

Quarterly Engagement Report

Q1 2022

Global & Thematic Engagement

Our Engagement Activities

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

Responsible and sustainability investing is our conviction and forms an integral element of our overall asset management strategy. We are convinced that integrating ESG factors result in better-informed investment decisions and generates value for investors and as a result for the society at large. Capital is allocated responsibly, sustainably and in a climate-friendly way with a focus on generating returns. Our investment stewardship activities complement our ESG-integrated investment focus and sustainability strategy.

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

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

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

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

- **Collaborative engagements:** The focus is to promote best-practice ESG on entire industries as well as to achieve environmental and/or social goals (i.e. 17 UN SDGs). These collaborative engagements are mostly driven by the UN PRI platform, but opportunistic direct interactions with companies by us alone or selectively with other investors also take place. In addition, we support various ESG initiatives such as ClimateAction100+, TCFD, TNFD, Climate Bond Initiative et al.
- **Global & Thematic engagements:** The focus is to promote best-practice ESG standards and our climate strategy on a global scale in our investors' interest. In addition, we focus within the thematic engagements on climate change, cleantech and biodiversity et al. We mandated Sustainalytics to leverage existing resources and to convey our key sustainability messages globally. Depending on relevance and materiality, we do also participate in these corporate dialogues.

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

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

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

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

Your contacts

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- Engagement@swisscanto.ch
For all matters relating to engagement, foremost issuers/companies who want to engage with us.
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For all matters relating to proxy voting.

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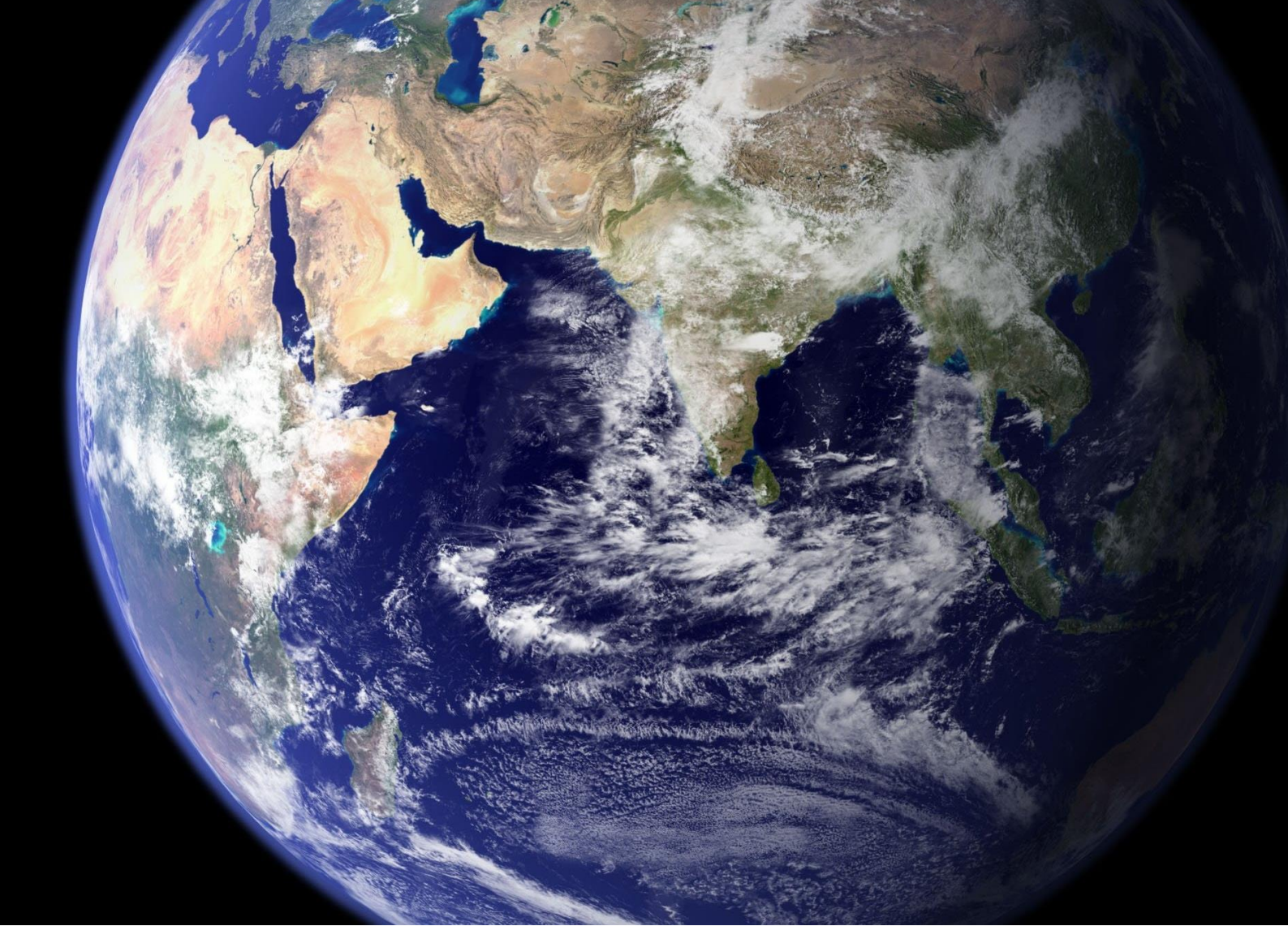
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This report summarizes the shareholder engagement activities that Sustainalytics performed on behalf of Swisscanto. Use of and access to this information is limited to clients of Sustainalytics and is subject to Sustainalytics' legal terms and conditions.

For this Global Standards Engagement Quarterly Engagement Report, the engagement status updates and statistics cover a period of three months, i.e. from December 2021 to February 2022. The reporting period is dictated by the underlying Global Standards Screening, of which investors receive an update one month prior to the start of each new quarter. The Global Standards Screening identifies violations of international standards (such as UN Global Compact Principles et al.) and this determines which new Global Standards Engagement cases are opened.

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Global Standards Engagement

Executive Summary

In the days prior to the publication of this report, a Russian invasion of Ukraine was initiated, causing a humanitarian, political and security crisis in the area and extending beyond. There are no doubts that this situation will also have impacts on financial markets as sanctions on Russia and Russian entities have already been imposed by the international community and stricter sanctions are expected.

As the global economy continues to slowly recover from the Covid-pandemic, we still observe an increased focus on supply chain resilience, strengthening health and safety processes, and improving the overall employee experience to tackle staff shortages. Also, diversity, equity, and inclusion as well as workers' wellbeing remain in the spotlight. Around half of our engagements focus on social issues ranging from companies involved with entities violating human rights, to poor working conditions both in companies' own operations and in their supply chains.

In addition to the urgent environmental aspects of climate change, there are no doubts that it is also closely interlinked with human rights. As an example, the Just Transition Declaration, signed by more than 30 countries at COP 26, reflects International Labor Organization guidelines from 2015 'for a just transition towards environmentally sustainable economies and societies for all'. We often-times see this close link between environmental and social issues in our engagement too, for example deforestation interventions being effective when implemented together with farmers and with their livelihood needs at the forefront.

Furthermore, the climate change crisis also encompasses a range of other critical issues, such as deforestation, the destruction of biodiversity, pollution, just to name a few. As a response, companies have started making progress on previous commitments to protect biodiversity and nature in their direct operations. Several important new initiatives underline the importance of biodiversity, such as the upcoming UN Biodiversity Conference in April/May 2022 in Kunming, China, and the newly created climate reporting framework; Taskforce on Nature-related Financial Disclosures (TNFD) which is working on a disclosure framework for the preservation of wetlands, forests, and coastlines etc.

Our Engagement Team continues to engage with companies from the agriculture industry on biodiversity and land use topics, including incidents located in Brazil and Indonesia. We focus our engagements on companies' implementation of clear action plans and targets in relation to deforestation, including in their supply chains. Current asks include supply chain monitoring and verification systems, as well as thorough disclosure on actions against deforestation.

Regulation has increased notably in recent years, with a number of European countries adopting legislations prescribing mandatory corporate human rights and environmental due diligence (HREDD). France, Germany and Norway already adopted such legislations and other European countries, such as Austria, Belgium and Switzerland are working on similar pieces. Furthermore, in December 2021, the Netherlands announced that it would introduce its own national HREDD law.

This will be further enhanced by the European Commission's proposal, from the end of February, for a Directive on corporate sustainability due diligence. The Directive will oblige member states to adopt or adapt their own corporate due diligence laws, wherein companies will be required to identify, prevent, and mitigate human rights abuses and violations of environmental standards in their value chain.

Altogether, the legislations constitute a significant legal requirement for a large number of companies, not only those head-quartered in Europe, but also those with operations on the continent. We expect further legislation will help raise the bar of corporate respect for human rights and consequently, add to our engagement dialogues prompting companies to develop human rights due diligence processes.

In terms of engagement activities and progress, between December and February 2022, we initiated one new engage case and concluded three engagements. We also disengaged two cases and companies, due to lack of progress and poor or no response over a two-year period. In addition, as part of recent methodology changes, we disengaged with another 14 cases and companies as we consider them *non-engageable* due to significant financial distress and/or the company not issuing publicly listed securities.

New engagement case

- **Huafu Fashion Co., LTD**, a Chinese company primarily engaged in the cotton and textile industries, accused of forced labour. The company operates extensively in China's Xinjiang province, where several NGO's have recorded alleged human rights violations targeting Uyghurs and other Turkic ethnic minorities.

Disengaged cases

- **Inner Mongolia Baotou Steel Union Co. Ltd.** and **China Northern Rare Earth (Group) High-Tech Co Ltd.**, both Chinese companies. The former is a producer of rare earth concentrates and the latter is its exclusive buyer. In 2012, the companies faced allegations of dumping tailings from its rare earth mining operations into a four-storey tailings dam located 12 km from the city of Baotou. Sustainalytics have made numerous attempts to establish dialogue with the companies since 2019, by email and telephone. We have also sent two investor letters to each of the companies, however, despite our efforts, the companies have remained unresponsive.

Resolved engagements

- **Commonwealth Bank of Australia**, Australian's bank, accused of anti-money laundering (AML) and counter-terrorism financing (CTF) breaches, as well as accusations of manipulation of the bank-bill swap rate. Sustainalytics has been engaging with the company since 2019, with a focus on the bank's detailed strategy to address AML/CTF breaches, including weaknesses in governance, culture and accountability. The bank has since substantially improved its actions and disclosures related to business ethics controls.
- **ING Groep N.V.**, a Dutch bank, accused of involvement in money laundering scandals in various countries, including the Netherlands, Russia and Italy. Our engagement focused on implementing strong risk management systems and internal controls to prevent financial crime and money laundering, as well as improving corporate culture and disclosure. The bank has not been associated with any new serious business ethics incidents lately, and it has significantly improved its compliance policies and procedures.
- **Olympus Corporation**, a Japanese company which manufactures and sells precision instruments for the healthcare industry, accused of involvement in quality and safety breaches in one of its products. From 2016 onward and throughout our engagement, the company has implemented significant measures to prevent a recurrence of quality and safety breaches by strengthening its training programs and other processes. As a result, in the last three years, no new serious quality and safety incidents have been linked to the company's products.

Update on Russian invasion of Ukraine

We will continue to monitor the evolving situation in Ukraine and sanctions imposed on Russia and Russian entities for any potential impact on our assessments. A company that is sanctioned or operates in either Ukraine or Russia does not automatically receive a Watchlist or Non-Compliant status.

Global Standards Screening (GSS) analyses companies if they engage in activities that fall under sanction regimes of multinational organizations, and if, according to credible sources, a company breaches those sanctions. Also in scope are companies engaging in arms trade to embargoed countries or allegations of circumvention of certain financial sanctions, even if they are exempted or legal according to national legislation. For state-owned entities, GSS applies a set of criteria to select those states and state-owned entities where complicity in human rights abuses is a concern and focus on companies that generate over 50% of a state's revenue in a given year.

Under our Global Standards Engagement we will engage with companies identified by GSS as Watchlist or Non-Compliant.

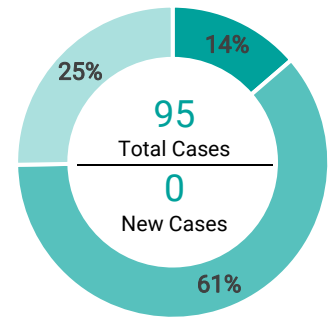
Quarterly Statistics December 2021 – February 2022

During December 2021 – February 2022, Sustainalytics has continued our dialogue to track specified engagement goals and to seek measurable results of business conduct changes in relation to 95 Engage and Resolved cases.



Cases by Theme

Environmental	13
Social	58
Governance	24

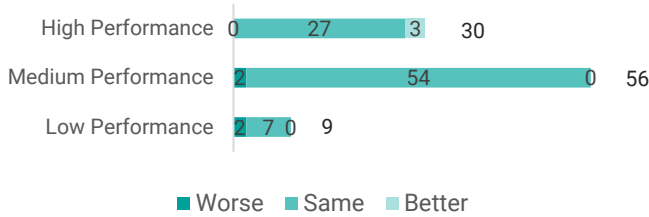


Case Status Overview

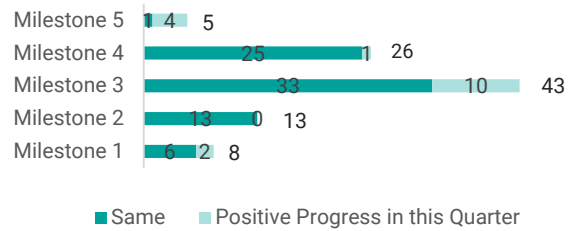
	Engage	Associated	Disengage	Resolved	Archived
New Status in this Quarter	0	0	2	3	0
Total	92	8	8		



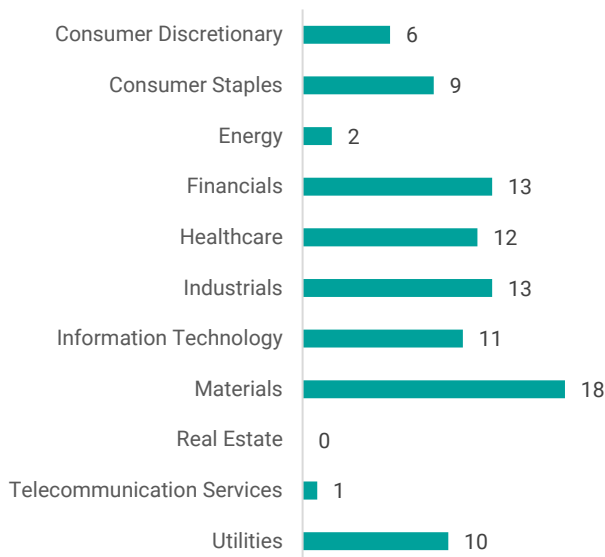
Engagement Performance Overview



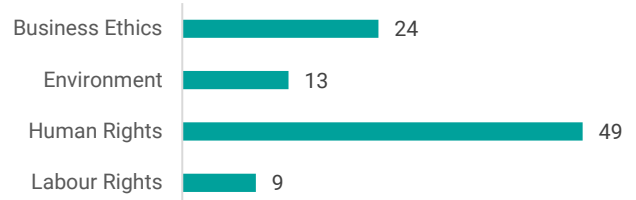
Milestone Overview



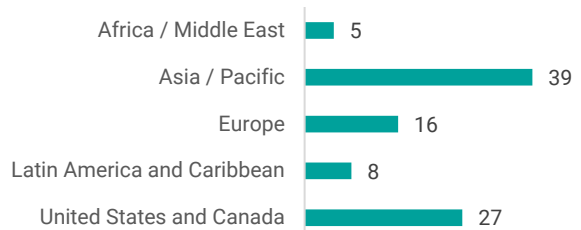
Cases by Sector



Cases by Norm

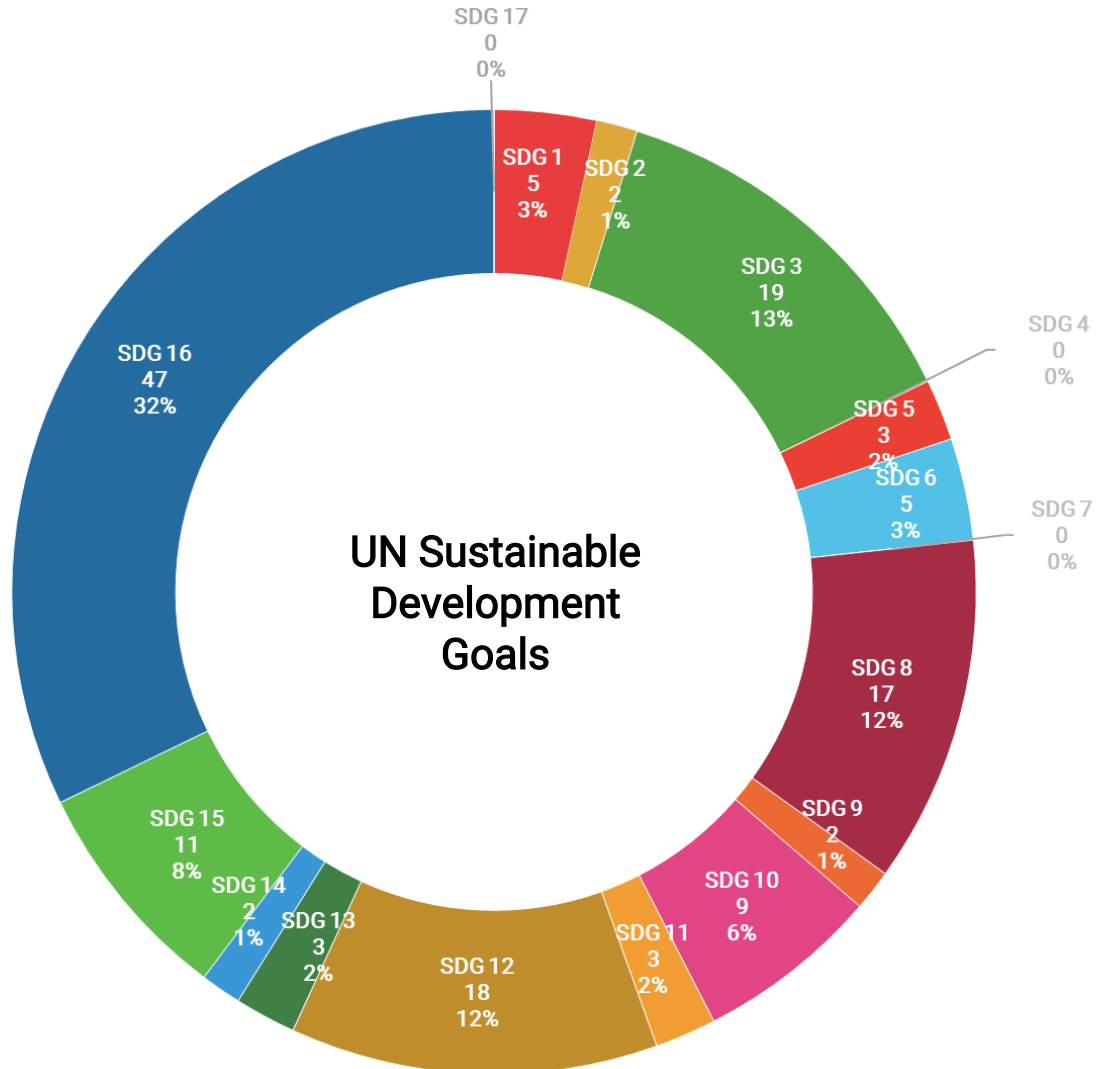


Cases by Headquarter



UN Sustainable Development Goals Attribution

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



- SDG 1 - No Poverty
- SDG 3 - Good Health And Well-Being
- SDG 5 - Gender Equality
- SDG 7 - Affordable And Clean Energy
- SDG 9 - Industry, Innovation And Infrastructure
- SDG 11 - Sustainable Cities And Communities
- SDG 13 - Climate Action
- SDG 15 - Life On Land
- SDG 17 - Partnerships For The Goals
- SDG 2 - Zero Hunger
- SDG 4 - Quality Education
- SDG 6 - Clean Water And Sanitation
- SDG 8 - Decent Work And Economic Growth
- SDG 10 - Reduced Inequalities
- SDG 12 - Responsible Consumption And Production
- SDG 14 - Life Below Water
- SDG 16 - Peace, Justice And Strong Institutions

Companies Mentioned in this Engagement Brief

● Engage ● Associated ● Disengage ● Resolved ● Archived

● CHINA NORTHERN RARE EARTH (GROUP) HIGH-TECH CO LTD	9
● COMMONWEALTH BANK OF AUSTRALIA	10
● ING GROEP N.V.	11
● INNER MONGOLIA BAOTOU STEEL UNION CO. LTD.	9
● OLYMPUS CORPORATION	12

Disengage Cases

China Northern Rare Earth (Group) High-Tech Co Ltd Inner Mongolia Baotou Steel Union Co. Ltd.

Background

INNER MONGOLIA BAOTOU STEEL UNION CO. LTD. (Baotou Steel) and CHINA NORTHERN RARE EARTH (GROUP) HIGH-TECH CO LTD (China Northern Rare Earth) are both subsidiaries of Baogang Group (Baogang). In 2012, China Northern Rare Earth faced allegations of dumping tailings from its rare earth mining operations into a four-storey tailings dam located 12 km from the city of Baotou. The Chinese government conducted an environmental impact assessment of the tailings site and discovered that it did not follow adequate environmental standards. In 2013, evidence showed that the tailings site had potentially severe environmental and health impacts on the surrounding environment and communities. As of 2015, Baotou Steel assumed responsibility for the tailings pond. However, in 2018, the company was issued a warning by the Shanghai Stock Exchange for failing to disclose its progress on the tailings pond project. Under the current arrangements, Baogang sets the strategy, Baotou Steel produces the rare earth concentrates and then exclusively supplies them to China Northern Rare Earth.

Engagement Objective

The companies were expected to publish a robust and comprehensive tailings management policy and a satisfactory strategy to minimize further environmental contamination. They were also expected to display a comprehensive programme to address the health, community and environmental impacts of the tailings site.

Engagement Activities

Sustainalytics and investors have made numerous attempts to establish dialogue with the companies since 2019 by email and telephone, including emails in Mandarin. We also coordinated with investors to send investor letters to each company in November 2020 and in September 2021, the latter signed by six companies and addressed to the chairman of the board. However, we have received no response to any of these communications. We have also contacted the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC) to see if they could help establish dialogue, but the CCCMC have also proved unresponsive.

Outcome

Baotou Steel and China Northern Rare Earth have displayed a persistent unwillingness over a period of more than two years to enter dialogue or indeed to respond to communications from Sustainalytics or investors. The companies have displayed some progress on aspects of addressing the issue. For example, their parent company has invested in projects around the tailings pond, including an anti-seepage project and water quality improvement. However, as environmental protection procedures were not considered at the time the tailing dam was built, no seepage control measures were used, meaning that it may be difficult and financially unviable at this stage to fully rehabilitate the area. Due to the companies' unresponsiveness and poor progress, we have decided to curtail our efforts to engage with the companies on this issue and to change the status of these cases to Disengage.

STATUS

Disengage

ISSUE(S)

► Activities Resulting in Adverse Environmental and Human Rights Impacts

ENGAGEMENT MANAGER







Jonathan Kellar
Manager
London






CONTRIBUTION TO SDGs



DIALOGUE STATISTICS (PER COMPANY)

	12	Number of Contacts
	0	Conference Calls
	2	Correspondence
	0	Meetings in Person

CASE TIMELINE (BOTH COMPANIES)

	Engagement Since	May 2019
	Milestone 1	Nov 2019
	Investor Letter	Nov 2020
	Investor Letter	Sep 2021
	Case Disengaged	Feb 2022

Resolved Cases

Commonwealth Bank of Australia

Background

The Australian Prudential Regulation Authority (APRA) announced in August 2017 that it would establish a Prudential Inquiry into COMMONWEALTH BANK OF AUSTRALIA (CBA) to examine its practices in governance, culture and accountability. This led to a series of incidents discovered, which included: anti-money laundering and counter-terrorism financing (AML/CTF) breaches and manipulation of the bank-bill swap rate. In June 2018, CBA agreed to pay a USD 530 million fine to settle civil proceedings by the Australian Transaction Reports and Analysis Centre, over serious breaches of AML/CTF laws. CBA's intelligent deposit machines were used to launder the proceeds of criminal activity, including proceeds from the sale of illicit drugs and firearm importation. In May 2018, CBA reached a USD 19 million settlement with the Australian Securities and Investments Commission over alleged manipulation of the bank-bill swap rate. Between 2011 and 2015, CBA made false or misleading representations to customers that their insurance policies had uses or benefits, but part or all the benefits were not available. In response to the Prudential Inquiry and investigations by regulators, CBA developed a Remedial Action Plan (RAP) to address deficiencies in governance, risk and accountability processes.

Engagement Objective

The engagement objective was to ensure that CBA was not complicit in any money laundering. The company had to strengthen its AML/CFT processes and implement all improvements in accordance with the RAP. The company had to ensure it had robust internal controls, risk management, and sufficient and effective board oversight. The company was expected to make changes to its board and executive management team and improve its accountability and culture.

Engagement Activities

Sustainalytics held four engagement meetings with CBA between 2020 and 2021. Sustainalytics also engaged in substantive email communication with the company. Annual reports, investor presentations, third-party audits, company disclosures and information shared during the engagement process were reviewed and analyzed to evaluate the company's progress. Engagement meetings were focused on discussing details of CBA's strategy to address AML/CTF breaches, including weaknesses in governance, culture and accountability. CBA was prompted to talk about and disclose information on its cultural transformation journey and its effects on staff and company performance, as well as how it was dealing with business ethics related issues. Discussions and information sharing with CBA included staff training on ethics and compliance, consequence management for breaching policies, encouraging a "speak-up" culture, whistleblower protection and due diligence processes.

Outcome

CBA has made significant amendments to its Group Risk Appetite Statement and code of conduct. The board and executive membership have completely changed, and a new group chief compliance officer position was created. The risk function was improved through the introduction of "chief controls officers" at the group, business unit and support unit levels and by increasing the resourcing capacity of the operational risk and compliance function. Annual risk culture assessments have also been introduced. There is clear evidence that CBS is encouraging a "speak-up" culture, with internal communication processes supporting this. CBA has committed to undertake further validation work and to continue to monitor and disclose information for the next two years to assess the success of the implementation of the RAP.

STATUS

Resolved

ISSUE(S)

► Money Laundering

ENGAGEMENT MANAGER







Nigel Rossouw
Associate Director
Amsterdam












CONTRIBUTION TO SDGs



DIALOGUE STATISTICS

	40	Number of Contacts
	4	Conference Calls
	6	Correspondence
	0	Meetings in Person

CASE TIMELINE

	Engagement Since	May 2019
	Milestone 1	May 2020
	Milestone 2	May 2020
	Conference Call	May 2020
	Milestone 3	May 2020
	Milestone 4	Feb 2021
	Conference Call	Apr 2021
	Conference Call	Sep 2021
	Conference Call	Nov 2021
	Milestone 5	Feb 2022
	Case Resolved	Feb 2022

ING Groep N.V.

Background

In March 2019, ING GROEP N.V. (ING) was implicated in the “Troika-Laundromat” controversy. Between 2006 and 2013, hundreds of millions of dollars allegedly passed through ING’s Moscow branch as part of a money laundering scheme. In late 2018, ING paid a record EUR 775 million to settle an investigation, by a Dutch prosecutor, into money laundering and corrupt practices between 2010 and 2016. In March 2019, Italian regulators banned ING from taking on new Italian clients, citing shortcomings in anti-money laundering (AML) processes. In September 2020, the ban was lifted. In December 2020, the Court of Appeal in The Hague issued its final ruling, upholding the prosecutors’ decision to enter into the settlement agreement with ING, meaning that the EUR 775 million fine that ING paid in 2018 was final and ended ING’s involvement in the court process.

Engagement Objective

ING was expected to ensure that it implemented strong risk management systems and internal controls to prevent financial crime and money laundering. ING was also expected to ensure that it took steps to improve its corporate culture and provide appropriate disclosure of its risk management framework related to AML.

Engagement Activities

Sustainalytics held eight conference calls with the company, as well as extensive email and telephone conversations, between the first outreach in late 2019 and 2022. We focused the engagement on the structure and implementation of the Global Know Your Customer (KYC) Enhancement Programme, corporate governance and ensuring enhanced reporting structures, such as a unified KYC reporting structure, and we also tracked regulatory compliance. Last, but not least, we focused heavily on corporate culture, particularly on concrete actions the company could take to improve its long-term performance related to business ethics. To that end, the company participated in Sustainalytics’ first ever Global Standards Engagement Corporate Culture Roundtable in mid-2021 with several global banks, where we discussed best-in-class examples of corporate culture and brainstormed ways to identify and measure culture-related KPIs.

Outcome

In 2017, ING launched a Global KYC Enhancement programme and this is now largely complete. The multi-year endeavour covered enhancing customer due diligence files, making structural improvements (related to policy, global KYC digital services, corporate governance, client monitoring and screening, KYC training, and the creation of a behavioural risk department), and transaction monitoring look-back activities. The company increased its compliance staff to 4,000 employees and invested heavily in AML/KYC. The company has been proactive in shaping corporate culture. In addition to more typical efforts, such as stating company values via the Orange Code, ING established a ground-breaking Behavioural Risk Management team, consisting of over 30 psychologists and other disciplines, that actively studies behaviours in teams, works to create KPIs to measure culture and other “soft” behaviours, and actively works to create interventions for teams deemed to be at risk of business ethics infractions.

STATUS

Resolved

ISSUE(S)

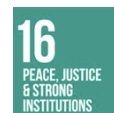
▸ Money Laundering

ENGAGEMENT MANAGER







Angela Flaemrich
Associate Director
Toronto
















CONTRIBUTION TO SDGs



DIALOGUE STATISTICS

	79	Number of Contacts
	8	Conference Calls
	27	Correspondence
	0	Meetings in Person

CASE TIMELINE

	Engagement Since	May 2019
	Milestone 1	Nov 2019
	Milestone 2	Nov 2019
	Conference Call	Feb 2020
	Milestone 3	May 2020
	Conference Call	May 2020
	Conference Call	Jun 2020
	Conference Call	Jun 2020
	Conference Call	Nov 2020
	Conference Call	May 2021
	Milestone 4	May 2021
	Conference Call	Jun 2021
	Conference Call	Jun 2021
	Milestone 5	Jan 2022
	Case Resolved	Feb 2022

Olympus Corporation

Background

In July 2016, leaked emails from OLYMPUS CORPORATION (Olympus) revealed that in 2013, its senior executives chose not to release warnings in the US about its duodenoscopes, despite their link to antibiotic-resistant bacterium “superbug” outbreaks. The main cause of the bacterial infections appears to have been the design of five models of Olympus’ duodenoscopes, which are very difficult to sterilize against carbapenem-resistant bacteria. Between 2010 and 2015, at least 35 people in the US died after using Olympus’ scopes and at least 350 patients worldwide were affected. Olympus began enhancing training for healthcare professionals on the proper method of sterilization and in 2016 there was a reduction in the number of deaths and complications related to use of its duodenoscopes.

Engagement Objective

The engagement objective was for Olympus to improve the safety of its fixed endcap duodenoscopes by enabling healthcare professionals to clean them effectively, and to transition to disposable endcap duodenoscopes.

Engagement Activities

Sustainalytics held four conference calls with the company between 2020 and 2021, and also engaged in extensive email communication throughout that period. Sustainalytics focused on ensuring that the company was appropriately reducing the health and safety risks of its duodenoscope and ensuring that strong processes were in place to prevent future quality and safety occurrences across all its products. We engaged on complaints, whistleblowing and incidents processes. We worked on ensuring that training of healthcare workers on proper sterilization method was strong, that quality-related policies, standards and certifications were sufficient, and that there was continuous research to improve product safety. We also checked on the status of regulatory compliance, and that corporate governance (in the structure and membership of the board and high-ranking quality and safety roles) were effective. We closely followed the reduction in contamination rates and the rollout of the new duodenoscope model.

Outcome

From 2016 onward and throughout our engagement, the company steadily strengthened its training programmes by sending teams to many client sites to train healthcare workers in person and also by creating online training videos and other materials. The results of its training efforts were fruitful, with a dramatic reduction in deaths and illnesses associated with its duodenoscopes to almost nil. Olympus developed a new duodenoscope with a disposable part that effectively addresses the sterilization problems of previous models. The company also launched a buyback programme for the new duodenoscope to replace older models, and as of December 2021, it has replaced 10-20% of its older duodenoscopes worldwide. The company continues to work to improve its understanding of quality and safety (e.g. by conducting post-market surveillance studies and exploring collaborations with test strip manufacturers to test the feasibility of Adenosine triphosphate washing efficacy).

STATUS

Resolved

ISSUE(S)

▸ Quality and Safety - Human Rights

ENGAGEMENT MANAGER







Angela Flaemrich
Associate Director
Toronto

CONTRIBUTION TO SDGs



DIALOGUE STATISTICS





	55	Number of Contacts
	4	Conference Calls
	11	Correspondence
	0	Meetings in Person

CASE TIMELINE

	Engagement Since	May 2019
	Milestone 1	Nov 2019
	Milestone 2	Nov 2019
	Conference Call	Mar 2020
	Milestone 3	Apr 2020
	Conference Call	Nov 2020
	Conference Call	May 2021
	Milestone 4	Jun 2021
	Conference Call	Dec 2021
	Milestone 5	Dec 2021
	Case Resolved	Feb 2022

Company Dialogue & Progress Summary

Legend

Country	The country in the list indicates where the business conduct issue occurred. The breakdown into the regions: Africa/ Middle East, Asia/ Pacific, Europe, Latin America and Caribbean and United States and Canada is based on where the company headquarter is.
Year	The year shows when the case was downgraded to Engage status.
Response	<p>The indicator describes how the company responds to Sustainalytics' inquiries.</p> 
Progress	<p>The indicator describes whether or not the violation continues, or how the company's work to prevent future violations is developing.</p> 
Performance	<p>The indicator describes the combined company progress and response performance.</p> <p>▲ High Performance - good or excellent Response in combination with good or excellent Progress.</p> <p>▶ Medium Performance - standard level of Response and Progress.</p> <p>▼ Low Performance - poor or no Response in combination with poor or no Progress.</p> <p>New, Same, Better or Worse Performance - indicates the change in either Response or Progress since the last quarterly report.</p>
Low Performance Tracker (Tracker)	<p>The indicator describes the time elapsed with Low Performance. One piece equals three months.</p>  <p>After two years, the case will be reviewed by Sustainalytics and a Disengage status can be selected if all other engagement options are ineffective.</p>
Milestones	<p>The indicator describes the milestone achieved from 1 to 5.</p>  <p>3/5 Achieve</p>

Engage

AFRICA / MIDDLE EAST

Harmony Gold Mining Co. Ltd. (South Africa, 2015)
▶ Occupational Health and Safety

Change Objective: Harmony Gold should make sure that families of the decedent workers have received financial support. The company should also demonstrate that the causes of the accidents have been fully investigated and that safety management systems are improved in accordance with the findings. The company's efforts should be independently third party verified.



MTN Group Limited (South Africa, 2019)
▶ Involvement with Entities Violating Human Rights

Change Objective: MTN Group should implement a robust human rights due diligence programme to improve its business policies and practices in line with internationally accepted standards. The programme should provide clear guidance criteria to identify high risk jurisdictions and manage that heightened exposure. The company should also provide transparent reporting on human rights issues that provides insight into its management of these issues and exposure in high-risk markets.



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

Change Objective: Sibanye-Stillwater should, based upon a review of the incidents, seek to identify the main causes of the accidents and to put into place improvements in its health and safety training and working practices to develop an enhanced health and safety culture at its operations. Sibanye's safety performance will be monitored by Sustainalytics for at least two years and is expected to show decreasing figures during the time.



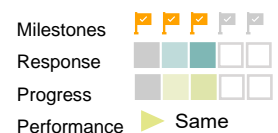
Teva Pharmaceutical Industries Limited (United States, 2019)
▶ Price-Fixing Violations

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



Tiger Brands Limited (South Africa, 2019)
▶ Quality and Safety - Human Rights

Change Objective: Tiger Brands should ensure that it has taken appropriate actions to responsibly address the impacts of the incident. Tiger Brands should also demonstrate that it has taken adequate measures to improve consistency of operational practices and procedures for product safety across the group.



ASIA / PACIFIC

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

Change Objective: APSEZ should adopt corporate policies and processes addressing environmental and social risks in infrastructure projects. It should advocate a precautionary approach and require that projects comply with internationally proclaimed environmental and social standards. The company should also engage with stakeholders transparently, with efforts in place to increase transparency and disclosure in relation to stakeholder management and its projects.



Adani Ports & Special Economic Zone Ltd (Myanmar, 2021)

► Involvement with Entities Violating Human Rights

Change Objective: APSEZ should ensure it undertakes human rights due diligence of its businesses in Myanmar, adapted to the specific situation of the region. As a result, it should engage with the relevant stakeholders and take any necessary actions to ensure the business relationship with MEC does not make it complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership.



AMP Limited (Australia, 2019)

► Consumer Interests - Business Ethics

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



Baidu, Inc. (China, 2021)

► Involvement with Entities Violating Human Rights

Change Objective: Baidu should show efforts to establish human rights due diligence practices, transparent policies relevant to digital rights, and transparently report on external data requests and content moderation requirements that indicate management of related risk exposure and facilitation of informed decision-making by users about platform usage.

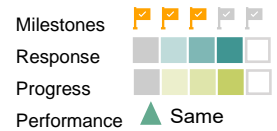


*Associated company: *iQiyi, Inc.*

China Gas Holdings Ltd (China, 2021)

► Quality and Safety - Human Rights

Change Objective: China Gas should provide clarification of the remediation, and provide support in a timely manner for victims, besides the compensation promised. China Gas need to implement industry standard safety practices and quality controls across their infrastructure network, including regular inspections of the gas pipe system, and real-time monitoring of gas line pressure.



China Huarong Asset Management Co Ltd (China, 2019)

► Bribery and Corruption

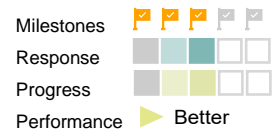
Change Objective: Huarong should ensure that it has anti-corruption policies and procedures in place, which are fully integrated into its businesses and its subsidiaries. The company should disclose the respective policies publicly and provide details on their implementation.



China Petroleum & Chemical Corp. (China, 2019)

► Involvement with Entities Violating Human Rights

Change Objective: China Petroleum & Chemical Corp. should ensure its practices are generally aligned with international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake and respond appropriately to human rights due diligence. It should also engage with governments and other stakeholders to encourage open and accountable management of production revenues and contribute to local peace efforts. The company should report clearly on these efforts.



Crown Resorts Ltd (Australia, 2021)

► Money Laundering

Change Objective: Crown Resorts should implement robust anti-money laundering (AML) programs including companywide AML training, reporting frameworks and monitoring mechanisms. The company should disclose, to the extent possible, all of its AML related activities and progress on AML related initiatives. The company should demonstrate strong leadership (institutional and personnel wise) on financial crime issues.



Korea Electric Power Corporation (Laos, 2019)

► Incident(s) Resulting in Negative Human Rights Impacts

Change Objective: KEPCO's subsidiary should use its leverage to ensure that project-affected communities are adequately compensated and consulted, and make sure that a transparent process for grievance and compensation is established for the project. Once the project is running, it should ensure the continuance of the mitigation measures established for the communities. The company should commit to improving its preparedness to manage human rights-related risks in the future.



Lotte Corp (South Korea, 2019)

► Business Ethics

Change Objective: Lotte should adopt an anti-corruption policy and implement a programme to ensure monitoring and compliance, including detailed guidelines for facilitation payments, political and charitable contributions, and gifts. Further, Lotte should also ensure that the internal audit committees have the mandate and capacity to carry out its functions properly and strengthen Board independence.



*Associated companies: **Lotte Chemical Corp** and **Lotte Shopping Co., Ltd.**

NTPC Limited (Bangladesh, 2017)

► Controversial Project(s) - Environmental and Human Rights Impacts

Change Objective: NTPC should work to mitigate its environmental and human rights impacts in alignment with international norms. It should commit to keeping its plants updated to current environmental standards with respect to efficient technologies and treatment of effluents and waste. It should also establish proper due diligence measures that fully take into consideration environmental and human rights concerns prior to developing new projects.



NTPC Limited (India, 2018)

► Occupational Health and Safety

Change Objective: NTPC should make sure that families to the decedent workers have received financial support. The company should also demonstrate that the causes of the accidents have been fully investigated and that safety management systems are improved in accordance with the findings.



OFILM Group Co., Ltd. (China, 2020)

► Forced Labour

Change Objective: OFILM Group should put in place a group-wide human rights due diligence programme and provide greater disclosure on relevant policies and implementation thereof. The company should also adopt grievance mechanisms accessible to all employees.



Oil and Natural Gas Corporation Limited (India, 2019)

► Involvement with Entities Violating Human Rights

Change Objective: Oil and Natural Gas Corporation Limited should follow international best practice for respecting human rights. While operating in conflict-affected countries, it should undertake due diligence adapted to the specific situation of the region and act adequately on the findings. The company should also engage with governments and other relevant stakeholders to encourage open and accountable management of the revenues it provides and contribute to local peace efforts.



Page Industries Ltd. (India, 2020)

► Labour Rights

Change Objective: Page Industries should guarantee the freedom of association to the employees across all manufacturing sites. The company should ensure decent working conditions in its factories. Page is encouraged to improve its reporting on health and safety incidents and preventive measures.



PT Indah Kiat Pulp & Paper Tbk (Indonesia, 2021)

► Land Use and Biodiversity

Change Objective: PT Indah Kiat Pulp & Paper Tbk should stop contributing to peatland destruction directly and through its suppliers. The company should ensure responsible and consistent execution of its deforestation and biodiversity programmes across its own and supplier operations.



Ratch Group Public Co. Ltd. (Laos, 2019)

► Incident(s) Resulting in Negative Human Rights Impacts

Change Objective: Ratch should ensure that a comprehensive assessment of the safety and stability of the project is conducted, together with independent experts and that appropriate mitigation measures are taken. It should use its leverage to ensure adequate consultations with, and compensation to, project-affected communities and a transparent process for grievance and compensation. The company should commit to improving its preparedness to manage human rights-related risks in the future.



Rio Tinto Ltd. (Australia, 2020)

► Community Relations - Indigenous Peoples

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



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

► Accounting and Taxation

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



Samsung C&T Corp. (South Korea, 2020)

► Accounting and Taxation

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



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

► Bribery and Corruption

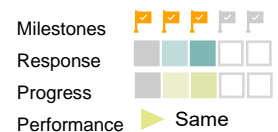
Change Objective: Samsung should adopt detailed policies for political, charitable contributions, facilitation payments, gifts and travel expenses. The company should further ensure that its anti-corruption policies are properly implemented and monitored. Samsung should increase independence of its board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



Sime Darby Plantation Sdn Bhd (Malaysia, 2021)

► Forced Labour

Change Objective: SDP is expected to undertake steps to protect labour rights, end forced labour practices in its operations, and mitigate the impact on its workforce. The company should cooperate with investigations and take steps to ascertain areas of risk and/or failure related to maintaining respect for labour rights, particularly the prevention of forced labour. SDP should provide transparency into steps and processes it will enact to ensure commitments to respect labour rights are implemented.



SK Inc. (Laos, 2019)

► Incident(s) Resulting in Negative Human Rights Impacts

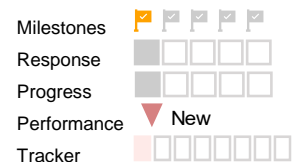
Change Objective: SK Holdings' subsidiary should conduct a comprehensive assessment of the safety and stability of the project, together with independent experts and take appropriate mitigation measures. It should use its leverage to ensure adequate consultations with, and compensations to, project-affected communities and a transparent process for grievance and compensation. The company should commit to improving its preparedness to manage human rights-related risks in the future.



Supermax Corp. Bhd. (Malaysia, 2021)

► Forced Labour

Change Objective: Supermax should ensure it is not complicit in any forced labour. The company should identify and properly compensate the workers who were the victims of forced labour practices. The company should align its recruitment policy and implementation with international standards and ensure zero-cost process. Supermax shall show it has accurate processes to manage grievances and improve transparency in reporting on how it ensures compliance in this area.



Tencent Holdings Ltd (China, 2021)

► Involvement with Entities Violating Human Rights

Change Objective: Tencent should show efforts to establish human rights due diligence practices, transparent policies relevant to digital rights, and transparently report on external data requests and content moderation requirements that indicate management of related risk exposure and facilitation of informed decision-making by users about platform usage.

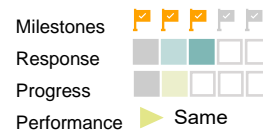


*Associated company: **Tencent Music Entertainment Group**

Tokyo Electric Power Company Holdings, Incorporated (Japan, 2011)

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

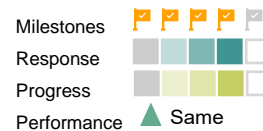
Change Objective: TEPCO should ensure it operates its nuclear power plants safely, that any contamination is contained to the affected area and monitoring is in place to measures both environmental and health effects and that a compensation programme is in place as and when the effects of accidents are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



Top Glove Corp Bhd (Malaysia, 2021)

► Labour Rights - Operations

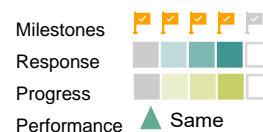
Change Objective: Top Glove should take steps to end any forced labour practices and to ensure appropriate health and safety protocols to protect workers from COVID-19 and other risks are in place, both in factories and dormitories. The company is also expected to ensure practices to mitigate forced labour, such as its Zero Recruitment Fee Policy, are implemented for its entire workforce and to act to proactively protect worker health. Top Glove should further show its policies and practices align with internationally accepted labour rights standards.



Toshiba Corp. (Japan, 2020)

► Accounting and Taxation

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



UPL Ltd (South Africa, 2021)

► Emissions, Effluents and Waste

Change Objective: UPL Ltd should remediate contaminated land and water caused by its activities. It should review the adequacy of its existing hazardous chemical storage facilities across its operations to ensure an appropriate level of commitment to the safety of the workforce, local populations and the environment. The company should demonstrate that its policies and procedures for the management of hazardous chemicals are compliant with international best practice and national legislative requirements.



Vedanta Limited (India, 2019)

► Community Relations

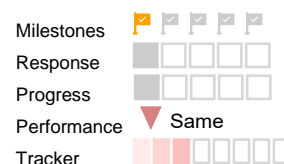
Change Objective: Vedanta should analyze the root causes of the protests in Tuticorin and address the identified issues in cooperation with the local communities. It should develop a framework for improving its communication with stakeholders with the aim of applying it across operations. The company should also launch the process of becoming a signatory of The Voluntary Principles on Security and Human Rights.



Weibo Corp (China, 2021)

► Involvement with Entities Violating Human Rights

Change Objective: Weibo should show efforts to establish human rights due diligence practices, transparent policies relevant to digital rights, and transparently report on external data requests and content moderation requirements that indicate management of related risk exposure and facilitation of informed decision-making by users about platform usage. Companies operating in China are in a challenging position with respect to managing human rights risk exposure to users. Nonetheless, practices focused on supporting internationally accepted human rights standards remain an expectation.



*Associated company: **SINA Corp.**

Westpac Banking Corporation (Australia, 2020)

► Money Laundering

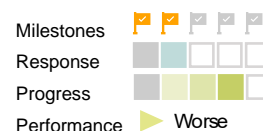
Change Objective: Westpac should ensure it is not complicit in any money laundering. The company should strengthen its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) processes and implement all improvements in accordance with the Response Plan. The company should ensure it has robust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



Wilmar International Limited (Indonesia, 30/0)

► Community Relations - Indigenous Peoples

Change Objective: Wilmar should resolve active complaint cases in Indonesia, Liberia, Nigeria and Uganda and take appropriate measures against any identified gaps. The company should also strengthen implementation of its policies by reporting more regularly on progress and the outcomes of site audits.



Zhejiang Huahai Pharmaceutical Co., Ltd. (China, 2019)

► Quality and Safety - Human Rights

Change Objective: Zhejiang Huahai should meet international regulatory requirements in order to receive a clearance on its products. Zhejiang should also disclose information about its product quality risk management system and good manufacturing practices to ensure compliance with international quality standards.



Zijin Mining Group Company Limited (Papua New Guinea, 2015)

► Activities Resulting in Adverse Environmental Impacts

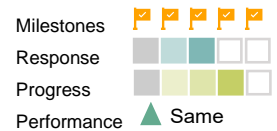
Change Objective: Zijin Mining should exert pressure on Barrick to ensure responsible management of tailings and to address potential long-term legacy issues at Porgera and ensure that it is reported in a publicly available strategy. Zijin should adopt a policy of prohibiting the future use of riverine tailings disposal.



Zijin Mining Group Company Limited (Papua New Guinea, 2015)

► Activities Resulting in Adverse Human Rights Impacts

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



ZTE Corporation (Iran, 2019)

► Involvement with Entities Violating Human Rights

Change Objective: ZTE should take steps to ensure its technology products and services, particularly those providing surveillance or monitoring capabilities, are not complicit in the violation of human rights. The company should implement a robust human rights due diligence programme to improve its business policies and practices in line with internationally accepted standards, particularly for its activities in high risk countries. The company should also provide transparent reporting on human rights issues that provides insight into its management of these issues and exposure in high-risk markets.

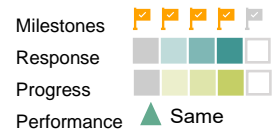


EUROPE

Barclays PLC (United Kingdom, 2019)

► Business Ethics

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



Bayer AG (United States, 2018)

► Quality and Safety

Change Objective: Bayer (formerly Monsanto) should ensure that it has a policy and procedure for the disclosure of health, safety, and environmental data to both regulators and consumers.



Bolloré SA (Cameroon, 2019)

► Activities Resulting in Adverse Human Rights Impacts

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



Credit Suisse Group AG (Switzerland, 2019)

► Business Ethics

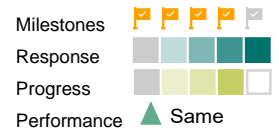
Change Objective: Credit Suisse should ensure that it reviews all of its operations with regard to anti-money laundering. Credit Suisse should implement robust policies, programs, compliance processes and risk management systems that prevent anti-money laundering (AML) and corruption throughout the entire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



Danske Bank A/S (Estonia, 2018)

► Money Laundering

Change Objective: Danske Bank should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. Danske Bank should ensure that the board has sufficient and effective oversight of the business. To the extent possible, Danske Bank should disclose all changes related to its AML program.



Deutsche Bank AG (Russia, 2019)

► Money Laundering

Change Objective: Deutsche Bank should ensure that robust policies, programmes, compliance processes and risk management systems addressing anti-money laundering (AML), Know-Your-Customer (KYC), and sanctions issues are in place. The bank should publish comprehensive disclosures on how it is managing AML risks, how it trains employees in different ways, and how the board is set up to prevent financial crime.



EDP - Energias de Portugal, S.A. (Portugal, 2020)

► Bribery and Corruption

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



Glencore PLC (Bolivia, 2021)

► Child Labour

Change Objective: Glencore and its subsidiaries should cease purchasing ore from cooperatives which practice child labor. It should work with the authorities to assist in fulfilling the government’s pledge to eradicate child labor by 2025; and should have programs to improve health and safety in the mines that extend to co-operatives.



MMC Norilsk Nickel PJSC (Russia, 2020)

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

Change Objective: Nornickel should take appropriate actions to contain the oil and prevent further damage to the environment. It should have remedial measures in place to address the impacts of the leak. The company should also ensure that it has the maintenance and monitoring programmes to address the risks to its infrastructure, including from melting permafrost.



Sanofi (Philippines, 2020)

► Quality and Safety - Human Rights

Change Objective: Sanofi should have a robust governance, compliance, and risk management system in place with respect to its research and development of new products. Sanofi should also ensure appropriate levels of disclosure on the risks and side-effects of its products.



Siemens Gamesa Renewable Energy, S.A. (Western Sahara, 2018)

► Involvement with Entities Violating Human Rights

Change Objective: Siemens Gamesa Renewable Energy should demonstrate how its activities in Western Sahara are in line with the interests and wishes of Saharawis, in accordance with the right to self-determination stipulated in the International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights. Should this not be possible, the company should withdraw from Western Sahara.



*Associated company: **Siemens Energy AG**

Swedbank AB (Sweden, 2019)

► Money Laundering

Change Objective: Swedbank should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. It should also ensure that the board has sufficient and effective oversight of the business.



Telefonaktiebolaget LM Ericsson (Sweden, 2020)

► Bribery and Corruption

Change Objective: Ericsson should continue to strengthen its anti-corruption and ethical compliance processes in accordance with commitments its public commitments and the settlement with US authorities. Ericsson should maintain transparency regarding the implementation of these improvements or any new concerns that arise.



Teleperformance SA (France, 2021)

► Freedom of Association

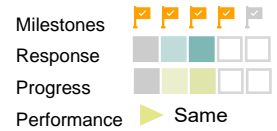
Change Objective: Teleperformance should ensure no anti-union practices or rights violations are occurring. It should demonstrate that across its operations its labour practices align with international standards, enable freedom of association, and that due diligence practices are sufficient to manage concerns. Disclosure should show effective implementation of policies and practices as well as meaningful efforts by the company to ensure compliance in this area.



Volvo AB (Israel, 2019)

► Involvement with Entities Violating Human Rights

Change Objective: Volvo should use its leverage with importers and distributors in high-risk locations to reduce the risk of its products getting implicated in human rights violations. It should establish clear criteria to identify high-risk countries and collaborate with local business partners to conduct human rights due diligence.

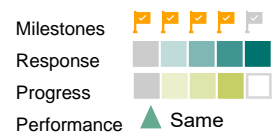


LATIN AMERICA AND CARRIBEAN

BRF S.A. (Brazil, 2019)

► Consumer Interests - Human Rights

Change Objective: BRF should ensure that the failure to meet food safety standards due to a bribery scheme has been investigated thoroughly and that its food quality and safety policies and management systems are properly implemented, monitored and reported.



Centrais Elétricas Brasileiras SA (Brazil, 2020)

► Controversial Project(s) - Human Rights Impacts

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



Grupo México, S.A.B. de C.V. (Mexico, 2020)

► Freedom of Association

Change Objective: Grupo Mexico should improve its labour practices in accordance with international standards. The company should demonstrate how it is meeting these obligations by improving its external disclosure on the implementations of the measures and their effectiveness.



Grupo México, S.A.B. de C.V. (Mexico, 2020)

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

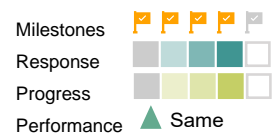
Change Objective: Grupo Mexico should consult with affected communities and authorities to address concerns over shortcomings in the remediation and compensation measures taken. The company show mitigate any remaining negative impacts of the spill and address shortcomings in compensation measures. Grupo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



JBS S.A. (Brazil, 2017)

► Bribery and Corruption

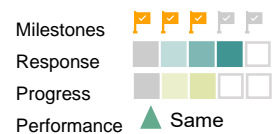
Change Objective: JBS should ensure that the bribery scheme has been investigated thoroughly and it should cooperate with the investigating authorities. Its anti-corruption programme should be strengthened in order to reflect its corruption risk exposure. Allocated resources, implementation, corrective actions and external verification in relation to the programme should be communicated.



JBS S.A. (United States, 2020)

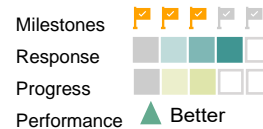
► Business Ethics

Change Objective: JBS should ensure that it is not involved in any illegal price-fixing or other types of antitrust practices. It should demonstrate how its commitment to compliance is sufficiently supported by procedures and practices, a speak-up culture and accountability at board level. Furthermore, it should fully collaborate with the authorities in any ongoing investigations.



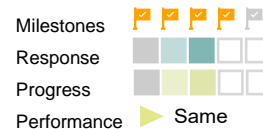
JBS S.A. (Brazil, 2021)
► Land Use and Biodiversity

Change Objective: JBS should stop sourcing cattle, meat, and/or animal feed from suppliers that are either directly or indirectly involved in irresponsible deforestation practices. As such, JBS should develop and implement comprehensive measures to identify non-compliant suppliers. Furthermore, JBS should intensify collaboration with other relevant stakeholders to mitigate deforestation.



Vale S.A. (Brazil, 2019)
► Incident(s) Resulting in Negative Human Rights Impacts

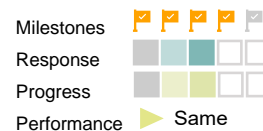
Change Objective: Vale should commission an external technical review into the causes of the collapse; strengthen its management of its tailings storage facilities using best available technology; adopt a policy of designing tailings facility based upon safety first and cost second; ensure remedial programmes are in place and improve the technical knowledge of its board with reporting lines are in place to ensure potential concerns are addressed appropriately.



UNITED STATES AND CANADA

3M Co (United States, 2019)
► Activities Resulting in Adverse Environmental and Human Rights Impacts

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



Activision Blizzard, Inc. (United States, 2021)
► Discrimination and Harassment

Change Objective: Activision Blizzard should cooperate with ongoing investigations and, if found guilty, compensate plaintiffs. Furthermore, the company should reinforce anti-discrimination policies by conducting related sensitization training, to move towards a culture of gender equality, diversity and inclusion. Moreover, the company should assure a robust grievance-mechanism is in place and appoint a senior level anti-discrimination expert to lead such activities with a strong mandate from the executive team and company board, and with sufficient resources. The company should disclose regularly on such efforts, along with external assurance.



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

Change Objective: Amazon should ensure no anti-union practices takes place within its operations. The company shall ensure union elections are performed in a fair and impartial manner. Amazon should demonstrate how its Global Human Rights Principles, addressing ILO standards and freedom of association, is implemented throughout its entire operations.



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

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



Bunge Ltd. (Brazil, 2021)
► Land Use and Biodiversity

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



Caterpillar Inc (Myanmar, 2020)
► Involvement with Entities Violating Human Rights

Change Objective: Caterpillar should use its leverage with importers and distributors in high-risk locations to reduce the risk of its products getting implicated in human rights violations. It should establish clear criteria to identify high-risk countries and collaborate with local business partners to conduct human rights due diligence and report transparently on these processes.



Citigroup, Inc. (United States, 2019)
► Business Ethics

Change Objective: Citigroup should implement on-going systematic controls related to money laundering, financial crime risk management; implement strong oversight mechanisms to govern those systems and disclose these systems and changes whenever appropriate. The company should adopt a robust strategy to positively influence the corporate culture into one that results in less regulatory challenges and accusations.



Dow, Inc. (United States, 2019)
► Quality and Safety - Human Rights

Change Objective: Dow should address how it is addressing the environmental and health legacy associated with its long-term production, marketing, and associated use of its chlorpyrifos chemical. And what, if any, changes it has introduced to its research and development protocols to mitigate the potential impacts of future products.



DuPont de Nemours, Inc. (United States, 2018)
► Activities Resulting in Adverse Environmental and Human Rights Impacts

Change Objective: DuPont should address legacy issues in relation to pollution on its existing operations and show that its current waste practices comply with international best practice, in order to prevent future liabilities arising from potential detrimental human health or environmental impacts.



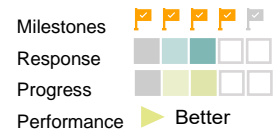
FirstEnergy Corp. (United States, 2021)
► Bribery and Corruption

Change Objective: FirstEnergy should cooperate with all related investigations and implement the recommendations from them. The company should ensure anti-bribery and corruption management system including anti-bribery training for staff are robust. The company should adopt a suitable grievance and whistleblower mechanism. The company should demonstrate transparency and integrity in its lobbying activities.



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

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



Lockheed Martin Corp (Saudi Arabia, 2020)
► Involvement with Entities Violating Human Rights

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



McDonald's Corp (United States, 2015)
► Labour Rights

Change Objective: McDonald's should actively promote the company's Standard of Business Conduct among its franchisees, and ensure franchisees live up to this especially with regards to labour rights. Efforts taken by the company to ensure compliance in this area should be transparently reported to relevant stakeholders.



McKesson Corp (United States, 2019)
► Consumer Interests - Human Rights

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



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

Change Objective: Facebook should implement its commitments to privacy and data security by ensuring that it has in place adequate internal controls systems and risk management procedures to manage the cybersecurity risks. Specifically, the company should ensure an adequate protection level for personal data. Facebook should increase transparency in reporting on the management of data security and users' privacy.



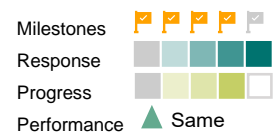
Meta Platforms, Inc. (United States, 2021)
► Social Impact - Products

Change Objective: Facebook should undertake human rights due diligence of its policies and business impact on users. The company should increase transparency of enforcement of content moderation policies, ideally including detailed insight into implementation of content policies by country. Finally, Facebook is asked to demonstrate governance structures and competency to oversee implementation of human rights standards in the company's products and practices.



Pan American Silver Corp. (Guatemala, 2019)
► Community Relations - Indigenous Peoples

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



PG&E Corp (United States, 2019)
► Quality and Safety - Human Rights

Change Objective: PG&E should address the impacts of the incident and ensure that suitable remedial measures have been put in place. The company should also develop a comprehensive, risk-based, safety strategy. The company-wide strategy should address the employee, contractor and public safety and consider future potential risks, including those related to changing climate conditions. The company should also establish a process for monitoring the execution of the strategy.



Raytheon Technologies Corp. (Saudi Arabia, 2020)
► Involvement with Entities Violating Human Rights

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



Southern Copper Corporation (Mexico, 2020)
► Freedom of Association

Change Objective: Southern Copper Corporation should improve its labour practices in accordance with international standards. The company should demonstrate how it is meeting these obligations by improving its external disclosure on the implementations of the measures and its effectiveness.



Southern Copper Corporation (Mexico, 2020)
► Leaks, Spills and Pollution - Environmental and Human Rights Impacts

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



Stryker Corporation (United States, 2019)
► Quality and Safety - Human Rights

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



The Boeing Company (United States, 2019)
► Quality and Safety - Human Rights

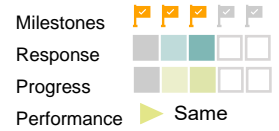
Change Objective: Boeing should accomplish the safe return of the 737 MAX aircraft to commercial flight (i.e. re-certified and flight bans lifted). It should ensure that the people affected by the two accidents are appropriately supported and compensated. Boeing should adopt a robust, precautionary approach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



Thermo Fisher Scientific Inc. (China, 2021)

► Involvement with Entities Violating Human Rights

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



Uber Technologies, Inc. (United States, 2019)

► Data Privacy and Security

Change Objective: Uber Technologies should improve its privacy programme in line with regulatory requirements and international norms including implementation of measures to ensure and monitor compliance with global privacy and data protection laws and standards, respect for customer privacy, security of user data, and appropriate processing and use of data. Uber should also improve public disclosure to provide transparency on its progress toward improvement and preparedness to manage its related risk exposure.



Walmart Inc. (United States, 2006)

► Labour Rights

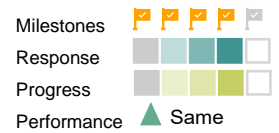
Change Objective: Walmart should cease and mitigate non-compliance in areas related to labour rights and strengthen its policies and guidelines on these issues.



Wells Fargo & Company (United States, 2019)

► Business Ethics

Change Objective: Wells Fargo should ensure that it implements adequate risk management processes and internal controls meant to reduce compliance breaches, and regulatory action, and disclose the results where appropriate.



Disengage

Disengage due to low performance

ASIA / PACIFIC	AviChina Industry & Technology Company Limited	China
	▶ Involvement With Entities Violating Human Rights	
	China Northern Rare Earth (Group) High-Tech Co Ltd (New)	China
	▶ Activities Resulting in Adverse Environmental and Human Rights Impacts	
	Coal India Limited	India
	▶ Recurring Workplace Accidents	
	Inner Mongolia Baotou Steel Union Co. Ltd. (New)	China
UNITED STATES AND CANADA	▶ Emissions, Effluents and Waste	
	Metallurgical Corporation of China Ltd.	Papua New Guinea
	▶ Environmental Impacts from Waste Practices	
	Motorola Solutions, Inc.	Palestinian Authorities
	▶ Operations in Occupied Territories	

Disengage due to involvement in controversial weapons

ASIA / PACIFIC	Larsen & Toubro Limited	India
	▶ Nuclear Weapons Development	

Disengage due to state-owned enterprises complicit in human rights abuses

AFRICA / MIDDLE EAST	Saudi Arabian Oil Co.	Saudi Arabia
	▶ Operations in Territories with Elevated Human Rights Risks	
	<i>*Associated companies: Saudi Basic Industries Corp and S-Oil Corp.</i>	

Resolved

ASIA / PACIFIC

Commonwealth Bank of Australia (Australia, 2019)

In the past three years, CBA has not been complicit in any money laundering incidents. The company has strengthened its AML/CFT processes and implemented improvements in accordance with the prudential regulatory requirements. The company has implemented robust internal controls and risk management and there is sufficient and effective board oversight. Changes have been made to the board and executive management. Significant improvements have been made to risk controls, accountability and culture.

ISSUE

► Money Laundering

MILESTONES

🚩 🚩 🚩 🚩 🚩 5/5 Achieved

Olympus Corporation (United States, 2019)

Olympus has significantly reduced deaths and complications associated with contamination of its duodenoscopes over the past few years. Deaths in the last twelve months have been nil with 14 reported potential complications. The company has demonstrated concrete steps to remedy the quality and safety concerns associated with its duodenoscopes, via comprehensive training to health care professionals on how to properly sterilize duodenoscopes, developing and launching a new duodenoscope with a fixed end cap that effectively addresses contamination concerns, and demonstrating appropriate QMS, incident tracking and other internal policies and processes.

ISSUE

► Quality and Safety -
Human Rights

MILESTONES

🚩 🚩 🚩 🚩 🚩 5/5 Achieved

EUROPE

ING Groep N.V. (Russia, 2019)

ING Groep successfully executed most of its Global KYC Enhancement programme, implementing strong risk management systems and internal controls that prevent financial crime and money laundering. We also consider the company to be a leader in developing corporate culture to become more ethical – it took the innovative step of creating a Behavioral Risk Management team that does groundbreaking work measuring culture and creating interventions to shape desirable behaviours.

ISSUE

► Money Laundering

MILESTONES

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Global Standards Engagement Overview

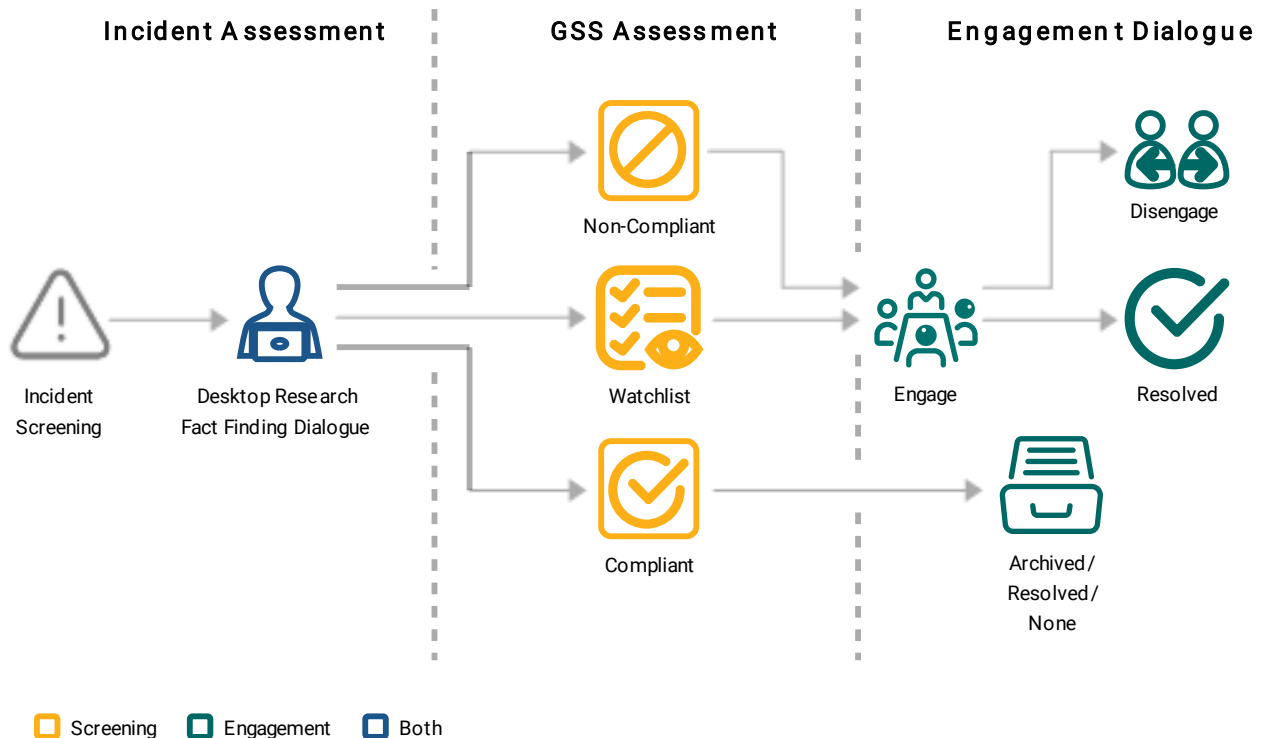
Global Standards Engagement (GSE) is an incident-driven engagement with focus on companies that severely and systematically violate international standards, such as the UN Global Compact Principles and the OECD Guidelines for Multinationals. The engagement is based on a thorough and continuous assessment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

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

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

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

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



Global Standards Engagement Status

Evaluate

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

Engage

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

Associated

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

Disengage

- Poor or no progress and/or poor or no response from the company within a period of two years after the start of engagement.
- Companies whose business models rely on activities where engagement would likely be not fruitful (such as involvement in controversial weapons or State-Owned Enterprises complicit in human rights abuses).

Resolved

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

Archived

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



Thematic Engagement

Climate Change – Sustainable Forests and Finance

Executive Summary

Climate Change – Sustainable Forests & Finance Thematic Engagement

Agricultural expansion continues to be the main driver of deforestation, forest fragmentation, and the associated loss of forest biodiversity. As demand for food and other resources continues to grow, tropical and boreal forests are often cleared to make way for new fields and plantations, mostly for commodities, such as cattle, soy, palm oil, timber, coffee, etc. Deforestation also significantly exacerbates climate change, currently contributing approximately 24% of all greenhouse gas (GHG) emissions from land-use activities, more than that emitted by the world's entire transport sector.¹ The complexity of the forest value chain—where a large number of companies are involved across sourcing, trading to processing and consumption, as well as the financiers—represents a challenge to reform. Unless urgently addressed, emissions from agriculture could become the dominant source of global emissions by 2050,² while only 3% of climate finance today is currently aimed at forests and land use.

In September 2021, Sustainalytics kicked off a thematic engagement on Climate Change – Sustainable Forests & Finance. Together with a large group of investors, we have embarked on an engagement with major stakeholders in the forest value change companies in the three focus sectors including financiers, commodity producers and end of value chain companies.

Developments in 2021

While 2021 began with the world still gripped in the midst of the coronavirus pandemic, there was also a first positive step in the field of climate, beginning in January as the US rejoined the Paris Climate Agreement. This was however followed by a stark reminder as to the urgency of the climate emergency with one of the most extraordinary and powerful heatwaves ever experienced by North America hitting the west coast in June, caused by what meteorologists called a “dome of high pressure”, the heatwave extended from California – worsening the drought even as the first wildfires of the season began – all the way up to Canada. Meanwhile, India, China and Europe were being hit by catastrophic floods.

In the run-up to COP26, the Intergovernmental Panel on Climate Change (IPCC) delivered its starkest warning to the world yet, concluding that climate change was unequivocally caused by human activities, and warning that some of the impacts were now inevitable and “irreversible”.³ We also noted activity alongside climate, as the world took to rally and take action on nature while China hosted the Kunming conference on biodiversity and announced a USD 233 m (£170 m) fund to protect biodiversity in developing countries.

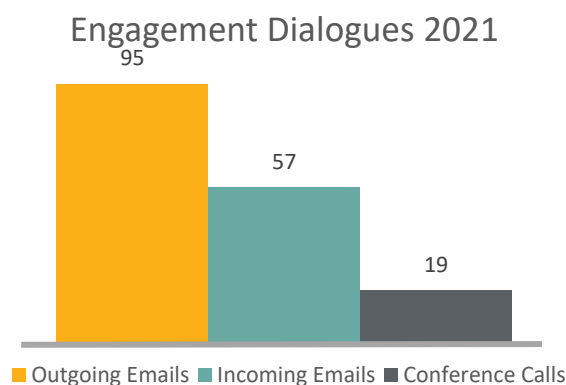
Meanwhile, as COP26 came into full swing in November, we saw several commitments globally, with a leading an alliance of 90 countries, including for the first time Brazil, set out new regulatory measures to limit global methane emissions by 30% from 2020 levels by the end of the decade.

The alliance includes two-thirds of the global economy and half of the top 30 major methane emitter countries. Further commitments came from the finance industry, with hundreds of the world's biggest banks and pension funds with assets worth USD 130 tn having committed themselves to a key goal in limiting GHG emissions. Most importantly we saw world leaders agree to a deal that aims to halt and reverse global deforestation over the next decade as part of a multibillion-dollar package to tackle human-caused GHG emissions.

With regards to climate-related disclosure, October also saw the release of the latest TCFD status report, with over 1,000 additional organizations having pledged support for the TCFD recommendations. As of October 2021, the Task Force had over 2,600 supporters globally, including 1,069 financial institutions, responsible for assets of \$194 tn. TCFD Aligned reporting requirements are now in place in several jurisdictions, including Brazil, EU, Hong Kong, Japan, Singapore, New Zealand and the UK.

Engagement Update

The main effort of the engagement in 2021 was to establish the baseline assessment working in collaboration with the investor group to identify 22 companies targeted as part of the project. The baseline assessment was released in September 2021. Following the release, introductory dialogues were held with 13 companies, while bilateral dialogues material to the



¹ <https://www.greenclimate.fund/stories/forests>

² <https://www.oecd.org/agriculture/topics/climate-change-and-food-systems/>

³ <https://www.wbcsd.org/Sector-Projects/Forest-Solutions-Group/Forest-Sector-SDG-Roadmap/New-Forests-Mobilizing-finance-for-sustainable-forests-and-the-climate>

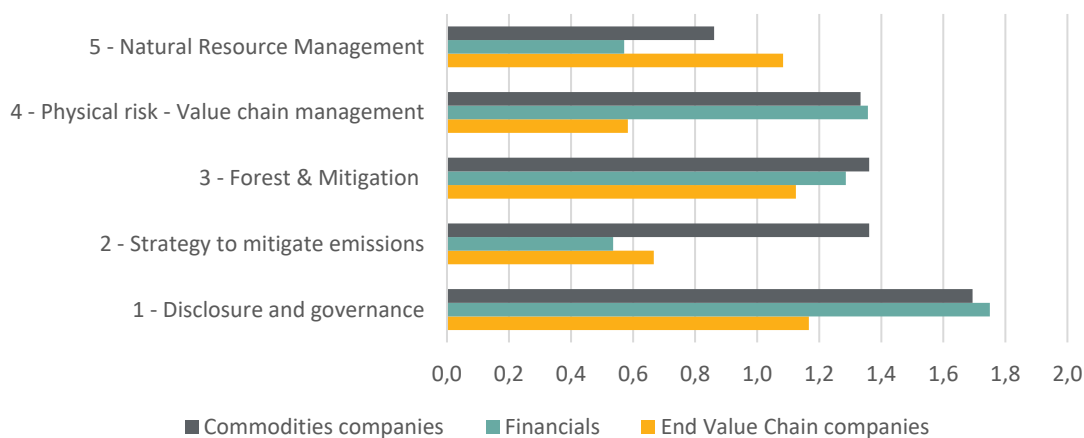
³ <https://www.ipcc.ch/report/ar6/wg1/>

engagement following on from this were held with 7 of these companies with further dialogues already in place in early 2022. We also connected with several key stakeholders throughout the year including the Science-based target network, Ceres, Sustainable Finance Lab & Forest500.

Company Performance

In 2021, Sustainalytics engaged directly or indirectly with a total of seven companies, in the initial months of the engagement with a differentiated approach cognizant of regional variation and companies' level of advancement. All selected companies were scored on the five key performance indicators (KPIs), which will inform the engagement calls in the next phase of this project. The KPIs cover governance, targets and strategy, practical mitigation on forests, physical risk and natural resource management. Each KPI has a minimum score of zero and a maximum score of three. Since September 2021, and throughout the dialogue with companies, we have continued to see steady improvement either through disclosure or commitments from companies relating to ongoing intentions concerning climate change. One aspect increasingly seen, was better disclosure in relation to climate strategies largely in the run-up to COP26 later in the year. Several other companies made commitments relating to the TCFD that we expect to come to fruition early in 2022, with the release of both annual and sustainability reporting. One retailer announced an increase in the ambition of its net-zero targets.

Chart Showing Average Scores per Sector in Value Chain



In dialogue thus far we have also seen a limited approach to tackling deforestation, in particular for the financial sector. Their work has largely been limited to policies of varying strengths and due diligence on clients. Stronger efforts were seen from commodity companies largely aligning around commitments on ending deforestation and conversion by 2030. With strategies in place, work by commodity companies in particular relating to beef and soy, has focused on building traceability and transparency in supply chains utilizing continued rollout of satellite mapping data alongside collaborations with locally-based NGOs and farming cooperatives to better communicate these initiatives. These types of supply chain engagements were also seen across the three customer-facing companies we engaged with, all indicating plans to do so but strategy disclosure concerning this remains limited.

In relation to the upcoming Taskforce on Nature-related Financial Disclosures (TNFD) standard, two of the financial actors we engaged with are aware of and are participating in the development of the taskforce, while the remainder of company dialogues showed limited preparation. Work on TNFD is something that we expect to change and develop throughout 2022.

Case Study

In late 2021, one Asia-based banking company had a positive reaction to Sustainalytics' engagement program highlighting the value it provided agreeing to further dialogue in March 2022 following its next reporting cycle. During our introductory dialogue, the company expressed an intention to advance its strategic approach to climate change. Through this, it identified and invited Sustainalytics to participate in its key stakeholder dialogue outreach forming initial input to its overall strategic direction regarding both sustainability and climate change. Here Sustainalytics provided insights and input from its other active engagements relating to long-term targets and metrics, risk management, disclosure and sustainability-linked bonds, and highlighted best practices and innovative approaches in these areas and more. It is excellent to see companies proactively involving Sustainalytics, as an investor representative, for guidance. More importantly, the strategy developments signal deepened engagement in key topics included in this thematic engagement, leading to long-term commitment to tackling the issues involved.



Thematic Engagement Responsible Cleantech

Executive Summary

Responsible Cleantech Thematic Engagement

Truly sustainable products are backed by sustainable value chains. For the transition towards a low-carbon economy to be successful globally, the transition needs to be socially just and the economy needs to become circular to respect planetary boundaries and not recreate some of the problems that cleantech is supposed to solve. Sustainalytics' thematic engagement 'Responsible Cleantech' addresses both the environmental and social implications of the growth of selected cleantech domains – electric vehicles, wind turbines and solar panels – and aligns with multiple Sustainable Development Goals, namely: SDG 7 Affordable and clean energy, SDG 8 'Decent work and economic growth', SDG 9 'Industry, innovation and infrastructure', SDG 12 'Responsible consumption and production', and SDG 13 'Climate action'. The company dialogues cover governance, operational management, supply chain management, circularity, and stakeholder engagement.

Developments in 2021

The engagement program has yielded increasingly specific insights about the environmental and social challenges of each of the selected cleantech domains. Beyond the company engagements, Sustainalytics had introductory calls with two relevant multi-stakeholder initiatives. This provides an avenue to bring relevant expertise into the dialogue and harness synergies where they exist.

Engagement with companies in the 'EV' domain has drawn attention to the effects of electrification and digitalization on employment prospects. Responsible sourcing and recovery of battery materials is clearly another focus area. In the 'wind' domain, it makes sense to focus on the supply chain as the original equipment manufacturers rely heavily on third-party suppliers for most components. Moreover, the turbine's rotor blades pose a serious challenge with respect to circularity. The 'solar' domain's supply chain is most heavily dominated by China. There have been serious concerns about forced labor in the Xinjiang Uyghur Autonomous Region in western China, where the solar industry has a significant presence.

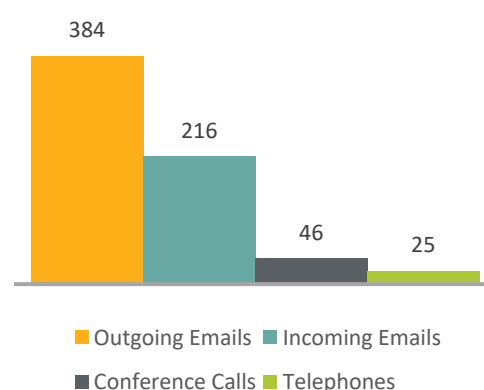
This engagement's efforts to cross-pollinate the various cleantech domains and to leverage existing multi-stakeholder initiatives should drive further improvement at the more advanced companies as well. Some companies are more focused on business growth and developing sustainability strategy than reporting, whereas others are already fairly advanced with both. Several companies have expressed the desire to contribute to tangible improvements and would rather have lagging reporting than to risk accusations of greenwashing.

Engagement Update

August 2021, the Responsible Cleantech program concluded its first year, which was mainly used to reach target companies, establish dialogues, and improve our understanding of companies' cleantech involvement and sustainability strategies. From September 2021, the focus started to shift towards developing the dialogues further and looking out for the most meaningful positive impact opportunities.

In 2021, Sustainalytics was able to organize engagement conference calls for the participating investors with nineteen companies, namely: AU Optronics, Daqo New Energy, First Solar, Ford Motor, Gurit, Hanwha Solutions, Honda Motor, Hyundai Mobis, Johnson Matthey, LONGi Green Energy Technology, Nordex, Plug Power, Schneider Electric, SunPower, Tesla, TPI Composites, Vestas Wind Systems, Volkswagen, and Xinjiang GoldWind Science & Technology. It was not always easy to get companies to engage. Sixteen other targeted companies either remained non-responsive or declined due to internal capacity constraints, ongoing organizational restructuring, or lack of motivation. Those companies that did open up hosted one or two investor engagement calls in 2021, depending on their start date and availability.

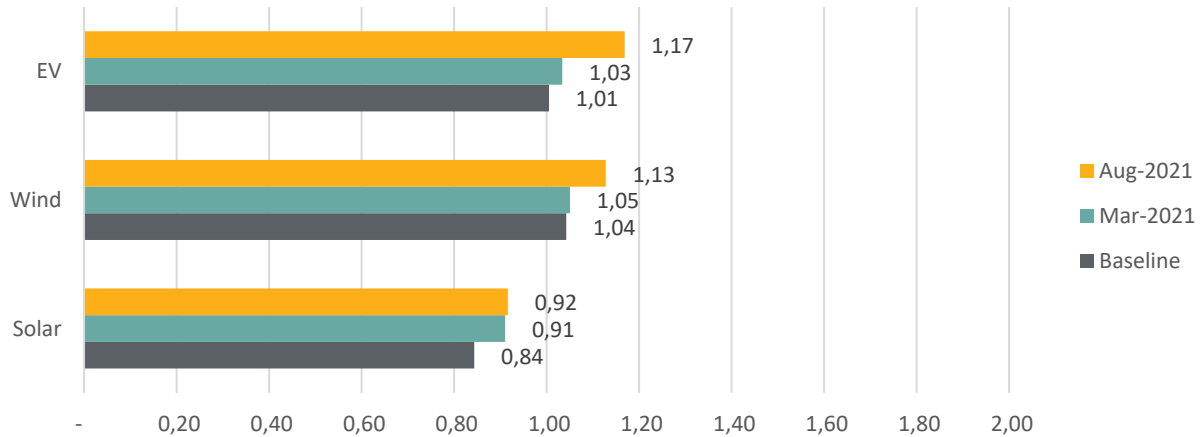
Engagement Dialogues 2021



Company Performance

Throughout the engagement, Sustainalytics assesses the engaged companies on five key performance indicators (KPIs) that cover governance, operational management, supply chain management, circularity, and stakeholder engagement. A scoring scale from 0.00 up to 2.00 is used for this purpose. The chart below illustrates how the EV and wind domains perform similarly on average. The solar domain continues to lag. The next bi-annual score update was being worked on at the time of producing this quarterly report. The latest developments will be covered in the next quarterly report.

Responsible Cleantech: Average Overall Score per Cleantech Domain



Case Study

Some key outcomes we have noted through our engagement with companies include:

Governance: Several companies in the program made tangible progress in 2021 by improving their sustainability governance setup and committing to more ambitious targets, including science-based greenhouse gas reduction targets.

Operational management: Companies with cleantech products tend to have the E of environment in their DNA and their customers are also focused on it considering the urgent need for climate action. The S of social is needing serious attention as well. Sustainalytics has been scrutinizing if employees are treated well.

Supply chain management: Most cleantech products have complex supply chains and many companies are really only at the beginning of unpacking all the tiers, assessing ESG risks, and prioritizing action. The companies are interested in learning how to tackle this smartly, considering that there are so many different metals needed for cleantech solutions.

Circularity: Circularity in cleantech requires both improved product longevity and recycling. Some companies have started to adapt their business models but there is still a lot of progress to be made in each industry. It helps to analyze the role of each company within a value chain to determine what to focus on.

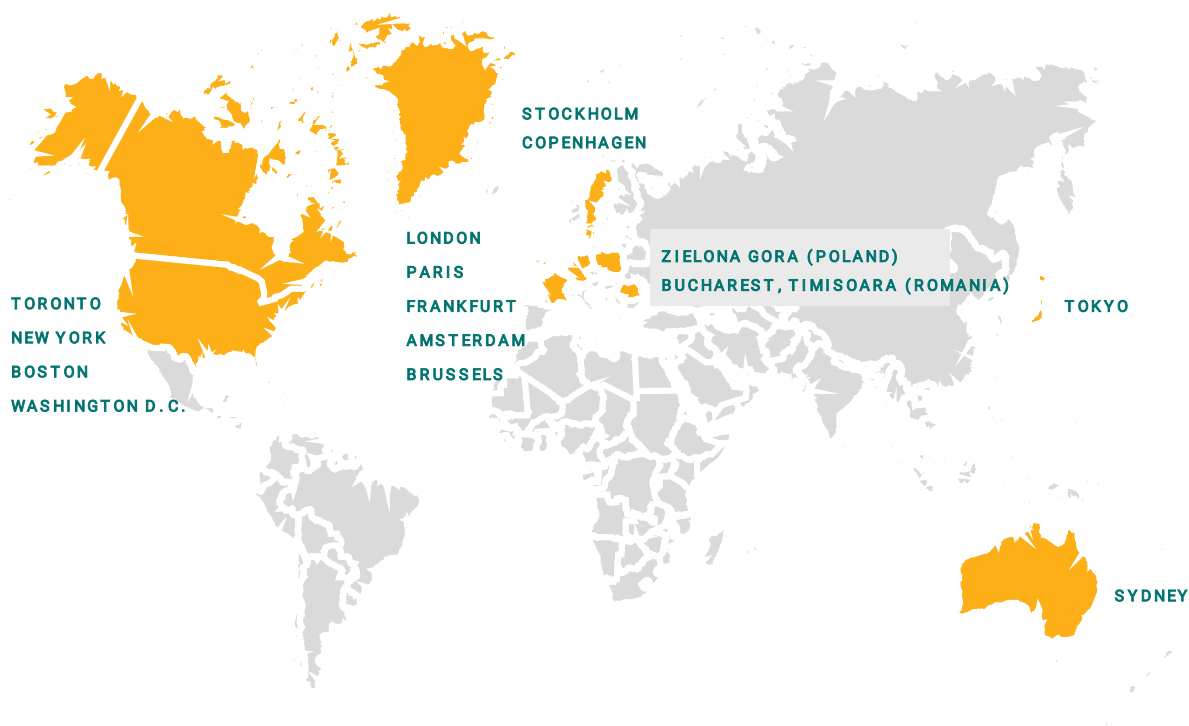
Stakeholder engagement: Sustainalytics has started to promote certain multi-stakeholder initiatives such as the Responsible Business Alliance and some of its affiliated initiatives. There are meaningful supplier assessment tools available from these initiatives, but other initiatives that are more raw material specific such as the Aluminium Stewardship Initiative and Fair Cobalt Alliance also need support from companies to achieve increasingly profound impact.

About Sustainalytics

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1,200 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com.



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