

swisscanto

A brand of



Zürcher
Kantonalbank

Global & Thematic Engagement

Q1 Engagement Report 2025

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

Our Engagement Activities

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

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

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

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

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

- **Direct dialogue** with Swiss issuers: Our focus is to create visibility among companies as an active and sustainable investor by promoting best-practice ESG in the interest of our investors by leveraging on our home base expertise.

- **Collaborative engagements:** The focus is to promote best-practice ESG on entire industries as well as the achievement of environmental and/or social goals (i.e. 17 UN SDGs). These collaborative engagements are mostly driven by the UN PRI platform, but opportunistic direct interactions with companies also take place. In addition, we support various ESG initiatives such as Climate Action 100+, TNFD, Climate Bond Initiative, etc.
- **Global & thematic engagements:** The focus is to promote best-practice ESG standards and our climate strategy on a global scale in our investors' interest. In addition, we focus within the thematic engagements on climate change, cleantech and biodiversity. We mandated Sustainalytics to leverage existing resources and to convey our key sustainability messages globally. Depending on relevance and materiality, we may also participate in these corporate dialogues.

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

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

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

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

About the following Engagement Report from Morningstar Sustainalytics

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

About Morningstar Sustainalytics

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

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

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

Asset Management of Zürcher Kantonalbank

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

Swisscanto Fondsleitung AG

Swiss fund management for Zürcher Kantonalbank and third parties

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

Swisscanto Asset Management International S.A.

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

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www.swisscanto.com

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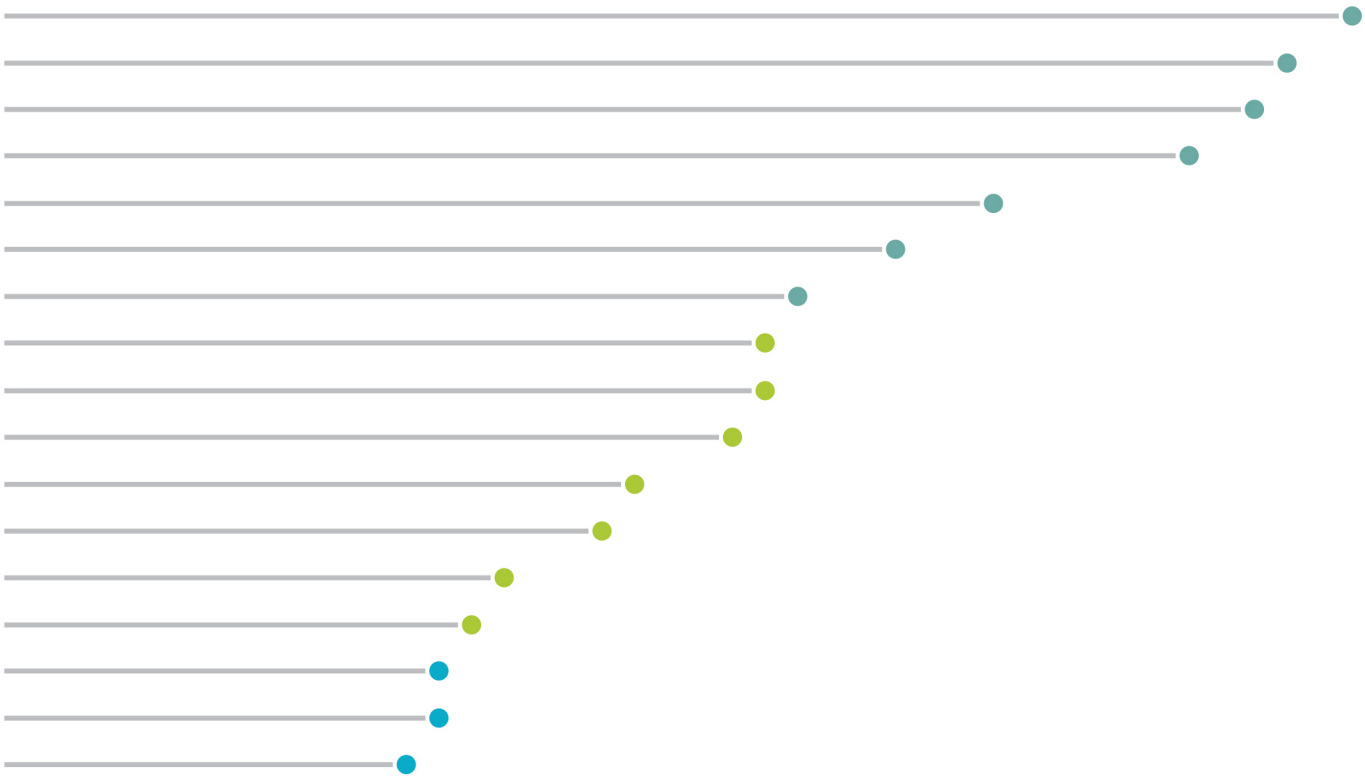
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Engagement 360

2025 Q1 Report



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

Table of Contents

Stewardship Approach 1

Executive Summary 2

Stewardship Overview. 3

 Engagement Status 4

 Voting Insights and Recommendations. 4

 Industry Distribution 5

 Engagements by Headquarter Location. 6

 Engagement Topics 7

 Sustainable Development Goals — Mapping Engagements 8

Case Study: Chevron Corp. (Strategy & Risk) 9

Case Study: Chevron Corp. (Themes). 10

Case Study: Nippon Telegraph & Telephone Corp. (NTT) 11

Case Study: O'Reilly Automotive (O'Reilly) 12

Case Study: Deutsche Börse AG (Deutsche Börse). 13

Case Study: Newmont Corp. (Newmont). 14

Case Study: Teleperformance SE 15

Engagement Results 16

 Engagement Progress 17

 Engagement Response 17

 Engagement Performance 18

 Engagement Milestones. 19

Engagements Resolved. 20

 Resolved - Allied Universal Manager LLC 21

 Resolved - Toyota Motor Corp. 22

Low Performance Engagements 23

Engagement Status Updates. 30

Table of Contents (cont.)

Universe Change Impact30

Focus Area Overview31

Sustainability Insights.35

 Why Culture is a Key Driver for Building a Resilient Company35

 Advancing Biodiversity – Key Focus Areas in 202537

 Navigating the Roadblocks: The Ongoing Challenges to Achieving Net Zero39

 From Challenges to Change – Identifying Gaps to Progress Corporate Respect for Human Rights.41

Endnotes43

About Morningstar Sustainalytics and Contacts45

Engage List.46

This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed on behalf of Swisscanto / Zürcher Kantonalbank between January and March 2025. If there is no specific reference to date in graphs and tables, the data is presented as per end of the reporting period. The report has been produced in April 2025. Version 1 disseminated on 21 April 2025. Use of and access to this information is subject to Morningstar Sustainalytics' legal terms and conditions.

Stewardship Approach

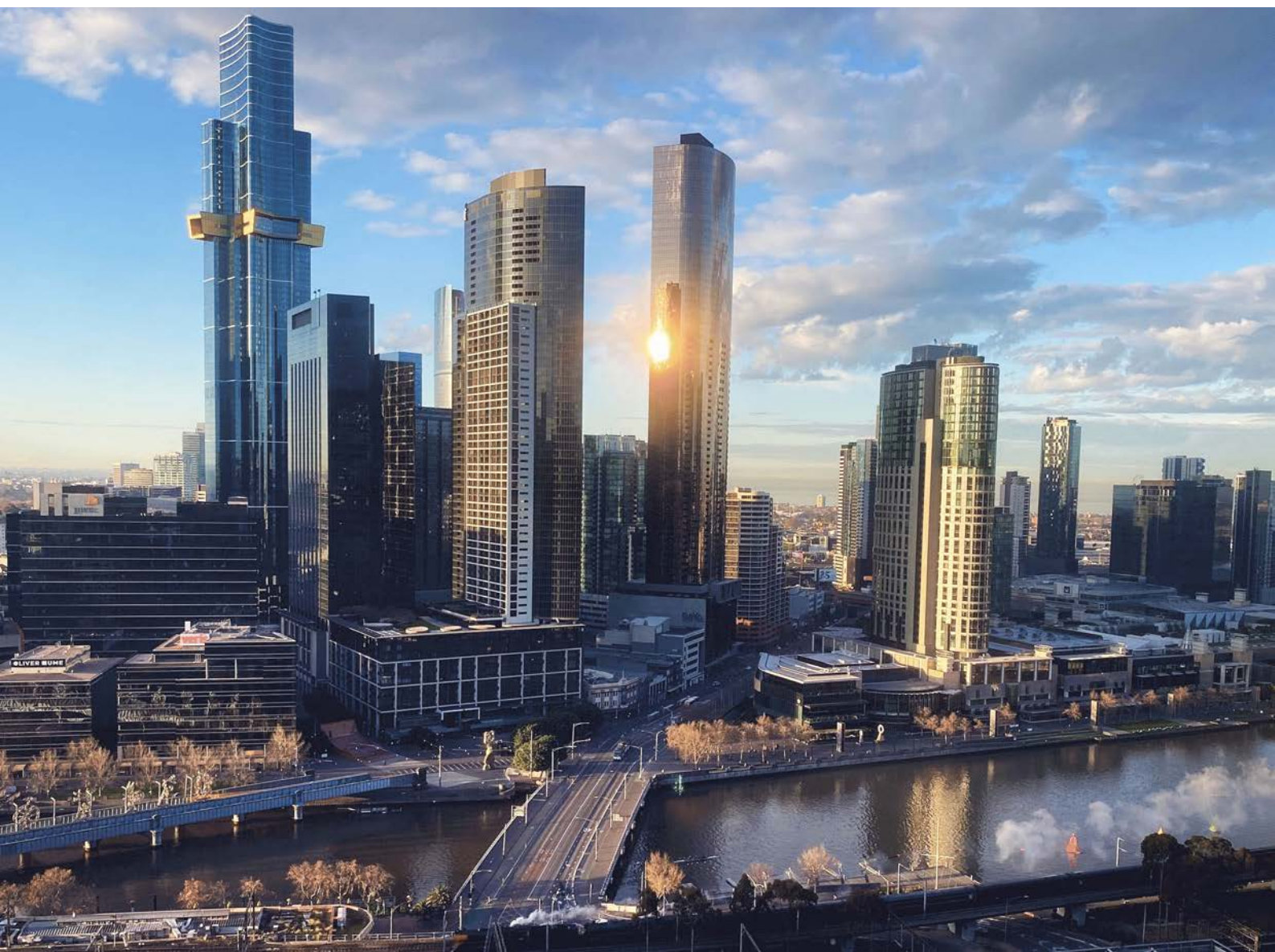
Engagement 360 is a holistic stewardship offering that promotes and protects the world's leading asset owners' and managers' long-term shareholder values through consistent engagement outcomes. Engagement 360 addresses ESG risks and strives to create positive social and environmental outcomes.

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 provides vote recommendations that align to widely accepted ESG principles, sustainability objectives, ongoing corporate engagements and ESG issues most important to investors.



Executive Summary

We are delighted to report on the activities and results of Morningstar Sustainalytics' Engagement 360 in Q1 2025, providing an overview of activities and insights into the results of the stewardship work throughout the quarter.

Highlights of the Quarter

In incidents we saw three new engagements initiated from Watchlist downgrades, while on our strategy and risk focused engagements, we saw nine cases resolved, including **Toyota Motor Corp.** The ESG Voting Policy Overlay delivered 109 voting recommendations plus 78 engagement company meeting commentaries.

Highlights from this quarter include the launch of our latest Thematic Stewardship Programme, focusing on Human Rights and Transition. This initiative aims to support investors in aligning their portfolios with internationally recognized human rights, as outlined in the UN Guiding Principles on Business and Human Rights. Our initial focus is on companies within renewable value chains, which are crucial for the green transition. Additionally, on the topic we organized a peer-learning webinar on operational-level grievance mechanisms, attracting a significant number of company and investor participants. In the quarter, the Stewardship team:

- i. Conducted 173 meetings, including 4 meetings in-person;
- ii. Exchanged 2,710 emails and phone calls;
- iii. Achieved 101 Positive Developments and 156 Milestones; and
- iv. Resolved 11 engagements successfully.

Looking Ahead

As we move into the second quarter of 2025, our Thematic Stewardship Net Zero Transition team will host a webinar on SMARTarget setting in the utility sector. On human rights, we anticipate a surge of introductory dialogues as we continue to scale up our engagement efforts. Additionally, we will continue to focus on our ongoing engagements related to the opioid crisis in the US. We have also initiated engagements with two new companies offering pharmacy services, which have been facing allegations of contributing to the opioid crisis by filling unlawful prescriptions.

Stewardship Overview



814

engagements as of
31 March 2025

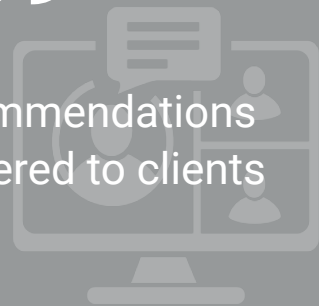
94

new engagements



109

vote
recommendations
delivered to clients



Utilities

is the most engaged industry



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

**Disclosure and Net
Zero/Decarbonization**
are the most engaged
topics

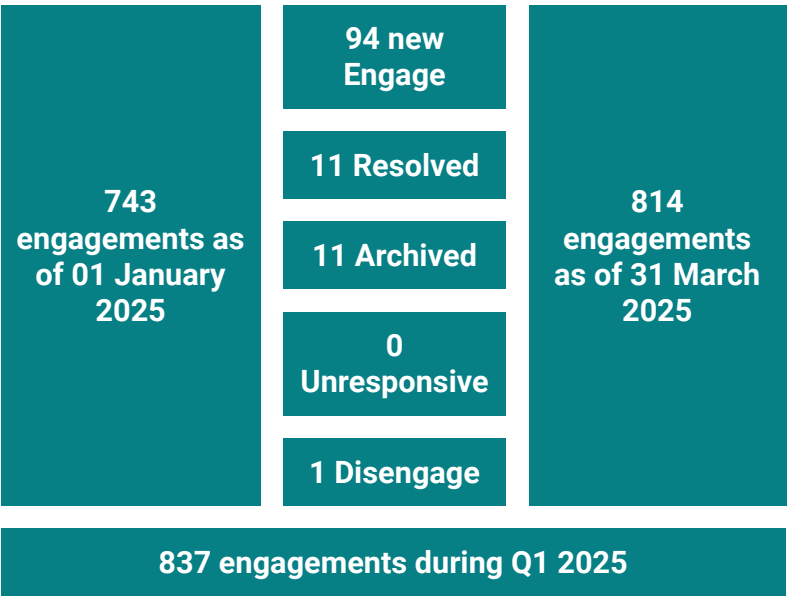
**SDG 13 Climate
Action**
(43%) linked to
engagement
objective



Engagement Status

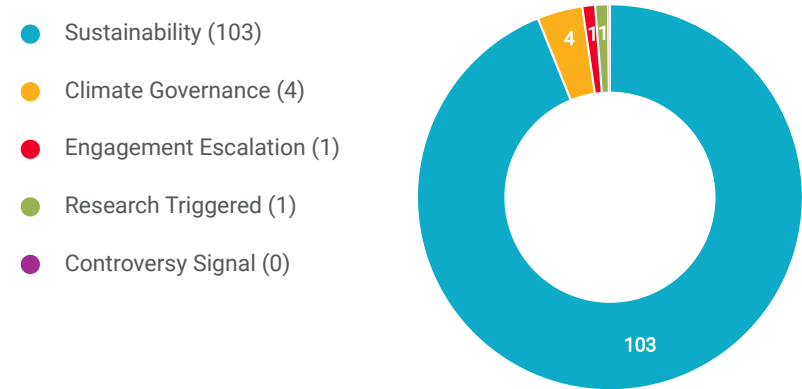
When we open an engagement, the status is Engage. We will then pursue engagement until we change status to:

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

Voting Insights and Recommendations

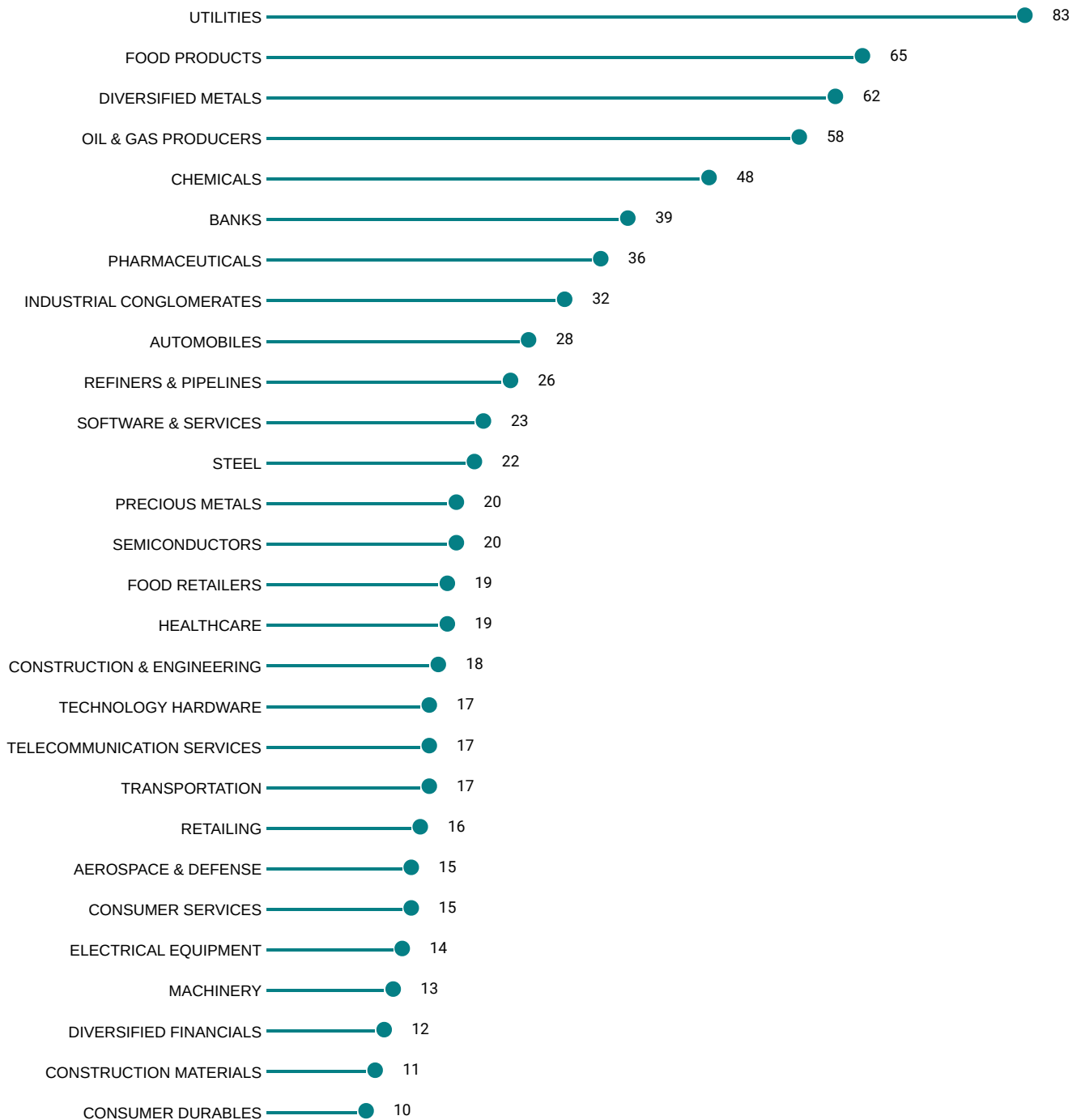


Triggers for Vote Recommendations

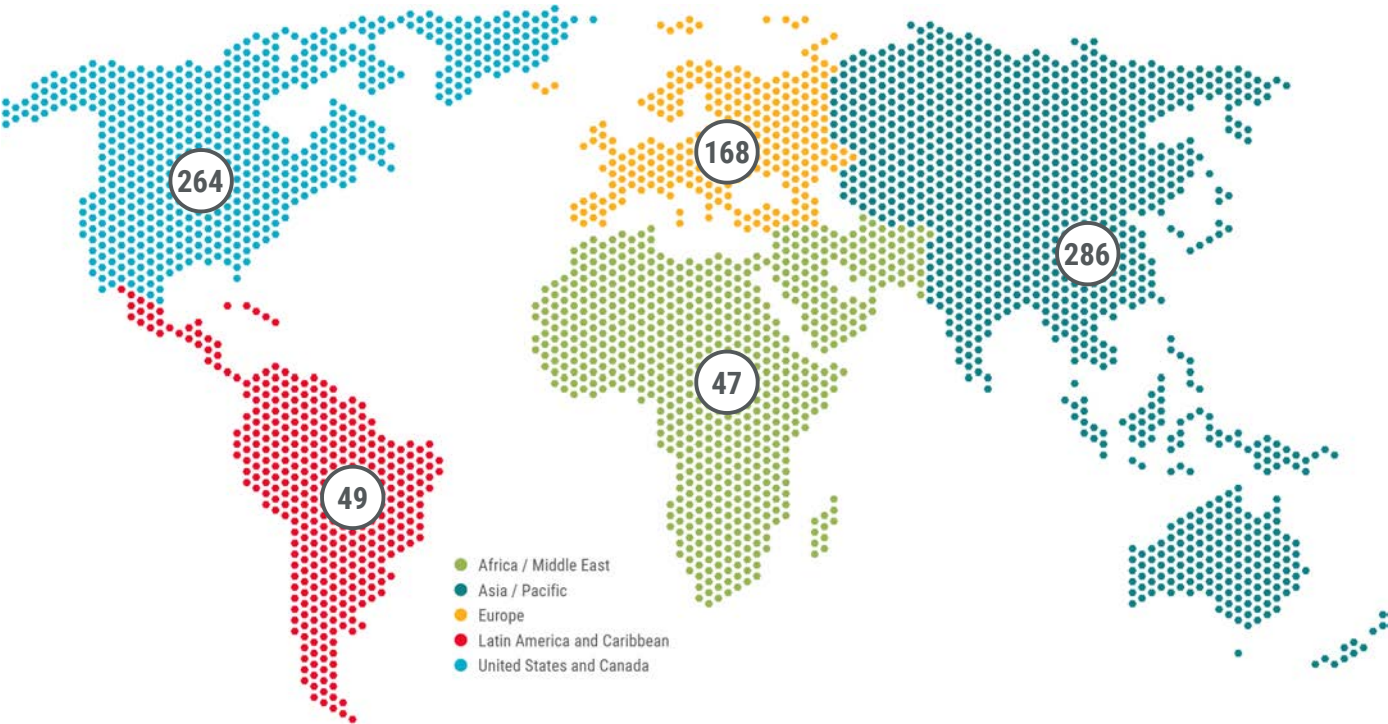
Vote recommendations can be triggered by five different reasons.	
Sustainability	ESG-related resolutions
Engagement Escalation	Poor performance in engagements
Climate Governance	Misalignment between executive performance metrics and decarbonization targets
Research	Poor performance in climate, human rights, diversity, biodiversity, and circular economy
Controversy Signal	Recent incidents leading to a controversy rating of 3 or higher, with significant governance underpinning

Industry Distribution

(Industries with a minimum of 10 engagements)



Engagements by Headquarter Location

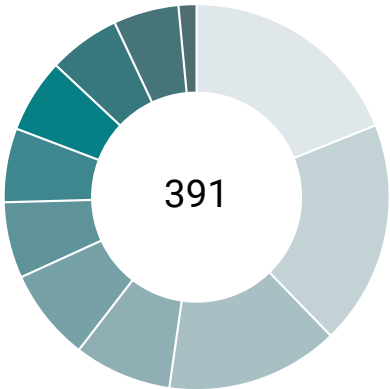


Engagement Topics

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

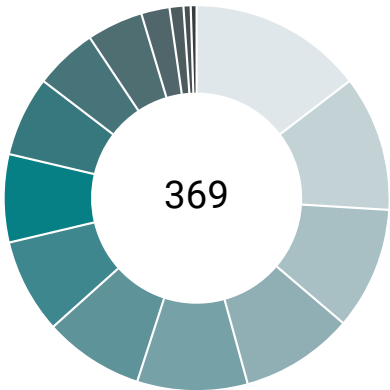
Environmental

- NET ZERO/DECARBONIZATION (208)
 - WATER SECURITY (159)
 - WASTE MANAGEMENT (84)
 - LAND POLLUTION AND SPILLS (67)
 - DEFORESTATION (65)
 - AIR POLLUTANT EMISSIONS (15)
- CLIMATE CHANGE (207)
 - WATER QUALITY (89)
 - BIODIVERSITY (69)
 - NATURAL RESOURCE USE (67)
 - CIRCULAR ECONOMY (59)



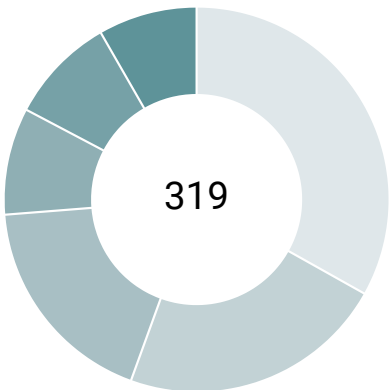
Social

- HUMAN RIGHTS (130)
 - HUMAN CAPITAL (91)
 - COMMUNITY RELATIONS (82)
 - CHILD LABOUR (70)
 - FORCED LABOUR (59)
 - LABOUR RIGHTS (41)
 - MARKETING PRACTICES (9)
 - WEAPONS (3)
- JUST TRANSITION (101)
 - INDIGENOUS PEOPLE (84)
 - PRODUCT QUALITY AND SAFETY (74)
 - DIVERSITY, EQUITY AND INCLUSION (DEI) (65)
 - OCCUPATIONAL HEALTH AND SAFETY (46)
 - DATA PRIVACY AND SECURITY (20)
 - HIGH-RISK TERRITORIES (4)



Governance

- DISCLOSURE (243)
 - BOARD COMPOSITION (133)
 - BUSINESS ETHICS, BRIBERY AND CORRUPTION (65)
- ESG GOVERNANCE (164)
 - ACCOUNTING AND TAXATION (65)
 - SHAREHOLDERS RIGHTS (60)



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

Sustainable Development Goals – Mapping Engagements

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

1 No Poverty	10%	10 Reduced Inequality	11%
2 Zero Hunger	14%	11 Sustainable Cities and Communities	10%
3 Good Health and Well-Being	28%	12 Responsible Consumption and Production	54%
4 Quality Education	6%	13 Climate Action	43%
5 Gender Equality	8%	14 Life Below Water	7%
6 Clean Water and Sanitation	10%	15 Life on Land	11%
7 Affordable and Clean Energy	21%	16 Peace and Justice, Strong Institutions	32%
8 Decent Work and Economic Growth	33%	17 Partnerships to Achieve the Goal	3%
9 Industry, Innovation and Infrastructure	30%		

Case Study: Chevron Corp. (Strategy & Risk)

Material Risk/Strategy & Risk Engagement - Engagement Since: 03 September 2021



Industry: **Oil & Gas Producers**

Country: **United States**

ESG Risk Rating: **34.3**

Chevron is an integrated energy company with exploration, production, and refining operations worldwide, the second-largest oil company in the United States.

Production activities take place in North America, South America, Europe, Africa, Asia, and Australia and its refineries are located in the US and Asia.

Progress: **Standard** | Response: **Good** | Latest Milestone: **4**

Engagement Update

Four conference calls have taken place with Chevron since the engagement initiated in September 2021. In January 2025, a joint conference call with Sustainalytics Material Risk Engagement and Net Zero Transition engagement teams was held for the first time. This discussion focused on Chevron's decarbonization strategy. Suggested actions supported by both engagement programmes included recommendations to integrate quantitative GHG reduction metrics into executive compensation and clarifying how capex is aligned with decarbonization goals.

Focus Area

Topics discussed during the 2025 joint engagement meeting included climate-related governance, risk and impact assessment, as well as Chevron's low-carbon transition strategy. Following the engagement meeting, Chevron provided written responses to our discussion points regarding the company's board effectiveness and grievance reporting. At the request of Chevron, Morningstar Sustainalytics provided peer examples of best practice for GHG emission reduction strategies.

Engagement Outcomes

Chevron focuses on a portfolio-wide carbon intensity approach and believes its Scope 1 and 2 carbon intensity metrics remain the most effective approach to its decarbonization strategy. Chevron does not currently plan to set explicit scope 3 GHG emissions targets. Greater transparency around lobbying activities was also a topic of discussion, and Chevron committed to sharing available disclosures as per regulatory requirements.

Insights & Outlook

Chevron considers the IEA Net Zero scenario as remote and highly unlikely due to the immediate and unprecedented action required to transform the global energy system - but believes its processes for tracking leading indicators and adapting its business enables it to be flexible in response to potential changes in policy, supply, demand, and physical risk. Moving forward, discussions with Chevron for this engagement will refocus on Chevron's non-GHG air Emissions, Effluents and Waste, Governance, and Business Ethics, which are considered as the most material risks for the company.

Case Study: Chevron Corp. (Themes)

Net Zero Transition Stewardship Programme - Engagement Since: 16 November 2023



Industry: **Oil & Gas Producers**

Country: **United States**

Chevron, a leading energy company, significantly contributes to global GHG emissions through its oil and gas operations. As a major industry player, it influences energy markets and plays a crucial role in the transition to net zero and decarbonization efforts.

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

Engagement Update

We held an engagement call with Chevron on net zero transition in January 2025. Chevron remains open to dialogue, with representatives from their sustainability and ESG engagement teams participating. The company provided updates on its net zero strategy, governance, and risk management approach. While investors acknowledged Chevron's willingness to engage, they expressed concerns over the lack of absolute GHG reduction targets and Scope 3 emission commitments.

Focus Area

The engagement focuses on Chevron's net zero transition strategy, particularly its approach to reducing Scope 1, 2, and 3 emissions. Key areas of discussion include the integration of absolute emission reduction targets into executive compensation, capital allocation towards renewable energy and carbon capture, utilization and storage (CCUS), and the company's alignment with the 1.5°C pathway of the Paris Agreement. Investors also emphasized the need for greater transparency on Chevron's lobbying activities and the physical risk mitigation strategies embedded in its long-term planning.

Engagement Outcomes

Chevron has committed USD 10 billion to lower carbon initiatives from 2021 to 2028, with USD 8 billion directed towards low-carbon technologies and USD 2 billion for emissions intensity reduction. However, the company has not set absolute GHG reduction targets or specific Scope 3 emission goals, despite Scope 3 accounting for 90% of its total emissions. Investors have called for clearer reporting on Chevron's transition progress, including capital allocation details for decarbonization projects. There is growing dissatisfaction with the board's approach, leading some investors to consider voting against key directors in the upcoming AGM.

Insights & Outlook

Chevron continues to navigate the complexities of the energy transition, balancing its core fossil fuel operations with investments in low-carbon technologies. While the company demonstrates commitment through its net zero aspiration for 2050, investor sentiment suggests that current efforts lack the urgency required to align with global decarbonization goals. The absence of explicit Scope 3 targets and limited integration of emission reduction metrics in executive compensation remain key concerns. Future engagements will likely push for accelerated transition timelines, greater investment in renewables, and enhanced transparency in climate-related disclosures.

Case Study: Nippon Telegraph & Telephone Corp. (NTT)

Human Capital Management Stewardship Programme - Engagement Since: 12 December 2024



Industry: **Telecommunication Services**

Country: **Japan**

NTT is a Tokyo based multinational telecommunications company. It is the third largest publicly listed company in Japan, with a 300,000 strong workforce and consequently in competition for the best talent in the market.

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

Engagement Update

The Programme held a first engagement call with NTT in February 2025. The company expressed willingness to engage. NTT also acknowledged the benefits of being on a call with market participants. The business shared the upcoming expansion of its disclosures, specifically in response to the Sustainability Standards Board of Japan (SSBJ) S1 and S2 requirements.

Focus Area

The focus of the engagement was around demographic changes and diversity, equity and inclusion and how the latter might support the former. Japan is currently facing conspicuous population decline, resulting in a corresponding labour shortage. With the majority of NTT's workforce located in Japan and the necessity for the company to attract the best talent, it is vital that the company's human capital strategy has a direct response to this risk.

Engagement Outcomes

The company has expanded its recruitment pool to include wider demographics. It now targets at minimum of 30% mid-career hires and 30% women graduate hires. In 2024 this was achieved at 40% and 38% respectively. The company has also orientated its human capital pillars to support employee retention. NTT targets a year-on-year improvement in the employee engagement rate. However, in FY24 this indicator saw a 3% decrease. NTT informed us that a number of organizational reviews went into understanding and improving on this result and the business now expects a significant increase in FY25.

Insights & Outlook

During our call it became clear that NTT understands that the business' continued success is partly dependent on being able to position itself as an employer of choice. This is underlined by various related targets and initiatives to achieve objectives. So far, the company has been able to move with demographic challenges and attention should be on, if the company can maintain and evolve these targets. We have scheduled a second engagement call for Q4 2025. The focus will be on NTT's progress against maturing targets and a review of its upcoming SSBJ disclosures.

Case Study: O'Reilly Automotive (O'Reilly)

Scaling Circular Economies Stewardship Programme - Engagement Since: 23 August 2024



Industry: **Retailing**

Company: **United States of America**

O'Reilly is an aftermarket automotive parts retailer in the United States and Mexico with more than USD 16 billion in annual sales. In its reporting, the company cites its contribution to a circular economy through recycling and remanufacturing.

Progress: **Standard** | Response: **Standard** | Latest Milestone: **0**

Engagement Update

O'Reilly was initially unresponsive to our request for dialogue, but agreed to a first engagement call in February 2025. The purpose of the call was to gain a deeper understanding of the company's approach to a circular economy to identify areas for potential improvement. The company's general counsel, an investor relations director and a sustainability director joined the call.

Focus Area

O'Reilly outlines various business and financial risk factors in its ESG and annual reporting and proxy statements. Although the company does not name sustainability factors among its headline risks, the company has committed to carbon emission reduction targets across scopes 1, 2 and 3, each with 2026, 2035 and 2050 milestones. Our first engagement call covered the company's materiality analysis and the connection between its carbon strategy and circularity initiatives, as well as its recycling and remanufacturing activities.

Engagement Outcomes

On the call, O'Reilly advised that its strategy for achieving emissions goals is evolving. Scope 3 category Purchased Goods & Services constitutes the largest source of emissions. The company underlined how this is less in its control, but it encourages its suppliers to be on the path of greenhouse gas reduction. The company is also taking steps to reduce embedded product emissions by offering in-store recycling of operational materials, such as oil, fluids and batteries. Its ESG Report makes a direct equation between the recycling of different categories of material and avoided emissions.

Insights & Outlook

We recommend that O'Reilly elaborates on the link between its circular economy initiatives and its carbon emission reduction strategy in its reporting and considers conducting and publishing a materiality analysis relating to relevant sustainability issues. The company is already offering customers "good/better/best" product options and loans customers quality tools to install parts, helping them to save costs. There may be further opportunities to integrate circular economy considerations in these product recommendations. We will seek to set up a second call later in 2025 after the company publishes its next sustainability report, which will explore in greater depth the company's recycling and remanufacturing activities, as well as the nexus between customer relationships and the promotion of circularity.

Case Study: Deutsche Börse AG (Deutsche Börse)

Sustainability and Good Governance Stewardship Programme - 15 February 2024



Industry: **Diversified Financials**

Country: **Germany**

Deutsche Börse, a German financial exchange, has a significant impact on the European capital market and its sustainability transformation. The company primarily generates revenue through its Eurex and Clearstream segments. Additionally, sustainability is becoming a crucial business area.

Progress: **Standard** | Response: **Excellent** | Latest Milestone: **3**

Engagement Update

Deutsche Börse is open to engagement. We met with the chairman of the Supervisory Board and senior executives. We discussed the recent significant leadership changes, strategic priorities for 2025, the new executive remuneration system, and the role of Deutsche Börse and the capital markets in Europe in the sustainability transformation. We plan to meet with the new chair in December 2025.

Focus Area

The engagement aims to ensure Deutsche Börse's corporate governance and governance of sustainability are best in class to raise the bar for the European finance industry. We encouraged the company to disclose its double materiality analysis results and target-setting process to clarify how its sustainability goals and ESG targets in executive compensation are aligned with its most significant impacts from a double materiality perspective. Additionally, we recommended developing tax disclosures in line with the OECD or GRI 207 standards, including Country-by-Country reporting.

Engagement Outcomes

Deutsche Börse's performance is strong, with corporate governance aligned with best practices. Notably, the Supervisory Board comprises 44% women and will have a new female chair. The company's corporate strategy, Horizon 2026, includes sustainability as a key growth driver. In 2024, Deutsche Börse enhanced its ESG governance by establishing a Group Sustainability Committee reporting to the Executive Board. The company provides robust ESG disclosure and has the best verification of it among the companies in our programme (reasonable assurance).

Insights & Outlook

During our engagement, we learned that Deutsche Börse is working on its post-2026 strategy and it aims to be a one-stop shop for financial services, emphasizing geographical expansion and a competitive edge. Its post-merger integration of SimCorp is underway, as well as a technological partnership with a US company to renew its tech landscape. The company finds human capital one of its most material ESG topics currently it has active people strategy, promotes diversity, equity and inclusion, and systematically measures how attractive the company is as an employer. Future engagement will focus on positive developments in the company's tax reporting and encourage the same concerning its sustainability impacts.

Case Study: Newmont Corp. (Newmont)

Human Rights and Transition Stewardship Programme - Engagement Since: 23 January 2025



Industry: **Precious Metals**

Company: **United States**

Newmont is the world's largest gold miner. It extracts metals and minerals vital for a green energy transition and is exposed to a number of salient human rights risks. It is obligated to respect human rights as per the UN Guiding Principles on Business and Human Rights.

Progress: **Standard** | Response: **Standard** | Latest Milestone: **3**

Engagement Update

Most recent engagements have been conducted via our collaborative engagement through PRI Advance. Dialogues covered human rights due diligence in a recent acquisition, and stakeholder engagement practices. It was one of the corporate presenters at our webinar on operational-level grievance mechanisms in March 2025. Newmont showcased how it uses data gathered from grievance channels to analyze risks and prioritize preventive measures for human rights due diligence.

Focus Area

We will continue the collaborative engagement with the company through PRI Advance. Most likely, we will follow up on past conversations on human rights due diligence. Other priority topics would be on the effectiveness of Newmont's grievance mechanisms and on targets and ambitions of the company's most salient human rights issues.

Engagement Outcomes

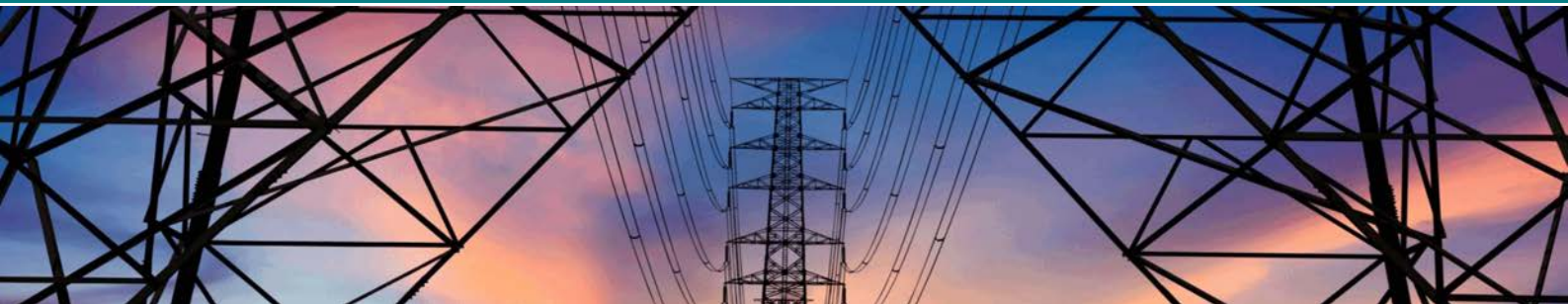
We see that Newmont has seemingly strong human rights due diligence practices in place. One example of that is that Newmont has integrated a root-cause analysis methodology into its site stakeholder management system to better understand the underlying drivers of complaints and grievances and reduce or eliminate repeat issues. This can help decrease community opposition and controversies. Moreover, under the company's Stakeholder Relationship Management Standard, the effectiveness of each site's stakeholder engagement efforts must be assessed annually, with stakeholder perception studies required at least every three years.

Insights & Outlook

While a human rights strategy is in place, controversies remain, indicating gaps in human rights management and strategy implementation. Newmont is not alone in this. Many mining companies of similar size are also facing community opposition and controversies. This suggests that deeper understanding of community needs and concerns are needed to build both resilient operations and communities. On that note, we will deepen our understanding of the results of such efforts in engagement dialogues with this company and others along renewable energy value chains.

Case Study: Teleperformance SE

Global Standards/Incident Engagements | Engagement Since: 25 November 2021



Industry: **Commercial Services**

Country: **France**

Incident Location: **France**

Global Standards Screening Status:
Watchlist

Teleperformance SA is a French multinational business process outsourcing company, operating in over 80 countries worldwide. The company has been accused of anti-union practices and of infringing on employees' freedom of association in several of its global offices.

Progress: **Good** | Response: **Good** | Latest Milestone: **4**

Engagement Update

Teleperformance (TP) has been active in dialogue with us since the engagement launched in late-2021. During the term of the engagement, TP has agreed to a framework agreement with UNI Global Unions (UNI) to strengthen workers' rights, particularly freedom of association. Our most recent call discussed the continued integration of that agreement into the company's operations. Notably, TP has introduced a social auditor role to provide in-depth checking of its performance on worker rights, L&D, discrimination, freedom of association, and health and safety.

Focus Area

TP and UNI Global Union's framework agreement held a three-year term, which will terminate in December 2025. The company has not made a comment either way on whether it will renew the agreement, but continuation of the formal relationship with UNI is seen as a valuable action. Continued monitoring of TP's response to labour actions and its grievance process remains an engagement interest. Disclosures, such as outcomes from the internal "social audits" could enhance the company's narrative.

Engagement Outcomes

TP's agreement with UNI is a landmark. It has been implemented in at least 10 countries. TP has also updated its human rights policy. TP has enriched its employee engagement tools to better track concerns in the employee experience. It introduced a "social auditor" role that reinforces its respect for labour rights and healthy working conditions.

Insights & Outlook

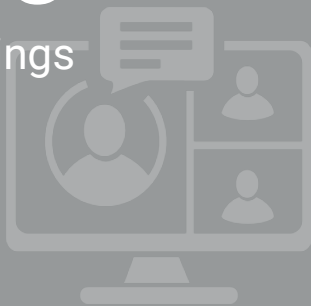
TP has displayed a commitment to evaluating and improving its management of human capital and labour relations. It has also shown a willingness to take on commentary from external stakeholders, particularly investors, and adjust. This was seen with its approach to UNI as well as in a reversal of a decision to stop content moderation services, which entails a somewhat higher risk for employee wellbeing. To reinforce this progress, TP should continue to develop its management practices to identify and mitigate worker issues and find ways to make its response to issues and grievances transparent. The company should also maintain its agreement with UNI past the conclusion of the initial term.

Engagement Results



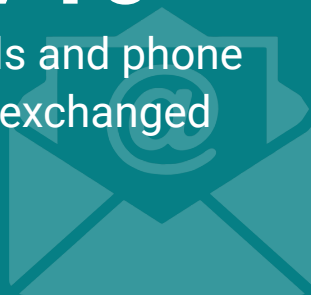
173

meetings



2,710

emails and phone
calls exchanged



11

engagements
resolved



101

Positive
Developments

156

Milestones Achieved



38%

of engagements with
Excellent or Good
Response

24%

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.		3% (19)	Excellent
			21% (146)	Good
Good	The company has taken sufficient measures to address the issues related to the change objective.			
			63% (436)	Standard
Standard	The company has undertaken a number of measures to address the issues related to the change objective.			
			9% (63)	Poor
Poor	The company has indicated willingness to addressing the issues related to the change objective, but no measures have been taken yet.		4% (29)	None
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.		8% (55)	Excellent
			30% (209)	Good
Good	The company addresses all the issues related to the change objective.			
			35% (240)	Standard
Standard	The company provides responses to some of the issues related to the change objective.			
			18% (127)	Poor
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.		9% (62)	None
None	The company has not responded to the inquiries.			

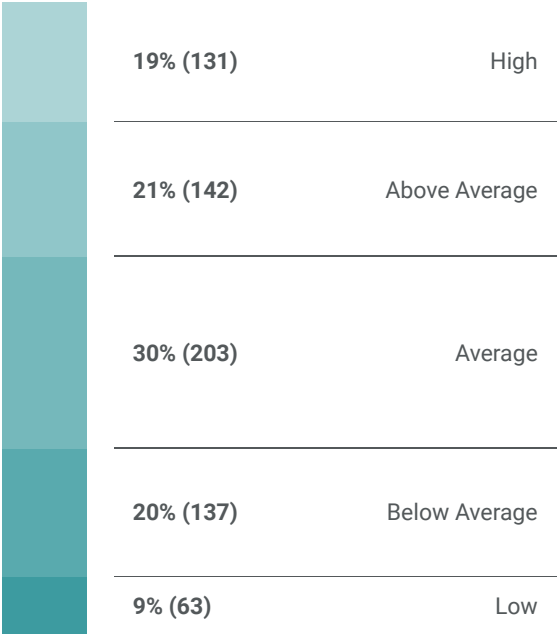
Engagement Performance

Performance describes the combined company Progress and Response.

Engagement Performance Assessment Update

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				
		EXCELLENT	GOOD	STANDARD	POOR	NONE
PROGRESS	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.

155 Milestones
achieved in Q1 2025

Milestones Framework

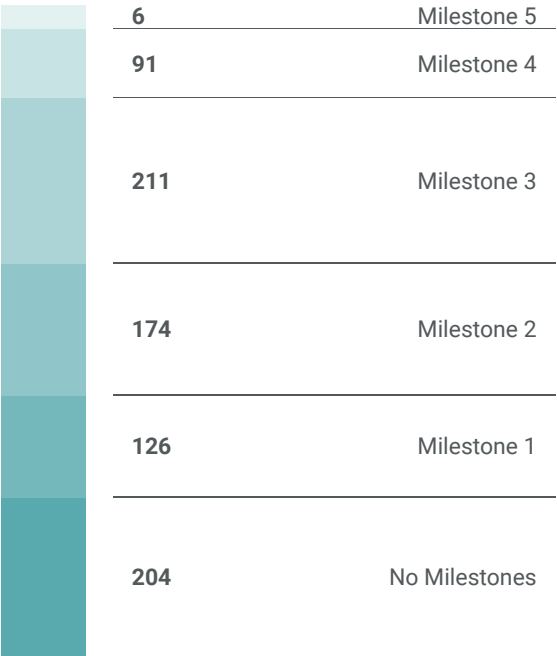
Resolved	Case successfully closed.
Milestone 5	Change objective is considered fulfilled.
Milestone 4	Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing.
Milestone 3	Strategy is well formed and has moved into early stages of implementation.
Milestone 2	Issuer 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	QUARTER
Acerinox SA	Spain	Steel	Focus on Carbon and Community Relations	Q1
Allied Universal Manager LLC	United States of America	Commercial Services	Forced Labour	Q1
ANA HOLDINGS INC.	Japan	Transportation	Focus on Human Capital	Q1
Bezeq The Israeli Telecommunication Corp. Ltd.	Israel	Telecommunication Services	Bribery and Corruption	Q1
BioArctic AB	Sweden	Pharmaceuticals	Focus on Product Governance and Access to Basic Services	Q1
Equatorial SA	Brazil	Utilities	Focus on Product Governance	Q1
Natura &Co Holding SA	Brazil	Household Products	Focus on Product Governance	Q1
NEL ASA	Norway	Machinery	Focus on Carbon and Product Governance	Q1
Northam Platinum Holdings Ltd.	South Africa	Precious Metals	Focus on Community Relations	Q1
Pilbara Minerals Ltd.	Australia	Diversified Metals	Focus on Carbon Products and Services	Q1

Allied Universal Manager LLC

Engagement Since: 23 February 2023



INDUSTRY:
Commercial Services

COUNTRY:
United States of America

ISSUE:
Forced Labour

In the past, G4S, a subsidiary of Allied Universal since 2021, was linked to labour rights violations in Qatar and the United Arab Emirates.

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
Qatar

CHANGE OBJECTIVE

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

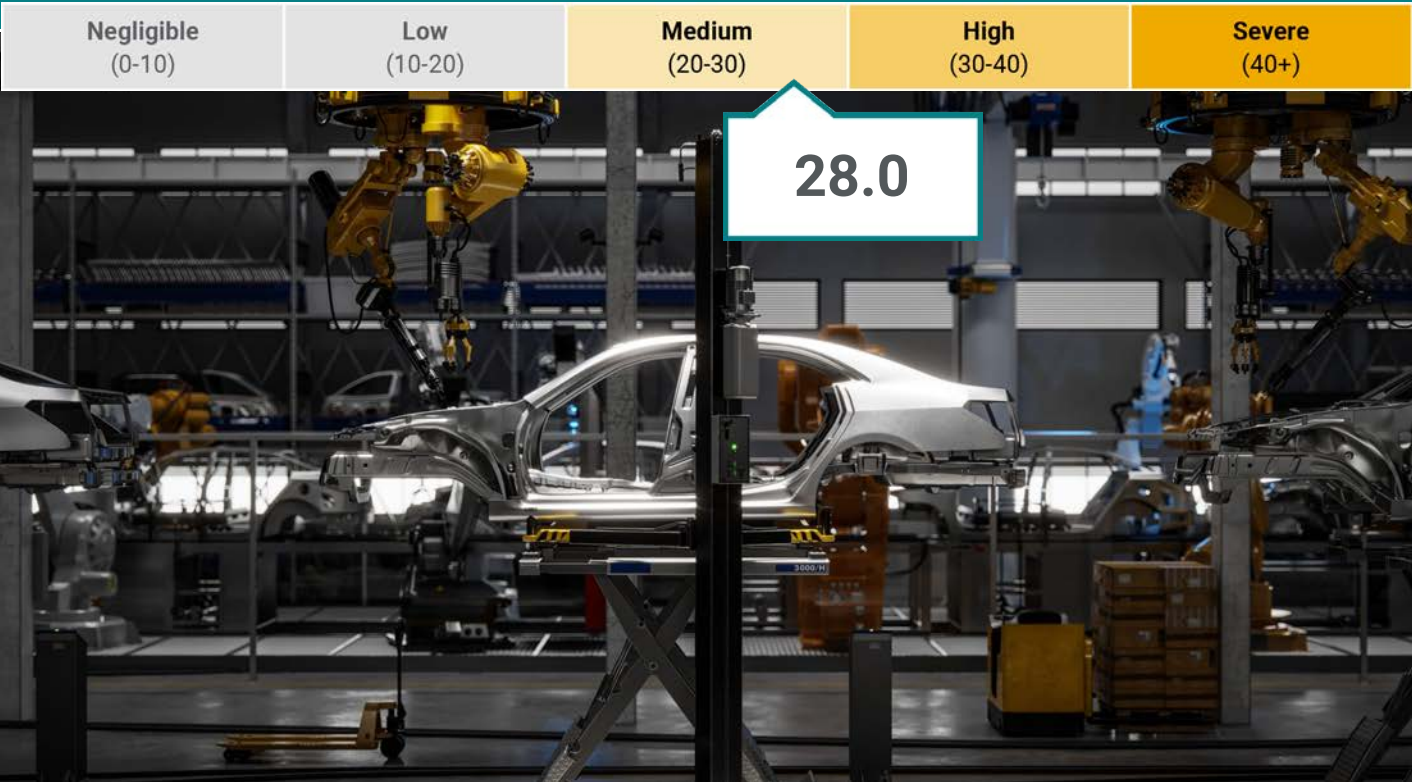
Engagement Outcomes

- Allied Universal has demonstrated adequate governance, policies, and practices to establish risk preparedness concerning forced labour in its controlled operations.
- The company has taken meaningful steps to eliminate recruitment fees and manage its exposure to recruitment agencies.
- It has introduced monitoring practices, including its Migrant Worker Coordination team, that support its policy commitments.

Conclusion: Allied Universal's efforts to eliminate forced labour, manage grievances, and improve transparency in compliance reporting have led Morningstar Sustainability to resolve the case.

Toyota Motor Corp.

ESG Risk Ratings Score



INDUSTRY:
Automobiles

COUNTRY:
Japan

ENGAGEMENT FOCUS:
Corporate Governance

RATIONALE FOR RESOLVED STATUS:
Toyota Motor Corp. has improved its ESG Risk Rating score to 28.

Positive Development Highlights:

- Toyota Motors Corp. 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 Motors Corp. has incorporated ESG (sustainability) metrics into the Board’s remuneration.

In the latest update of the ESG Risk Rating, Toyota Motor Corp.’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.						
Amazon.com, Inc.	United States of America	Net Zero Transition	Themes	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
Athabasca Oil Corp.	Canada	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
Baytex Energy Corp.	Canada	Focus on Carbon Products and Services	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
Cenovus Energy, Inc.	Canada	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
Daiichi Sankyo Co., Ltd.	Japan	Sustainability and Good Governance	Themes	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
DraftKings, Inc.	United States of America	Focus on Business Ethics	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
Gruma SAB de CV	Mexico	Biodiversity and Natural Capital	Themes	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
HF Sinclair Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
ORION Corp.	South Korea	Focus on Product Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
One piece equals three months.						
QL Resources Bhd.	Malaysia	Focus on Product Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
Wanhua Chemical Group Co., Ltd.	China	Focus on ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
Yunnan Baiyao Group Co., Ltd.	China	Focus on Product Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
Zhangzhou Pientzhuang Pharmaceutical Co., Ltd.	China	Focus on Risk Assessment and Corporate Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3
China State Construction Engineering Corp. Ltd.	China	Focus on Risk Assessment	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
DTE Energy Co.	United States of America	Focus on Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
Emeis SA	France	Quality and Safety - Human Rights	Incidents	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
EOG Resources, Inc.	United States of America	Focus on Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
General Dynamics Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
Kintetsu Group Holdings Co., Ltd.	Japan	New Case - Focus to be Determined	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
Marathon Oil Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
One piece equals three months.						
MasTec, Inc.	United States of America	Focus on Carbon and Community Relations	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
Saudi Industrial Investment Group	Saudi Arabia	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
Saudi Kayan Petrochemical Co.	Saudi Arabia	Focus on Emissions, Effluents and Waste and Community Relations	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
Whitecap Resources, Inc.	Canada	Focus on Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6
Bausch Health Cos., Inc.	Canada	Focus on Product Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 6-9
James Hardie Industries Plc	Ireland	Net Zero Transition	Themes	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 6-9
Power Construction Corporation of China, Ltd.	China	Controversial Project(s) - Environmental and Human Rights Impacts	Incidents	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 6-9
PT Indah Kiat Pulp & Paper Tbk	Indonesia	Land Use and Biodiversity	Incidents	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 6-9
Targa Resources Corp.	United States of America	Focus on Emissions, Effluents and Waste and Community Relations	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 6-9
Tata Steel Ltd.	India	Net Zero Transition	Themes	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 6-9

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
One piece equals three months.						
China National Building Material Co., Ltd.	China	Net Zero Transition	Themes	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12
China Railway Construction Corp. Ltd.	China	Controversial Project(s) - Human Rights and Environmental Impacts	Incidents	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12
Suncor Energy, Inc.	Canada	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12
Tosoh Corp.	Japan	Net Zero Transition	Themes	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12
China Petroleum & Chemical Corp.	China	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15
FedEx Corp.	United States of America	Net Zero Transition	Themes	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15
Hoshine Silicon Industry Co., Ltd.	China	Forced Labour	Incidents	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15
Xinjiang Xinxin Mining Industry Co., Ltd.	China	Forced Labour	Incidents	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15
SDIC Power Holdings Co., Ltd.	China	Controversial Project(s) - Environmental and Human Rights Impacts	Incidents	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 15-18
PTT Oil & Retail Business Public Co., Ltd.	Thailand	Involvement with Entities Violating Human Rights	Incidents	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 18-21

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
One piece equals three months.						
Tongling Nonferrous Metals Group Co., Ltd.	China	Controversial Project(s) - Human Rights and Environmental Impacts	Incidents	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 18-21
Exxon Mobil Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 21-24
GS Holdings Corp.	South Korea	Focus on Carbon Own Operations	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 21-24
Bank of China Ltd.	China	Focus on ESG Integration Financials	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Bank of Shanghai Co., Ltd.	China	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Coal India Ltd.	India	Focus on Occupational Health and Safety and Emissions, Effluents and Waste	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Eregli Demir ve Çelik Fabrikalari TAS	Turkey	Focus on Carbon Own Operations	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Foshan Haitian Flavouring & Food Co., Ltd.	China	Focus on ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Grupo Carso SAB de CV	Mexico	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Grupo Financiero Inbursa SAB de CV	Mexico	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
One piece equals three months.						
Guangdong Haid Group Co., Ltd.	China	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
HDC Hyundai Development Co.	South Korea	Quality and Safety	Incidents	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
HEICO Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Hindustan Petroleum Corp. Ltd.	India	Focus on Carbon and Community Relations	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Industrial & Commercial Bank of China Ltd.	China	Focus on ESG Integration Financials	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
KOSÉ Corp.	Japan	Focus on Corporate Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Masimo Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
National Industrialization Co.	Saudi Arabia	Focus on Emissions, Effluents and Waste and Land Use and Biodiversity	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	China	Focus on Product Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24
Shanghai Pudong Development Bank Co., Ltd.	China	Focus on ESG Integration Financials	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div></div> None	<div><div></div><div></div><div></div><div></div><div></div></div> Poor	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24

COMPANY	COUNTRY	ISSUE	FOCUS AREA	PROGRESS	RESPONSE	TIME TRACKER
One piece equals three months.						
Starbucks Corp.	United States of America	Biodiversity and Natural Capital	Themes	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>Poor</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>Poor</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>Above 24</div>
Toyo Suisan Kaisha, Ltd.	Japan	Focus on Corporate Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>None</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>Poor</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>Above 24</div>
Zensho Holdings Co., Ltd.	Japan	Focus on Product Governance	Strategy & Risk	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>None</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>Poor</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>Above 24</div>

Morningstar Sustainability does not provide investment advice; the decision of investment or exclusion lies solely with investors. Morningstar Sustainability provides insights, information, and services, and it remains the client's sole responsibility and decision to manage their portfolio. Morningstar Sustainability's 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 March 2025.

Universe Change Impact

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES	QUARTER
Bunge Ltd	United States of America	Food Industry	Land Use and Biodiversity	Entity remapped to Bunge Global SA.	Q1
Chesapeake Energy Corp.	United States of America	Oil & Gas Producers	Focus on Carbon and Emissions, Effluents and Waste	Entity no longer available in Morningstar Sustainalytics' universe.	Q1
DSM BV	Switzerland	Pharmaceuticals	Biodiversity and Natural Capital	Entity remapped to DSM-Firmenich AG	Q1
Medtronic, Inc.	United States of America	Healthcare	Quality and Safety - Human Rights	Entity remapped to Medtronic Plc.	Q1
National Development Complex	Pakistan	Aerospace & Defense	Cluster Weapons	Entity no longer available in Morningstar Sustainalytics' universe	Q1
ONGC Videsh	India	Oil & Gas Producers	Involvement with Entities Violating Human Rights	Entity no longer available in Morningstar Sustainalytics' universe.	Q1
Southwestern Energy Co.	United States of America	Oil & Gas Producers	New Case - Focus to be Determined	Entity no longer available in Morningstar Sustainalytics' universe.	Q1
Wirecard AG	Germany	Software & Services	Fraud	Entity no longer available in Morningstar Sustainalytics' universe.	Q1

Focus Area Overview

Incidents - Quarterly Highlights

In Q1 2025, we made several status changes to our incident-driven engagements as part of the Global Standards Screening quarterly cycle. We concluded the quarter with 122 active engagements reflecting changes throughout the quarter which include:

- Three new engagements initiated from Watchlist downgrades.
- Two engagements resolved by meeting change objectives.
- One case moved to disengaged due to more than two years without progress or response.
- Two engagements closed due to absence of new incidents.

Throughout the quarter, we exchanged 319 emails and phone calls, conducted 23 meetings, including 2 in-person meetings, achieving 18 milestones.

At the end of March, we organized a webinar to discuss operational-level grievance mechanisms. Three companies from different industries shared their experiences, insights and learnings.

Culture as a Key Driver in Our Engagements

Companies and investors are contending with a high level of lawmaking activity from the new presidential administration in the US, which has left some uncertainty of their next steps. Additionally, recent SEC guidance on shareholder engagement has prompted investors to consider carefully how to proceed with conversations with companies.

Despite these challenges, we continue our engagement efforts with a focus on constructive dialogue and long-term value creation. Our engagements aim to support companies in building their resilience through developing and delivering sustainable practices.

In the article "Why Culture is a Key Driver for Building a Resilient Company" we emphasize the critical role of corporate culture in building resilience and ensuring long-term success. We identify indicators of weak culture and propose strategies for improvement. Additionally, we provide a real-world example of a car manufacturer accused of fraud, highlighting issues such as poor communication, lack of a 'speak up' culture, and target-driven pressures leading to unethical behavior. The article details how the company has evolved over the last few years of our engagement.

Looking Ahead

In Q2, we anticipate several meetings with companies that will result in milestone achievements as well as the successful resolution of a number of cases.

Additionally, we will continue to focus on our ongoing engagements related to the opioid crisis in the US. We have also initiated engagements with two new companies offering pharmacy services, which have been facing allegations of contributing to the opioid crisis by filling unlawful prescriptions.

Strategy & Risk - Quarterly Highlights

The companies we engage with have shown rapid improvement, allowing us to resolve nine engagements in the first quarter of 2025. This occurs when companies achieve an ESG Risk Rating below 28, moving into the Medium ESG Risk Rating category and reducing overall unmanaged ESG risk. Additionally, several companies were removed from our target list and archived due to universe updates during the quarter.

During Q1, the team has:

- Conducted 38 meetings.
- Exchanged 408 emails/phone calls.
- Tracked 78 Positive Developments.
- Recorded 40 Milestones achieved.

Industrial-Scale Decarbonization in the EU

The EU is at a crucial point in its energy transition to meet global climate commitments, and the urgency has never been greater. Climate action today is not just about reducing carbon emissions; it is also about securing the EU's energy independence and resilience. The article "Industrial-Scale Decarbonization in the EU" highlights the structural barriers EU companies face in decarbonizing and the bold, coordinated action needed from policymakers, industry, and investors to achieve a sustainable and resilient energy system. Despite economic and commercial headwinds, leading companies we met in 2024 are still committed to net-zero goals by serving green premium markets, advancing low-carbon technologies, and engaging with policymakers and value chain partners.

Looking Ahead

In Q2, we anticipate several meetings with companies that will result in milestone achievements as well as the successful resolution of a number of cases.

Additionally, we will continue to focus on our ongoing engagements related to the opioid crisis in the US. We have also initiated engagements with two new companies offering pharmacy services, which have been facing allegations of contributing to the opioid crisis by filling unlawful prescriptions.

Biodiversity and Natural Capital - Quarterly Highlights

The Biodiversity and Natural Capital Stewardship Programme continues to engage with selected companies across the agricultural value chain through research, gap analysis and in-depth dialogue. From January to March 2025, we held 17 engagement meetings.

Our gap analysis indicates that companies are struggling to conduct comprehensive assessments of their biodiversity impacts and dependencies. As a result, this has been a key area of focus in our engagements. We have undertaken training from the Science Based Targets Network and PRI Spring and collaborated with initiatives such as the World Benchmarking Alliance and FAIRR to deepen our understanding of relevant approaches and industry expectations, which inform our engagements on this topic.

We are also monitoring broader developments that may impact engagement and escalation strategies related to biodiversity. According to Morningstar Sustainalytics' ESG Voting Policy Overlay data, shareholder proposals addressing biodiversity and nature-related topics rose from 12 in 2023 to 33 in 2024.¹ These proposals demonstrated a powerful mechanism for amplifying investor expectations and driving change. However, recent guidance and remarks from the U.S. Securities and Exchange Commission (SEC) may introduce new barriers to shareholder engagement, raising questions about how these trends will evolve.²

Additionally, the article "Advancing Biodiversity – Key Focus Areas in 2025" explores emerging trends and outlines opportunities for companies and financial institutions.

Universe Changes

During this quarter, **DSM BV** case and all related information has now been transferred to **DSM-Firmenich AG**.

Looking Ahead

At the recently reconvened COP16 negotiations in Rome, notable progress was made on biodiversity finance, including agreement on a strategy to mobilize at least USD 200 billion per year by 2030 to help close the biodiversity finance gap and support implementation of the Global Biodiversity Framework.³ The coming months will also be critical for ocean governance, with growing momentum to ratify the High Seas Treaty ahead of the UN Ocean Conference in June, ongoing negotiations to reduce harmful fisheries subsidies, and continued work to reach an agreement on the Global Plastics Treaty. Against this backdrop, our engagement team plans to attend the Blue Economy and Finance Forum in Q2, which will bring together investors, policymakers, and industry leaders to drive sustainable investment in the ocean economy.

Net Zero Transition - Quarterly Highlights

From January to March 2025, our team conducted X engagement calls, reflecting a highly active start to the year. This report provides comprehensive data and statistics from Q1 2025, highlighting key engagements and milestones.

We had a promising initial call with **Shell Plc** to discuss their progress towards net zero emissions. Following this, we plan to arrange an engagement call with them in May 2025. Additionally, after an 18-month pause, **CMS Energy** has agreed to resume dialogue. We held an introductory call with the company at the end of March. Similarly, we conducted an introductory call with **Valero Energy Corp.** towards the end of Q1, following several attempts to establish dialogue throughout 2024. While CMS Energy has expressed openness to engaging with Sustainalytics on its net zero transition, Valero Energy remains reserved, indicating that more effort will be required to engage them in this dialogue.

In this report we look at our engagement with **Chevron Corp.** The company has reached Milestone 2 in our engagement process, demonstrating progress in its net zero transition strategy. We outline how Chevron progressed in this engagement, detailing key discussion points, investor concerns, and the next steps needed to advance the engagement.

Additionally, the article “Navigating Roadblocks: Ongoing Challenges to Achieving Net Zero” explores the various obstacles that companies and governments face in their efforts to reduce carbon emissions, focusing on the latest developments and their potential impacts

Looking Ahead

The focus of the second quarter will be on strengthening company dialogues. We expect a dynamic Q2 in terms of the number of engagement calls. In May we will hold a webinar about GHG emissions reduction target setting in the US Utility Sector.

Sustainability Insights

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.**⁴

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 assessments 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.

Advancing Biodiversity – Key Focus Areas in 2025

Practitioners are increasingly recognizing the complexity of nature and the importance of prioritizing actions based on key impacts and dependencies. In our engagements we are seeing a shift from risk management and mitigation to exploring opportunities for action. For instance, approaches such as regenerative agriculture and circular economy are gaining traction as effective ways to address biodiversity loss. At the same time, a growing number of investors are exploring nature-financing opportunities to accelerate the transition to a nature-positive future. In this article, we highlight some key topics that have garnered significant attention in recent years and how we address them in our engagement activities.

Opportunities for Action

Zero Deforestation and Land Conversion:

Land-use and climate change remain among the greatest threats to biodiversity. Research predicts these pressures contribute to around 37.9% of species loss in vertebrate communities.⁵ Addressing deforestation is vital, as forests are home to more than 80% of terrestrial biodiversity and are the second-largest storehouse of carbon. This remains a core focus of our stewardship programme, through engagements with issuers, such as **Minerva SA**, where our focus is on addressing nature-related risk assessment to better understand its impact and dependency hotspots.

Targets such as eliminating deforestation and conversion by 2025 recommended by the Accountability Framework initiative and the Science-Based Target initiative (SBTi) are ambitious but necessary. Without halting deforestation by 2025 the 1.5-degree pathway cannot be met.⁶ Although many companies are still far from reaching these goals, various investor initiatives are collaboratively tackling these challenges, including the Principles for Responsible Investment (PRI) Spring, in which the stewardship programme participates, to halt deforestation through responsible political engagement in high-risks geographies.

Ocean Governance:

Overexploitation is the second-largest driver of biodiversity loss after land-use change.⁷ While oceans cover over 70% of the Earth's surface, nearly 90% of global fish stocks are fully exploited or overfished, and sound regulations for sustainable ocean use remain scarce.⁸ We are addressing this driver of biodiversity loss in our dialogue with **Nissui Corp.**, one of the largest seafood companies. A key focus of our engagement is encouraging the company to enhance traceability of its marine resources to mitigate the risk of overexploiting fish stocks.

The upcoming UN Ocean Conference (UNOC3) in Nice, France in June 2025, will play a foundational role in ocean governance through the anticipated Nice Ocean Agreement, which aims to guide government actions with science-based solutions.⁹ Additionally, the Science-Based Targets Network (SBTN) has now released guidance for science-based targets for seafood value chains, helping companies reduce negative impacts on marine ecosystems and enhance their resilience. These developments will impact on our engagement providing new frameworks for issuers to look to as they may set relevant strategies. By participating in the SBTN Corporate Engagement Programme and the SBTN Working Group, Morningstar Sustainalytics seeks to further inform the Biodiversity and Natural Capital Stewardship Programme and encourage corporations in advancing nature target setting.

Advancing Regenerative Agriculture:

Regenerative agriculture addresses a variety of challenges, including emissions reduction, soil degradation, resource use efficiency and biodiversity loss. However, accelerated adoption is needed to cover 40% of global cropland by 2030 to align with the 1.5-degree pathway.¹⁰

To ensure its commercial viability, actions include establishing common metrics for environmental outcomes, offering incentives linked to these outcomes, supporting farmers with transition costs, fostering supportive regulatory environments, and developing sourcing mechanisms to share transition costs across value chains.¹¹ Companies across the agricultural value chain are actively discussing roles and responsibilities to advance regenerative agriculture. For example, our engagement targets **PepsiCo, Inc.** and **Archer-Daniels-Midland Co. (ADM)** are collaborating closely to significantly expand regenerative agriculture across their shared supply chains, aiming to reach up to 2 million acres by 2030.¹² This momentum will undoubtedly continue across agricultural sector in 2025.

Accelerating Financing for Biodiversity:

The financial sector plays a critical role in achieving the Global Biodiversity Framework (GBF), particularly Target 19, which calls for mobilizing USD 200 billion annually for biodiversity by 2030. At COP16 in October 2024, nature finance was a prominent topic, with the establishment of the Cali Fund underscoring the importance of financial flows to conserve biodiversity and encourage its sustainable use. The resumed COP16 in late February 2025 also concluded with a new finance roadmap, urging countries to fulfill the GBF Target 19 by mobilizing USD 200 billion per year from all sources.

Leading financial institutions are also exploring biodiversity-related financing opportunities. For instance, **JPMorgan Chase & Co.** is investigating innovative investment solutions, **Bank of America Corp.** is increasing private finance for nature-positive investments, and Goldman Sachs, alongside other banks, aims to unlock USD 100 billion in climate and nature finance.¹³ Navigating biodiversity solutions, sustainable investment schemes, and evolving regulations will remain critical for responsible investors in 2025.

Looking Ahead

2025 is a pivotal year for corporate sustainability practitioners. Besides the Corporate Sustainability Reporting Directive (CSRD) requirements, over 500 organizations have signed on as TNFD adopters, committing to publicly disclose nature-related information aligned with TNFD recommendations for fiscal years 2024 or 2025. These developments will drive continuous improvement in corporate nature-related disclosures and actions.

The Biodiversity and Natural Capital Stewardship Programme remains committed to supporting companies through this evolving landscape and these topics mentioned above will be addressed in our one-on-one engagement dialogues across our engagement portfolio to ensure companies' approaches are aligned with the latest science and best practices.

Navigating the Roadblocks: The Ongoing Challenges to Achieving Net Zero

The new US administration has introduced a new perspective on how the United States' political leadership views climate change. First, the new president issued an Executive Order on the Paris Agreement withdrawal hours after taking office.¹⁴ Second, the new administration pledged to expand domestic fossil fuel production. Under the “drill, baby, drill” motto, the new administration views oil and gas as central to America’s global strength, therefore championing the construction of pipelines like Keystone XL and Dakota Access.¹⁵ Third, the new administration promised to roll back environmental regulation in more extreme terms than previous.¹⁶ Lastly, the new administration showed a strong stance against climate science.¹⁷ This was evident in the administration’s move to appoint climate change skeptics to key positions and attempt to censor reports on climate change.¹⁸ For example, in February 2025, it requested all United States government scientists working on a vital global climate report to stop their work immediately.¹⁹

Certain companies have postponed, scaled down, or faced difficulties implementing plans to achieve their net zero targets. **Equinor ASA** has decided to reduce its investments in renewable energy and low-carbon solutions by 50% for the next few years.²⁰ According to the company, this decision aims to boost returns for shareholders and adapt to the uneven pace of the energy transition.²¹ The company stated that inflation, interest rates, supply chain issues, and regulatory uncertainty influenced this move. Since Equinor ASA is an engaged company, this move directly endangers the fulfillment of the change objective of witnessing proof of accelerating the adoption of key mitigation technologies for decarbonization.

French energy company **Engie SA** has postponed its green hydrogen projects by five years, moving its target from 2030 to 2035. This delay is due to slower-than-expected progress in the industry and challenges in setting up the right conditions for investment. The company had initially aimed to build about 4GW of green hydrogen projects by 2030, but the market for renewable hydrogen and its derivatives is emerging more slowly than anticipated. Engie SA's decision could potentially influence their efforts to establish a comprehensive plan for investments in low-carbon infrastructure over the next five years.²²

Toyota Motor Corp. has encountered delays in achieving certain objectives. For example, the company has delayed its plans to start electric vehicle production in North America from 2025 to early 2026 due to slower sales and design changes.^{23,24}

However, despite the difficulties, some companies are still pursuing their net zero pathways. **Yara International ASA** has opened Europe’s largest green hydrogen facility at Herøya Industrial Park in Norway. This facility produces hydrogen through water electrolysis using renewable energy, replacing natural gas as feedstock.²⁵

In 2024, **Iberdrola SA** made significant strides by investing a record EUR 17 billion, which boosted its net profit to EUR 5.6 billion. The company also announced an ambitious EUR 41 billion investment plan for 2024-2026, focusing on electrification, renewable technologies, and grid improvements.²⁶

A.P. Møller-Mærsk A/S has been actively adding new ships to its fleet, including several dual fuel methanol vessels, as part of its commitment to achieving net zero emissions by 2040. In 2024, the company added seven green fleet ships and plans to add 17 green fleet ships between 2025 and 2027.²⁷

Following the United States’ retreat from its climate commitments, China and the European Union have promised to remain committed to the global fight against climate change. China reiterated its goal to achieve carbon neutrality by 2060 and continues to support international climate initiatives.²⁸ Meanwhile, the European Union maintains its commitment to climate neutrality by 2050, as outlined in the European Green Deal.²⁹

Climate Action 100+, a global investor initiative, has transitioned to Phase 2 as of June 2023. This new phase, which will run until 2030, signifies a shift from focusing primarily on corporate climate-related disclosures to implementing comprehensive climate transition plans. Phase 2 aims to inspire a global scale-up in active ownership, enhance investor participation, and improve engagement strategies to drive substantial and measurable climate action.³⁰

The global climate for net zero sends mixed signals. Carbon dioxide emissions from fossil fuels hit a new historic peak in 2024.³¹ The United Kingdom shut down its last coal power station in September 2024, while in the European Union, the proportion of electricity generated from coal, oil, and gas reached a record low in early 2024.³² Renewable energy sources like wind and solar are expanding rapidly, with prices dropping significantly over the past decade. For many countries, renewable energy is now the most cost-effective option for power generation.³³ China is projected to contribute over half of the global increase in renewable capacity by 2030. The number of electric vehicles is rising swiftly, particularly in China. However, adoption rates vary widely between countries.³⁴ Deforestation in Brazil's Amazon decreased significantly in 2023, but the world is still far from meeting the 2030 target to halt deforestation.³⁵

Factors such as technological limitations, high costs, and slow policy implementation challenge achieving net zero emissions. Despite these hurdles, net zero remains crucial for mitigating climate change and ensuring a sustainable future. While companies face significant obstacles, their increasing investment in innovative technologies and sustainable practices offers hope for overcoming these challenges and reducing their emission in cost-efficient and scalable manners.

From Challenges to Change – Identifying Gaps to Progress Corporate Respect for Human Rights

With the launch of the new Human Rights and Transition Stewardship Programme, we have a strong opportunity to learn from prior engagement experience on Morningstar Sustainalytics Human Rights Accelerator Thematic Engagement. We have an opportunity to learn from both improvements made and identified gaps, in corporate implementation of the United Nations Global Principles (UNGPs). Going forward, we will focus on closing such gaps in our new engagement endeavor. Since gaps identified are not sector specific, they apply well beyond the mining sector. Below, we discuss both improvements and gaps from the Human Rights Accelerator and conclude by explaining how we will seek to progress from there, modeled in our Human Rights and Transition Theory of Change.

The Good News First

Learning from prior engagement we identified that significant improvements have been achieved by engaged companies in three key areas: governance structure, executive compensation, and grievance mechanisms. Firstly, clear reporting lines for human rights issues have been established. Several companies have implemented specific structures within the board or at the executive management level to report matters related to human rights risks. Secondly, there has been notable progress in disclosing the link between executive compensation and the company's performance in respecting human rights. Lastly, companies have enhanced the accessibility of grievance channels and improved the transparency of their mechanisms. These developments demonstrate adherence to commitments under the UNGPs and continuous efforts towards alignment with these principles.

Salient Risks Are Left Unmanaged

While most companies have established human rights policies in line with international standards, few disclose specific policies related to their salient risks. Looking at the renewable energy supply chain, such human rights risks may include, but not be limited to, forced labour, child labour, infringements of community rights (including Indigenous peoples' rights), exploitation, security and human rights risks, human rights and conflict related risks, unsafe working conditions, hazardous waste and the risks to the right to health. This policy gap also becomes evident in the human rights due diligence processes, where the same salient risks are not analyzed for mitigative practices. Generally, companies have a lot to improve with regards to proactively managing their most salient human rights risks and disclosing KPIs or goals to demonstrate how they intend to progress further. Another aspect of this is that the full downstream value chain is often not included in corporate human rights risk assessments, although it may often be the case that the first tier of raw material extraction is where the most salient human rights risks are found.

Trust-Based Stakeholder Engagement Is Missing

During consultations with local stakeholders, a notable practice-outcome gap was identified. An illustrative example from the mining sector can shed insights into this gap. Mining companies have comprehensive policies and procedures aimed at engaging with local communities and showing respect for their rights. However, they still face significant criticism from rights holders. Communities and other stakeholders often report that the companies' promises are not fully implemented. This highlights that the measures taken to implement policies are ineffective and reveals a significant lack of trust-based communication with stakeholders, and perhaps also a lack of understanding and inclusion of community needs and expectations.

Grievance Mechanisms Risk Missing the Mark

Related to the above, and despite improvements in the implementation of grievance mechanisms over the past years, most companies still struggle to gain the trust of intended users and to provide fair and easy access to remedies. The UNGPs provides clear guidelines on criteria for effective grievance mechanisms, which should be legitimate, accessible, predictable, equitable, transparent, rights-compatible and a process of continuous learning. For most companies, there are still lots of improvements needed to meet the criteria and thereby improve the level of trust from the intended users of grievance mechanisms. Without trust, grievance mechanisms risk missing the mark by not being used as a way to address serious concerns and prevent recurrence.

Vague Commitments and Practices on the Respect of Indigenous Peoples

Finally, a recurring challenge is corporate respect of Indigenous peoples' rights to Free, Prior and Informed Consent (when affected by corporate operations). Policy commitments from companies are generally vague on this matter. In practice, this results in an uncertainty on the level of efforts by companies to come to an agreement with relevant Indigenous peoples', and uncertainty on what would happen to planned operations, if such an agreement is not in place.

The above gaps will be included in our engagements with individual companies, building on each company's existing commitments and practices, and by sharing best practice materials. Moreover, we will continue to arrange peer-learning sessions, such as the webinar on grievance mechanisms we held end of March. We will seek to track corporate progress specifically on the identified gaps and continuously adapt our engagement efforts to improve them.

The focus on engagement to closing the above-mentioned gaps, and our means to do so (including collaboration with investor coalitions) are modeled below in our Human Rights and Transition Theory of Change.

Figure 1. Human Rights and Transition Stewardship Programme Theory of Change



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Engage List

Company Name	Issue	Focus Area	Progress	Response	Milestone	Engage Since
Acadia Healthcare Co., Inc. (United States of America, 2024)	Incidents		Standard	Poor	1	2024
Activision Blizzard, Inc. (United States of America, 2021)	Incidents		Standard	Standard	3	2021
Adani Enterprises Ltd. (India, 2015)	Incidents		Standard	Poor	4	2015
Adani Ports & Special Economic Zone Ltd. (India, 2020)	Incidents		Standard	Standard	3	2020
Amazon.com, Inc. (United States of America, 2024)	Incidents		Standard	Poor	3	2024
Amazon.com, Inc. (United States of America, 2021)	Incidents		Standard	Poor	2	2021
Amazon.com, Inc. (United States of America, 2020)	Incidents		Standard	Poor	3	2020
ArcelorMittal SA (Luxembourg, 2015)	Incidents		Good	Excellent	2	2015
Baidu, Inc. (China, 2021)	Incidents		Standard	Good	2	2021
Barrick Gold Corp. (Canada, 2009)	Incidents		Standard	Good	3	2009
Bayer AG (Germany, 2017)	Incidents		Standard	Good	5	2017
Blackstone, Inc. (United States of America, 2023)	Incidents		Standard	Poor	3	2023
boohoo group Plc (United Kingdom, 2020)	Incidents		Standard	Poor	3	2020
Bunge Global SA (United States of America, 2024)	Incidents		Good	Standard	3	2024
BYD Co., Ltd. (China, 2025)	Incidents				0	2025
Cargill, Inc. (United States of America, 2017)	Incidents		Standard	Standard	3	2017
Cencora, Inc. (United States of America, 2023)	Incidents		Standard	Poor	2	2023
Centrais Elétricas Brasileiras SA (Brazil, 2020)	Incidents		Good	Standard	3	2020
China Gas Holdings Ltd. (Hong Kong, 2021)	Incidents		Good	Excellent	4	2021
China Railway Construction Corp. Ltd. (China, 2022)	Incidents		Poor	Poor	1	2022
Citigroup, Inc. (United States of America, 2015)	Incidents		Good	Good	3	2015
CoreCivic, Inc. (United States of America, 2018)	Incidents		Standard	Good	3	2018
CVS Health Corp. (United States of America, 2025)	Incidents				1	2025
Daihatsu Motor Co., Ltd. (Japan, 2024)	Incidents		Standard	Standard	1	2024
Deutsche Bank AG (Germany, 2019)	Incidents		Poor	Standard	3	2019

Company Name	Issue	Focus Area	Progress	Response	Milestone	Engage Since
Elsewedy Electric Co. (Egypt, 2020)	Incidents	Poor	Standard	3	2020	
Emeis SA (France, 2022)	Incidents	Poor	None	1	2022	
Empresas Públicas de Medellín ESP (Colombia, 2018)	Incidents	Good	Standard	3	2018	
Energy Transfer LP (United States of America, 2016)	Incidents	Poor	Good	3	2016	
Eskom Holdings SOC Ltd. (South Africa, 2023)	Incidents	Standard	Standard	1	2023	
Eskom Holdings SOC Ltd. (South Africa, 2023)	Incidents	Standard	Standard	1	2023	
Eskom Holdings SOC Ltd. (South Africa, 2018)	Incidents	Standard	Good	4	2018	
FGV Holdings Bhd. (Malaysia, 2015)	Incidents	Good	Good	3	2015	
FirstEnergy Corp. (United States of America, 2021)	Incidents	Standard	Standard	3	2021	
Fresh Del Monte Produce, Inc. (United States of America, 2024)	Incidents	Standard	Standard	1	2024	
GCL Technology Holdings Ltd. (Hong Kong, 2021)	Incidents	Standard	Standard	3	2021	
Glencore Plc (Switzerland, 2024)	Incidents	Standard	Poor	1	2024	
Glencore Plc (Switzerland, 2021)	Incidents	Standard	Poor	4	2021	
Glencore Plc (Switzerland, 2017)	Incidents	Good	Good	3	2017	
Golden Agri-Resources Ltd. (Singapore, 2020)	Incidents	Standard	Standard	5	2020	
Grupo México S.A.B. de C.V. (Mexico, 2014)	Incidents	Standard	Standard	3	2014	
Hangzhou Hikvision Digital Technology Co., Ltd. (China, 2019)	Incidents	Good	Good	3	2019	
Harmony Gold Mining Co. Ltd. (South Africa, 2014)	Incidents	Good	Excellent	4	2014	
Hawaiian Electric Industries, Inc. (United States of America, 2024)	Incidents	Standard	Standard	1	2024	
HDC Hyundai Development Co. (South Korea, 2022)	Incidents	None	None	0	2022	
Hino Motors, Ltd. (Japan, 2022)	Incidents	Good	Good	3	2022	
Hoshine Silicon Industry Co., Ltd. (China, 2023)	Incidents	Poor	Poor	0	2023	
Indivior PLC (United States of America, 2019)	Incidents	Good	Good	4	2019	
JBS SA (Brazil, 2020)	Incidents	Good	Good	4	2020	
JBS SA (Brazil, 2019)	Incidents	Standard	Good	3	2019	
JSW Steel Ltd. (India, 2024)	Incidents	Standard	Standard	2	2024	
Kobayashi Pharmaceutical Co., Ltd. (Japan, 2024)	Incidents	Standard	Standard	1	2024	

Company Name	Issue	Focus Area	Progress	Response	Milestone	Engage Since
Koninklijke Philips NV (Netherlands, 2022)	Incidents	Good	Good	3	2022	
Korea Electric Power Corp. (South Korea, 2018)	Incidents	Poor	Standard	3	2018	
Korea Western Power Co., Ltd. (South Korea, 2018)	Incidents	Standard	Poor	3	2018	
Lockheed Martin Corp. (United States of America, 2020)	Incidents	Standard	Standard	3	2020	
Luckin Coffee, Inc. (China, 2020)	Incidents	Standard	Poor	3	2020	
LVMH Moët Hennessy Louis Vuitton SE (France, 2024)	Incidents	Standard	Standard	1	2024	
Mallinckrodt Plc (Ireland, 2020)	Incidents	Standard	Standard	4	2020	
Mattel, Inc. (United States of America, 2019)	Incidents	Standard	Poor	3	2019	
McKesson Corp. (United States of America, 2019)	Incidents	Standard	Standard	4	2019	
Medibank Private Ltd. (Australia, 2024)	Incidents	Standard	Good	2	2024	
Medtronic Plc (Ireland, 2022)	Incidents	Standard	Standard	4	2022	
Meta Platforms, Inc. (United States of America, 2021)	Incidents	Standard	Poor	3	2021	
Meta Platforms, Inc. (United States of America, 2018)	Incidents	Standard	Poor	4	2018	
Norfolk Southern Corp. (United States of America, 2024)	Incidents	Standard	Standard	3	2024	
Ntpc Ltd. (India, 2015)	Incidents	Good	Good	3	2015	
Ntpc Ltd. (India, 2016)	Incidents	Standard	Standard	2	2016	
Oil & Natural Gas Corp. Ltd. (India, 2007)	Incidents	Standard	Standard	3	2007	
Packers Sanitation Services, Inc. Ltd. (United States of America, 2023)	Incidents	Good	Good	3	2023	
Pan American Silver Corp. (Canada, 2019)	Incidents	Good	Excellent	4	2019	
Petroleos Del Peru - Petroperu SA (Peru, 2024)	Incidents	Standard	Standard	1	2024	
Petróleos Mexicanos EPE (Mexico, 2014)	Incidents	Standard	Good	3	2014	
Petroliam Nasional Bhd. (Malaysia, 2007)	Incidents	Standard	Standard	3	2007	
POSCO INTERNATIONAL Corp. (South Korea, 2023)	Incidents	Standard	Standard	3	2023	
POSCO STEELEON Co., Ltd. (South Korea, 2021)	Incidents	Standard	Good	5	2021	
Power Construction Corporation of China, Ltd. (China, 2022)	Incidents	Poor	Poor	1	2022	
PT Astra Agro Lestari Tbk (Indonesia, 2023)	Incidents	Standard	Standard	3	2023	

Company Name	Issue	Focus Area	Progress	Response	Milestone	Engage Since
PT Indah Kiat Pulp & Paper Tbk (Indonesia, 2020)		Incidents	Poor	Poor	2	2020
PTT Exploration & Production Plc (Thailand, 2022)		Incidents	Standard	Standard	2	2022
PTT Oil & Retail Business Public Co., Ltd. (Thailand, 2022)		Incidents	Poor	Poor	2	2022
Ratch Group Public Co. Ltd. (Thailand, 2018)		Incidents	Standard	Poor	2	2018
RTX Corp. (United States of America, 2020)		Incidents	Standard	Standard	3	2020
SAMSUNG BIOLOGICS Co., Ltd. (South Korea, 2020)		Incidents	Standard	Standard	3	2020
Samsung C&T Corp. (South Korea, 2020)		Incidents	Standard	Standard	3	2020
Samsung Electronics Co., Ltd. (South Korea, 2016)		Incidents	Standard	Standard	4	2016
SD Guthrie Bhd. (Malaysia, 2021)		Incidents	Good	Good	5	2021
SDIC Power Holdings Co., Ltd. (China, 2022)		Incidents	Poor	Poor	0	2022
Sibanye Stillwater Ltd. (South Africa, 2018)		Incidents	Standard	Standard	4	2018
Singtel Optus Pty Ltd. (Australia, 2024)		Incidents	Standard	Poor	2	2024
SK, Inc. (South Korea, 2018)		Incidents	Standard	Poor	3	2018
SLC Agricola SA (Brazil, 2021)		Incidents	Poor	Standard	3	2021
Southern Copper Corp. (United States of America, 2014)		Incidents	Standard	Standard	3	2014
Starbucks Corp. (United States of America, 2022)		Incidents	Standard	Poor	3	2022
Suzano SA (Brazil, 2024)		Incidents	Standard	Standard	2	2024
Teleperformance SE (France, 2021)		Incidents	Good	Good	4	2021
Tencent Holdings Ltd. (China, 2021)		Incidents	Standard	Poor	2	2021
Tesla, Inc. (United States of America, 2024)		Incidents	Standard	Poor	0	2024
Tesla, Inc. (United States of America, 2022)		Incidents	Standard	Standard	2	2022
The Boeing Co. (United States of America, 2019)		Incidents	Standard	Poor	4	2019
The GEO Group, Inc. (United States of America, 2018)		Incidents	Standard	Good	3	2018
The Star Entertainment Group Ltd. (Australia, 2022)		Incidents	Standard	Good	1	2022
The Toronto-Dominion Bank (Canada, 2024)		Incidents	Standard	Poor	2	2024
Thermo Fisher Scientific, Inc. (United States of America, 2021)		Incidents	Standard	Poor	2	2021
Tokyo Electric Power Co. Holdings, Inc. (Japan, 2011)		Incidents	Poor	Standard	3	2011

Company Name	Issue	Focus Area	Progress	Response	Milestone	Engage Since
Tongling Nonferrous Metals Group Co., Ltd. (China, 2022)		Incidents	Poor	Poor	0	2022
TotalEnergies SE (France, 2023)		Incidents	Standard	Standard	1	2023
Toyota Motor Corp. (Japan, 2022)		Incidents	Standard	Standard	2	2022
UBS Group AG (Switzerland, 2023)		Incidents	Standard	Standard	3	2023
UnitedHealth Group, Inc. (United States of America, 2024)		Incidents	Standard	Standard	1	2024
UPL Ltd. (India, 2021)		Incidents	Good	Good	4	2021
Vale SA (Brazil, 2019)		Incidents	Good	Excellent	4	2019
Vedanta Ltd. (India, 2018)		Incidents	Standard	Standard	3	2018
Vedanta Resources Ltd. (United Kingdom, 2018)		Incidents	Standard	Standard	3	2018
Walgreens Boots Alliance, Inc. (United States of America, 2025)		Incidents			1	2025
Weibo Corp. (China, 2021)		Incidents	Poor	Good	1	2021
Wells Fargo & Co. (United States of America, 2017)		Incidents	Good	Poor	4	2017
Wilmar International Ltd. (Singapore, 2017)		Incidents	Standard	Standard	4	2017
Wockhardt Ltd. (India, 2016)		Incidents	Standard	Standard	3	2016
Xinjiang Xinxin Mining Industry Co., Ltd. (China, 2022)		Incidents	Poor	Poor	0	2022
Zijin Mining Group Co., Ltd. (China, 2015)		Incidents	Standard	Good	4	2015
Zijin Mining Group Co., Ltd. (China, 2015)		Incidents	Standard	Good	3	2015