to offer a nuanced understanding, the tiers are: Low, Below Average, Average, Above Average, and High.

The Progress and Response matrix below is used to determine performance.



Progress and Response Matrix

RESPONSE

PROGRESS	EXCELLENT	GOOD	STANDARD	POOR	NONE
EXCELLENT	High	High	Above Average	Average	Average
GOOD	High	High	Above Average	Average	Average
STANDARD	Above Average	Above Average	Average	Below Average	Below Average
POOR	Average	Average	Below Average	Low	Low
NONE	Average	Average	Below Average	Low	Low

Engagement Milestones

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

583 Milestones achieved in 2025

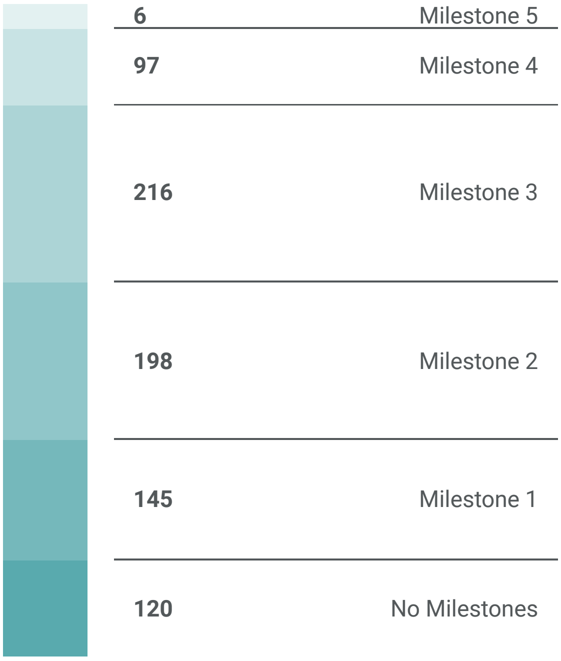
Milestones Framework

Resolved	Case successfully closed.
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.

YTD Highest Milestone Achieved (Resolved)

Note: Cumulative year to date resolved cases.

Highest Milestone Achieved (Engage)



Note: Milestone distribution of ongoing Engage cases at the end of the reporting period.

Engagements Resolved

COMPANY	COUNTRY	INDUSTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Aston Martin Lagonda Global Holdings Plc	United Kingdom	Automobiles	Focus on Carbon and Product Governance	Strategy & Risk	None	Q4
Barrick Mining Corp.	Canada	Precious Metals	Focus on Community Relations	Strategy & Risk	None	Q4
British American Tobacco plc	United Kingdom	Food Products	Focus on E&S Impact of Products and Services	Strategy & Risk	None	Q4
Caterpillar, Inc.	United States of America	Machinery	Focus on Product Governance	Strategy & Risk	None	Q4
FirstEnergy Corp.	United States of America	Utilities	Bribery and Corruption	Incidents	None	Q4
Indivior PLC	United States of America	Pharmaceuticals	Consumer Interests - Business Ethics	Incidents	Opiant Pharmaceuticals, Inc.	Q4
InterGlobe Aviation Ltd.	India	Transportation	Focus on Product Governance and Emissions, Effluents and Waste	Strategy & Risk	None	Q4
McKesson Corp.	United States of America	Healthcare	Consumer Interests - Human Rights	Incidents	None	Q4
Medtronic Plc	Ireland	Healthcare	Quality and Safety - Human Rights	Incidents	None	Q4
NIPPON STEEL CORP.	Japan	Steel	Focus on Carbon Own Operations	Strategy & Risk	None	Q4
Panasonic Holdings Corp.	Japan	Industrial Conglomerates	Focus on Product Governance	Strategy & Risk	None	Q4

COMPANY	COUNTRY	INDUSTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Rio Tinto Ltd.	Australia	Diversified Metals	Focus on Carbon and Resource Use	Strategy & Risk	None	Q4
SAMSUNG BIOLOGICS Co., Ltd.	South Korea	Pharmaceuticals	Accounting and Taxation	Incidents	None	Q4
Samsung C&T Corp.	South Korea	Industrial Conglomerates	Accounting and Taxation	Incidents	None	Q4
Samsung Electronics Co., Ltd.	South Korea	Technology Hardware	Bribery and Corruption	Incidents	None	Q4
Southwest Airlines Co.	United States of America	Transportation	Focus on Product Governance	Strategy & Risk	None	Q4
The Saudi Investment Bank	Saudi Arabia	Banks	Focus on ESG Disclosure	Strategy & Risk	None	Q4
Turkiye Petrol Rafinerileri AS	Turkey	Refiners & Pipelines	Focus on Emissions, Effluents and Waste and Community Relations	Strategy & Risk	None	Q4
UPL Ltd.	India	Chemicals	Emissions, Effluents and Waste	Incidents	None	Q4
Westlake Corp.	United States of America	Chemicals	Focus on Emissions, Effluents and Waste	Strategy & Risk	None	Q4
Banque Saudi Fransi	Saudi Arabia	Banks	Focus on Risk Assessment and Corporate Governance	Strategy & Risk	None	Q3
Evergy, Inc.	United States of America	Utilities	Focus on Carbon and Community Relations	Strategy & Risk	None	Q3
Mitsubishi Motors Corp.	Japan	Automobiles	Focus on Carbon Own Operations	Strategy & Risk	None	Q3
Riyad Bank	Saudi Arabia	Banks	Focus on ESG Integration Financials	Strategy & Risk	None	Q3

COMPANY	COUNTRY	INDUSTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
SBI Holdings, Inc.	Japan	Diversified Financials	Focus on ESG Disclosure	Strategy & Risk	None	Q3
Sekisui Chemical Co., Ltd.	Japan	Industrial Conglomerates	Focus on Human Capital	Strategy & Risk	None	Q3
Vistra Corp.	United States of America	Utilities	Focus on Carbon Own Operations	Strategy & Risk	None	Q3
Alinma Bank	Saudi Arabia	Banks	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	None	Q2
Asian Paints Ltd.	India	Chemicals	Focus on Emissions, Effluents and Waste and Resource Use	Strategy & Risk	None	Q2
Donaldson Co., Inc.	United States of America	Machinery	Focus on Product Governance	Strategy & Risk	None	Q2
Dubai Islamic Bank PJSC	United Arab Emirates	Banks	Focus on Product Governance	Strategy & Risk	None	Q2
Freeport-McMoRan, Inc.	United States of America	Diversified Metals	Focus on Emissions, Effluents and Waste and Community Relations	Strategy & Risk	None	Q2
POSCO STEELEON Co., Ltd.	South Korea	Steel	Involvement With Entities Violating Human Rights	Incidents	POSCO Holdings, Inc.	Q2
Saudi Awwal Bank	Saudi Arabia	Banks	Focus on Product Governance	Strategy & Risk	None	Q2
SD Guthrie Bhd	Malaysia	Food Products	Forced Labour	Incidents	None	Q2
United States Steel Corp.	United States of America	Steel	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	None	Q2
Universal Health Services, Inc.	United States of America	Healthcare	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	None	Q2

COMPANY	COUNTRY	INDUSTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Acerinox SA	Spain	Steel	Focus on Carbon and Community Relations	Strategy & Risk	None	Q1
Allied Universal Manager LLC	United States of America	Commercial Services	Forced Labour	Incidents	None	Q1
ANA HOLDINGS INC.	Japan	Transportation	Focus on Human Capital	Strategy & Risk	None	Q1
Bezeq The Israeli Telecommunication Corp. Ltd.	Israel	Telecommunication Services	Bribery and Corruption	Incidents	None	Q1
BioArctic AB	Sweden	Pharmaceuticals	Focus on Product Governance and Access to Basic Services	Strategy & Risk	None	Q1
Equatorial SA	Brazil	Utilities	Focus on Product Governance	Strategy & Risk	None	Q1
Natura &Co Holding SA	Brazil	Household Products	Focus on Product Governance	Strategy & Risk	None	Q1
NEL ASA	Norway	Machinery	Focus on Carbon and Product Governance	Strategy & Risk	None	Q1
Northam Platinum Holdings Ltd.	South Africa	Precious Metals	Focus on Community Relations	Strategy & Risk	None	Q1
Pilbara Minerals Ltd.	Australia	Diversified Metals	Focus on Carbon Products and Services	Strategy & Risk	None	Q1
Toyota Motor Corp.	Japan	Automobiles	Focus on Carbon and E&S Impact of Products and Services	Strategy & Risk	None	Q1

Resolved - McKesson Corp. (McKesson)

Engagement Since: 30 May 2019

INDUSTRY:
Medical Distribution

COUNTRY:
United States

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
United States

ISSUE:
Consumer Interests - Human Rights

McKesson faced repeated allegations that it contributed to widespread opioid addiction in the US, by failing to implement an effective system to detect and report suspicious opioid orders.

CHANGE OBJECTIVE

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

Engagement Outcomes

- McKesson has resolved the majority of opioid-related lawsuits through a comprehensive settlement.
- The company operates a Controlled Substances Monitoring Program (CSMP), which tracks and reports suspicious orders to the Drug Enforcement Administration.
- Since 2023, the company's CSMP programme has been subject to annual audits by an independent monitor, who reviews customer data and validates key compliance elements.
- The company's governance is overseen by a board-level Compliance Committee.
- McKesson has embedded cultural initiatives such as I2CARE and ILEAD into its revised 2022 Code of Conduct.

Conclusion: Given the company's demonstrated progress in strengthening its opioid monitoring, due diligence, oversight, and anti-diversion programmes, Morningstar Sustainalytics has resolved this engagement.

Resolved - Medtronic Plc (Medtronic)

Engagement Since: 26 May 2022

INDUSTRY:
Medical Devices

COUNTRY:
Ireland

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
United States

ISSUE:
Quality and Safety - Human Rights

In the past, Medtronic was repeatedly associated with quality and safety issues related to its medical devices, most notably its insulin pumps and heart pump implants (HVAD System).

CHANGE OBJECTIVE

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

Engagement Outcomes

- Medtronic aligned its risk management process with ISO 14971 standards for medical devices and ensured quality management systems comply with international standards.
- The company established an independent enterprise audit team, including third-party involvement, to strengthen compliance oversight.
- Medtronic enhanced quality monitoring during product development, introduced a Risk Management Center of Expertise for high-risk issues.
- The company embedded a quality-first culture via mandatory employee training, annual certification of the "Put Patients First" initiative, and FY25 incentive plan revisions adding a 10% quality performance modifier.

Conclusion: Medtronic demonstrated robust human rights and safety improvements. Based on the company's measures taken, Morningstar Sustainalytics has resolved this engagement.

MORNINGSTAR® SUSTAINALYTICS

Resolved - Samsung Electronics Co., Ltd. (Samsung Electronics)

Engagement Since: 29 March 2017

INDUSTRY:
Communications Equipment

COUNTRY:
South Korea

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
South Korea

ISSUE:
Bribery and Corruption

Samsung Electronics was implicated in the 2020 indictment of Samsung executives for accounting fraud and stock manipulation tied to the Cheil Industries – Samsung C&T merger. The company was also investigated for donations linked to a corruption scandal involving South Korea's former president.

CHANGE OBJECTIVE

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

Engagement Outcomes

- Samsung Electronics has adopted a comprehensive Anti-Bribery and Corruption policy that explicitly prohibits directors from making facilitation payments.
- Six of nine board directors, including the Chairman, are independent. The board also oversees an independent external compliance committee.
- Compliance is managed through a structured programme with training, an updated whistleblower system, and executive evaluations emphasizing anti-corruption objectives.
- The company conducts annual compliance and ethics audits and reports that the Samsung Compliance Committee, an independent external body, oversees integrity-based management.

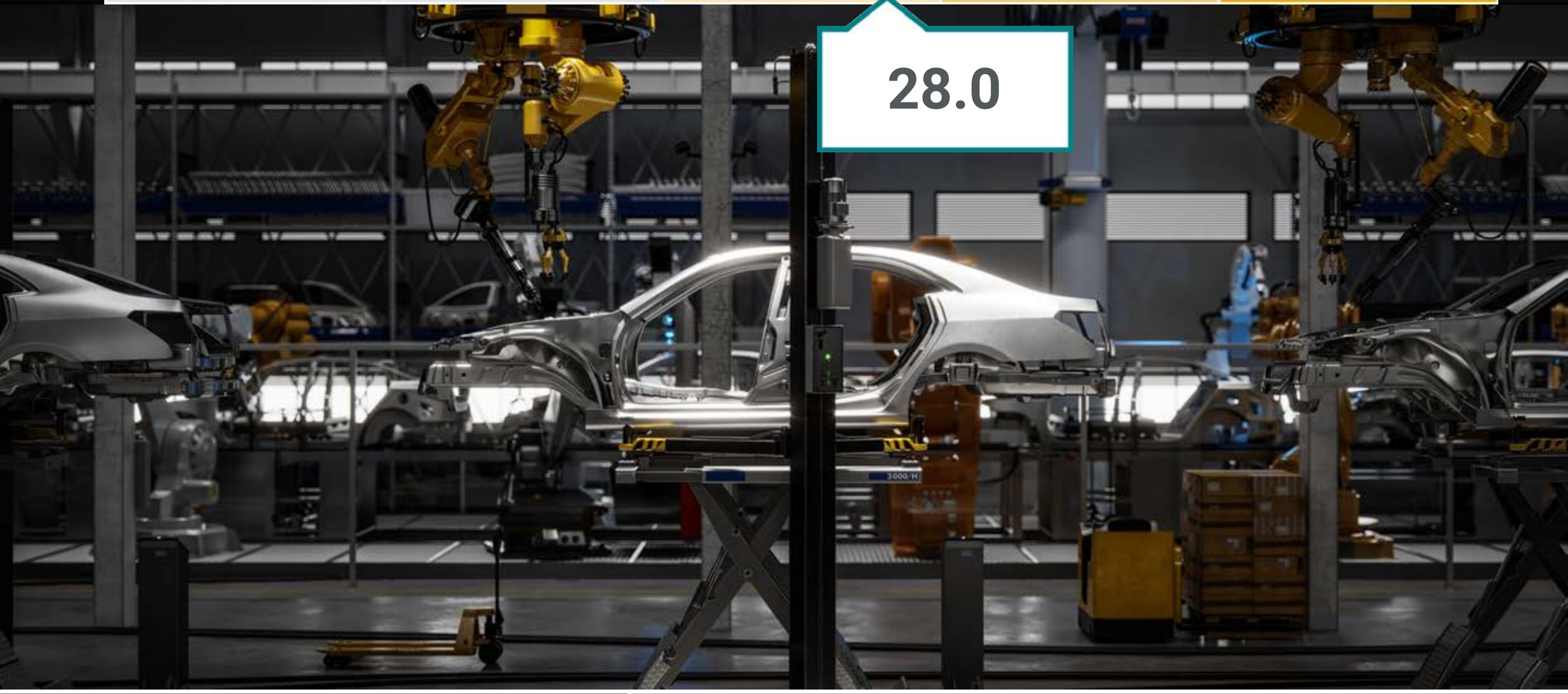
Conclusion: In light of the absence of new incidents and the demonstrated progress, Morningstar Sustainalytics has resolved this engagement.

Resolved - Toyota Motor Corp. (Toyota Motor)

ESG Risk Ratings Score

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

28.0



INDUSTRY:
Automobiles

COUNTRY:
Japan

ENGAGEMENT FOCUS:
Corporate Governance

RATIONALE FOR RESOLVED STATUS:
In Q1 2025, Toyota Motor improved its ESG Risk Rating score to 28.

Positive Development Highlights:

- Toyota Motor has disclosed the member of Sustainability Meeting where it consists of the Board of Directors.
- The company has conducted materiality assessment using a double materiality approach.
- It has increased the proportion of independent directors from 0.33% to 0.4%.
- Toyota Motor has incorporated ESG (sustainability) metrics into the Board's remuneration.

Toyota Motor's management score improved by 8.1 points, bringing the company into the medium risk category.

Low Performance Engagements

The following list displays Low Performance companies with Poor or None Progress in combination with Poor or None Response.

When a case is added to the Low Performance list, a 24-month process of specific engagement using a wide range of engagement tools e.g. collaborative investors letters or letters to the company's board, will take place. After two years, the case will be reviewed and a Disengage status can be selected to reflect all other engagement options have been ineffective.

For each Low Performance case, there is a **Low Performance Time Tracker** which illustrates the time elapsed.

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
						One piece equals three months.
Al Rajhi Co. for Cooperative Insurance	Saudi Arabia	Focus on ESG Integration Financials	Strategy & Risk	None	None	0-3
Alphabet, Inc.	United States of America	TSP - Net Zero Transition	Themes	Poor	Poor	0-3
Amazon.com, Inc.	United States of America	Freedom of Association	Incidents	Poor	Poor	0-3
Berkshire Hathaway, Inc.	United States of America	TSP - Net Zero Transition	Themes	Poor	None	0-3
Blue Owl Capital, Inc.	United States of America	Focus on Product Governance	Strategy & Risk	Poor	Poor	0-3
Boliden AB	Sweden	TSP - Net Zero Transition	Themes	Poor	Poor	0-3
Brookfield Corp.	Canada	TSP - Sustainability and Good Governance	Themes	Poor	Poor	0-3
Canon, Inc.	Japan	TSP - Sustainability and Good Governance	Themes	Poor	Poor	0-3
Glencore Plc	Switzerland	TSP - Net Zero Transition	Themes	Poor	Poor	0-3

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
					One piece equals three months.	
Industries of Qatar Co.	Qatar	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Poor	None	0-3
Occidental Petroleum Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	Poor	None	0-3
Reliance Industries Ltd.	India	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Poor	None	0-3
Steel Dynamics, Inc.	United States of America	TSP - Net Zero Transition	Themes	Poor	None	0-3
Zoomlion Heavy Industry Science & Technology Co., Ltd.	China	Focus on Carbon and Product Governance	Strategy & Risk	Poor	None	0-3
China Northern Rare Earth (Group) High-Tech Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	None	3-6
Daqo New Energy Corp.	China	TSP - Human Rights and Transition	Themes	Poor	None	3-6
DraftKings, Inc.	United States of America	Focus on Business Ethics	Strategy & Risk	Poor	None	3-6
Jiangxi Copper Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	None	3-6
LONGi Green Energy Technology Co., Ltd.	China	TSP - Human Rights and Transition	Themes	Poor	None	3-6

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
					One piece equals three months.	
Marathon Petroleum Corp.	United States of America	TSP - Net Zero Transition	Themes	Poor	Poor	3-6
The Star Entertainment Group Ltd.	Australia	Money Laundering	Incidents	Poor	Poor	3-6
ARC Resources Ltd.	Canada	Focus on Emissions, Effluents and Waste	Strategy & Risk	Poor	None	6-9
Encompass Health Corp.	United States of America	Focus on Product Governance and Emissions, Effluents and Waste	Strategy & Risk	Poor	None	6-9
Exxon Mobil Corp.	United States of America	TSP - Net Zero Transition	Themes	Poor	Poor	6-9
Occidental Petroleum Corp.	United States of America	TSP - Net Zero Transition	Themes	Poor	Poor	6-9
OCI NV	Netherlands	TSP - Net Zero Transition	Themes	Poor	None	6-9
The Walt Disney Co.	United States of America	TSP - Human Capital Management	Themes	Poor	Poor	6-9
Amazon.com, Inc.	United States of America	TSP - Net Zero Transition	Themes	Poor	None	9-12
Athabasca Oil Corp.	Canada	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	None	9-12

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
						One piece equals three months.
Baytex Energy Corp.	Canada	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Poor	Poor	9-12
Daiichi Sankyo Co., Ltd.	Japan	TSP - Sustainability and Good Governance	Themes	Poor	Poor	9-12
HF Sinclair Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	Poor	None	9-12
ORION Corp.	South Korea	Focus on Product Governance	Strategy & Risk	Poor	None	9-12
QL Resources Bhd.	Malaysia	Focus on Product Governance	Strategy & Risk	Poor	None	9-12
Yunnan Baiyao Group Co., Ltd.	China	Focus on Product Governance	Strategy & Risk	Poor	None	9-12
Zhangzhou Pientzehuang Pharmaceutical Co., Ltd.	China	Focus on Risk Assessment and Corporate Governance	Strategy & Risk	Poor	Poor	9-12
China State Construction Engineering Corp. Ltd.	China	Focus on Risk Assessment	Strategy & Risk	Poor	None	12-15
EOG Resources, Inc.	United States of America	Focus on Emissions, Effluents and Waste	Strategy & Risk	Poor	None	12-15
General Dynamics Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Poor	Poor	12-15

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
						One piece equals three months.
Saudi Industrial Investment Group	Saudi Arabia	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Poor	None	12-15
Saudi Kayan Petrochemical Co.	Saudi Arabia	Focus on Emissions, Effluents and Waste and Community Relations	Strategy & Risk	Poor	None	12-15
Whitecap Resources, Inc.	Canada	Focus on ESG Disclosure	Strategy & Risk	Poor	Poor	12-15
James Hardie Industries Plc	Ireland	TSP - Net Zero Transition	Themes	Poor	Poor	15-18
Power Construction Corporation of China, Ltd.	China	Controversial Project(s) - Environmental and Human Rights Impacts	Incidents	Poor	Poor	15-18
PT Indah Kiat Pulp & Paper Tbk	Indonesia	Land Use and Biodiversity	Incidents	Poor	Poor	15-18
Targa Resources Corp.	United States of America	Focus on Emissions, Effluents and Waste and Community Relations	Strategy & Risk	Poor	Poor	15-18
Tata Steel Ltd.	India	TSP - Net Zero Transition	Themes	Poor	Poor	15-18
China National Building Material Co., Ltd.	China	TSP - Net Zero Transition	Themes	Poor	None	18-21
China Railway Construction Corp. Ltd.	China	Controversial Project(s) - Human Rights and Environmental Impacts	Incidents	Poor	Poor	18-21

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
						One piece equals three months.
Suncor Energy, Inc.	Canada	Focus on ESG Disclosure	Strategy & Risk	Poor	Poor	18-21
China Petroleum & Chemical Corp.	China	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	Poor	Poor	21-24
Hoshine Silicon Industry Co., Ltd.	China	Forced Labour	Incidents	Poor	Poor	21-24
Exxon Mobil Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	Poor	Poor	+ Above 24
Grupo Carso SAB de CV	Mexico	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Poor	Poor	+ Above 24
GS Holdings Corp.	South Korea	Focus on Carbon Own Operations	Strategy & Risk	None	Poor	+ Above 24
Hindustan Petroleum Corp. Ltd.	India	Focus on Carbon and Community Relations	Strategy & Risk	Poor	Poor	+ Above 24
National Industrialization Co.	Saudi Arabia	Focus on Emissions, Effluents and Waste and Land Use and Biodiversity	Strategy & Risk	None	None	+ Above 24
PTT Oil & Retail Business Public Co., Ltd.	Thailand	Involvement With Entities Violating Human Rights	Incidents	Poor	Poor	+ Above 24
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	China	Focus on Product Governance	Strategy & Risk	None	None	+ Above 24

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
				One piece equals three months.		
Starbucks Corp.	United States of America	TSP - Biodiversity and Natural Capital	Themes	Poor	Poor	+ Above 24

Morningstar Sustainalytics does not provide investment advise; the decision of investment or exclusion lies solely with investors. Morningstar Sustainalytics provides insights, information, and services, and it remains the client's sole responsibility and decision to manage their portfolio. Morningstar Sustainalytics' Stewardship clients benefit from engagement activities, such as participating in company meetings, webinars, and roundtable events. Investor clients are also provided with insights and data stemming from those activities.

Engagement Status Updates

The following is an overview of all engagement status updates from 1 January to 31 December 2025.

New Engage

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Acadia Healthcare Co., Inc.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q4
Apellis Pharmaceuticals, Inc.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q4
BellRing Brands, Inc.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q4
Coca-Cola Consolidated, Inc.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Comfort Systems USA, Inc.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q4
CVS Health Corp.	United States of America	Anti-Competitive Practices	Incidents	None	Q4
Dukhan Bank QPSC	Qatar	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Enovis Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q4
Entergy Corp.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Eramet SA	France	Community Relations - Indigenous Peoples	Incidents	None	Q4
Expand Energy Corp.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Freshpet, Inc.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q4

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Geo-Jade Petroleum Corp.	China	Accounting and Taxation	Incidents	None	Q4
Monde Nissin Corp.	Philippines	New Case - Focus to be Determined	Strategy & Risk	None	Q4
PPB Group Bhd.	Malaysia	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Shikoku Electric Power Co., Inc.	Japan	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Singapore Technologies Engineering Ltd.	Singapore	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Snap-On, Inc.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Summit Therapeutics, Inc.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q4
The Cigna Group	United States of America	Anti-Competitive Practices	Incidents	None	Q4
THK CO., LTD.	Japan	New Case - Focus to be Determined	Strategy & Risk	None	Q4
TOHO GAS Co., Ltd.	Japan	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Trelleborg AB	Sweden	New Case - Focus to be Determined	Strategy & Risk	None	Q4
UnitedHealth Group, Inc.	United States of America	Anti-Competitive Practices	Incidents	None	Q4
Viking Holdings Ltd. (Bermuda)	Bermuda	New Case - Focus to be Determined	Strategy & Risk	None	Q4
Allianz SE	Germany	TSP - Sustainability and Good Governance	Themes	None	Q3
BWX Technologies, Inc.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q3

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
DT Midstream, Inc.	United States of America	Focus on Carbon and Community Relations	Strategy & Risk	None	Q3
EMCOR Group, Inc.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q3
EQT Corp.	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q3
Kellanova	United States of America	New Case - Focus to be Determined	Strategy & Risk	None	Q3
ORLEN SA	Poland	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q3
The Sherwin-Williams Co.	United States of America	Focus on E&S Impact of Products and Services	Strategy & Risk	None	Q3
Advantage Energy Ltd.	Canada	Focus on Carbon Own Operations	Strategy & Risk	None	Q2
Al Rajhi Co. for Cooperative Insurance	Saudi Arabia	Focus on ESG Integration Financials	Strategy & Risk	None	Q2
Alphabet, Inc.	United States of America	Anti-Competitive Practices	Incidents	None	Q2
Brookfield Renewable Partners LP	Bermuda	TSP - Human Rights and Transition	Themes	None	Q2
China Eastern Airlines Corp. Ltd.	China	Focus on Corporate Governance and Carbon Own Operations	Strategy & Risk	None	Q2
China Nonferrous Mining Corp. Ltd.	China	Incident(s) Resulting in Negative Environmental and Human Rights Impacts	Incidents	China Nonferrous Metal Mining (Group) Co., Ltd.	Q2
China Railway Group Ltd.	China	Occupational Health and Safety	Incidents	None	Q2
China Resources Pharmaceutical Group Ltd.	Hong Kong	Focus on Product Governance and Access to Basic Services	Strategy & Risk	None	Q2

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Daqin Railway Co., Ltd.	China	Focus on Corporate Governance and Business Ethics	Strategy & Risk	None	Q2
Dominion Energy, Inc.	United States of America	Focus on Occupational Health and Safety and Emissions, Effluents and Waste	Strategy & Risk	None	Q2
Frontline Plc	Cyprus	Focus on Occupational Health and Safety and Emissions, Effluents and Waste	Strategy & Risk	None	Q2
Hainan Airlines Holding Co., Ltd.	China	Focus on Corporate Governance and Carbon Own Operations	Strategy & Risk	None	Q2
HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD.	South Korea	Occupational Health and Safety	Incidents	None	Q2
International Petroleum Corp.	Canada	Focus on Carbon Own Operations	Strategy & Risk	None	Q2
Italian-Thai Development Public Co., Ltd.	Thailand	Occupational Health and Safety	Incidents	None	Q2
Mitsui & Co., Ltd.	Japan	Focus on Product Governance	Strategy & Risk	None	Q2
Mouwasat Medical Services Co.	Saudi Arabia	Focus on Corporate Governance and Business Ethics	Strategy & Risk	None	Q2
New Fortress Energy, Inc.	United States of America	Focus on Community Relations	Strategy & Risk	None	Q2
PT Amman Mineral Internasional Tbk	Indonesia	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q2
RBC Bearings, Inc.	United States of America	Focus on Carbon and Product Governance	Strategy & Risk	None	Q2
Shimizu Corp.	Japan	Focus on Business Ethics	Strategy & Risk	None	Q2

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Spring Airlines Co., Ltd.	China	Focus on Corporate Governance and Carbon Own Operations	Strategy & Risk	None	Q2
Storskogen Group AB	Sweden	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	None	Q2
Superior Plus Corp.	Canada	Focus on Carbon Own Operations	Strategy & Risk	None	Q2
TAISEI Corp.	Japan	Focus on Corporate Governance	Strategy & Risk	None	Q2
Tourmaline Oil Corp.	Canada	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q2
ABB Ltd.	Switzerland	TSP - Human Rights and Transition	Themes	None	Q1
Advanced Petrochemical Co.	Saudi Arabia	Focus on Emissions, Effluents and Waste and Resource Use	Strategy & Risk	None	Q1
Albemarle Corp.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
America Movil SAB de CV	Mexico	TSP - Scaling Circular Economies	Themes	None	Q1
Anglo American Plc	United Kingdom	TSP - Human Rights and Transition	Themes	None	Q1
Anglogold Ashanti Plc	United Kingdom	TSP - Human Rights and Transition	Themes	None	Q1
Antofagasta Plc	United Kingdom	TSP - Human Rights and Transition	Themes	None	Q1
Ayala Corp.	Philippines	Focus on Occupational Health and Safety	Strategy & Risk	None	Q1
Best Buy Co., Inc.	United States of America	TSP - Scaling Circular Economies	Themes	None	Q1
BHP Group Ltd.	Australia	TSP - Human Rights and Transition	Themes	None	Q1
Bloom Energy Corp.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
BYD Co., Ltd.	China	Forced Labour	Incidents	BYD Electronic (International) Co., Ltd.	Q1
CECONOMY AG	Germany	TSP - Scaling Circular Economies	Themes	None	Q1
Centrica Plc	United Kingdom	TSP - Human Rights and Transition	Themes	None	Q1
China Northern Rare Earth (Group) High-Tech Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
Chord Energy Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q1
Currys Plc	United Kingdom	TSP - Scaling Circular Economies	Themes	None	Q1
CVS Health Corp.	United States of America	Consumer Interests - Human Rights	Incidents	Oak Street Health, Inc.; Signify Health, Inc.	Q1
Daqo New Energy Corp.	China	TSP - Human Rights and Transition	Themes	None	Q1
De'Longhi SpA	Italy	TSP - Scaling Circular Economies	Themes	None	Q1
Dell Technologies, Inc.	United States of America	TSP - Scaling Circular Economies	Themes	None	Q1
Dixon Technologies (India) Ltd.	India	TSP - Scaling Circular Economies	Themes	None	Q1
E.ON SE	Germany	TSP - Human Rights and Transition	Themes	None	Q1
Eastman Chemical Co.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	None	Q1
Edison International	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
Electrolux AB	Sweden	TSP - Scaling Circular Economies	Themes	None	Q1

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
EnBW Energie Baden Württemberg AG	Germany	TSP - Human Rights and Transition	Themes	None	Q1
ENGIE SA	France	TSP - Human Rights and Transition	Themes	None	Q1
Eramet SA	France	TSP - Human Rights and Transition	Themes	None	Q1
Exelon Corp.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
First Quantum Minerals Ltd.	Canada	TSP - Human Rights and Transition	Themes	None	Q1
First Solar, Inc.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
Fluence Energy, Inc.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
Freeport-McMoRan, Inc.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
Ganfeng Lithium Group Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
GCL Technology Holdings Ltd.	Hong Kong	TSP - Human Rights and Transition	Themes	None	Q1
Goldwind Science & Technology Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
HANWHA SOLUTIONS CORP.	South Korea	TSP - Human Rights and Transition	Themes	None	Q1
HP, Inc.	United States of America	TSP - Scaling Circular Economies	Themes	None	Q1
Iberdrola SA	Spain	TSP - Human Rights and Transition	Themes	None	Q1
Iluka Resources Ltd.	Australia	TSP - Human Rights and Transition	Themes	None	Q1
ITOCHU Corp.	Japan	Focus on Product Governance	Strategy & Risk	None	Q1

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
JB Hi-Fi Ltd.	Australia	TSP - Scaling Circular Economies	Themes	None	Q1
Jiangxi Copper Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
Legend Biotech Corp.	United States of America	Focus on Product Governance and Access to Basic Services	Strategy & Risk	None	Q1
Lenovo Group Ltd.	Hong Kong	TSP - Scaling Circular Economies	Themes	None	Q1
LG Electronics, Inc.	South Korea	TSP - Scaling Circular Economies	Themes	None	Q1
LONGi Green Energy Technology Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
Lynas Rare Earths Ltd.	Australia	TSP - Human Rights and Transition	Themes	None	Q1
Maple Leaf Foods, Inc.	Canada	Focus on Land Use and Biodiversity Supply Chain	Strategy & Risk	None	Q1
Midea Group Co. Ltd.	China	TSP - Scaling Circular Economies	Themes	None	Q1
Ming Yang Smart Energy Group Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
MP Materials Corp.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
New Gold, Inc.	Canada	Focus on Occupational Health and Safety and Emissions, Effluents and Waste	Strategy & Risk	None	Q1
Newmont Corp.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
Nextpower, Inc.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
Nordex SE	Germany	TSP - Human Rights and Transition	Themes	None	Q1
Norsk Hydro ASA	Norway	TSP - Human Rights and Transition	Themes	None	Q1

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Operadora de Sites Mexicanos SAB de CV	Mexico	Focus on Human Capital	Strategy & Risk	None	Q1
Orla Mining Ltd.	Canada	Focus on Emissions, Effluents and Waste	Strategy & Risk	None	Q1
Panasonic Holdings Corp.	Japan	TSP - Scaling Circular Economies	Themes	None	Q1
PRIO SA	Brazil	Focus on Carbon Products and Services	Strategy & Risk	None	Q1
PT Charoen Pokphand Indonesia Tbk	Indonesia	Focus on Corporate Governance and Carbon Own Operations	Strategy & Risk	None	Q1
Quanta Computer, Inc.	Taiwan	TSP - Scaling Circular Economies	Themes	None	Q1
Rio Tinto Ltd.	Australia	TSP - Human Rights and Transition	Themes	None	Q1
Risen Energy Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
Royal KPN NV	Netherlands	TSP - Scaling Circular Economies	Themes	None	Q1
SEB SA	France	TSP - Scaling Circular Economies	Themes	None	Q1
Shanghai Aiko Solar Energy Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
Shanghai Electric Group Co., Ltd.	China	TSP - Human Rights and Transition	Themes	None	Q1
SMA Solar Technology AG	Germany	TSP - Human Rights and Transition	Themes	None	Q1
Sony Group Corp.	Japan	TSP - Scaling Circular Economies	Themes	None	Q1
Southern Copper Corp.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Sunrun, Inc.	United States of America	TSP - Human Rights and Transition	Themes	None	Q1
Suzlon Energy Ltd.	India	TSP - Human Rights and Transition	Themes	None	Q1
Suzuki Motor Corp.	Japan	TSP - Scaling Circular Economies	Themes	None	Q1
Swisscom AG	Switzerland	TSP - Scaling Circular Economies	Themes	None	Q1
TCL Technology Group Corp.	China	TSP - Scaling Circular Economies	Themes	None	Q1
Telenor ASA	Norway	TSP - Scaling Circular Economies	Themes	None	Q1
Tianqi Lithium Corp.	China	TSP - Human Rights and Transition	Themes	None	Q1
Trigano SA	France	Focus on Risk Assessment and Corporate Governance	Strategy & Risk	None	Q1
Umicore SA	Belgium	TSP - Human Rights and Transition	Themes	None	Q1
Vale SA	Brazil	TSP - Human Rights and Transition	Themes	None	Q1
Vestas Wind Systems A/S	Denmark	TSP - Human Rights and Transition	Themes	None	Q1
Vicat SA	France	Focus on Corporate Governance and Business Ethics	Strategy & Risk	None	Q1
Walgreens Boots Alliance, Inc.	United States of America	Consumer Interests - Human Rights	Incidents	None	Q1
Wheaton Precious Metals Corp.	Canada	TSP - Human Rights and Transition	Themes	None	Q1
Whirlpool Corp.	United States of America	TSP - Scaling Circular Economies	Themes	None	Q1
WK Kellogg Co.	United States of America	Focus on Carbon and Product Governance	Strategy & Risk	None	Q1

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Xiaomi Corp.	China	TSP - Scaling Circular Economies	Themes	None	Q1
Ørsted A/S	Denmark	TSP - Human Rights and Transition	Themes	None	Q1

New Associated

COMPANY	COUNTRY	ISSUE	FOCUS AREA	RELATED COMPANY	QUARTER
Banco Citi México SA Institución de Banca Múltiple Grupo	Mexico	Business Ethics	Incidents	Citigroup, Inc.	Q4
Financière Moncey SA	France	Activities Resulting in Adverse Human Rights Impacts	Incidents	Bolloré SE	Q4
Furnas - Centrais Elétricas SA	Brazil	Controversial Project(s) - Human Rights Impacts	Incidents	AXIA Energia SA	Q4
Grupo Aldesa SA	Spain	Controversial Project(s) - Human Rights and Environmental Impacts	Incidents	China Railway Construction Corp. Ltd.	Q4
JBS SA	Brazil	Land Use and Biodiversity	Incidents	JBS NV	Q4
JBS SA	Brazil	Business Ethics	Incidents	JBS NV	Q4
Taiyuan Iron & Steel (Group) Co., Ltd.	China	Forced Labour	Incidents	China BaoWu Steel Group Corp. Ltd.	Q4
JBS NV	Netherlands	Land Use and Biodiversity	Incidents	JBS SA	Q3
JBS NV	Netherlands	Business Ethics	Incidents	JBS SA	Q3
Blackstone, Inc.	United States of America	Child Labour	Incidents	Fortrex, Inc.	Q2
China Nonferrous Metal Mining (Group) Co., Ltd.	China	Incident(s) Resulting in Negative Environmental and Human Rights Impacts	Incidents	China Nonferrous Mining Corp. Ltd.	Q2
BYD Electronic (International) Co., Ltd.	China	Forced Labour	Incidents	BYD Co., Ltd.	Q1
CH. Karnchang Public Co. Ltd.	Thailand	Controversial Project(s) - Environmental and Human Rights Impacts	Incidents	CK Power Public Co. Ltd.	Q1
Oak Street Health, Inc.	United States of America	Consumer Interests - Human Rights	Incidents	CVS Health Corp.	Q1
Signify Health, Inc.	United States of America	Consumer Interests - Human Rights	Incidents	CVS Health Corp.	Q1

New Disengage

COMPANY	COUNTRY	NORM AREA	INCIDENT LOCATION	ISSUE	FOCUS AREA	PREVIOUS STATUS	QUARTER
SDIC Power Holdings Co., Ltd.	China	Environment	Indonesia	Controversial Project(s) - Environmental and Human Rights Impacts	Incidents	Engage	Q4
Tongling Nonferrous Metals Group Co., Ltd.	China	Human Rights	Ecuador	Controversial Project(s) - Human Rights and Environmental Impacts	Incidents	Engage	Q4
Xinjiang Zhongtai Chemical Co., Ltd.	China	Labour Rights	China	Forced Labour	Incidents	Engage	Q1

New Unresponsive

COMPANY	COUNTRY	ISSUE	FOCUS AREA	QUARTER
Coal India Ltd.	India	Focus on Carbon and Community Relations	Strategy & Risk	Q4
Eregli Demir ve Çelik Fabrikalari TAS	Turkey	Focus on Carbon Own Operations	Strategy & Risk	Q4
Grupo Financiero Inbursa SAB de CV	Mexico	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Q4
Shanghai Pudong Development Bank Co., Ltd.	China	Focus on ESG Integration Financials	Strategy & Risk	Q4
Guangdong Haid Group Co., Ltd.	China	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Q4

New Archived

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PREVIOUS STATUS	RELATED COMPANY	QUARTER
Banco Citi México SA Institución de Banca Múltiple Grupo	Mexico	Money Laundering	Incidents	Associated	Deutsche Bank AG	Q4
Boubyan Bank KSC	Kuwait	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Engage	None	Q4
China CITIC Financial Asset Management Co., Ltd.	China	Bribery and Corruption	Incidents	Disengage	Huarong Real Estate Co., Ltd.; XinKong International Capital Holdings Ltd.	Q4
China Energy Engineering Corp. Ltd.	China	Occupational Health and Safety	Incidents	Disengage	China Gezhouba Group Co., Ltd.	Q4
Export-Import Bank of India	India	Controversial Project(s) - Environmental and Human Rights Impacts	Incidents	Disengage	None	Q4
Hess Corp.	United States of America	Focus on Carbon Products and Services	Strategy & Risk	Engage	None	Q4
KOSÉ Corp.	Japan	Focus on Corporate Governance	Strategy & Risk	Engage	None	Q4
MEG Energy Corp.	Canada	Focus on Carbon and Community Relations	Strategy & Risk	Engage	None	Q4
Meta Platforms, Inc.	United States of America	Focus on Data Privacy and Security	Strategy & Risk	Engage	None	Q4
PACCAR, Inc.	United States of America	New Case - Focus to be Determined	Strategy & Risk	Engage	None	Q4
Shezan International Ltd.	Pakistan	Occupational Health and Safety	Incidents	Disengage	None	Q4

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PREVIOUS STATUS	RELATED COMPANY	QUARTER
Shezan International Ltd.	Pakistan	Child Labour	Incidents	Disengage	None	Q4
The Company for Cooperative Insurance	Saudi Arabia	Focus on ESG Integration Financials	Strategy & Risk	Engage	None	Q4
Unitech Ltd.	India	Consumer Interests - Business Ethics	Incidents	Disengage	None	Q4
Veren, Inc.	Canada	Focus on Carbon Products and Services	Strategy & Risk	Engage	None	Q4
Walgreens Boots Alliance, Inc.	United States of America	TSP - Human Capital Management	Themes	Engage	None	Q4
Walgreens Boots Alliance, Inc.	United States of America	Consumer Interests - Human Rights	Incidents	Engage	None	Q4
Chongqing Energy Investment Group Co., Ltd.	China	Occupational Health and Safety	Incidents	Disengage	Chongqing Energy Investment Group Co., Ltd.	Q3
NLC India Ltd.	India	Occupational Health and Safety	Incidents	Disengage	None	Q3
Rivian Automotive, Inc.	United States of America	Focus on Product Governance	Strategy & Risk	Engage	None	Q3
Teledyne Technologies, Inc.	United States of America	Focus on Risk Assessment	Strategy & Risk	Engage	None	Q3
The Kraft Heinz Co.	United States of America	Focus on Product Governance	Strategy & Risk	Engage	None	Q3
Anglogold Ashanti Plc	United Kingdom	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Arcadium Lithium Plc	Ireland	Focus on Occupational Health and Safety and Emissions, Effluents and Waste	Strategy & Risk	Engage	None	Q2

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PREVIOUS STATUS	RELATED COMPANY	QUARTER
AWL Agri Business Ltd.	India	Controversial Project(s) - Environmental and Human Rights Impacts	Incidents	Associated	Adani Enterprises Ltd.	Q2
Barry Callebaut AG	Switzerland	TE - Human Rights Accelerator	Themes	Engage	None	Q2
BHP Group Ltd.	Australia	TE - Human Rights Accelerator	Themes	Engage	None	Q2
First Quantum Minerals Ltd.	Canada	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Freeport-McMoRan, Inc.	United States of America	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Hon Hai Precision Industry Co., Ltd.	Taiwan	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Korea Electric Power Corp.	South Korea	Incident(s) Resulting in Negative Human Rights Impacts	Incidents	Engage	None	Q2
Korea Western Power Co., Ltd.	South Korea	Incident(s) Resulting in Negative Human Rights Impacts	Incidents	Engage	None	Q2
Kweichow Moutai Co., Ltd.	China	Focus on Corporate Governance	Strategy & Risk	Engage	None	Q2
Lenovo Group Ltd.	Hong Kong	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Luckin Coffee, Inc.	China	Accounting and Taxation	Incidents	Engage	None	Q2
Lupin Ltd.	India	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Engage	None	Q2
Marathon Oil Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	Engage	None	Q2

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PREVIOUS STATUS	RELATED COMPANY	QUARTER
Microchip Technology, Inc.	United States of America	Focus on Product Governance	Strategy & Risk	Engage	None	Q2
Mitsubishi Materials Corp.	Japan	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Mondelez International, Inc.	United States of America	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Nestlé SA	Switzerland	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Newmont Corp.	United States of America	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Panasonic Holdings Corp.	Japan	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Ratch Group Public Co. Ltd.	Thailand	Incident(s) Resulting in Negative Human Rights Impacts	Incidents	Engage	None	Q2
Regis Resources Ltd.	Australia	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Engage	None	Q2
Samsung Electronics Co., Ltd.	South Korea	TE - Human Rights Accelerator	Themes	Engage	None	Q2
SK, Inc.	South Korea	Incident(s) Resulting in Negative Human Rights Impacts	Incidents	Engage	None	Q2
Sony Group Corp.	Japan	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Sumitomo Metal Mining Co. Ltd.	Japan	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	TE - Human Rights Accelerator	Themes	Engage	None	Q2

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PREVIOUS STATUS	RELATED COMPANY	QUARTER
The Hershey Co.	United States of America	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Tongaat-Hulett Ltd.	South Africa	Accounting and Taxation	Incidents	Disengage	None	Q2
Uchumi Supermarkets Ltd.	Kenya	Business Ethics	Incidents	Disengage	None	Q2
Vale SA	Brazil	TE - Human Rights Accelerator	Themes	Engage	None	Q2
Xinjiang Xinxin Mining Industry Co., Ltd.	China	Forced Labour	Incidents	Engage	None	Q2
Altria Group, Inc.	United States of America	Focus on Product Governance	Strategy & Risk	Engage	None	Q1
Amazon.com, Inc.	United States of America	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	Engage	None	Q1
Amorepacific Corp.	South Korea	Focus on ESG Disclosure	Strategy & Risk	Engage	None	Q1
Cameco Corp.	Canada	Focus on Community Relations	Strategy & Risk	Engage	None	Q1
Caterpillar, Inc.	United States of America	Involvement With Entities Violating Human Rights	Incidents	Engage	None	Q1
Cox & Kings Ltd.	India	Fraud	Incidents	Disengage	None	Q1
Enerplus Corp.	Canada	Focus on Carbon Own Operations	Strategy & Risk	Engage	None	Q1
Hap Seng Consolidated Bhd.	Malaysia	Focus on Carbon Own Operations	Strategy & Risk	Engage	None	Q1

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PREVIOUS STATUS	RELATED COMPANY	QUARTER
Indofood Agri Resources Ltd.	Singapore	Labour Rights - Operations	Incidents	Engage	First Pacific Co. Ltd.; PT Indofood Sukses Makmur Tbk; PT Perusahaan Perkebunan London Sumatra Indonesia Tbk; PT Salim Ivomas Pratama Tbk	Q1
JSR Corp.	Japan	Focus on Corporate Governance	Strategy & Risk	Engage	None	Q1
Saudi Basic Industries Corp.	Saudi Arabia	Focus on Carbon and Product Governance	Strategy & Risk	Engage	None	Q1
Saudi Cement Co.	Saudi Arabia	Focus on ESG Disclosure	Strategy & Risk	Engage	None	Q1

Universe Change Impact

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES	QUARTER
AngloGold Ashanti (Pty) Ltd.	South Africa	Precious Metals	Human Rights and Transition	Entity mapped to Anglogold Ashanti Plc	Q3
Apigee Corp.	United States of America	Software & Services	Anti-Competitive Practices	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Associated	Q3
Aptiv Irish Holdings Ltd.	Ireland	Auto Components	Scaling Circular Economies	Entity mapped to Aptiv Plc	Q3
Filo Corp.	Canada	Precious Metals	Focus on ESG Disclosure	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Engage	Q3
Gulf Energy Development Public Co. Ltd.	Thailand	Utilities	Focus on Carbon Own Operations	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Engage	Q3
Motiva Enterprises LLC	United States of America	Refiners & Pipelines	Involvement With Entities Violating Human Rights	Entity mapped to Saudi Arabian Oil Co. Previous status: Associated	Q3

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES	QUARTER
PETRONAS Energy Canada Ltd.	Canada	Oil & Gas Producers	Involvement With Entities Violating Human Rights	Entity mapped to Petroliam Nasional Bhd. Previous status: Associated	Q3
Americanas SA	Brazil	Retailing	Accounting and Taxation	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Disengage	Q2
China Evergrande Group	China	Real Estate	Business Ethics	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Disengage	Q2
China Evergrande New Energy Vehicle Group Ltd.	China	Healthcare	Business Ethics	Entity no longer eligible for Morningstar Sustainalyitcs' research. Previous status: Associated	Q2
Evergrande Property Services Group Ltd.	China	Real Estate	Business Ethics	Entity was archived due to research ineligibility of related company, China Evergrande Group. Previous status: Associated	Q2
JBS USA Food Co.	United States of America	Food Products	Land Use and Biodiversity	Entity mapped to JBS SA. Previous status: Associated	Q2
JBS USA Food Co.	United States of America	Food Products	Business Ethics	Entity mapped to JBS SA. Previous status: Associated	Q2

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES	QUARTER
RH International (Singapore) Corp. Pte Ltd.	Singapore	Utilities	Incident(s) Resulting in Negative Human Rights Impacts	Entity mapped to Ratch PublicGroup Co. Previous status: Associated	Q2
Bunge Ltd.	United States of America	Food Products	Land Use and Biodiversity	Entity mapped to Bunge Global SA. Previous status: Associated	Q1
Chesapeake Energy Corp	United States of America	Oil & Gas Producers	Focus on Carbon and Emissions, Effluents and Waste	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Engage	Q1
DSM BV	Switzerland	Pharmaceuticals	Biodiversity and Natural Capital	Entity mapped to DSM-Firmenich AG	Q1
Medtronic, Inc.	United States of America	Healthcare	Quality and Safety - Human Rights	Entity mapped to Medtronic Plc. Previous status: Associated	Q1
National Development Complex	Pakistan	Aerospace & Defense	Cluster Weapons	Entity no longer available in Morningstar Sustainalytics' universe. Previous status: Disengage	Q1
ONGC Videsh Ltd.	India	Oil & Gas Producers	Involvement With Entities Violating Human Rights	Entity no longer available in Morningstar Sustainalytics' universe. Previous status: Associated	Q1

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES	QUARTER
Southwestern Energy Co.	United States of America	Oil & Gas Producers	New Case - Focus to be Determined	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Engage	Q1
Wirecard AG	Germany	Software & Services	Fraud	Entity no longer available in Morningstar Sustainalytics' universe. Previous status: Disengage	Q1

Focus Area Overview

Incidents - Annual Highlights

Driving Accountability Through Incident-Driven Engagements

In 2025, our programme continued to address severe and systemic violations of international norms, focusing on companies where incidents pose material risks to people, the environment, and long-term value creation. Throughout the year, we maintained over 100 active engagements, delivering impact through multiple milestones and 12 case resolutions, covering bribery and corruption, human rights, and environmental incidents. These outcomes underscore our commitment to advancing corporate accountability and building resilience through constructive, investor-led dialogue.

Navigating Regulatory Uncertainty

At the start of the year, companies and investors faced heightened regulatory complexity driven by a surge in lawmaking activity under the new US presidential administration. This created uncertainty around compliance obligations and engagement practices. Additionally, updated US Security and Exchange Commision guidance on shareholder engagement prompted investors to reassess how to structure dialogues with issuers. While these developments were most pronounced in early 2025, regulatory shifts continued throughout the year, reinforcing the need for our incident-driven programme to deliver adaptable engagement strategies while never losing focus on supporting companies in building resilience through creating and embedding sustainable practices. We anticipated a slowdown in engagement activity as companies assessed the impact of the regulatory changes. However, we have seen the opposite, strong commitment and constructive dialogue, reflected by a fullfilment of suggested actions and milestone movements.

Key Themes Across the Year

Culture as a Key Driver in our Engagements

Corporate culture emerged as a critical determinant of resilience and long-term success. Our engagements highlighted how deeply embedded values and behaviours influence risk management and ethical decision making. Weak cultural indicators, such as poor communication, lack of a “speak-up” environment, and target driven pressures, were linked to governance failures and misconduct. Most of our Business Ethics and Consumer Interest engagements focused on cultural factors, particularly in cases involving significant financial implications and violations of local laws. These incidents often resulted in regulatory fines and mandated Action Plans by authorities. In addition to monitoring companies’ fulfillment of these plans, we complemented monitoring with engagement dialogue to encourage stronger cultural frameworks, embed accountability, and foster transparency. One example involved a car manufacturer where cultural weaknesses contributed to unethical practices. Progress achieved through sustained engagement demonstrates how governance reforms can address these risks and restore trust.

Beyond Compliance: Navigating Multi-Jurisdictional Risk

Rapidly evolving ESG regulations across jurisdictions continue to challenge multinational corporations. Company dialogues confirm that a compliance-based approach to ESG is not always sufficient, particularly for businesses operating in dynamic or conflicting regulatory environments.

The philosophy behind our incidents-driven engagements is clear: companies that commit to higher standards not only mitigate risk but also position themselves as leaders in responsible business conduct. Local violations can have global consequences due to media exposure, investor scrutiny, and cross-border regulatory cooperation. This is evident in our engagements with companies operating internationally, such as US firms facing labour rights allegations in Europe, supply chain accusations, or operations in high-risk countries linked to human rights abuses.

Our engagements stress the importance of aligning global compliance strategies with the most stringent standards, supported by robust policy frameworks and board-level accountability.

Grievance Mechanisms as a Cornerstone of Risk Management

Operational-level grievance systems remain underdeveloped across global supply chains, exposing companies to reputational and legal risks. Through targeted engagements, we supported issuers in designing mechanisms aligned with the UN Guiding Principles, emphasizing accessibility, legitimacy, and rights compatibility. Robust grievance mechanisms are critical for managing human rights risks, particularly in cases involving labour rights violations or negative impacts on local communities affected by controversial projects.

We also highlighted the importance of whistleblower systems to address business ethics concerns, including corruption incidents and discriminatory practices. Strengthening these channels enables companies to detect risks early, provide remedy, and foster a culture of accountability.

Human Rights Due Diligence (HRDD): From Policy to Practice

Despite growing regulatory momentum, such as the EU Corporate Sustainability Due Diligence Directive, many companies still treat HRDD as a compliance exercise rather than an ongoing process to identify, prevent, and mitigate harm. Benchmark data shows that a significant majority of companies fail to meet basic HRDD expectations, while only a very small proportion demonstrate strong implementation. This gap is particularly acute in high-risk sectors like extractives, where HRDD is often conflated with one-off Environmental and Social Impact Assessments.

More than 70% of our engagements relate to the social pillar within ESG, and in most cases, a key objective is to help companies develop a robust human rights due diligence strategy. We frequently observe that companies lack a clear understanding of HRDD, so our focus has been on raising awareness of what it entails and guiding them step by step on how to implement it effectively. We emphasize why HRDD is critical, not only for protecting rights-holders but also for strengthening corporate resilience and meeting investor expectations.

Engagement Outcomes

In 2025, we successfully resolved 12 engagements, including FirstEnergy (bribery and corruption), Indivior and McKesson (business ethics and human rights), Medtronic (quality and safety), Samsung group entities (accounting and governance), UPL Ltd. (environmental remediation), Bezeq (bribery and corruption), Allied Universal (forced labour), Sime Darby (forced labour), and POSCO (human rights due diligence in high-risk regions). These resolutions addressed serious incidents with significant financial, legal, and reputational implications. Through sustained dialogue, we worked with companies to implement corrective actions and strengthen governance frameworks, ensuring robust preventive measures are in place to mitigate future risks and avoid recurrence.

Case studies features Teleperformance SE, Oil & Natural Gas Corp., Sibanye Stillwater, LVMH, and Petroperú, illustrating progress on labour rights and freedom of association, human rights due diligence, workplace safety, and environmental risk management.

Looking Ahead

In 2026, we will deepen our focus on mandatory HRDD implementation, supply chain accountability, and environmental topics, while continuing to address systemic issues such as workplace safety and governance failures.

We will also initiate new engagements starting January 2026, triggered by controversy research assessed as Category 3 or higher across companies from various industries involved in different ESG controversies that meet our thresholds. This will drive increased engagement activity in the coming months.

Our priority remains clear: to drive meaningful change that aligns corporate conduct with international standards, mitigates harm to people and ecosystems, and supports long-term investor confidence.

Strategy & Risk - Annual Highlights

This annual review brings together insights from our 2025 engagements and research, outlining key themes and regional dynamics that shaped corporate resilience and sustainability strategies. Throughout the year, we observed, analyzed, and discussed evolving approaches to the management of material ESG issues across major markets; from decarbonization strategies in Europe to regulatory uncertainty and transition readiness in North America.

Our 2025 engagement activity and editorial research emphasized persistent challenges and emerging opportunities in climate risk management across regions. In Q1 2025, we highlighted key insights gained from dialogues with European companies, which underscored structural barriers to industrial-scale decarbonization including infrastructure constraints and cost pressures. Despite these hurdles, companies demonstrated commitment to transition goals through capital allocation and policy advocacy focused on low-carbon technology.[8]

Also in the first quarter, we began closely monitoring our engagements with approximately 90 North American companies to assess the impacts of the rapidly evolving landscape in the US. Our early 2025 evaluations of US company climate preparedness efforts revealed a gap between emergency preparedness and long-term physical climate risk management. The analysis was underpinned by the materiality of climate change, supporting the business case for climate action.[9]

Continuing the focus on dynamics related to US company transition preparedness in Q2, engagement dialogues with US utility companies, along with editorial research, demonstrated that while data center energy demand is accelerating at a rapid pace in the US, a large share of utilities remained underprepared for a low-carbon transition. We evaluated barriers US utilities experienced in meeting the energy demand surge and considered impacts to delivering a reliable, low-carbon power supply. We learned that meeting the electricity needs of AI will increasingly depend on how quickly grid infrastructure, siting processes, and permitting systems can adapt. Investors can strengthen decision-making by considering data on utility carbon intensity and transition-readiness.[10]

Furthermore, in Q2 we enhanced our strategic presence in Southeast Asia with direct engagement with stock exchanges, institutional investors, and corporate stakeholders in Malaysia and Singapore. We co-led a full-capacity investor roundtable at the Southeast Asia Investor Forum and participated in a high-level panel where discussions focused on regulatory asymmetries, sector blind spots, and the growing demand for stewardship-informed capital.

In Japan, we analyzed corporate governance developments and concluded that Japanese issuers showed progress in board independence, remuneration and disclosure practices under the new Corporate Governance Code. However, when compared to Western standards, there remained room for improvement in areas such as the structure of remuneration and the transparency of remuneration amounts.[11]

In the second half of 2025, our Strategy and Risk engagements continued to evolve in response to shifting geopolitical, regulatory, environmental, and social factors. Engagements remained active across multiple jurisdictions, including the US. Company dialogues continued to confirm that a compliance-based approach to ESG is not always enough, especially for multi-jurisdictional companies operating in conflicting regulatory environments. In partnership with our incidents focused engagement programme we established further insight into this concept, concluding that companies operating across multiple jurisdictions should proactively align compliance strategies with the most rigorous regulatory environments – even if it means exceeding local requirements. We also established that regional compliance teams are essential to embedding a strong culture of compliance, and that companies should further demonstrate accountability through well-defined ESG policy.[12]

Additionally, Arctic-specific Health, Safety and Environment (HSE) systems, coordination with local authorities and civil defense, and capability to protect both offshore workers and nearby residents in crisis conditions will underpin the evaluation of risk governance.[13]

Similarly, our research and engagements confirmed that Canada's oil and gas sector faces significant challenges in meeting national decarbonization targets as production increases and national project priorities fast-track. Despite sectoral decarbonization initiatives as well as incentives for carbon capture and storage, accelerated investment in low-carbon technologies is needed in order to meet previously disclosed decarbonization commitments.[14]

Throughout 2025, a common thread emerged: regulatory uncertainty and uneven transition readiness continued to shape corporate strategies across regions. These dynamics reinforced the need for companies to move beyond compliance toward integrated risk management and resilience planning. As we look ahead, our engagements will continue to prioritize adoption of global best practices, transparent disclosure, and credible transition pathways that strengthen long-term sustainability performance and stakeholder trust.

Strategy & Risk - 2025 Global Engagement Insights

2025 marked a turning point for sustainability disclosure and corporate accountability. As global frameworks mature and regional regulations tighten, issuers face mounting pressure to move beyond ambition toward measurable action. This article explores how regulatory shifts shaped issuer behavior and influenced the outcomes of our engagements across regions throughout the past year.

Strategy and Risk Engagement Snapshot

In 2025, our stewardship programme maintained active dialogues across all major regions, with Asia-Pacific leading in engagement volumes, followed by North America and Europe. Africa/Middle East and Latin America accounted for a smaller share of engagements but remained strategically important due to resource-heavy industries and emerging regulatory frameworks in these regions. The most engaged sectors globally included Oil & Gas Producers, Utilities, and Food Products, reflecting investor priorities on climate, energy transition, and supply chain resilience.

Since 2020, we have initiated 663 engagements in total and resolved 115, including 36 in 2025.[15] As of December 2025, 304 remain active. Asia/Pacific led the overall volume of engagements, with Japan and China accounting for the largest share of ongoing dialogues. United States & Canada regional engagements have remained concentrated in the United States. In Europe, resolved engagements were comparatively high relative to the active pipeline, led by the United Kingdom and Germany.

While these trends provide context for the evolution of our engagement activities, strategy and risk focused engagement managers also examine the implications of regulatory developments across their respective regions in this collaborative article.

South Africa: Capacity Gaps and Emerging Climate Governance

In 2025, engagement dynamics across Africa were shaped by accelerating regulatory reforms alongside uneven disclosure readiness, with South Africa remaining the most advanced and influential market. While updated guidance and momentum toward global standards supported more structured discussions on climate and governance, issuers varied widely in their ability to provide decision-useful and assured ESG data. As a result, engagements often balanced stronger regulatory signals with persistent gaps in reporting quality and internal capacity, which continued to limit overall depth and progress.

In South Africa, the year saw continued but uneven movement toward more structured sustainability reporting. The Johannesburg Stock Exchange's voluntary Sustainability and Climate Disclosure Guidance remained a key driver of reporting practices, influencing both investor expectations and issuer behavior.[16] Issuers generally demonstrated growing awareness of emerging standards, but internal capacity constraints and uncertainties around future regulatory timelines created inconsistencies in the quality of disclosures.[17]

This environment shaped engagements throughout the year. Issuers were receptive but often slowed by resource limitations, evolving ESG capabilities, and the lack of consistent assurance. As a result, our engagements tended to focus on strengthening foundational governance structures, maturing climate-risk processes, and encouraging a shift from narrative reporting toward decision-useful metrics. Social topics such as contractor oversight, workforce safety, and community relations also featured prominently amid ongoing capacity and data challenges. Looking ahead, we expect that South African issuers will strengthen governance and improve assurance as regulatory momentum accelerates.

Turkey: Mandatory Sustainability Standards and Nature Risk Blind Spots

Turkey is one of the most biodiversity-rich geographies in the wider region, positioned at the intersection of the Mediterranean, Caucasus, and Irano-Anatolian biodiversity hotspots. This creates exceptional ecological value but also exposes Turkish companies to high environmental dependency – from water-intensive agriculture and textiles to manufacturing and tourism operating in sensitive coastal and forested areas. Despite this, biodiversity and ecosystem dependencies have historically been underreported and weakly integrated into corporate risk management.

In 2024-2025, Turkey introduced one of its most significant regulatory shifts: Türkiye Sürdürülebilirlik Raporlama Standartları (TSRS), a sustainability-reporting framework modelled on the European Reporting Sustainability Standards. This move marks a transition from voluntary reporting to mandatory, as well as double-materiality-based disclosure for large and listed entities. The new standards are expected to raise transparency on governance, climate metrics, water use, and environmental impacts, and should improve overall comparability with European peers.[18]

However, through our engagements we have noticed that two major risk management gaps remain. First, Turkey has not yet adopted TNFD-aligned nature disclosures, meaning issuers might continue to report very little on ecosystem dependencies, land-use impacts, and biodiversity-related transition risks. Second, water stress, one of Turkey's most material constraints, is still not assessed at basin level, and very few issuers use scenario analysis for assessing physical climate risks.[19] We anticipate that issuers' double-materiality assessments could reveal these topics as priority issues for Turkey-based operations.

UAE & Saudi Arabia: State-led ESG Reform and Disclosure Depth Challenges

In the Gulf region, sustainability is increasingly shaped by state-driven disclosure reforms and long-term national strategies rather than investor pressure. In Saudi Arabia, the regulatory momentum is anchored in Vision 2030,[20] which seeks to diversify the economy, attract foreign investment, and embed sustainability into national development. As part of this shift, Saudi regulators and the Capital Markets Authority have introduced new requirements for listed issuers to improve disclosure on governance, climate, environmental performance, and social metrics. Similar trends are emerging across the Gulf Cooperation Council (GCC), including the UAE, Qatar, and Bahrain, where exchanges and financial regulators are encouraging more structured ESG reporting.

However, the region still faces a significant depth-of-disclosure gap. Climate reporting tends to focus on high-level commitments, with limited transparency on scope 3 emissions, water stress, biodiversity impacts, and physical risk modelling: despite these being structurally material in an arid region with high exposure to heat extremes, desalination dependence, and ecological degradation. Social and human-rights disclosures also vary widely, especially in sectors reliant on migrant labour or operating in complex geopolitical environments.[21]

From an engagement perspective, disclosure progress in the Gulf is not uniform across sectors. In 2025, financial institutions showed stronger governance structures and more established risk-management systems, which has supported more robust sustainability reporting relative to other industries. This contributed to the resolution of five engagements with Saudi banks, as improvements in ESG disclosure met our investor expectations. By contrast, disclosure in more resource-intensive or operationally complex sectors remains uneven, particularly regarding water stress, biodiversity impacts, and physical-risk assessment. As regional regulatory frameworks continue to evolve under Vision 2030 and parallel GCC initiatives, we will maintain our focus on encouraging consistent, decision-useful reporting across all industries to support comparability and long-term risk management.

China: Carbon Policy Momentum and Digital ESG Integration

Momentum in China's ESG landscape remained strong in 2025, particularly among Hong Kong-listed issuers with significant foreign investor exposure. These issuers are seeking to align with international best practices – not only to meet global expectations, but also because domestic policy trends reinforce this direction.

China's dual-carbon policy, targeting peak emissions by 2030 and neutrality by 2060, combined with new 2025 regulations requiring granular climate-related disclosures for HK-listed issuers, is driving stronger carbon management and transparency.[22] Additionally, China's national Emissions Trading Scheme (ETS) expanded in 2025 to include cement, steel, and aluminum industries, raising coverage from about 40% to 60% of national emissions.[23] This marks tighter oversight of carbon-intensive sectors and supports the acceleration of a low-carbon transition. Furthermore, governance structures have matured, with all engaged companies now establishing board-level ESG or sustainability committees to strengthen oversight.

However, our engagements have revealed that ESG-linked executive remuneration remains rare. While some issuers plan to integrate carbon metrics into pay structures, most prioritize meeting current regulations over early adoption. In parallel, Chinese issuers are increasingly leveraging smart systems to strengthen ESG performance and reporting. Pharmaceutical companies, for example, are upgrading pharmacovigilance systems with advanced analytics and algorithms for automated detection and risk alerts. Large conglomerates are adopting integrated digital platforms to ensure consistent ESG data across sectors and geographies, supporting centralized management and predictive risk control. These moves reflect China's push for digital transformation in sustainability governance.

In 2025, disclosure quality improved significantly with several companies moving out of the high-risk category and engagement responsiveness rising: we were able to establish dialogue with 7, or 40%, of the 15 previously non-responsive companies. Looking ahead, carbon reduction will remain central to Chinese companies' ESG efforts, but strong governance will be critical to implementing policy and demonstrating measurable progress.

Japan: Heightened Emphasis on Human Capital Alongside a Sustained Strong Focus on Climate Change

In Japan, the Financial Services Agency (FSA) has taken the lead in requiring sustainability-related disclosures in annual securities reports for issuers listed on the Prime Market. Beginning with the effective requirement for TCFD-aligned reporting in 2022, disclosure obligations have expanded to include enhanced information on human capital, diversity, and corporate governance. In particular, issuers are now required to describe identified risks and opportunities, along with the measures taken to address them, with human resource development policies and workplace environment initiatives being mandatory.[24]

Reflecting these regulatory shifts, our engagements with Japanese issuers indicate that priorities center on climate risk and human capital. Historically, climate risk (particularly TCFD-related disclosure) was the dominant ESG focus, as evident in both reporting and engagement discussions. However, in more recent years, human capital has emerged as a key area of attention. Issuers demonstrated tangible commitments by integrating strategic human capital information into medium- and long-term management plans and integrated reports. This trend is likely driven by the FSA's upcoming expansion of human capital disclosure requirements in annual securities reports from the fiscal year ending March 2026, which will mandate more strategic detail.[25]

Meanwhile, climate change remains a strong focus. Starting in 2027, ISSB-based standards developed by the Sustainability Standards Board of Japan (SSBJ) will be phased in, beginning with Prime Market-listed issuers with market capitalization of JPY 3 trillion (around USD 21 billion) or more. Through our engagements, we observed issuers actively implementing measures to meet these disclosure requirements.

These developments reflect the FSA's emphasis on strengthening corporate governance and promoting long-term value creation through dialogue between companies and investors.[26] In this context, the FSA regards both climate-related risks as well as investments in human capital as factors that directly affect future cash flows and long-term valuation. In light of this, we remain committed to engaging on these topics and encouraging continuous alignment to best practices and disclosure enhancements.

India: Incremental Decarbonization Amid Coal Dependence

India's sustainability landscape in 2025 continues to be shaped by its net-zero 2070 commitment, which sets a markedly different decarbonization trajectory than other OECD markets.[27] Notably, most companies do not plan a near-term coal phase-out; instead, the policy focus is on reducing emissions intensity within an expanding coal fleet.

A key development we observed across our engagements was an increasing reliance on biomass co-firing, particularly using agricultural residue from the rice-wheat belt. While co-firing is not unique to India, the country stands out in three ways: 1. The scale of available crop residue and the need to address severe seasonal air pollution from open burning; 2. The presence of mandatory, time-bound national co-firing requirements for all coal plants, rather than voluntary utility-level initiatives; and 3. Its framing as a strategy to make coal cleaner, not to replace it, consistent with a longer-term 2070 transition pathway.

The result is a dual dynamic: Indian issuers remain highly dependent on coal for energy security and economic growth; yet throughout our engagements, issuers have shown increasing openness to discussing incremental decarbonization measures such as biomass, waste-to-energy, early hydrogen pilots, and grid flexibility, due to the absence of policy pressure for accelerated coal retirement. The path forward should yield more detailed decarbonization disclosure focused on intensity-based reduction strategies.

Europe: From Ambition to Execution

Engagement with Western European issuers highlights a region in transition – balancing strong ESG ambitions with practical implementation challenges. Regulatory frameworks such as the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), and the EU Taxonomy are not just reporting tools; they influence corporate strategy by requiring disclosure on how sustainability is embedded in business models and by defining which activities qualify as sustainable for financing. Although the recent omnibus simplification package reduces reporting burdens, many companies have already built sophisticated reporting systems to meet earlier granular requirements.[28] This maturity not only allows companies to consolidate reporting efficiently but also enhances ESG monitoring and risk management.

Climate commitments are widespread: most issuers have signed up to Science-Based Targets, and some have verified goals. However, scope 3 emissions measurement remains a critical challenge, often with spend-based approach. In our engagements, most issuers have agreed to initiate active supplier engagement to transition toward supplier – specific approaches. Furthermore, social and supply-chain risks gained prominence, driven by laws such as Germany's Supply Chain Due Diligence Act and the upcoming CSDDD.[29] In response, issuers are strengthening grievance mechanisms, mapping high-risk suppliers, and embedding human rights into procurement processes.

Overall, our engagements with Western European issuers in 2025 have indicated that they are motivated and well-prepared. As we move into the year ahead, the differentiator will be execution: issuers embedding ESG into strategic planning and operational decisions will define resilience in an era of heightened scrutiny.

Brazil: Structured Climate Reporting and Biodiversity Risk

Engagements in Brazil during 2025 took place within a regulatory landscape that has recently incorporated several major sustainability and climate disclosure requirements. Publicly listed companies are preparing to implement the Brazilian Committee on Sustainability Pronouncements (CBPS) Technical Pronouncements No. 01 and No. 02, mandated through CVM Resolutions 217 and 218.[30,31] These standards introduce structured requirements for sustainability-related and climate-related financial disclosures and formally align the Brazilian corporate reporting environment with the IFRS S1 and IFRS S2 frameworks. As a result, many issuers have begun strengthening internal data systems, reviewing governance processes, and assessing how climate transition risks should be incorporated into financial planning and scenario analysis.

Engagement discussions often touched on sector-specific challenges such as deforestation exposure, biofuel scaling, methane reduction, and supply-chain traceability. Biodiversity has emerged as an important topic, and several issuers signaled increased attention to nature-related risks, particularly those linked to land use, water resources, and agricultural supply chains.

Under B3's New Issuers Regulation Annex B, listed issuers must publish ESG-related information under a comply-or-explain model, which has prompted companies to improve clarity around sustainability governance and metrics.[32] Together, with regulatory framework advancements for investment funds and reinforced financial institution reporting requirements, these developments will continue to shape our stewardship conversations by encouraging disclosure of more robust, decision-useful information on climate, sustainability strategy, and nature-related impacts.

Mexico: Transition to ISSB-Aligned Sustainability Framework

In Mexico, our 2025 engagements occurred as the country began implementing a new sustainability-reporting framework that moves toward alignment with ISSB standards while maintaining distinct national requirements. For issuers that report under Mexican Financial Reporting Standards, the Sustainability Information Rules NIS A-1 and NIS B-1 issued by the Mexican Council for Financial Reporting Standards (CINIF) now serve as the foundation for sustainability disclosure.[33] Commentary surrounding the NIS highlights that they encourage a double-materiality perspective and provide a bridge towards eventual convergence with IFRS S1 and IFRS S2, while not being identical to the ISSB standards.[34]

For issuers, regulatory expectations around ESG disclosure continued to increase. Mexico's National Banking and Securities Commission's (CNBV) reporting framework requires issuers with securities registered in the National Securities Registry to disclose information such as environmental policies, relevant certificates, projects related to environmental protection and climate change, and details on board composition, including gender.[35]

From a stewardship perspective, issuers frequently identified transition planning as a key concern, especially in energy, transport, and industrial sectors. Biodiversity and broader nature-related risks surfaced in discussions around issues such as land-use change, deforestation exposure, and water stress in agriculture and manufacturing value chains. These themes intersect with Mexico's Sustainable Taxonomy, developed by the Ministry of Finance as a public policy tool to guide capital toward activities that support climate-change mitigation and adaptation, gender equality, and broader sustainable- development objectives.[36] As a result, we anticipate enhanced reporting practices on these topics in the year ahead.

United States: Regulatory Retrenchment and ESG Polarization

In 2025, our engagements with US issuers happened against a dynamic and unpredictable policy and regulatory backdrop. Federal actions reversed several climate and social-policy commitments, including a second withdrawal from the Paris Agreement, the suspension of major renewable-energy initiatives, and the termination of Federal DEI and environmental-justice programmes.[37,38,39] The declaration of a national energy emergency, prioritizing expanded fossil-fuel development, further politicized climate strategy, transition planning, and social-equity topics.[40]

The Securities Exchange Commission (SEC) withdrew its climate-disclosure rule and introduced stricter requirements for shareholders engaging on ESG topics.[41] Furthermore, several engaged federal contractors scaled back ESG reporting due to litigation and political exposure, resulting in thinner, backward-looking disclosures that limited depth on safety, climate, and product-governance issues.[42] Against this backdrop, most US issuers approached our engagements with heightened caution. Discussions were increasingly led by legal counsel, with reluctance to speak beyond public filings. To help navigate this environment, we implemented a pre-engagement compliance notice, delimiting the intent and scope of each dialogue.[43]

Despite these constraints, most of our engagements advanced meaningfully, but required tighter regulatory awareness, evidence-based and politically neutral asks, and financially material metrics. Advancing into 2026, we expect ESG polarization in the US to persist. We recognize that our engagement strategies will need to emphasize resilience and adaptability while prioritizing financially material outcomes and risk-based approaches. We also anticipate heightened scrutiny of engagement practices in the US, that will continue to reinforce the building of trust through transparent, compliance-conscious dialogue.

Canada: Disclosure Tightening and Anti-Greenwashing Measures

During our Canadian engagements in 2025, issuers operated within a relatively stable but scrutinized ESG risk management and disclosure environment. Discussions examined how current practices interact with reporting expectations, especially when climate or environmental claims could be challenged as misleading.

Several Canadian energy companies that we engage with have refined, qualified, removed, or postponed their climate transition narratives in response to anti-greenwashing provisions introduced through Bill C-59 in 2024. In November 2025, the Department of Finance released a Ways and Means motion proposing changes to the anti-greenwashing measures in Canada's Competition Act (Bill C-59) as discussed in the November Federal Budget announcement. These proposed changes aim to reduce litigation risks around sustainability disclosures and clarify requirements for substantiating representations made about sustainable business activities. At the same time, many issuers were preparing for reporting aligned with the Canadian Sustainability Disclosure Standards (CSDS 1 and CSDS 2), which are based on IFRS S1 and IFRS S2 and were finalized in late 2024 for use beginning in 2025, pending regulatory endorsement.[44] However, the Canadian Securities Administrators (CSA) has paused work on mandatory climate-related disclosure rules due to global uncertainty and competitiveness concerns, which means that CSSB standards remain voluntary guidance, for now.[45]

Through our escalation process and otherwise, we initiated several new engagement dialogues with Canadian issuers who have demonstrated caution, but a willingness to engage. Some engaged issuers, however, continued to point to website disclaimers discussing their perceived limitations resulting from Bill C-59.

With rapidly moving Federal actions in support of major projects, including CCUS, we anticipate seeing issuers move ahead with the reinstatement of disclosures in 2026 as well as the resuming or initiation of new engagement dialogues.

Navigating Complexity and Driving Progress into 2026

Engagements in 2025 underscored the importance of aligning disclosure practices with material risks, embedding ESG into governance, and ensuring resilience amid geopolitical and policy uncertainty. As sustainability expectations deepen across markets, the role of active stewardship becomes even more critical.

Across regions, regulatory complexity shaped not only disclosure practices but also the depth and tone of our engagements, requiring more evidence-based asks and collaborative approaches. Our outlook and global engagement priorities for 2026 include emphasis on external audit and verification, robust disclosure of decision-useful data, science-based climate and nature planning, stakeholder consultation and inclusion, and transparent dialogue with investors.

Sustainability Insights

The State of Biodiversity in 2025: Regulatory Shifts, Investor Pressure, and Corporate Response

The year 2025 has proven challenging for the ESG market, marked by significant political and regulatory headwinds that have deepened uncertainty and hesitation among companies pursuing advanced disclosures and nature-related transition plans. In a recent discussion with Yum! Brands, Inc., the Chief Sustainability Officer highlighted concerns about the evolving European regulatory landscape – particularly the CSRD and recent Omnibus adjustments – given the company's sustainability programme is heavily anchored in CSRD compliance. During the call, one investor emphasized that, as a universal owner, their firm prioritizes long-term value creation driven by client expectations rather than short-term regulatory shifts. Consequently, its focus on climate, nature, human rights, and governance remains unchanged, regardless of CSRD or Omnibus revisions.

Another setback has been the second postponement of the European Union Deforestation Regulation, which undermines the urgency to halt deforestation and creates confusion for affected companies.

Beyond regulatory uncertainty, resource constraints remain a critical challenge. Many companies lack in-house expertise, capacity, and clear guidance. According to the Responsible Investor Nature Survey 2025, which gathered responses from 100 global asset owners and managers, 63% reported insufficient data to measure nature-related risks, impacts, and dependencies; 25% were unsure, and only 13% confirmed adequate data availability.[46] Location-level asset data and value chain insights are particularly difficult to obtain.

Nevertheless, some advanced financial institutions are demonstrating leadership. For example, Robeco has developed a biodiversity "traffic light" system to assess companies' exposure to nature loss and management practices, guiding engagement priorities.[47] Similarly, BNP Paribas Asset Management leverages multiple data sources to integrate biodiversity into investment decision-making.[48] These examples show that, with the right knowledge and expertise in place, it is possible for financial institutes to start analyzing its material impacts and dependencies and further establish proper strategies to mitigate their portfolio risks.

Beyond the examples above, broader momentum is evident. The number of TNFD adopters more than doubled to 733 by November 2025 compared to January 2024,[49] signaling growing corporate recognition of biodiversity's importance and commitment to transparent reporting. Leading initiatives such as SBTN and TNFD continue to strengthen the framework for action by providing science-based guidance, while the integration of TNFD into IFRS ISSB standards marks a pivotal step toward mainstreaming nature-related disclosure.

Investor and civil society pressure is also intensifying. Biodiversity and natural capital are increasingly viewed as financially material issues, driving collaborative engagement efforts. Initiatives such as Nature Action 100, PRI Spring, and our own Biodiversity and Natural Capital Programme are instrumental in mobilizing investor influence to accelerate corporate action.

Throughout 2025, we have deepened relationships with our engagement companies. Notably, we reestablished dialogue with seven previously low-responsive firms – including Gruma SAB de CV, Olam Group Ltd., Nutrien Ltd., Cencosud SA, Archer-Daniels-Midland Co., and Shoprite Holdings Ltd – bringing 90% of companies in our programme into active engagement. We also enhanced our outcome assessment framework, which is instrumental in guiding our engagement dialogues, with more granular criteria to ensure progress tracking reflects best available guidance and real-world developments.

On performance, we observed meaningful improvements in board-level oversight and biodiversity strategies. For instance, Nissui Corp, a Japanese fishery company, established board committees on "Marine Resource Sustainability," "Marine Environment," "Plastics," and "Food Loss & Waste." Companies such as Carrefour SA, Danone SA, and Mowi ASA have published robust biodiversity strategies addressing systemic nature-related impacts.

However, significant gaps remain in risk assessment, which we explore further in the spotlight section below.

Spotlight: Navigating the Risk Assessment Landscape

Assessing nature-related risks remains one of the most challenging areas for companies. Within our Biodiversity and Natural Capital Programme, 39 out of 50 companies have conducted an initial assessment to identify impact and dependency hotspots. However, only 12 companies have progressed beyond this stage to identify their most material impacts and dependencies on nature. Without a robust risk assessment, companies cannot develop an effective strategy and set tangible targets to address their material nature-related risks.

Most companies remain at an early stage, limited to hotspot screening rather than comprehensive evaluations. Our engagement objective is to encourage companies to move toward identifying their most material impacts and dependencies, not only within direct operations but across their entire value chain. In addition, nature-related issues are inherently location-specific; therefore, sub-national or asset-level data provides more meaningful insights and enables targeted risk mitigation.

Moving to a detailed level of analysis requires significant resources: robust data, technical expertise, and internal capacity. In-house expertise is particularly critical to interpret data and make informed decisions for risk adaptation and mitigation. Methodologies such as TNFD's LEAP framework and SBTN guidance are instrumental in guiding companies forward, and our engagement efforts focus on promoting adoption of these approaches.

Certain sectors, such as agriculture, are relatively more advanced due to well-known impacts and dependencies and their ability to geographically locate nature-related risks, especially for owned assets like farms. However, upstream and downstream assessments remain more challenging.

Financial institutions lag even further behind, progressing slower than corporates. Their complex, multi-sector portfolios make comprehensive analysis difficult, especially when corporate-level disclosures are limited. This gap underscores the need for stronger investor leadership and integration of nature-related risk into portfolio management.

On a positive note, frontrunners are emerging. For example, Mowi has advanced beyond initial screening to conduct a detailed analysis, incorporating the scale of its impacts and dependencies and factoring in the state of nature into its assessment.

While challenges persist, early progress by leaders provides a foundation for broader adoption. Leveraging these examples and evolving guidance will be essential to accelerate corporate and financial sector action toward robust nature-related risk assessment.

Biodiversity and Natural Capital - The Year Ahead

Key Engagement Objectives for 2026: Nature Transition Plans and Beyond

With only four years left to achieve the 2030 ambition of halting and reversing biodiversity loss, our Biodiversity and Natural Capital Stewardship Programme will sharpen its focus in 2026 on corporate actions that reduce nature-related risks and unlock opportunities. We aim to address critical gaps and drive companies to establish credible nature transition plans that turn commitments into measurable outcomes.

To ensure our engagement approach aligns with our theory of change and supports the commitments of the Global Biodiversity Framework, we regularly assess companies' progress against five pillars: governance, risk assessment, strategy, targets, and disclosure. This measurement framework provides accountability within our programme and enables us to continuously improve the effectiveness of our engagement. Based on these assessments, we have identified key gaps in each area that will guide our future dialogues with companies. Figure 1 below illustrates our theory of change and Figure 2 our ambition for 2026.

Figure 1 Theory of change.

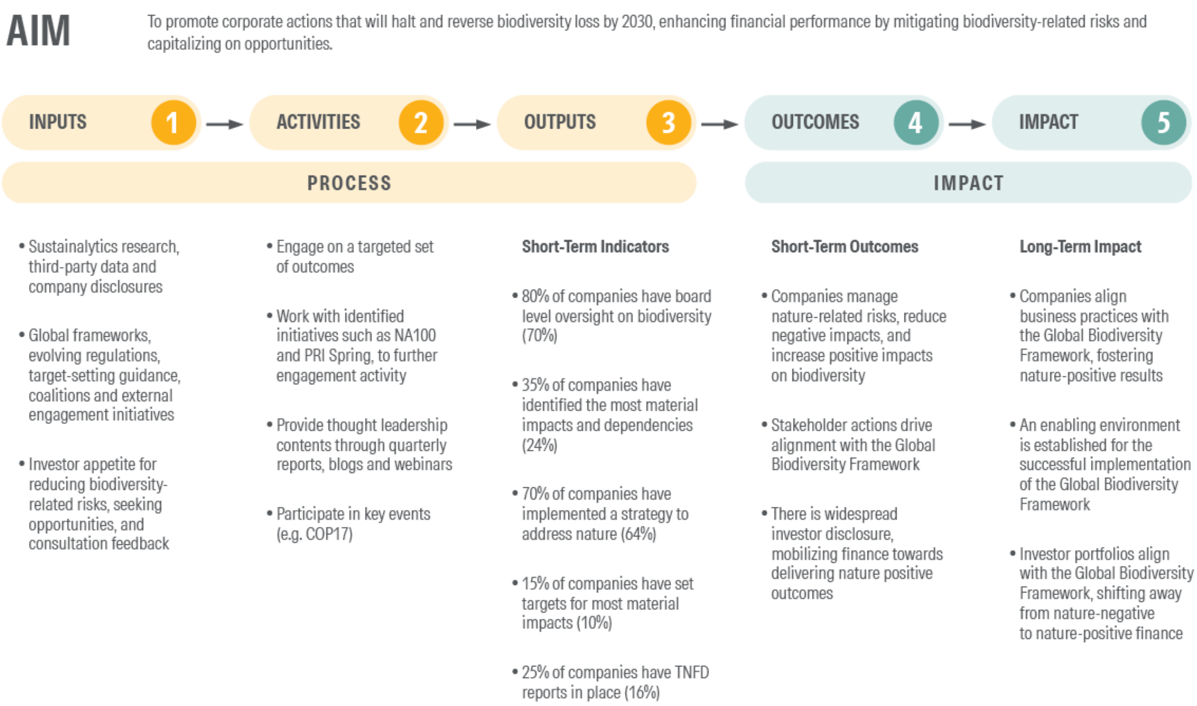


Figure 2 Engagement goals for 2026.

To deliver these outcomes, our 2026 engagement activities will include:

1. 75 conference calls with targeted companies, with clear objectives. During and after each meeting, we will provide actionable recommendations and examples from peers to support companies' progress toward desired outcomes.
2. Ongoing thought leadership publication, including quarterly articles, blogs, and research papers, to illustrate visible gaps, identify trends, and promote best practices based on our first-hand experience.
3. Continued participation in and supporting leading collaborative initiatives, such as PRI Spring and Nature Action 100, to amplify influence and ensure consistent messaging across engagements.
4. Active involvement in expert working groups and global events (e.g. COP17, TNFD forum, SBTN corporate engagement programme) to stay aligned with evolving guidance and best practices.
5. Potentially hosting a roundtable or webinar to leverage our corporate networks to address common challenges and share solutions among peers.

Although nature-related risk assessment remains a major gap in corporate disclosure, with 2030 fast approaching, we cannot wait for perfect tools or science before taking action. Companies should begin developing nature transition plans based on knowledge they already have. While some biodiversity terminology may seem complex, many related topics, such as water management, sourcing strategies, and waste reduction, are areas where corporates already have experience. The next step is to explicitly link these efforts to material impacts and dependencies and implement corresponding strategies to address identified risks in a structured, measurable way.

With COP17 scheduled for October 2026 in Yerevan, and TNFD's integration into ISSB standards, 2026 is set to be a pivotal year for companies to embed biodiversity into mainstream disclosures and advance their nature-related strategies. Despite the headwinds faced in 2025, investors' momentum continues to grow, driving corporates to address nature-related risks. We remain committed to navigating this evolving landscape and partnering with you to build a future where nature thrives.

Human Capital Management - Engagement Update

Benchmarking remains a challenge when considering human capital management, particularly when compared to some of the more quantitatively defined environmental themes. This year, we welcomed the first companies responding to the CSRD. However, this progress was dampened with the news that CSRD will be significantly watered down in 2026 as part of the European Commission's Omnibus simplification package. Compounding this is the fact that we saw several European issuers who responded to the CSRD truncating previous disclosures to align to the framework. For instance, Anheuser-Busch InBev SA/NV who we engaged twice this year, confirmed it will no longer produce their extensive ESG report as a result of responding to the CSRD. Even with CSRD in place, if we consider topics material and these are not part of the CSRD framework, we will continue encouraging European issuers to disclose information around these to supplement CSRD disclosures.

We have spoken about the political landscape changes in the US ad nauseam, yet it continues to make headlines. For example, Adecco Group AG a Swiss domiciled company confirmed that the board agreed to remove a target that was previously linked to executive variable pay – gender parity at leadership level by 2030 – citing compliance reasons as a part of their rationale. It is clear that the changes in the US landscape have reached well beyond their borders, not only with companies being more hesitant to discuss human capital management, but also in terms of long-term objectives being revised. Despite this, our engagements continue to highlight the advantages of providing a comprehensive and transparent employee value proposition supported by strong accountability mechanisms.

Spotlight: Details in the Data

This year we were able to speak to Siemens AG in Q1 and Q3. The company responds to several global frameworks but has also built its own business specific frameworks that includes human capital management objectives. During our assessment we noticed that the company was falling behind their target of achieving a 30% decrease in the global injury rate by 2025 compared to the 2021 baseline. Although the company came close to achieving this in 2023, recording a 26% decrease, the next year saw this slip to 19%. This was also evident when looking at occupational health and safety indicators part of the Global Reporting Initiative (GRI), where four out of six indicators were negatively impacted. Our engagement sought to investigate this trend, what contributed to it and whether it was being actively redressed by the company.

In our engagement the company explained that the rising injury rate had been the result of a single location in Vienna. It explained that this location was staffed by a high number of temporary workers and that a language barrier existed. The influx in temporary workers was a result of Siemens AG trying to improve labour market access to a more diverse workforce. Consequently, health and safety measures had not been communicated as effectively as they would have been otherwise. In response to the findings of their audit, the company introduced language training to the site. Additionally, the audit also contributed to wider enterprise knowledge, such as how to measure training, how to select temporary workers and recognizing dangerous situations.

The company was not able to confirm if they would reach the 2025 target of a 30% decrease in the injury rate, but in our second call when this was broached again, the company did confirm that the implemented measures were effective and there should be a turnaround in the next set of disclosures.

The engagement evidenced why internal and global frameworks are important and how they can work in tandem to communicate underlying issues to stakeholders. The engagement thereafter was able to pinpoint this issue and Siemens was then given the opportunity to explain what it had done to contain the issue.

In our conversations, investors have indicated that as well as wanting to learn how companies are utilizing AI, they also want to understand what AI safeguards companies have put in place. We have been working to integrate these queries more fully and use them as a benchmark in our engagements. There were many insights to be gained when trying to understand where companies were on their AI journey. To revisit Adecco Group AG as an example, the company confirmed to us that their recruiters were 63% more productive as a result of generative AI and that the company had an explicit ambition to be at the forefront of responsible AI in the sector. The company also confirmed it was enlisting an external AI council to support an already existing internal AI council.

Up until the second half the year there was no instance of companies explicitly stating that they had reduced headcount due to AI integration. However, this changed in Q3 when United Airlines Holdings, Inc. confirmed in an earning call that the company had reduced its corporate function by 4% due to the integration of AI and the company intends to do the same in 2026.

Human Capital Management - The Year Ahead

2025 saw several key challenges which the programme intends to face head on in 2026. Solutions and key events to support this, as well as an updated theory of change for both US and International strategies (Figure 1 and 2) are below.

Challenges & Proposed Solutions

- **Collective Bargaining Transparency:** Many companies with a significant portion of their workforce under collective bargaining agreements lack clear disclosure of their bargaining processes. This opacity increases investor uncertainty regarding operational risks, especially in light of recent work stoppages.
  - Proposed Solution:
    We will encourage companies to evidence robust collective bargaining processes and disclose contract statuses. This will enable investors to better assess exposure to work stoppages and understand operational risk.

- **DEI Rollback in the US:** The executive order targeting DEI initiatives has created a challenging environment for US companies as well as companies with material exposure to the US. While explicit DEI questions have been omitted from our engagements with US issuers, we recognize that this area remains a priority for our clients.
  - Proposed Solution:
    We are adapting our engagement language, focusing on “Belonging” and “Merit,” to maintain dialogue and support objectives in a compliant manner. This ensures our approach remains sensitive to regulatory changes while upholding client priorities.

- **Target Setting and Transparency:** There is a notable lack of disclosure around workforce-related targets and grievance mechanisms, limiting investor visibility into company progress and risk management.
  - Proposed Solution:
    We will advocate for clearer target-setting and transparent reporting, including disclosures to international frameworks and improved data on grievance mechanisms. This will help benchmark practices and instil greater confidence in investors.

To address these challenges, we are also proposing several key activities:

- **Engagement with Senior Human Capital Management Representatives:** We will prioritize engaging with Chief People Officers and related senior management during calls. This will ensure our recommendations reach decision-makers and enhance the outcomes of our engagements.
- **AI Workforce Transformation Webinar:** We plan to host a webinar focused on the impact of artificial intelligence on workforce transformation, providing education and awareness for both companies and investors. The purpose of this would be to interpret the current AI landscape, and how this differs from sector to sector. It would also be an opportunity to share case studies of companies where AI has become an amplifier.
- **Contribution to Human Capital Management Standards:** Our team will actively participate with external bodies shaping human capital management standards, such as the upcoming ISSB standards, to help define best practices and support industry-wide improvements.
- **Attendance at Human Capital Management Events:** We will attend additional human capital management events to engage with practitioners, share insights, and discuss the impact of megatrends on workforce management.
- **Promotion of International Frameworks:** We will encourage companies to disclose to international frameworks, helping them identify gaps, address risks, and benchmark their practices against peers.

Each of these activities is designed to directly address the challenges identified, drive progress on key issues, and support our overall engagement goals – ultimately reducing operational risk and supporting long-term value creation for investors.

Figure 1 Theory of change for US Issuers.

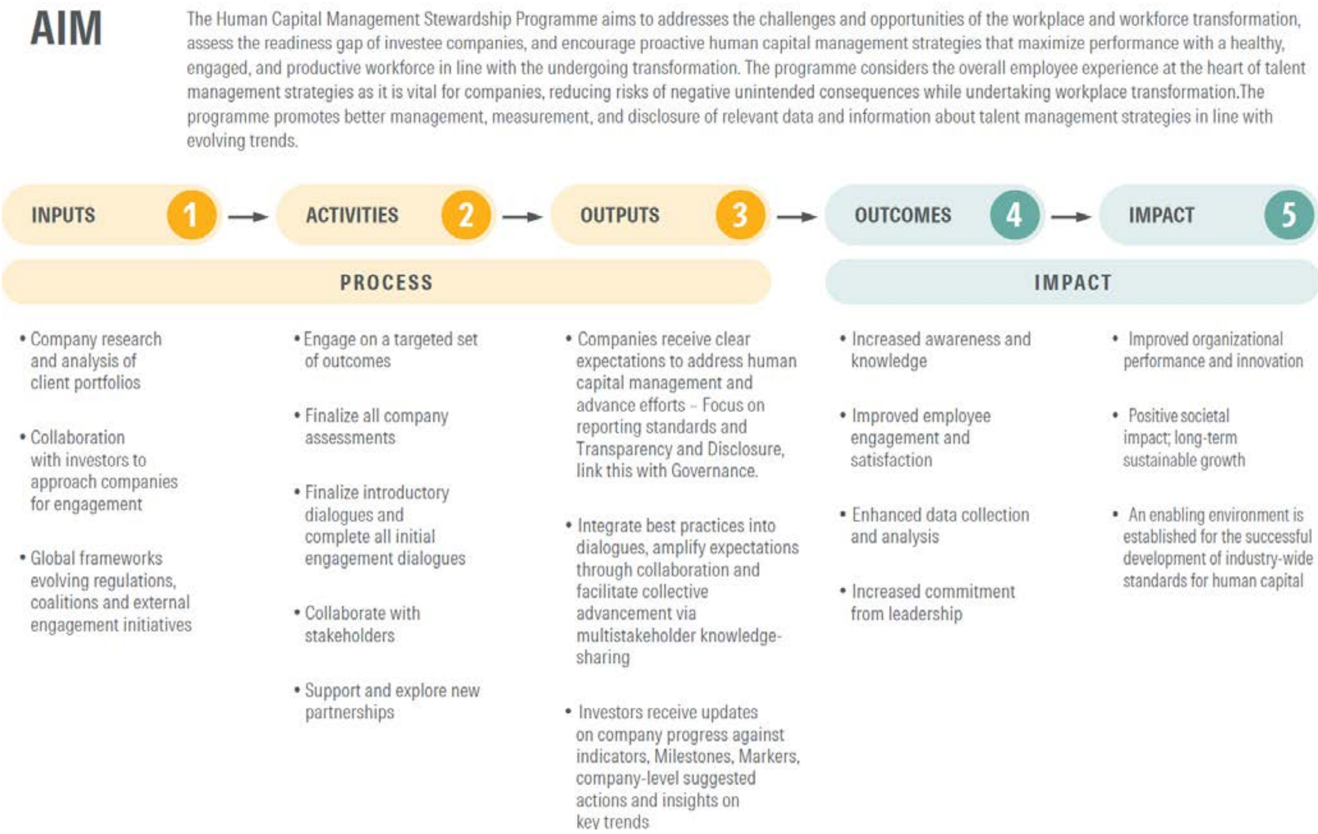
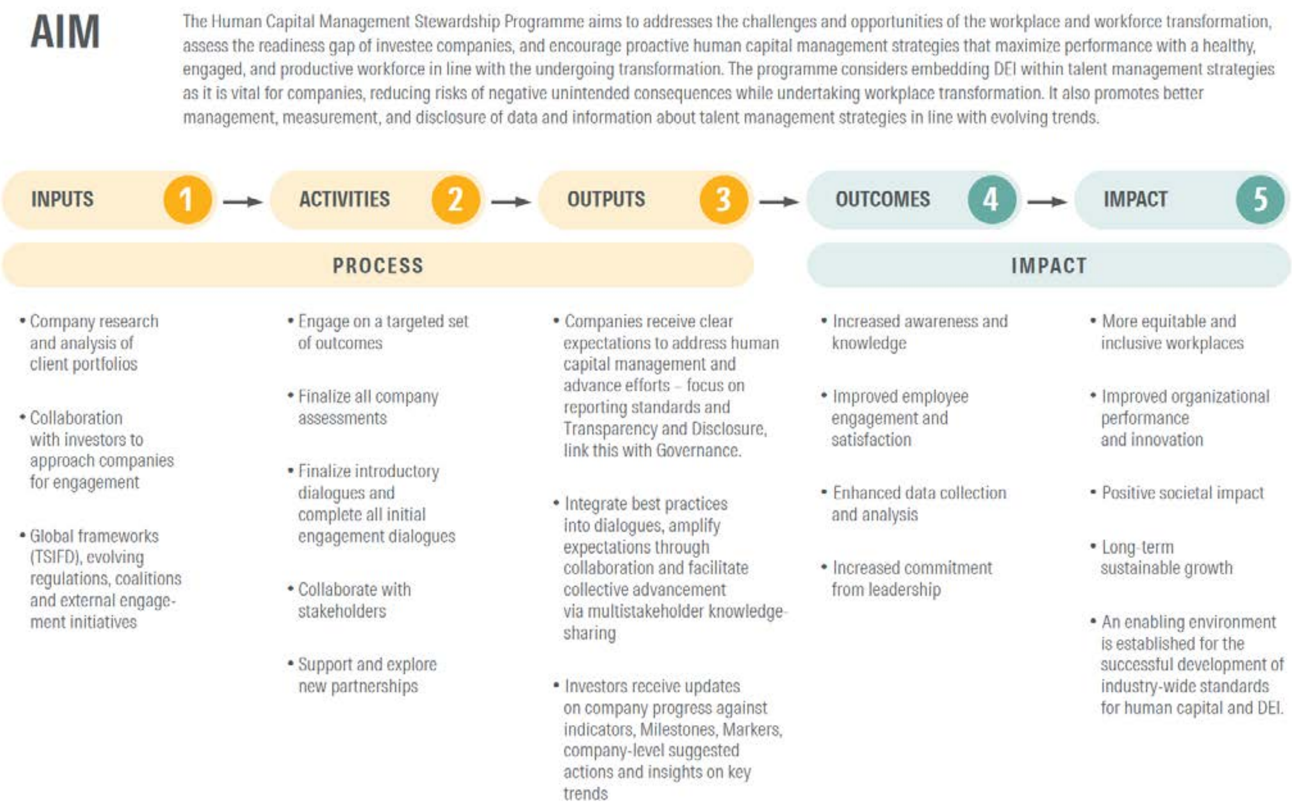


Figure 2 Theory of change.



Human Rights and Transition - Engagement Update

In the years following the launch of the UN Guiding Principles (UNGPs) in 2011, business and human rights has evolved into a relatively mature field. Robust, government-backed frameworks are now in place, such as the OECD Guidelines for Multinational Enterprises[50] and various UN declarations and conventions. Sector and topic specific guidelines, standards and certifications have also proliferated and most renewable energy companies reference these frameworks as they develop HRDD systems.[51,52,53]

In recent years, we have seen a rapid development of regulatory frameworks related to business and human rights, based to a certain extent, on the UNGPs.[54] Modern slavery legislations, forced labour bans and legislations on specific human rights issues including conflict minerals are in place in several Western jurisdictions.[55] However, in major markets like the EU, mandatory and comprehensive HRDD laws are currently risking delay and dilution. On the other hand, similar legislations are being discussed in Asian countries like South Korea[56] and Thailand.[57] Despite challenges to mandatory human rights legislation, Europe-based engaged companies continue to value and support HRDD. Many of these companies have already prepared for such legislation and observed tangible benefits. However, they have acknowledged that ongoing uncertainty is an issue and that the reduction in scope of companies affected by such laws is a missed opportunity to level the playing field. In a recent engagement dialogue, a participating company also noted that it operates in a context in which it is increasingly difficult to advance corporate respect for human rights, and that it needs to more precisely link such efforts to a business case in order to get internal buy-in.

As a result of the recent legislative push and the evolution of business & human rights, companies along the supply chain are demanding stronger HRDD from suppliers. For example, an American mining company upgraded its HRDD strategy following requests from key customers from the automotive and tech sectors.

Interestingly, based on our initial assessment, none of the 50 targeted companies in the Human Rights and Transition Stewardship Programme has a HRDD system entirely aligned with international standards and best practices. However, 74% of the companies have established a human rights strategy and moved to early stages of implementation. Three companies have yet to disclose minimal human rights policies and/or practices.

A major gap in companies' HRDD practices is limited supply chain visibility. While most companies know their direct suppliers, visibility often disappears upstream, for example in raw material origin, where human rights risks often are higher. Supply chains are generally complex and opaque, and companies selling final products and services may be several steps removed from raw material suppliers. Incentives for suppliers to reveal their business partners are low, reducing transparency further. Geopolitical volatility and low levels of transparency in countries compound these challenges, making due diligence harder. Resource concentration in these regions leaves few options for diversification across procurement initiatives, making it difficult for downstream companies to avoid high risk contexts entirely.

Spotlight: Green Transition Overlooking People

The green transition too often neglects its human dimension, with human rights taking a back seat to climate priorities. Our engagements emphasize the interconnectedness of climate and human rights by engaging key issuers in renewable energy-linked sectors to elevate both topics together. In outlining the business case to companies for increasing business respect for human rights, we emphasize how human rights are both a goal and enabler of a resilient and sustainable green transition. This is also illustrated in the latest Renewable Energy and Human Rights Benchmark by the Business and Human Rights Research Centre:

"Despite this challenging operating environment, renewable energy companies are demonstrating that embedding human rights into their business models and building wind and solar projects that promote shared prosperity for local communities offers both competitive advantage, reduced legal risk, and can contribute to an energy transition that is fast, precisely because it is also fair."[58]

Human rights reporting also tends to be less specific and metrics are often qualitative and deeply contextual, as opposed to scientifically quantifiable topics like carbon emissions. We recognize that setting meaningful human rights targets is challenging for these reasons, and this is reflected in engaged companies' social key performance indicators, often focused on occupational health and safety, or activities completed – such as the number of supplier social audited. This does not say anything about outcomes – for example on whether suppliers are improving human rights management systems as a result of the social audits performed. Ultimately, companies cannot strengthen their human rights strategy if they do not measure it or focus on the wrong aspects. This lack of meaningful and measurable metrics makes it difficult for external stakeholders, such as investors, to understand the company's direction of travel and goals for human rights commitments and protection. A key priority area will therefore be to encourage outcome- and impact- focused KPIs and targets in our engagements and arrange knowledge sharing sessions on this topic to support progress. Similar to the Taskforce on Nature-related Financial Disclosures (TNFD)[59] and the Taskforce on Climate-related Financial Disclosures (TCFD),[60] the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) is currently underway. In 2025, it released its draft Conceptual Foundation. Subsequently, it will move to develop a first iteration of a disclosure framework on inequality and social issues.[61]

Human Rights and Transition - The Year Ahead

Transitioning the economy away from fossil fuels brings substantial impacts on people. Extraction and refinement of minerals will expand to new sites and regions, a complex global supply chain network of manufacturing of components and equipment to support renewable energy transformation comes with new and shifting human rights risks and impacts – both positive and negative. To support corporate respect for human rights in this context, we have adopted a theory of change framework to guide our Human Rights and Transition Stewardship Programme. While direct impact is driven by companies and other stakeholders, we seek to influence and encourage company, industry and other initiatives toward collective progress of business and human rights (see Figure 1).

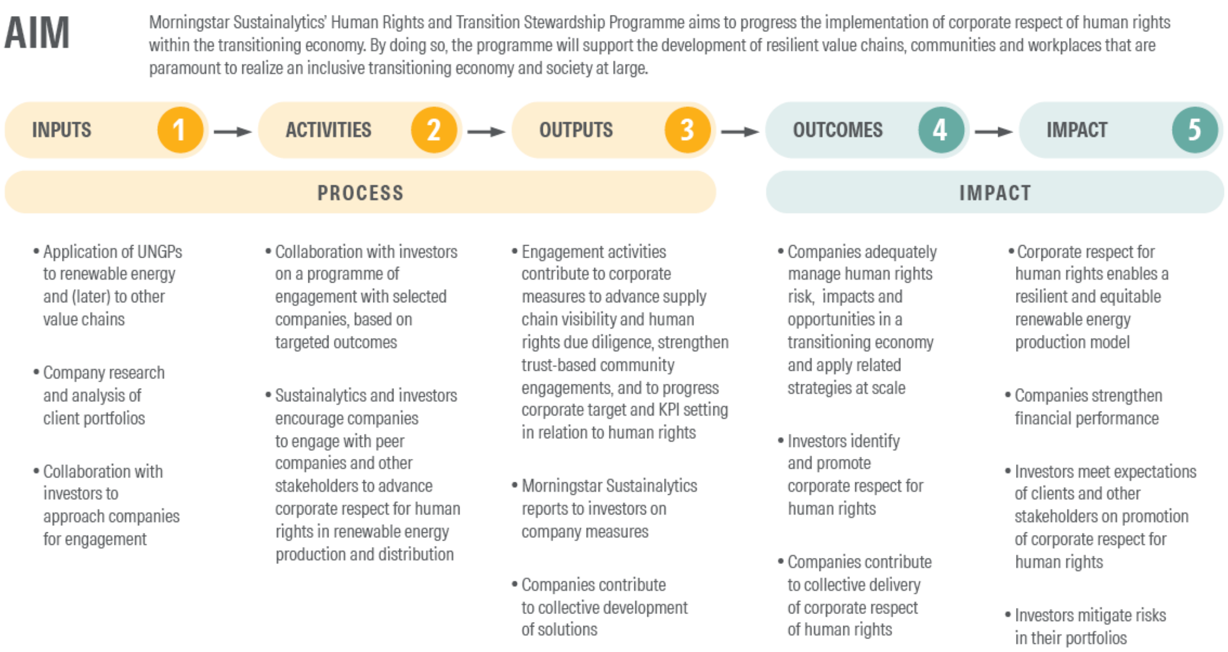
Addressing a major challenge for renewable energy companies (and beyond) – supply chain visibility – we will continue to encourage companies to establishing mapping systems to identify upstream suppliers. Moreover, companies should cascade traceability and due diligence requirements down the supply chain, and support suppliers to adhere to requirements in practice, not only on paper. Collaboration with peers and other stakeholders, like traceability initiatives, is also key for companies to tackle these systemic human rights challenges.

Resilience in renewable energy also depends on meaningful community engagement, including with Indigenous peoples. Too often, companies overlook best practices around consultations or consent, resulting in human rights violations and operational disruptions due to community opposition. A shift in approach is needed, where companies engage Indigenous communities through transparent and culturally appropriate dialogues, and respects their decision-making processes and, most importantly, outcomes. Similar practices are needed for any community in the vicinity of company operations with major impacts on its surroundings. Organizations such as the International Council on Mining and Metals (ICMM)[62] and International Finance Corporation (IFC),[63] with its widely recognized Performance Standards, offer solid guidance on these practices.

We also recognize that setting meaningful human rights targets is challenging. A path for progress includes indicators focused on outcomes and impacts. To support companies in closing gaps and accelerating solutions, in 2026 we will continue facilitating learning through webinars and roundtables, starting with an in-person event in Copenhagen focused on human rights targets and KPIs.

We will also continue bringing strong technical knowledge and suggestions into dialogues, grounded in research. To support this, we will expand our repository of good practices and maintain regular exchanges with external experts like the Initiative for Responsible Mining Assurance, Solar Stewardship Initiative, Danish Institute for Human Rights, UNICEF, European Partnership for Responsible Minerals (EPRM), and investor platforms like PRI Advance.

Figure 1 Theory of change.



Net Zero Transition - Engagement Update

2025 marked a productive and maturing year for the Net Zero Transition Stewardship Programme. Now in its third year, the programme has established strong, trust-based relationships with companies across the engagement universe and has seen growing investor participation in dialogue. The team also expanded its capacity in early 2025 enabling accelerated progress across the full portfolio of 100 cases.

A major milestone in 2025 was the redevelopment of the Net Zero Transition Outcome Assessment. In the second half of the year, we re-evaluated and updated the assessment to improve analytical precision, reduce complexity, and ensure alignment with evolving investor expectations. This work incorporated new research indicators and further integrated Sustainalytics' Low Carbon Transition Risk (LCTR) data, particularly for assessing progress against company-specific engagement objectives. The redesigned framework also embeds the latest indicators relevant to the Net Zero Investment Framework (NZIF 2.0), enabling greater consistency with leading investor climate initiatives and enhancing the credibility of assessment outputs.

This year also brought renewed focus on the credibility of GHG emission-reduction target setting within the utility sector. In May, the programme hosted a webinar dedicated to utility-sector target-setting practices, comparing SBTi methodologies with emerging sectoral approaches such as EPRI's SMARTargets. This created an important platform for examining differences in scientific alignment, modelling assumptions, and abatement expectations. In October, we were invited to contribute to the NYC Comptroller's Roundtable on Utility Targets, where the SMARTargets methodology was extensively debated. Participation in these events sharpened our understanding of investor concerns around methodological credibility, the risk of dilution in sector-specific frameworks, and the potential for greenwashing – insights that will directly inform utility-sector engagements in 2026.

Spotlight: Reflecting on Engagements Across 2025

Several systemic gaps emerged: the need for third-party validation of net zero pathways where SBTi is not available; stronger board-level accountability for climate governance; and greater transparency on the scale and direction of low-carbon transition investment. Addressing these gaps will shape 2026 engagement priorities. Investors are shifting from evaluating high-level climate pledges to scrutinizing the credibility, financing, and sequencing of transition plans. Alignment with SBTi V2, the balance between real-economy abatement and offsetting, and evidence of disciplined capital allocation toward transition-enabling technologies will become core expectations. With COP30 avoiding explicit fossil-fuel phase-out language, investors will increasingly rely on science-aligned pathways such as the International Energy Agency's Net Zero Emissions scenario to interrogate capex pipelines, asset-retirement schedules, and the integrity of new oil, gas, and coal investments. Expectations for International Sustainability Standards Board (ISSB) aligned disclosures are also intensifying, with a focus on quantified financial impacts, scenario analysis, and integration of physical and transition risks into strategy and capital planning. COP30's emphasis on just transition, forests and nature, and adaptation elevates the need for companies to articulate workforce transition plans, supply-chain due-diligence frameworks, community-impact strategies, and resilience investments. For financial institutions, scrutiny is rising around sectoral decarbonization pathways, fossil-fuel exposure policies, and forward-looking capital-allocation frameworks.

During our October client consultation session, we presented our progress against outcome objectives set in 2024. Results were mixed:

- CEO compensation linkages: Our objective was for 85% of engagement-universe companies to link CEO pay to climate or GHG-related metrics. Progress remains uneven, with the 2025 rate at 74%. In several cases, frameworks weakened: Southern Co. reduced its threshold for clean-energy transition incentives; BP scaled back its emissions ambition while increasing fossil-fuel focus; and Shell significantly diluted its 2035 carbon-intensity target. Across the market, ESG-linked pay metrics largely plateaued, with some companies shifting from explicit climate KPIs to discretionary modifiers.
- GHG disclosure: This category saw the strongest improvement. Disclosure rates rose from 71% in 2024 to 99% in 2025. Companies expanded scope 1 and scope 2 reporting, improved data quality through third-party assurance, and increasingly aligned disclosures with ISSB standards and TCFD-style frameworks. Voluntary scope 3 disclosure also increased despite regulatory uncertainty in some jurisdictions.
- Net zero science alignment: A slight decline from 57% to 56% was observed, falling short of the 65% objective. This reflects broader market trends of target dilution and strategic recalibration in the oil and gas and utilities sectors.
- Investment alignment: Progress was stronger, with the share of companies demonstrating low-carbon-aligned investment plans rising from 40% in 2024 to 54% in 2025, surpassing the 50% target.
- Unresponsive cases: Engagement with previously unresponsive companies improved significantly, with dialogue initiated in 11 cases – bringing the rate down to 6%, close to the 5% objective.

Collectively, these outcomes show meaningful progress in transparency, investment alignment, and engagement reach, while highlighting persistent gaps around executive accountability and science-aligned net zero strategies. As we move into 2026, we will continue refining our approach to ensure our engagements drive tangible progress and serve as a constructive, two-way avenue for accelerating corporate net zero transitions.

Net Zero Transition - The Year Ahead

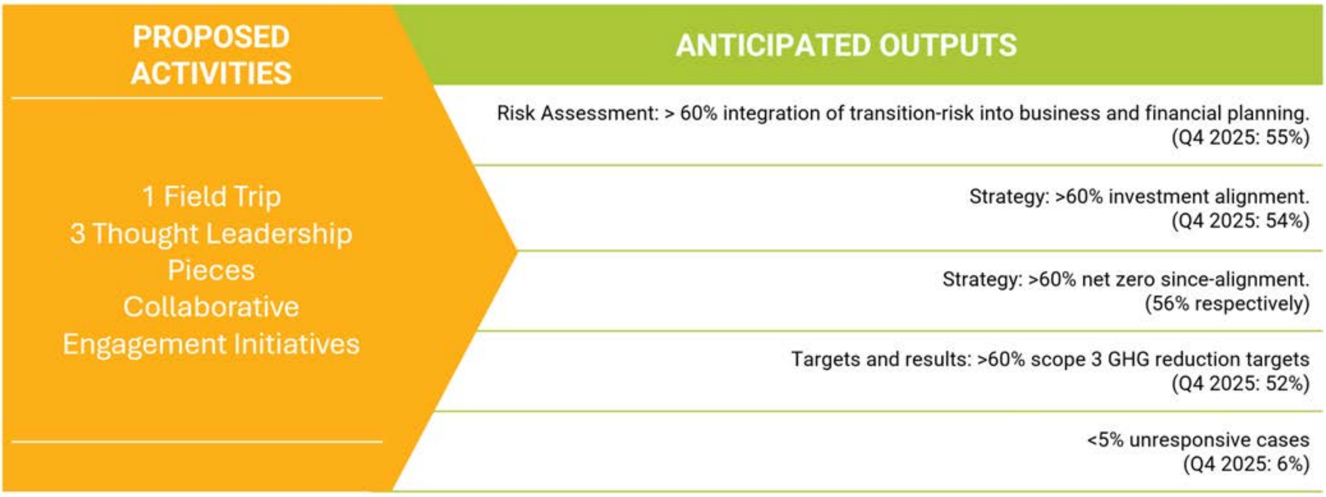
Our 2026 engagement strategy builds on client feedback and an updated theory of change to address persistent challenges in advancing net zero commitments. Evolving standards, limited scope 3 transparency, and unclear capital allocation remain key barriers. To overcome these, we will strengthen issuer accountability, promote credible target-setting, and advocate for improved disclosure on capital expenditure alignment with transition goals.

The global sustainability landscape has shifted. In 2026 the US will officially withdraw from the Paris climate treaty, prioritizing fossil fuel expansion over climate diplomacy, while the EU looks set to scale back the scope of the CSRD and SFDR reforms. These developments underscore the need for investor-led engagement to maintain momentum on net zero objectives. As companies publish their annual and sustainability reports from the year past, investors will see where things stand halfway through this pivotal decade, and whether corporate climate ambition aligns with performance. We expect pressure will mount on companies lagging behind climate goals, with some admitting missed targets, providing updates to investors on what they learned from these failures and how they'll adjust accordingly.

In 2026, many sector trends will also continue including the growth of AI, renewables and low-carbon industrial processes. It is important to mention that we are preparing an engagement trip to Japan and South Korea post-Q1 2026 to advance dialogue on Net Zero Transition, Circular Economy, and Governance with a focus on some of these trends.

Client input also emphasized the need for stronger accountability mechanisms and practical guidance for issuers. This feedback will shape our priorities, including third-party validation of targets, board-level climate governance, and best-practice disclosure on capex for interim targets. In 2025, we refined the Net Zero Transition Programme's theory of change. For 2026, we aim to: 1. Secure third-party validation for net zero targets where SBTi is unavailable; 2. Establish board-level accountability through governance roundtables; and 3. Publish best-practice guidance on apex disclosure for interim targets.

Figure 1 Engagement Goals for 2026.



As we enter 2026, engaging companies remains critical to sustaining progress toward helping investors reach their net zero goals amid shifting policy landscapes and persistent corporate challenges. By prioritizing accountability, credible target-setting, and transparent capital allocation, we aim to drive meaningful action where ambition and performance diverge. Through collaborative dialogue and practical guidance, our strategy seeks to ensure that climate commitments translate into measurable outcomes.

Figure 2 Theory of change.

Sustainability and Good Governance - Engagement Update

Why This Matters

2025 was a pivotal year for governance and sustainability engagement. Understanding the trends and outcomes from our dialogues helps investors anticipate risks, identify opportunities, and shape strategies that drive long-term value. Investors and boards need reliable and robust information to make decisions. When ESG reporting is not assured, it risks becoming a box-ticking exercise rather than a tool for accountability. OECD data supports this point: only 42% of companies obtain external assurance, and just 17% reach reasonable assurance – the level comparable to financial audits.[64]

Overview of the Year

This year, we saw overall progress, but it was modest. Across all governance and sustainability criteria we track, companies improved by about 4% compared to 2024 with regards to a broad set of criteria incorporated in our assessment framework. The biggest gains came in reporting practices, which rose by roughly 25%, as more companies aligned with recognized standards such as GRI and ISSB. The OECD report confirms our views: GRI adoption by 6,500+ companies and ISSB adoption by 582 companies globally. However, verification remains the weakest area. No company in our engagement universe achieved the highest level of assurance, and most provide only limited checks on selected metrics. Globally, the picture appears similar: OECD reporting indicates that most companies rely on limited assurance (56%), and only 17% provide reasonable assurance.[65] While reporting improved, assurance and governance remain weak. Boards play a critical role in embedding ESG into strategy and ensuring disclosures translate into measurable outcomes.

We note that boards are more involved in sustainability oversight, which is positive, but the link to measurable sustainability outcomes remains weak. Many companies have committees and governance structures in place to support sustainability oversight, yet few connect these responsibilities to clear targets or executive pay. OECD data backs this view: while 70% of companies oversee climate-related issues at board level, only 10% globally tie executive pay explicitly to sustainability metrics.[66]

Engagement Progress

One encouraging development this year was an improvement in response rates from companies that had previously been unresponsive. Through collaboration with investors, we were able to initiate contact and secure written engagements with several of these issuers. While this is just one step forward, it reflects the value of persistence and partnership in engagement. Investor involvement played an important role in opening these conversations, and these written commitments create opportunities for deeper dialogue on governance and sustainability. This progress, though incremental, strengthens accountability and demonstrates how collaborative approaches can help overcome barriers to engagement.

Challenges and Drivers

Companies tell us they face capacity and expertise gaps when it comes to assurance-ready processes. Often, management and boards do not view higher assurance as a necessity, taking a compliance-driven approach instead. Frameworks are still evolving, and many hesitate to assure scope 3 and non-financial KPIs until methodologies stabilize (OECD notes scope 3 disclosure remains limited globally). On the other hand, regulatory pressure is building: under the CSRD, companies will be required to seek the minimal level of assurance contemplated by the regulation, namely “limited assurance,” from their first reporting year, with a pathway to a higher level in the following years, meaning “reasonable assurance.”

Investor expectations around governance are also rising. Recent debates, such as HSBC’s chair appointment process, highlighted concerns about succession planning and long-term strategic vision – issues that intersect with sustainability governance.[67] These cases underscore why boards must strengthen governance practices and why investors are pressing for accountability. Yet, despite these pressures, data assurance does not appear to be an explicit priority for many issuers.

Sector Insights

Pharmaceutical companies have generally been open and receptive to engagement. One large issuer, GSK, indicated plans to publish public country-by-country tax reporting aligned with OECD and EU standards – a major positive step forward. Large European and North American financial institutions remain difficult to engage, while peers in South America, Asia, and Australia appear more open. Technology companies remain the most challenging overall, showing low transparency and limited assurance maturity. These fundamentals are critical for companies navigating complex sustainability challenges and responding to evolving regulatory and stakeholder expectations.[68]

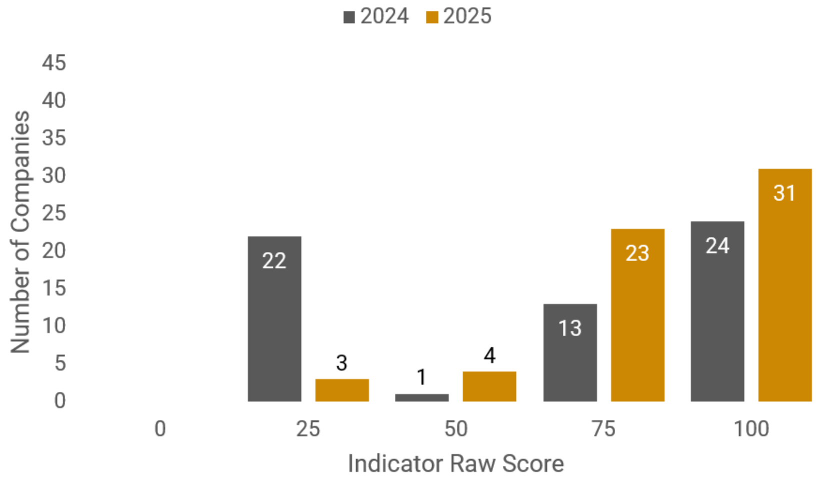
Spotlight: Transparency & Accountability

Morningstar Sustainalytics' ESG Risk Rating Management indicators suggest that ESG Reporting Standards improved significantly from 2024 to 2025. The "ESG Reporting Standards" Management Indicator reflects a company's environmental, social and governance (ESG) disclosures and the extent to which the reporting adheres to best practice guidelines or globally recognized sustainability reporting standards. Figure 1 below shows that, of the 61 companies in the Sustainability and Good Governance Stewardship Programme, 23 companies received a raw score of 50 or lower in 2024, while 37 companies, or 62% received a raw score of 75 or more (one was not scored in 2024). By contrast, in 2025, only 7 received a raw score of 50 or less while 54 of the 61 companies, or 89%, received a raw score of 75 or more.[69]

The picture for the "Verification of ESG Reporting" Management Indicator is quite different: score aggregates showed little progress over the same period. This indicator assesses a company's disclosure of whether its ESG reporting has been externally verified in accordance with a recognized assurance standard. Both the scope of verification and the level of assurance for the report are assessed. Our data shows that most companies in the Sustainability and Good Governance Stewardship Programme provide only limited assurance, with no company reaching the highest level of assurance in 2024, and only one company reaching 100 in 2025 In both 2024 and 2025, well over two-thirds of companies receive a raw score of 50.[70]

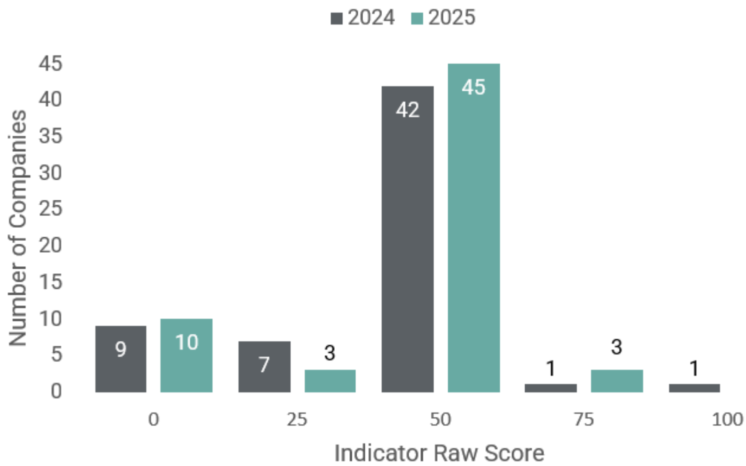
This analysis suggests that, while companies appear to be improving their ESG disclosures, reliability of these disclosures is still uncertain.

Figure 1 Comparison of ESG Reporting Standards Management Indicator Raw Scores (2024-2025).



Source: Morningstar Sustainalytics' ESG Risk Rating Indicator Data. Data as of December 2025.

Figure 2 Comparison of Verification of ESG Reporting Management Indicator Raw Scores (2024-2025).



Source: Morningstar Sustainalytics' ESG Risk Rating Indicator Data. Data as of December 2025.

Looking Ahead

In 2026, our engagement strategy will prioritize three areas: strengthening board skills and oversight, embedding ESG into strategy and risk processes, and closing the credibility gap through assurance. These efforts aim to build capacity and accountability, producing better reporting and governance disclosures and leading to measurable ESG targets tied to incentives and verified performance. We expect that regulatory clarity in the EU will create opportunities for deeper engagement on disclosure and double materiality, while emerging topics, such as AI in governance, will shape how companies balance innovation, compliance, and stakeholder expectations.

Sustainability and Good Governance - The Year Ahead

Why This Matters

Our 2026 engagement strategy builds on lessons from 2025 and reflects investor priorities identified through client consultations, aligned with our theory of change. While reporting and board oversight improved in 2025, critical gaps remain in assurance, accountability, and strategic integration. Addressing these gaps is key to ensuring sustainability commitments translate into measurable outcomes and long-term value creation for investors.

Where we Stand

Sustainability oversight is now firmly established as a board-level responsibility for most large global companies, which is encouraging given the materiality of sustainability issues for most companies. However, significant gaps remain. Board-level skills and expertise are often insufficient to meet evolving expectations. ESG issues are frequently viewed through a compliance or investor relations lens, disconnected from strategy and risk management, and executive incentives rarely link to sustainability performance in a meaningful way. Verification of ESG reporting is also weak – most companies provide only limited assurance, and none in our programme reached the highest level. These gaps undermine trust and investor confidence.

Our Focus for the Year Ahead

In 2026, we aim to build on progress and address these structural challenges through three interconnected priorities, namely:

1. Board, skills, Education and oversight
2. Strategic integration of ESG priorities
3. ESG reporting assurance

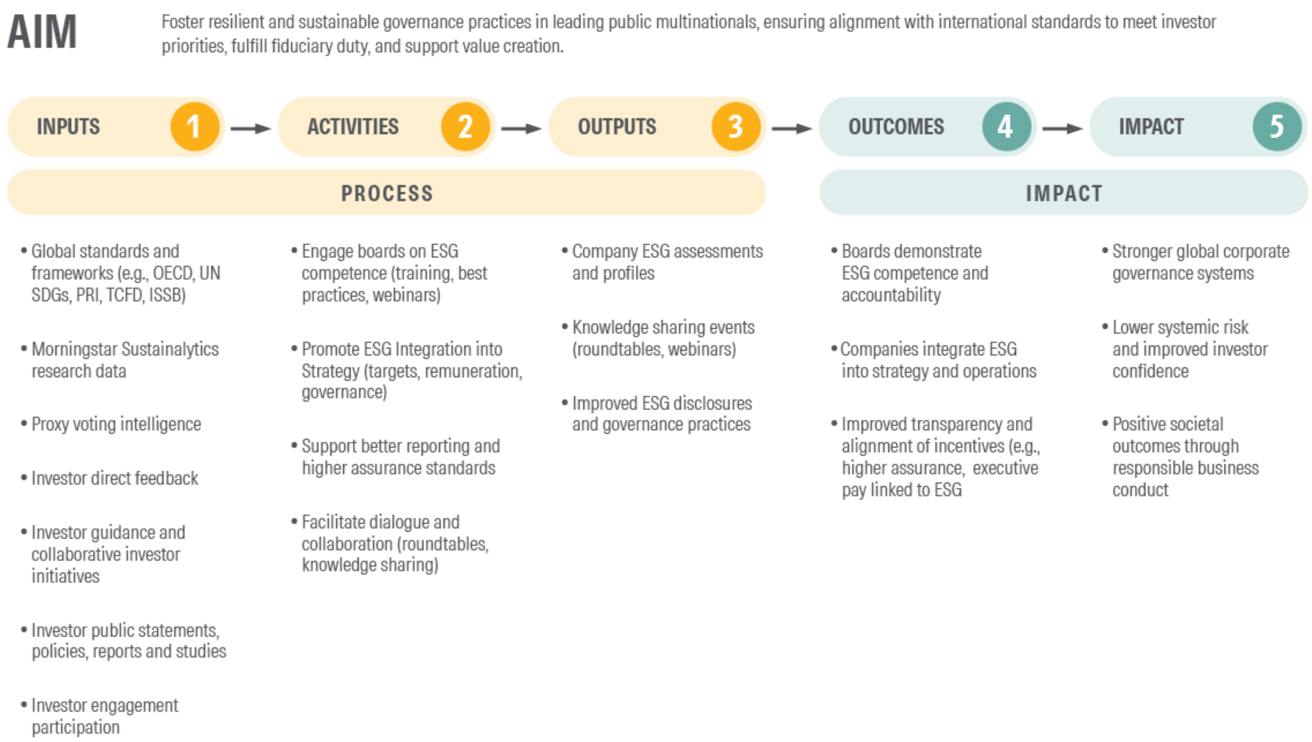
These priorities follow from our theory of change: by combining investor collaboration and expertise with dialogue and advocacy, we aim to catalyze stronger governance practices and better reporting. This, in turn, supports accountability to shareholders and more informed investor decision making. Ultimately, the impact we seek is resilient governance aligned with international standards and investor expectations. The chart below illustrates our priority actions and goals.

Figure 3 Priority action and goals for 2026.

Current Stage Identifying key gaps	**Solutions** Address key gaps	**Priority Activities in 2026** Execute
Board Skills, Education & Oversight • Few boards disclose **ESG** or **sustainability expertise**. Skills are often **insufficient** to meet evolving ESG demands.	**Board Skills, Education & Oversight** • Advocate mandatory and transparent ESG **training** and skill **assessments**. • Promote independent **evaluations** of ESG competence and responsibilities.	**Board Skills, Education & Oversight** • Request **disclosure** on ESG training and skills. • Share **best practices** for independent board evaluations. • Host a **webinar** on board ESG competence, accountability, and education.
Strategic Integration of ESG Priorities • ESG issues remain **compliance-driven**, often **disconnected** from strategy, risk management, and targets. Executive **incentives** rarely link to sustainability performance.	**Strategic Integration of ESG Priorities** • **Embed ESG** into strategy, risk, and governance processes. • Share **case studies** and practical advice. • Push for SMART ESG targets tied to incentives and board accountability (e.g., Deutsche Börse and First Solar).	**Strategic Integration of ESG Priorities:** • Focus engagement on integrating ESG into **goals and remuneration**. • Support companies in setting SMART ESG **targets** with board **accountability**. • Organize a roundtable on **linking ESG priorities** with targets and compensation.

2026 will be about moving from disclosure to trust. By focusing on board competence, strategic integration, and data assurance, we aim to help companies turn commitments into measurable performance.

Figure 4 Theory of Change.



Scaling Circular Economies - Engagement Update

For the Scaling Circular Economies Stewardship Programme, 2025 was a year of starting up more dialogues and deepening existing dialogues. Across automotive and consumer electronics value chains, we strengthened engagement, navigated regulatory shifts, and identified practical pathways for circularity. Our work reflected a growing recognition that environmental ambition must align with economic feasibility – and that industry collaboration is key to scaling impact.

Expanding the Scope

We began the year by consolidating our automotive engagements and initiating dialogue with companies in the consumer electronics value chain, spanning technology hardware, home appliances, telecom services, and electronics retail. This cross-value-chain approach enabled richer insights and positioned us to influence systemic change.

Key Engagement Highlights

- Automotive innovations: Early conversations revealed how companies are leveraging circularity to tackle supply chain pressures and resource scarcity. The recycling subsidiary of Mahindra & Mahindra Ltd, Accelo, and DENSO Corp's component rebuilding network exemplify practical solutions that reduce material dependency.
- Consumer electronics leadership: Companies like Schneider Electric SE and Lenovo Group Ltd. demonstrated forward-thinking approaches, embedding circularity into long-term commitments and governance structures. Schneider's proactive methodology for measuring "impact revenues" stood out as a model for integrating regulatory compliance with strategic differentiation.
- Site visit: In Q2 2025, our visit to Currys Plc's UK repair and distribution facility helped crystallize how repairability and reuse can drive both sustainability and customer loyalty.

Regulatory and Policy Context

The year was marked by significant regulatory developments. Implementation of the European Sustainability Reporting Standard for Resource Use and Circular Economy (ESRS E5) improved disclosure consistency. At the same time EU Taxonomy reporting gained traction. In the automotive industry, companies are specifically preparing for compliance with the EU's Battery Regulation, starting in 2027 with battery passports and recycled content thresholds for lithium, cobalt and nickel. Globally, negotiations for a plastics treaty stalled, underscoring the complexity of aligning environmental goals with economic interests. Despite this, companies like Electrolux AB and Bayerische Motoren Werke AB advanced their own plastic reduction targets, signaling that corporate ambition can outpace policy.

Emerging Themes

- From products to services: Automotive and electronics companies increasingly embraced as-a-service models and repairability improvements, reducing resource intensity while creating new revenue streams.
- Beyond recycling: While recycled content targets proliferated, we emphasized the importance of higher-order circular strategies – refuse, reduce, reuse, and repair – to avoid a narrow focus on recycling.

Spotlight: Setting SMART Environmental Targets

In the Scaling Circular Economies Stewardship Programme, when examining targets and results we consider how companies set SMART targets on salient areas of environmental performance. Companies commonly start with targets to reduce their scope 1 and 2 emissions and often include targets for water and waste management. Companies such as Lenovo Group Ltd. and Panasonic Holdings Corp. are renewing their targets every three to five years. These typically aim toward longer-term goals set for 2035, 2040 or even 2050. Various other companies, for example Honda Motor Co., Ltd., Tesla, Inc. and Volkswagen AG, have shown less willingness to commit to interim targets. We have been hearing three common arguments, paraphrased as follows:

a. “We do not want to commit because market developments are too unpredictable.”

b. “Too much transparency could compromise our commercial interests.”

c. “The reporting burden distracts us from making real impact.”

Besides addressing carbon, water and waste, many of our engaged companies have been establishing SMART targets to increase recycled content in their products. European directives for ‘Waste Electrical and Electronic Equipment’ and ‘End-of-Life Vehicles’, as well as the Battery Regulation have been important drivers of such target-setting. The latter regulation introduces recycled content targets for selected battery materials, starting in 2027. Companies are also demonstrating increasing awareness of the commercial benefits of diversifying access to materials, along with a broader circular economy strategy that improves customer relationships, for example, by offering professional repair, refurbishment and remanufacturing services that improve affordability or reduce the total cost of ownership.

Recycled content targets take many different forms, complicating comparability but allowing companies to experiment. The targets of Ford Motor Co. and Kia Corp., for example, prioritize plastics. However, we note that, in general, recycled content targets in the consumer electronics industry are already more ambitious and specific than in the automotive industry. Lenovo Group Ltd., for example, distinguishes post-consumer recycled content plastics, closed-loop recycled content plastics and ocean bound plastics. Lastly, in the automotive industry, there is a trend to set recycled content targets beyond plastics, also addressing steel, aluminium and battery materials. Volvo Car AB exhibits a particularly strong reporting practice. While the target is still aggregated (30% across the fleet and 35% in new models by 2030), the company already accounts for recycled content in plastics, steel and aluminium respectively.

Challenges and Lessons Learned

Not all commitments materialized as planned. For example, Honda extended reliance on hybrid technology, and Panasonic fell short of its recycled plastics target. These setbacks reinforce the need for realistic goal-setting and adaptive strategies. Companies expressed appreciation for engagement, as a practical complement to ESG ratings-driven oversight.

Scaling Circular Economies - The Year Ahead

In this piece we set out our strategy for the year ahead, including potential solutions to key gaps in corporate progress on circularity, continued collaboration with external initiatives and priorities founded on our theory of change.

Challenges and Proposed Solutions

The current challenges faced by the engaged companies depend significantly on their level of strategy maturity. Typically, when a company is only at the beginning of embracing circularity principles, we need to engage on topics such as environmental competence at board level and the establishment of dedicated strategy, targets and reporting. By contrast, when a company is more advanced, we can discuss financial incentives for circular economy progress, achieving progress on existing targets, and alignment with external reporting standards – either regulatory (such ESRS E5 and EU Taxonomy) or voluntary (such as the Global Circularity Protocol for Business). To keep improving financial incentives, Compagnie Générale des Établissements Michelin SCA replaced an executive incentive to reduce scope 1 and 2 emissions with industry-specific objectives – such as improving the rolling resistance of tyres (to improve vehicles' energy efficiency) and increasing recycled and renewable content in tyres. Meanwhile, companies such as Panasonic Holdings Corp, Sony Group Corp and Schneider Electric SE offer strong examples of accounting for progress on interim targets, whereas many other companies still report on their year-on-year environmental performance without reflecting on whether they are making sufficient progress. Rather than focusing on the ambition level of targets, investors may find it more useful to assess the actual progress achieved, regardless of whether targets are publicly stated.

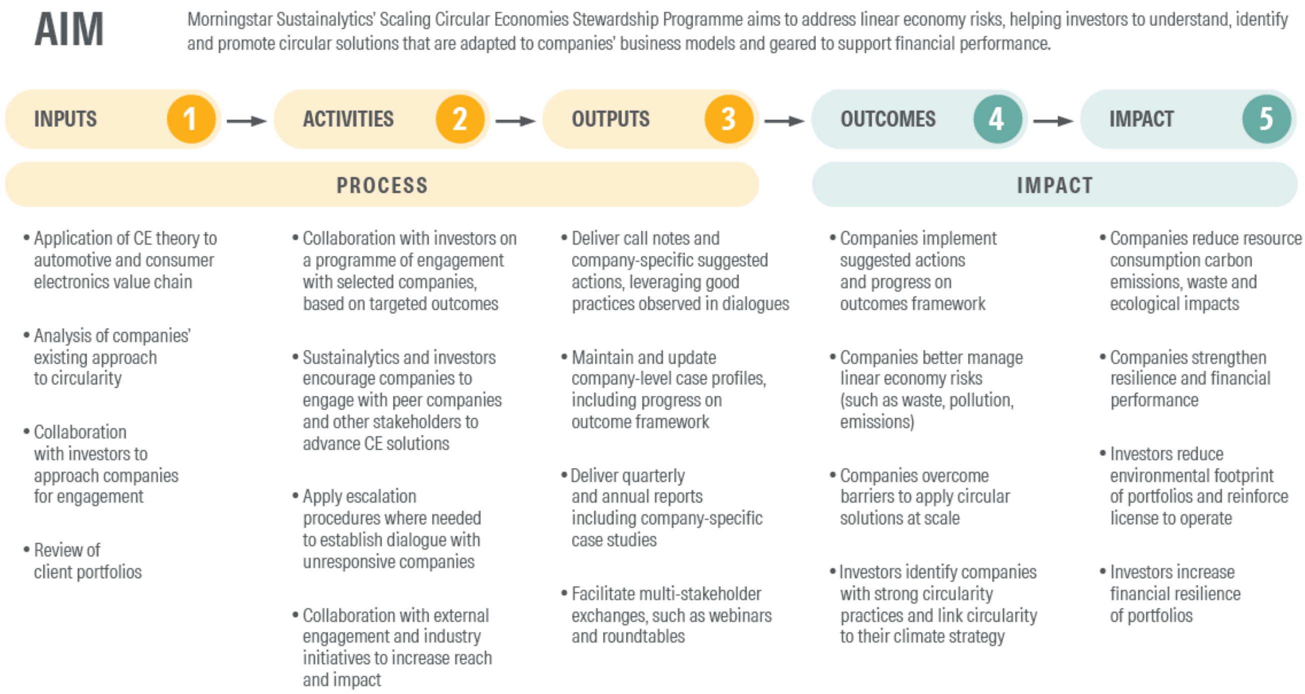
External Initiatives and Partnership Opportunities

Our engagement programme shares thematic and sectoral interests with various external initiatives. Since the start of our programme in 2024, we have built active relationships with VBDO's collective engagement programme to enhance due diligence in the nickel supply chain of the electric vehicle industry, Chemsec's Investor Initiative on Hazardous Chemicals, and the Circular Electronics Partnership. Engaged companies have also helped us increase our awareness of other collaborations: Royal KPN NV works through its industry's Joint Alliance for CSR to engage suppliers, LG Energy Solution Ltd is actively involved in the Global Battery Alliance, and Panasonic Holdings Corp is contributing to the development of the Circularity Protocol for Business.

Theory of Change, Deep-Dive Webinar and Investor Consultation

Sustainalytics' Stewardship Services applies a theory of change to structure our approach to every stewardship programme. It is a description and illustration of how a desired change is expected to happen in a particular context. This helps build an overarching strategic agenda, manage investor and issuer expectations of the engagement, and achieve and account for positive impact. Below is an overview of our theory of change for the Scaling Circular Economies Stewardship Programme.

Figure 1 Theory of change.



In Q4 2025, we used our theory of change framework to identify the gaps in companies' approach based on our outcome framework, the potential solutions and priority activities in this programme for the next year.

To support our assessment, engagement and collaboration efforts in 2026, we will:

- Explore new ways to facilitate investor involvement in circular economy engagement dialogue.
  - Various engaged companies have emphasized their openness to direct interactions with investors in the context of our engagement calls. Our client consultation in October 2025 underlined the challenge for investors to prioritize the circular economy in the wider complex of global sustainability issues, such as decarbonization and natural capital management. At the same time, the webinar delivered in collaboration with the Circular Electronics Partnership in November 2025 highlighted the practical nexus between the pursuit of circular economy measures on the one hand and emissions and natural capital goals on the other. Accordingly, as a practical next step, it makes sense to reinforce the connection between these endeavours in our engagement dialogues. Companies recognize that the transition to a circular economy requires more than only decarbonization – a low-carbon solution is not automatically circular as well, but quantifying and monetizing the avoided emissions generated by circular economy innovations would certainly help the business case.
- Continue engagement collaboration with Chemsec (on safe chemicals) and VBDO (on automotive nickel sourcing).
- Maintain efforts to advance circularity in emerging markets and the Global South, including continued engagement with companies headquartered in Brazil, China, and India.
- Build out further our repository of good practices observed through our dialogues.
  - This enables us to offer companies valuable suggestions and cross-pollinate practices between the automotive and consumer electronics value chains – such as leveraging consumer electronics' progress on recycled content and ecolabels to inspire automotive innovation.

2025 affirmed that circularity is not just an environmental imperative but a strategic lever for resilience and growth. By continuing to foster collaboration and accountability, we aim to turn ambition into scalable impact in 2026 and beyond.

Investor Pressure Mounts on Big Tech: Data Center Emissions Put Climate Targets to the Test

The 2025 proxy season reinforced a continuing shift in climate-related priorities, as investors moved beyond ambitious commitments to scrutinize the credibility of targets and the robustness of underlying strategies. This is reflected in the shareholder proposals filed at Amazon, Meta, and Alphabet, seeking clarity on how these companies intend to reconcile their climate commitments with the rising electricity demand from artificial intelligence (AI) and cloud computing.

These proposals ranked among the most supported climate resolutions of the year and reflected a broader evolution in investor expectations: transparency alone is no longer sufficient; credibility has become the benchmark. While none achieved majority support, their relatively high backing from non-affiliated shareholders underscores growing concern that data center-driven emissions represent one of the sector's most pressing climate challenges.

Data centers are the backbone of the digital economy. They power AI training, cloud computing, search, video streaming, and social media. However, they are also among the fastest-growing sources of electricity demand, and increasingly, a driver of rising corporate emissions. The International Energy Agency (IEA) projects that global data center electricity consumption could more than double by 2030, rising from around 460 terawatt-hours (TWh) in 2022 to over 1,000 TWh by the end of the decade.

This surge in energy use has profound implications for corporate climate strategies and climate targets, which were often set before the explosion of AI workloads. Companies like Microsoft, Alphabet, Meta, and Amazon are now using far more power than when their net zero targets were announced. In many cases, emissions have increased rather than fallen, despite large renewable energy purchases.

As a result, in spring 2025, investors submitted proposals to Amazon, Meta, and Alphabet, questioning whether the companies' ambitious climate commitments remain achievable given the rising energy demands of data centers.

At Amazon, a shareholder proposal asked the company to explain how it intends to meet its climate targets in light of its USD 150 billion planned investment in new data centers over the next 15 years. While Amazon has committed to achieving net-zero carbon by 2040 and 100% renewable energy by 2030, investors question whether those goals can withstand the pressure of surging electricity demand. Amazon Web Services' heavy presence in Virginia, where utilities are planning new gas-fired plants and extending fossil capacity, raises particular concern, as the proponent noted in the Notice of Exempt Solicitation.

At Meta, investors highlighted that the company's greenhouse gas emissions have more than doubled since 2019, largely due to its rapidly expanding data center footprint. To support its 'carbon neutrality' claims, Meta relies heavily on Renewable Energy Certificates (RECs), a practice the proponent criticizes, arguing that RECs typically do not contribute to adding new renewable generation to the grid. The proponent is concerned that this could expose the company to risks of greenwashing, regulatory scrutiny, and potential restrictions on operations. Shareholders also noted that in Louisiana, where Meta is building a record-breaking data center, local utilities are turning to new gas plants to meet demand, while in Nebraska, Meta's growth has delayed the retirement of a coal facility.

At Alphabet, the proposal focused less on whether its climate targets remain realistic. Emissions rose 13% in 2023 alone, driven by AI workloads outpacing renewable energy additions. Investors asked for scenario analyses, stress testing, and disclosure of expected emissions trajectories, tools that would clarify whether Alphabet's climate plan remains on track.

For investors, these resolutions underscore that the risk is not abstract. Without clear plans for how they will ensure continued net zero alignment as their energy use grows, tech companies may face scrutiny from investors, customers, and policymakers, exposing the company to reputational, regulatory, and financial risks.

Figure 4 Resolutions on climate commitments and AI data center energy use.

COMPANY	PROPONENT	PROPONENT'S REQUEST	COMPANY RESPONSE	REPORTED SUPPORT	ADJUSTED SUPPORT
Alphabet, Inc.	Trillium ESG Global Equity Fund	Alphabet to disclose additional information illustrating if and how it will meet its 2030 climate goals, given the increase in GHG emissions driven by data centers hosting energy-intensive AI functions.	Alphabet opposes the proposal, citing transpanrency around its 2030 net-zero and 24/7 carbon-free energy goals, and ongoing efforts to align disclosures with best practices and regulations.	8.2	20.7%
Amazon.com, Inc.	Emily Cunningham	Amazon to publish a report detailing how it plans to meet its climate commitments on greenhouse gas emissions, considering the rapidly increasing energy demand from AI and new data centers	Amazon opposes the resolution, citing progress toward its climate goals, AWS improved data center efficiency and matched all electricity use with renewables. The company is investing in nuclear energy, renewable diesel, and circular economy practices to further reduce emissions and waste.	20.1%	23.2%
Meta Platforms, Inc.	As You Sow on behalf of Myra K. Young and James McRitchie	Meta to disclose a transition plan that results in new renewable energy capacity, or other actions that achieve actual emissions reductions at least equivalent to the energy demand associated with its expanded data center operations.	Meta highlights its use of 100% renewable energy since 2020, its energy-efficient data centers, and ongoing efforts to expand clean energy projects.	3.3%	10.4%

Source: ESG Voting Policy Overlay, Morningstar Proxy Voting Database. Data as of October, 2025.

Why Culture is a Key Driver for Building a Resilient Company

Today's business environment seems to be continuously disrupted, whether through increased political interference, rapid technological advancements, or seemingly never-ending changes in consumer behavior, coupled with a changing climate bringing increased environmental risks. To successfully respond, businesses must be agile and adaptable, they must show resilience. A resilient company is one that can exhibit five key traits and characteristics: **preparedness, adaptability, collaboration, trust, and responsibility.**[71]

However, over-arching above all of these traits is one controlling factor and that is 'culture'. This refers to the set of shared values, beliefs, attitudes, and practices that characterizes the business. Most significantly it can be considered as the collective way employees and management interact, perform tasks, and handle business operations.

In all our engagements, we review organizational culture as a primary focus for building the engagement content. We recognize that a poor or weak culture can lead to violations of international norms or be rated as poor performer from ESG perspective. In our view, a strong culture is essential to prevent re-occurrence of violations, whilst also building resilience. This is particularly evident in our cases focusing on health and safety and business ethics.

Identifying Weak Points in Corporate Culture

As we begin our engagement process, reviewing the issues that potentially created the violation, our approach is to ask ourselves a series of probing questions. Each question is designed in part to be open ended, 'what internal controls were in place that could have prevented the violation?', or 'why was management and oversight not focused?', with a view to diving deeper and moving to more closed ended questions (yes/no) as the engagement progresses.

Case Study – Part 1: Example of a Car Manufacturer

When the Culture is not Strong

We have been engaging with a car manufacturer accused of fraud related to issuing false data to secure certification from the regulator and thereby allowing mass production to commence. The incident highlighted significant issues within the company, not only the falsification of data but also procedural irregularities. Once the regulators became aware of the situation the company was prosecuted resulting in substantial financial penalties, revocation of approvals, and extensive recalls.

Uncovering the Root Causes

From our engagement perspective two scenarios were developed – either it was a breakdown of ethical behaviour (company-wide systemic failure) or it was a small part of the workforce acting independently (localized employee misconduct) or some form of combination of both.

In support of our open-ended questions examining governance, processes, and auditing controls, we also assessed whether those speaking to us were confident in narrating the culture of ethics that should exist, as we expected there to be. Alongside this, we wanted to examine in more detail how various business units communicated with one another, and whether there was a common language.

Our conversations around corporate culture focus on the following key areas:

- **Compliance with Ethical Standards:** A poor corporate culture often lacks strong ethical guidelines and values. Without a clear commitment to ethical behavior, employees may feel less obligated to adhere to the expected 'rules'.
- **Strength of Leadership:** Ineffective leadership can fail to set a good example or enforce compliance. Leaders who do not prioritize ethical behavior and compliance can create an environment where violations are more likely to occur.
- **Employee Engagement:** In a poor culture, employees are often disengaged and less motivated to follow rules. Disengaged employees may not see the value in adhering to required standards and may be more likely to cut corners.
- **Training:** Companies with poor cultures may not invest in proper training for their employees. Training can be an effective form of motivation and also empowerment.
- **Pressure to Perform:** In a dysfunctional culture, there may be excessive pressure to achieve results at any cost. This pressure can lead employees to bypass rules and regulations to meet targets.
- **Lack of Consequence:** Poor cultures often lack mechanisms for consequence or accountability. When violations occur, they may go unpunished, leading to a cycle of non-compliance. Conversely where there are positive attributes or behaviors incentives may not be given.

Case Study – Part 2: Engagement in Action

Engagement Outcomes – Understanding the Problem

Two years of engagement with the car manufacturer revealed that the culture was indeed weak; there was an absence of a 'speak up' culture, employees felt disempowered, management was unaware of issues and was target-driven; consequence management was absent, as was focused and targeted quality control. Additionally, the target-driven approach forced staff to fraudulently alter data to avoid bottlenecks in the production line, as they did not want to be singled out for 'letting the team' down. The issue was further compounded by weak communication between teams, known as the 'silo' effect. All the aspects listed above were identified as being present and all contributed to the violation the company committed.

Taking Steps and Moving Forward

Importantly, the company has recognized these weaknesses and has been rapidly reorganizing its approach from the top down. One of the most significant changes is creating a 'speak up' environment to ensure workers feel empowered to be part of the solution. Additionally, the Board is undergoing effectiveness assessements to ensure they remain fit for purpose as changes occur across the manufacturing plants.

Conclusion

Building a resilient company requires more than just strategic planning and risk management. It requires a strong and positive corporate culture that supports and empowers employees. By fostering shared values, engagement, adaptability, strong leadership, collaboration, well-being, and trust, companies can create a resilient culture that not only withstands challenges but also thrives in the face of adversity, providing sustained returns for shareholders.

From Policy to Practice: Crafting Grievance Mechanisms that Drive Impact

Key Insights:

- There are identified gaps in corporate practices regarding grievance mechanisms.
- Effective grievance mechanisms help mitigate company risks and enhance corporate resilience.
- Investor-led engagement can drive meaningful improvements in how companies manage their grievance mechanisms.
- Anticipating challenges and planning responses at the outset is a key step for success.
- Communication with stakeholders during the design phase to understand the accessibility challenges and retaliation risks of rights holders is a fundamental early-stage requirement.

Identifying the problem

Data from Morningstar Sustainalytics ESG risk ratings indicates that the majority of listed companies more than likely lack effective grievance mechanisms, particularly within their supply chains. An operational-level grievance mechanism is a process operated by a company through which grievances concerning business-related human rights issues can be raised and an effective remedy can be sought.[72,73]

One key metric in the ESG risk ratings, the indicator of Supply Chain Management on Human Rights, assesses several subcomponents. Among others, it evaluates whether companies provide formal channels for supply chain workers to voice concerns. The findings reveal that two-thirds of the more than 4,000 companies analyzed either have no systems in place or operate weak management systems for addressing human rights issues in their supply chains (Figure 1). This is reinforced through company dialogues of Global Standards/Incidents Engagement and has become a key area of focus.

Figure 1 Distribution of Company Performance on Supply Chain Human Rights Management.

Source: Morningstar Sustainalytics. For informational purposes only.
Note: Companies for which research data is unavailable or inapplicable are excluded from the chart.

Why are Effective Grievance Mechanisms Important?

Although few companies disclose that they have operational-level grievance mechanisms, we are cognizant of the fact that such systems help companies mitigate operational, reputational, and regulatory risks, a strong motivator for change. A growing body of research demonstrates a positive correlation between effective grievance mechanisms and improved economic performance and workforce productivity.[74,75,76,77] Additionally, grievance mechanisms play a crucial role in managing reputational risks, helping to address minor concerns before they escalate. Those designed for local communities foster mutual communication, strengthen corporate reputation, and even generate positive publicity for the company.[78,79]

Moreover, grievance mechanisms have increasingly become a legal obligation. The EU Whistleblowing Directive (Directive (EU) 2019/1937) and the Corporate Sustainability Due Diligence Directive (Directive (EU) 2024/1760) require companies to establish internal reporting channels, ensuring access to remedy for the aggrieved parties.

For many investors, the widespread exposure of their investees to these risks makes them material considerations. ESG stewardship and engagement offer institutional investors a unique opportunity to drive meaningful change. Through engagement dialogue and shareholder resolutions, investors can convey their concerns and offer supportive recommendations, guiding companies toward more effective practices, building their resilience and reducing future risk.

What Makes a Grievance Mechanism Effective

It is necessary for companies to implement credible and effective grievance mechanisms in order to deliver on their human rights commitments. A grievance system that exists only on paper can never deliver resilience building value, and indeed can have the opposite effect, undermining company performance. The UN Guiding Principles for Business and Human Rights (UNGPs) have identified eight essential criteria for effective grievance mechanisms: legitimacy, accessibility, predictability, equitability, transparency, rights-compatible, a process for continuously learning, and based on engagement and dialogue.[80] While these criteria appear straightforward, operationalizing them can be complex.

To make mechanisms effective, companies need to apply all eight criteria throughout the design, establishment, evaluation, and reporting stages of delivery. Since many companies are still in the early stages of establishing grievance mechanisms, our engagement has a strong focus on the design phase and, through our engagements, we outline key priorities to motivate the company to ensure effectiveness from the start.

Learning from Engagement: Common Pitfalls and Better Practices

We have identified, largely through our engagement activities, that companies invest significant resources in building grievance mechanisms before they actually communicate and promote them to the rights holders they are intended to serve. However, we recommend reversing this approach – communication should begin before the design phase, to ensure the mechanism is tailored to rights holders' needs. For instance, office employees, shop cashiers, and young factory workers may find a mobile phone-based channel convenient and easy to use, while farmers and Indigenous communities, who have limited internet access, may struggle with this platform. Importantly, consultation and engagement with rights holders also enhances the perceived legitimacy of the mechanism.

Case Study 1. Top Glove: Choosing the Most Suitable Channel for Rights Holders[81]

To engage young migrant workers, the company uses social media as one of the platforms for raising grievances. It also turns out to be a good place to promote the grievance mechanism itself. As workers share positive outcomes on social media, their peers gain the confidence to use the mechanism, fostering a cycle of trust and participation.

As part of the development process, companies should anticipate potential grievances to ensure a fair investigation process can be created. Certain cases require external oversight or independent investigators to avoid conflicts of interest, further ensuring credibility. For example, if a local community files a grievance against a company, an internal investigation might lack impartiality, making an independent review more appropriate. Similarly, if a complaint is filed against a human resources (HR) manager, having an HR staff member investigate may raise concerns about bias and trust.

Case Study 2. Golden Agri: Ensuring Equality in Grievance Handling[82]

Acknowledging that individuals often lack the resources and power to navigate the daunting and lengthy complaint procedures, the company collaborates with local civil society organizations to support individuals throughout the grievance process. Individual farmers and farm workers can report their concerns to trusted local organizations with legal expertise. These organizations then escalate the issues to the company, monitor progress, and help negotiate solutions.

Thorough investigation requires comprehensive information, but it must simultaneously ensure confidentiality and prevent retaliation. This is especially critical in workplace sexual harassment cases, where privacy is essential for protecting all involved parties. Companies must design the investigation process considering factors such as culture, power relations, and other contextual influences.

Case Study 3. Lenovo Group Limited: Leveraging Technology to Ensure Privacy and Prevent Retaliation[83,84]

Lenovo Group Limited recognizes that grievance reporters are often vulnerable to and fear retaliation. In some cases, investigations had to be paused or ended because reporters withdrew due to fear or actual retaliation. To address this, the company developed a digital platform that enables supply chain workers to report concerns anonymously while maintaining two-way communication. This allows the company to follow up and gather information for investigations while protecting the reporter's identity.

A viable solution is to implement a 'decision tree' to structure a company's approach to investigations. A decision tree considers factors such as severity of the grievance, type of issue, stakeholders involved, confidentiality needs, and legal requirements. A balanced investigation process must be both consistent – adhering to clear principles and procedures – and case-dependent, adapting to the specifics of each grievance.

In Summary

Anticipating risks and challenges at the outset is essential to building a strong, trustworthy grievance mechanism. One key tool to achieving that is proactive stakeholder consultation. Consulting stakeholders and leveraging their insights to assess the design of the grievance mechanism is highly beneficial for companies. This approach can help reduce costs and mitigate risks by identifying potential issues early and fostering collaborative problem-solving. Global Standards/Incidents Engagement collaborates closely with companies, providing feedback and support throughout their journey. While there is still much to accomplish, laying a strong foundation is already a significant step toward success.

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