



stichting pensioenfonds
Provisum

Quarterly Engagement Report

Q2 2022

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This report summarizes the shareholder engagement activities that Sustainalytics performed on behalf of Stichting Pensioenfonds Provisum during March to May 2022. Use of and access to this information is limited to clients of Sustainalytics and is subject to Sustainalytics' legal terms and conditions.

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Global Standards Engagement

Executive Summary

On 24 February 2022, Russian troops invaded Ukraine from Russian and Belarusian territories. At the beginning of March, the United Nations General Assembly, in an Emergency Special Session under its 'Uniting for Peace' mechanism, adopted a resolution that severely condemned the Russian Federation's aggression against Ukraine as a violation of international law. Additionally, on 16 March, the UN's highest court, the International Court of Justice (ICJ), made an unprecedented verdict under the 1948 Convention on the Prevention and Punishment of the Crime of Genocide and ordered Russia to immediately suspend all of its military operations within Ukraine and its internationally recognized borders. The ICJ's verdict constitutes an exceptional ruling as it is the first judgement in the ongoing legal battle between Russia and Ukraine since Crimea's annexation.

Beyond the many casualties and other humanitarian tragedies, the conflict's direct impacts and the global response to it have resulted in severe repercussions for the global economy, as well as Russian and Belarusian issuers and investors. The magnitude of EU and US sanctions that have been imposed in the last few months is unprecedented in recent memory. There are no doubts that the war's economic, social, and environmental effects will be long lasting.

We have been monitoring the evolving situation for potential impacts on the assessments of companies in the Global Standards Screening and Global Standards Engagement coverage universe. This resulted in status changes for Russian and Belarusian controlled or state-owned enterprises (SOEs) in sectors identified as playing a central role in the conflict; we assigned Disengage status to a number of Russian and Belarusian entities.

In addition to this decision, during the last period, we initiated five new engage cases, concluded three engagements, as well as disengaged with three cases and companies due to lack of progress and poor or no response over a two-year period.

New engagement cases

- **Li Ning Co Ltd**, a Chinese sportswear and sports equipment company linked to forced labour of Uyghur people in the Xinjiang region of China through its supplier.
- **Medtronic PLC**, a medical device company, which develops and manufactures therapeutic medical devices for chronic diseases, involved in repeated quality and safety issues related to its medical devices.
- **Orpea SA**, one of Europe's largest long-term care home operators, accused of negligence related to the care of residents at its nursing homes in France.
- **Starbucks Corp.**, a US company operating as a roaster, marketer, and retailer of specialty coffee, allegedly interfered with its workers' right to organize or join unions at several of its stores in the US.
- **Tesla Inc**, a US company specialized in electric cars production, accused of repeated workplace racial discrimination and harassment at its Fremont plant in California (US).

Disengaged cases

- **63 Moons Technologies Ltd**, whose subsidiary, a spot commodity exchange based in India, has been accused of fraud which affected 13,000 investors (trading clients) and resulted in a loss of approximately USD 900 million. Sustainalytics has made numerous attempts to establish dialogue with the company since 2020, by email and telephone. We have also sent an investor letter to the company. However, despite our efforts, the company has remained unresponsive.
- **China Huarong Asset Management Co Ltd**, a Chinese asset manager also providing financial services, where the former chairman of, and executives from, five of its subsidiaries have been involved in bribery allegations. The company has displayed a persistent unwillingness over the last two years to enter into dialogue with Sustainalytics or investors.
- **CK Power Public Co. Ltd.**, the main shareholder and operator of the Xayaburi Hydropower Dam on the Mekong River in Laos. The dam is considered controversial due to its potentially severe negative environmental and social impacts. Sustainalytics and investors have made numerous attempts to establish dialogue with the company since May 2020 by email and telephone but have not received substantive response to any of these communications.

Resolved engagements

- **Dow, Inc.**, formed in April 2019 after spinning off from DowDuPont (itself formed by the merger of Dow Chemical and DuPont in August 2017). The company was involved in several controversies related to the health impacts of its crop protection and other products, including the pesticide chlorpyrifos. The engagement dialogue was meaningful, and the company has significantly enhanced its product safety policies and procedures and has not experienced any new serious incidents related to the adverse health impacts of its products.
- **DuPont de Nemours, Inc.**, and its former parent company, involved in the systematic under-reporting of several long-term pollution incidents arising from their operational practices. The engagement was ongoing since 2018 and the company has considerably improved its internal 'responsible care management system'. The company also confirmed that all of its contamination liabilities fall under another company - The Chemours.
- **Volvo AB**, a Swedish commercial vehicle manufacturer, whose products have allegedly been involved in significant incidents relating to alleged human rights violations in Egypt, Myanmar and the Occupied Palestinian Territories. Since 2019, the company was open to our feedback and recommendations to align with the United Nations Guiding Principles on Business and Human Rights (UNGPs). As a result, it has demonstrated leadership in the industry by adopting a responsible sales policy framed by the UNGPs and embedded across the company.

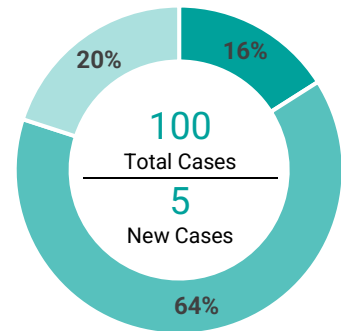
Quarterly Statistics March – May 2022

During March – May 2022, Sustainalytics has continued our dialogue to track specified engagement goals and to seek measurable results of business conduct changes in relation to 100 Engage and Resolved cases.

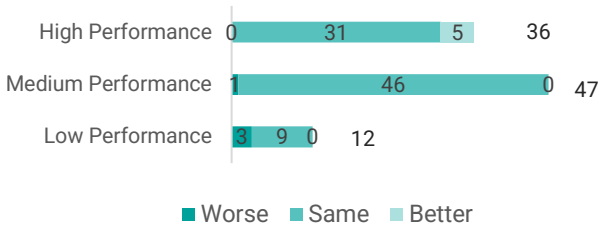


Cases by Theme

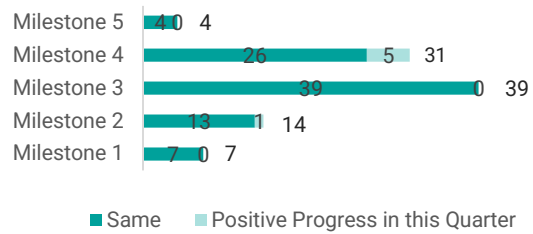
Environmental	16
Social	64
Governance	20



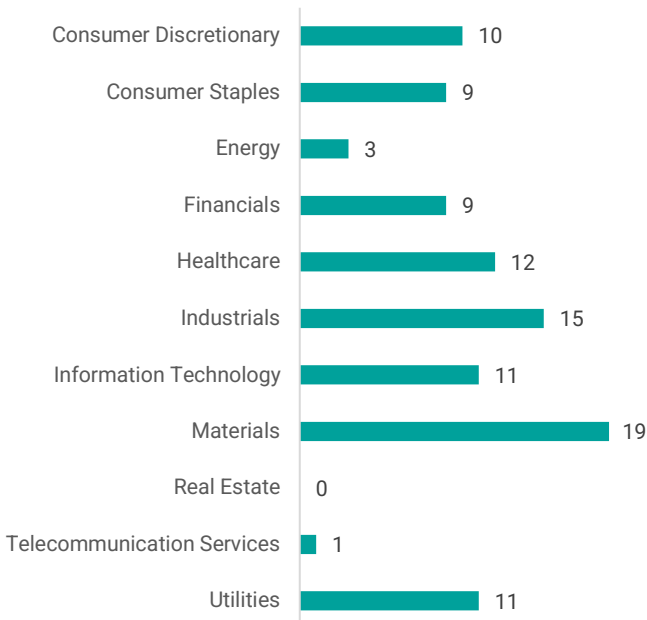
Engagement Performance Overview



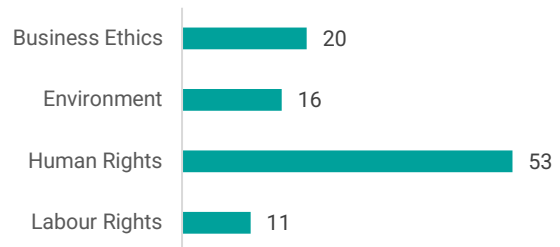
Milestone Overview¹



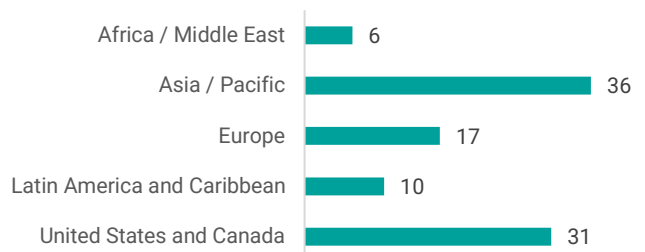
Cases by Sector



Cases by Norm



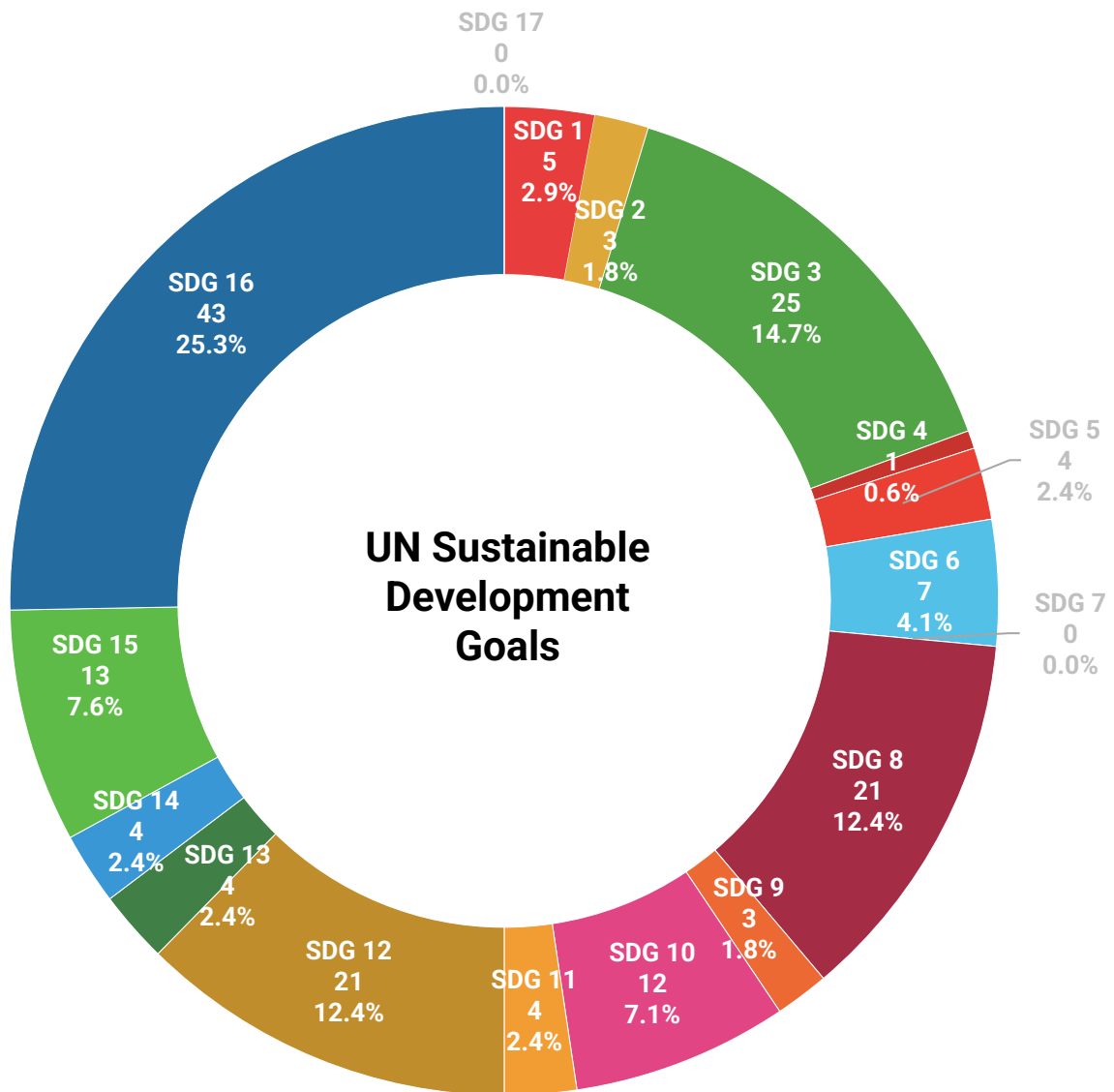
Cases by Headquarter



¹ Five new cases were opened at the end of Q2, 2022. Within the next quarter, their performance and milestone assessments will be available and included in the statistics.

 **UN Sustainable Development Goals Attribution**

100 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

● 63 MOONS TECHNOLOGIES LTD	11
● CH. KARNCHANG PUBLIC COMPANY LIMITED	13
● CHINA HUARONG ASSET MANAGEMENT CO LTD	12
● CK POWER PUBLIC CO. LTD.	13
● DOW INC.	14
● DUPONT DE NEMOURS INC.	15
● LI NING CO LTD	8
● MEDTRONIC PLC	8
● ORPEA SA	9
● STARBUCKS CORP.	9
● TESLA INC	10
● THE CHEMOURS CO	15
● VOLVO AB	16

Engage Cases

Li Ning Co Ltd

Background

Chinese sportswear and sports equipment company LI NING CO LTD (Li Ning) has been linked to forced labour of Uyghur people in the Xinjiang region of China through its supplier, Xinjiang Jinfujie Clothing (Jinfujie). According to various news reports, from 2016 to 2018 the company recruited and trained around 6,000 'minority peoples' from different areas of Xinjiang. In 2018, 54% of its workforce consisted of ethnic minorities. The company has reportedly conducted ideological, language and military-style work training with these workers. Images online show Uyghur workers marching and singing under 'military-style' management, apparently separated from other workers. Jinfujie also reportedly stated in 2018 that it manufactured its products inside the Kashgar Education and Training Center, which the Australian Strategic Policy Institute and other sources have reported to be a re-education camp.

Engagement Objective and Activity

Li Ning should undertake due diligence activities and provide disclosure on relevant policies on labour rights. It should also improve its overall transparency and provide disclosure on its supply chain to ensure its suppliers commit to respecting labour rights. The company should also adopt a grievance mechanism that is accessible to all workers.

Next Step

Sustainalytics will request a conference call with Li Ning to discuss the working conditions of the Uyghur people and the changes we would like to see the company make.

STATUS

Engage

ISSUE(S)

► Forced Labour – Supply Chain

ENGAGEMENT MANAGER



Eliot Bianco
Manager
London

CONTRIBUTION TO SDGs



Medtronic PLC

Background

Between 2018 and 2021, MEDTRONIC PLC (Medtronic) issued 25 Class I recalls. According to the United States Food and Drug Administration's (FDA) communications, Medtronic's faulty devices across different product categories resulted in 21 deaths and over 2,000 injuries. The company has disclosed that one of its subsidiaries (Covidien), which supplies pelvic mesh products, is currently undergoing litigation involving an estimated 16,200 claimants. Since 2008, about 10,000 patient lawsuits have claimed that Medtronic marketed its Infuse product for off-label uses that contributed to patient injuries and, in some cases, death. In December 2017, Medtronic paid USD 12.5 million to settle a lawsuit. As of spring 2022, several law firms are investigating cases of faulty HeartWare pumps, indicating that litigation is pending in relation to these products. The product recalls and FDA involvement contradict what appears to be a strong product quality and safety programme, highlighting potential gaps in the company's management of its product quality and safety.

Engagement Objective and Activity

Engagement will focus on two main aspects: ensuring that the company takes appropriate actions to address the negative impacts of its products and developing a strong culture of adherence to quality and safety. Furthermore, the company will need to be more comprehensive with its disclosures of product-related data.

Next Step

To commence engagement with the company in order to seek greater clarity in regard to the existing culture of quality and safety. This engagement will seek to understand where the gaps are that led to the FDA recalls, and then map out responses to those gaps.

STATUS

Engage

ISSUE(S)

► Quality and Safety

ENGAGEMENT MANAGER



Joe Attwood
Associate Director
London

CONTRIBUTION TO SDGs



ORPEA SA

Background

ORPEA SA (Orpea) is one of Europe's biggest long-term care home operators. In January 2022, an investigative journalist published a book that was based on his three-year investigation of the company. The book claims poor hygiene, rationing of food and misappropriation of public funds that should have been spent on resident care at Orpea's facilities across France. It also alleges understaffing and a high turnover rate among Orpea's staff. In February 2022, the Inspection Générale Interministérielle du Secteur Social and the Inspection Générale des Finances, state bodies responsible for investigations on social affairs and finances in France, respectively, opened a probe into the company's practices. Their report found 'significant dysfunctions in the organization of the group, to the detriment of the care of residents'. In April 2022, Orpea released the preliminary results of its own independent review, which also highlighted regular understaffing at the facilities and the mishandling of public funds. In the same month, the prosecutor's office in Nanterre (the Île-de-France region) announced that the investigation into Orpea had been opened.

Engagement Objective and Activity

Orpea should take steps to align its policies, governance, risk management framework and grievance mechanisms to international quality and safety standards. Additionally, Orpea should measure the effectiveness of its efforts via robust monitoring, reporting and communicating, and take steps to transform its corporate culture to avoid similar issues in the future.

Next Step

To start engaging with the company in order to understand its action plan to address potential and/or existing gaps related to quality and safety, business ethics and labour rights.

Starbucks Corp.

Background

Between March and May 2022, the National Labor Relations Board's offices in Buffalo, Phoenix and Memphis, US, issued complaints against STARBUCKS CORP. (Starbucks) for unfair labour practices and violations of the National Labor Relations Act. Since 2021, individual Starbucks stores in the US have seen increased union activity, leading to more than 50 US Starbucks cafes having elected to join a union. Workers and the union reported that Starbucks has used anti-union tactics at several US stores. According to the allegations, Starbucks has threatened to close unionized stores, laid off seven pro-union workers, tried to drive out pro-union workers by reducing their hours and surveilled workers. Moreover, the company has allegedly regularly sent anti-union text messages to workers, launched an anti-union website, forced workers to attend mandatory 'captive audience' meetings, and tried to pack bargaining units with newly hired employees, training them separately from pro-union workers.

Engagement Objective and Activity

Starbucks should ensure no anti-union practices take place within its operations. Alongside co-operating with investigations by authorities, the company should take appropriate steps to identify barriers to unionization and to introduce corrective actions. The company should ensure its policies and practices addressing freedom of association and labour rights are aligned with international standards and implemented throughout its operations. Relevant policies and reporting should be transparent.

Next Step

Sustainalytics will take steps to establish a dialogue with Starbucks. Through the engagement, Sustainalytics will work with the company to understand the steps it is taking to uphold expectations of free association, specifically, and labour rights, broadly.

STATUS

Engage

ISSUE(S)

► Quality and Safety

ENGAGEMENT MANAGER



Justine Autour
Manager
Amsterdam

CONTRIBUTION TO SDGs



STATUS

Engage

ISSUE(S)

► Freedom of Association

ENGAGEMENT MANAGER



Matthew Barg
Associate Director
Toronto

CONTRIBUTION TO SDGs



Tesla Inc

Background

Over the past few years, employees from TESLA INC (Tesla)'s Fremont, California plant in the US have accused the company of repeated workplace racial discrimination and harassment. Workers have reported discrimination in job assignments, discipline, pay and promotion. There are also individual lawsuits alleging female workers experienced sexual harassment. In August 2021, a former employee at the plant won a court ruling and received more than USD 1 million, after claiming that his supervisors had regularly referred to him using a racial slur. In October 2021, a jury ruled that Tesla must pay USD 137 million to a contractor who said he had suffered racist abuse while working at the plant in 2015 and 2016. In February 2022, following an investigation, the California Department of Fair Employment and Housing (DFEH) said it had received complaints from hundreds of workers and found evidence that Tesla's Fremont plant is a 'racially segregated workplace.' As a result, the agency filed a lawsuit against Tesla alleging systematic racial discrimination and harassment.

Engagement Objective and Activity

Tesla is expected to have the incidents investigated by an independent third party with which it should fully participate. Tesla should reinforce anti-discrimination policies by conducting related sensitization training to move towards a culture of gender equality, diversity and inclusion. The company should also enact a grievance mechanism and appoint senior-level anti-discrimination and human resource experts.

Next Step

Sustainalytics will request a conference call with Tesla to discuss the discrimination issues and the changes we would like to see the company make.

STATUS

Engage

ISSUE(S)

► Discrimination and Harassment

ENGAGEMENT MANAGER



Eliot Bianco
Manager
London

CONTRIBUTION TO SDGs



Disengage Cases

63 Moons Technologies Ltd

Background

National Spot Exchange Limited (NSEL), a subsidiary of 63 MOONS TECHNOLOGIES LTD (63 Moons), was a spot commodity exchange based in India. In July 2013, after some members of the exchange defaulted, it was revealed that most of the underlying commodities traded on the NSEL exchange did not exist. Approximately 13,000 investors (trading clients) operating in the spot commodity exchange were affected, and their losses were estimated at INR 56 billion (approximately USD 900 million). Several NSEL executives were arrested for alleged systematic and premeditated fraud. The Securities Exchange Board of India (SEBI) declared that 63 Moons was ineligible to hold any stake in market infrastructure institutions and, in December 2020, stated that it did not consider 63 Moons 'fit and proper' to provide 'straight through processing' software services to market intermediaries such as brokers, fund houses and custodians.

NSEL attempted to recover losses for investors by demanding that the companies that had defaulted pay back the funds. Media reporting in March 2022 indicated that approximately 14% of the total stolen funds were reimbursed after eight years.

Engagement Objective

63 Moons was expected to cease ownership of any market infrastructure. It was also expected to implement robust countermeasures to guard against financial crime and strengthen its internal controls and, furthermore, to reimburse or otherwise remediate impacts to affected investors.

Engagement Activities

Sustainalytics and investors have made numerous attempts to establish a dialogue with the company since 2019, by email and telephone. A collaborative investor letter, which was signed by one institution and addressed to the Managing Director and Chief Executive Officer, was co-ordinated in December 2021. However, we have received no response to any of these communications. The company adopted a code of conduct, in compliance with the SEBI principles of corporate governance. However, there is no clear evidence that the company has improved its compliance framework, such as adopting an anti-corruption or anti-money laundering policy, or that it provides relevant training in those areas. In its 2021 annual report, 63 Moons noted that civil claims had been filed against it in relation to defaults that occurred on the NSEL platform. 63 Moons stated that it 'has denied all the claims and contentions' related to the civil suits.

Outcome

63 Moons has displayed a persistent unwillingness over the past two years to enter into a dialogue or indeed respond to communications from Sustainalytics or investors. We have therefore decided to curtail our efforts to engage with the company on this issue and assign the 'Disengage' status to the case.

STATUS

Disengage

ISSUE(S)

► Fraud

ENGAGEMENT MANAGER



Matthew Barg
Associate Director
Toronto

CONTRIBUTION TO SDGs



DIALOGUE STATISTICS

	18	Number of Contacts
	0	Conference Calls
	4	Correspondence
	0	Meetings in Person

CASE TIMELINE

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

China Huarong Asset Management Co Ltd

Background

The former chairman of CHINA HUARONG ASSET MANAGEMENT CO LTD (Huarong) and executives from five of its subsidiaries have been involved in bribery allegations. In April 2018, China's Central Commission for Discipline Inspection (CCDI) started investigating Lai Xiaomin, then-chairman of Huarong, for alleged disciplinary and legal violations. In February 2019, the Supreme People's Procuratorate charged him with bribery and other forms of corruption. He reportedly engaged in bribery, which amounted to CNY 1.79 billion (around USD 279 million) between 2008 and 2018. In August 2020, the media reported that the ex-chairman had pleaded guilty to the charges and in January 2021, he received a death sentence for corruption. Separately, according to media reports in January 2021, a CCDI report said that almost 100 Huarong officials had been investigated in relation to the case and more than 50 officials had been removed. The allegations resulted in reputational damage to the company and likely caused financial damage, as the company's shares roughly halved between April 2018 and May 2019. Also, according to the court, Lai endangered China's financial security and stability.

Engagement Objective

Huarong was expected to ensure that it had anti-corruption policies and procedures in place and that those management practices were fully integrated into its businesses and its subsidiaries. The company was also expected to disclose the respective policies publicly and provide details on their implementation.

Engagement Activities

Sustainalytics and investors have made numerous attempts to establish a dialogue with the company since 2019, by email and telephone, including in Mandarin. A collaborative investor letter, which was signed by five institutions and addressed to the Chairman and Executive Director of the Board of Directors, was co-ordinated in December 2021. However, we have received no substantive response to any of these communications.

Outcome

Huarong has displayed a persistent unwillingness over the last two years to enter into a dialogue or indeed respond to communications from Sustainalytics or investors. We have therefore decided to curtail our efforts to engage with the company on this issue and change the status of the case to 'Disengage'.

STATUS

Disengage

ISSUE(S)

► Bribery and Corruption

ENGAGEMENT MANAGER



Matthew Barg
Associate Director
Toronto

CONTRIBUTION TO SDGs



DIALOGUE STATISTICS

	30	Number of Contacts
	0	Conference Calls
	17	Correspondence
	0	Meetings in Person

CASE TIMELINE

	Engagement Since	Nov 2018
	Milestone 1	Nov 2018
	Investor Letter	Dec 2021
	Case Disengaged	May 2022

CK Power Public Co. Ltd.

Background

CK POWER PUBLIC CO. LTD. (CK Power) is the main shareholder and the operator of the Xayaburi Hydropower Dam on the Mekong river in Laos. The company is 27% owned by CH. KARNCHANG PUBLIC COMPANY LIMITED (CH Karnchang), the dam's construction contractor, from which Sustainalytics disengaged in April 2015. The project has faced strong opposition from local communities and neighbouring governments due to its potentially negative environmental and social impacts, including the destruction of fish habitats and the blocking of sediment flows necessary for downstream agriculture. The project required the resettlement of around 3,000 people and is expected to have a direct effect on the lives of over 200,000 people who live in nearby areas. Construction activities began in 2012 and the dam has been operational since October 2019, even though experts had criticized the impact assessments for not considering transboundary concerns. In fact, a study even recommended deferring all Mekong hydropower projects for 10 years. The Cambodian and Vietnamese governments did not reach an agreement on the project, as per the 1995 Mekong Agreement (an agreement on co-operation for the sustainable development of the Mekong river between Cambodia, Laos, Thailand and Vietnam), and continued to voice concerns at the time of the official ground-breaking in November 2012. In 2015, over 4,000 residents signed a statement protesting the construction; however, in December of that year, a Thai court rejected a lawsuit from villagers who argued that the project would cause significant environmental damage. In 2015, the dam's engineering design was altered in order to incorporate sediment discharge and fish ladder features that could potentially mitigate some of the negative impacts on the functioning of the river's ecosystem.

Engagement Objective

CK Power had to demonstrate it had processes in place to adequately assess and monitor the impacts that the Xayaburi dam has on Mekong communities and biodiversity. The company needed to co-operate with relevant international stakeholders and independent experts on appropriate mitigation plans to address the adverse impacts of the project where possible and remediate the human rights impacts that were identified.

Engagement Activities

Sustainalytics and investors have made numerous attempts to establish a dialogue with the company since May 2020, by email and telephone. A collaborative investor letter, which was signed by two institutions and addressed to the Chairman and Executive Director of the Board of Directors, was co-ordinated in December 2021. Despite following up on this letter, we have received no substantive response to any of these communications. The last engagement activity by Sustainalytics was a voting recommendation at the company.

Outcome

CK Power has displayed a persistent unwillingness over two years to enter into dialogue or indeed respond to communications from Sustainalytics or investors. Therefore, we have decided to curtail our efforts to engage with the company on this issue and change the status of the case to 'Disengage'.

STATUS

Disengage

ISSUE(S)

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

ENGAGEMENT MANAGER



Nigel Rossouw
Associate Director
Amsterdam

CONTRIBUTION TO SDGs



DIALOGUE STATISTICS

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

CASE TIMELINE

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

Resolved Cases

Dow, Inc.

Background

DOW INC. (Dow) was formed in April 2019 after spinning off from the then-DowDuPont (itself formed by the merger of Dow Chemical and DuPont in August 2017). The company was involved in several controversies related to the health impacts of its crop protection and other products, including the pesticide chlorpyrifos. The chemical is classed as a potential carcinogen and has been subject to a number of class actions as a result of its presence (at significant levels) in drinking water at a number of locations in the US.

Engagement Objective

The overall objective of the engagement was to understand from the company how it addressed the environmental and health legacies associated with the long-term production, marketing and associated use of its chlorpyrifos chemical. Furthermore, the engagement was to focus on an understanding of what changes it had introduced to its research and development protocols to mitigate the potential impacts of future products.

Engagement Activities

Sustainalytics has been in dialogue with Dow since it was formed in 2019, as a consequence of the de-merger of the DowDuPont chemical company. The engagement was led by the investor relations team with input from a number of senior-level technical staff members. The company was responsive to providing a level of detail in the meetings that was constructive and meaningful.

Outcome

Chlorpyrifos is no longer produced nor purchased by Dow, resulting in a complete removal of the risks associated with its production and usage, as well as potential impacts arising from the disposal of waste products associated with its production. Waste effluents are monitored and the concentration at which chemicals are discharged from their production processes are lower than those approved by the regulator. Dow has also committed to producing chemicals that are ‘sustainable for people and our planet’, meaning that it is focusing on the production of benign chemicals, which although still posing a risk, indicates a move towards a greater degree of awareness and responsibility for managing hazardous chemicals.

The company employs strong product stewardship. Decision making for the release of new chemicals involves a number of company ‘gatekeepers’, with sustainability being one of the key measures. The company monitors exposure of its products to end users and trains suppliers in safe usage. Restrictions are imposed on the use of more hazardous chemicals to members of the public through prevention of sale.

STATUS

Resolved

ISSUE(S)

- ▶ Quality and Safety - Human Rights

ENGAGEMENT MANAGER



Joe Attwood
Associate Director
London

CONTRIBUTION TO SDGs



DIALOGUE STATISTICS

	78	Number of Contacts
	5	Conference Calls
	16	Correspondence
	0	Meetings in Person

CASE TIMELINE

	Engagement Since	Aug 2018
	Milestone 1	Aug 2018
	Milestone 2	Nov 2018
	Conference Call	Mar 2019
	Conference Call	May 2019
	Milestone 3	May 2019
	Conference Call	Dec 2019
	Conference Call	Nov 2020
	Milestone 4	May 2021
	Conference Call	Dec 2021
	Milestone 5	Mar 2022
	Case Resolved	May 2022

DuPont de Nemours, Inc.

Background

According to US authorities and media reports, THE CHEMOURS CO (Chemours) and its former parent company, E.I. du Pont de Nemours, now known as DU PONT DU NEMOURS INC. (DuPont), have been involved in the systematic under-reporting of several long-term pollution incidents arising from their operational practices, which might have adversely affected the health of local residents. In April 2018, a legal complaint against Chemours and DuPont was filed, stating that the companies were responsible for unlawful releases of chemical products, intermediaries and by-products from their manufacturing processes into the environment, resulting in the contamination of groundwater and surface waters. DuPont and Chemours agreed to pay about USD 330 million each to settle over 3,500 personal injury claims arising from a leak of perfluorooctanoic acid (PFOA a.k.a. C-8) from a plant in West Virginia, US. Similar pollution issues were reported at the Chamber Works factory in southern New Jersey, US and overseas in the Netherlands, where three local authorities are seeking compensation from Chemours and DowDuPont over pollution of soil and water sources with PFOA.

Engagement Objective

The overall objective of the engagement was to understand from the company how it addressed the legacy environmental and health issues arising from contamination at a number of its sites. Additionally, the objective aimed to learn what measures the company was taking to ensure responsible stewardship of the chemicals in production.

Engagement Activities

Sustainalytics has been in dialogue with DuPont since 2018, the original engagement being with DowDuPont, which became DuPont De Nemours (DuPont) following the de-merger. A number of conference calls were attended by representatives of the company and whilst being facilitated by investor relations, the meetings were chaired by its legal counsel, with a number of technical managers in support.

Outcome

The company confirmed that Chemours is responsible for all legacy contamination liabilities. Furthermore, the company does not produce PFAS, the main family of chemicals of concern. The company disclosed a strong internal 'responsible care management system' that is externally audited. It has also adopted an internal risk screening process to evaluate and screen out products that are considered to have an unacceptable impact on the environment and human health.

STATUS

Resolved

ISSUE(S)

► Activities Resulting in Adverse Environmental and Human Rights Impacts

ENGAGEMENT MANAGER



Joe Attwood
Associate Director
London

CONTRIBUTION TO SDGs



DIALOGUE STATISTICS

	83	Number of Contacts
	5	Conference Calls
	7	Correspondence
	1	Meetings in Person

CASE TIMELINE

	Engagement Since	Dec 2017
	Milestone 1	Dec 2017
	Milestone 2	Aug 2018
	Conference Call	Mar 2019
	Milestone 3	Mar 2019
	Conference Call	May 2019
	Conference Call	Dec 2019
	Meeting in Person	Aug 2020
	Conference Call	Apr 2021
	Milestone 4	May 2021
	Conference Call	Dec 2021
	Milestone 5	Feb 2022
	Case Resolved	May 2022

Volvo AB

Background

VOLVO AB (Volvo)'s products have allegedly been involved in significant incidents related to alleged human rights violations in Egypt, Myanmar and the Occupied Palestinian Territories (OPT). In Egypt, an Amnesty International report in September 2018 revealed that armoured vehicles, made by Arquus, a wholly owned subsidiary of Volvo, were used by Egyptian security forces to suppress political opposition between 2012 and 2015, leading to civilian deaths and injuries. In Myanmar, reports by Swedwatch between 2018 and 2020 revealed that Volvo's products have been used on a large scale in jade mines. As for the OPT, in January 2017, the NGO Danwatch revealed that Volvo delivered products and services to the Israeli military, including products for use in the demolition of houses and the construction of checkpoints and settlements.

Engagement Objective

The engagement objective was to ensure that Volvo used its leverage with importers and distributors in high-risk locations to reduce the risk of its products being implicated in human rights violations. It was expected to establish clear criteria to identify high-risk countries and collaborate with local business partners to conduct human rights due diligence.

Engagement Activities

Sustainalytics has been in dialogue with Volvo since 2019. Conference calls were chaired by the sustainability team and attended by other representatives of the company, including a number of technical managers. The company has been open to feedback and recommendations to align, as closely as it currently has the capacity to, with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Outcome

Volvo has shown continuous improvement and has demonstrated leadership in the industry by adopting a responsible sales policy framed by the UNGPs and embedded across the company. This has prompted the escalation of over 170 deals for human rights assessment and risk mitigation activities in the last 12 months and increased collaboration and engagement with business partners, particularly in areas identified as higher risk.

In Myanmar, Volvo engaged a reputable external organization to assess human rights risks in the country. Since 2020, Volvo's dealer in Myanmar no longer sells to the jade mine sector and, following the country's military coup, and together with the local dealer, the company has intensified due diligence of sales deals, focusing on the end-user and intended end-use.

In all jurisdictions, Volvo performs human rights due diligence that considers country risk levels (assessed by a third party), inherent risks in sales and customer segments, end-users, intended end-use of Volvo products and concerns brought to its attention by internal and external stakeholders. Findings are assessed, described and escalated to relevant internal teams for action, which typically would include engagement with customers to assist them in mitigating identified risks, and with other third parties as relevant. Volvo is also drafting a company-level Business Partners Code of Conduct and some of the internal business areas are already putting in place policies and contract clauses to frame their engagement and relations with business partners within the UNGPs.

STATUS

Resolved

ISSUE(S)

► Involvement With Entities Violating Human Rights

ENGAGEMENT MANAGER



Justine Autour
Manager
Amsterdam

CONTRIBUTION TO SDGs



DIALOGUE STATISTICS





	91	Number of Contacts
	4	Conference Calls
	18	Correspondence
	0	Meetings in Person

CASE TIMELINE

	Engagement Since	May 2019
	Milestone 1	Jul 2019
	Conference Call	Sep 2019
	Milestone 2	Sep 2019
	Milestone 3	Apr 2020
	Conference Call	Sep 2020
	Conference Call	May 2021
	Milestone 4	Jul 2021
	Conference Call	Mar 2022
	Milestone 5	Apr 2022
	Case Resolved	May 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> <ul style="list-style-type: none"> ▲ High Performance - good or excellent Response in combination with good or excellent Progress. ▶ Medium Performance - standard level of Response and Progress. ▼ Low Performance - poor or no Response in combination with poor or no Progress. <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> 

Engage

AFRICA / MIDDLE EAST

Eskom Holdings SOC Limited (South Africa, 2019)

► Air Pollutant Emissions

Change Objective: Eskom should make sure that more extensive maintenance programme is introduced to its plants and the implementation of environmental offset programmes in the communities is confirmed. It should prioritize the plants which will remain operational for a longer time and be able to prove it takes all the possible actions to minimize the impacts of its operations.



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

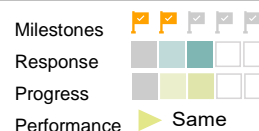
Change Objective: Sibanye-Stillwater should, based upon a review of the incidents, seek to identify the main causes of the accidents and to put into place improvements in its health and safety training and working practices to develop an enhanced health and safety culture at its operations. Sibanye's 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.

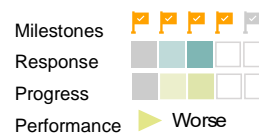


ASIA / PACIFIC

Adani Enterprises Limited (Australia, 2016)

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

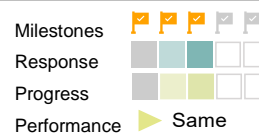
Change Objective: Adani should respect the rights of the indigenous people living in the project's area by obtaining their consent for the land use. The company should prevent the projected environmental impacts of the Carmichael mine and, in case this is proven to be impossible, withdraw from the project.



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

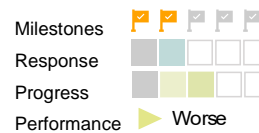
Change Objective: APSEZ should ensure it undertakes human rights due diligence of its businesses in Myanmar, adapted to the specific situation of the region. As a result, it should engage with the relevant stakeholders and take any necessary actions to ensure the business relationship with MEC does not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



Baidu, Inc. (China, 2021)

► Involvement with Entities Violating Human Rights

Change Objective: Baidu should take steps to manage human rights risk exposure and limit impact on its users where possible. The company should show efforts to establish human rights due diligence practices, define policies relevant to digital rights, and report on external data requests and/or content moderation requirements.



*Associated company: *iQiyi, Inc.*

China Energy Engineering Corporation Ltd (China, 2019)

► Occupational Health and Safety

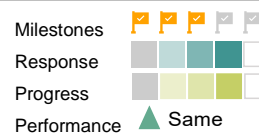
Change Objective: China Energy Engineering Corporation (CEEC) should carry out an internal investigation into the causes of the accident and accordingly strengthen its control risk management process of construction sites. CEEC should also disclose how it has improved its safety management system across its operations and subsidiaries.



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 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

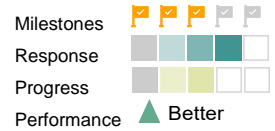
Change Objective: Crown Resorts should implement robust anti-money laundering (AML) programs including companywide AML training, reporting frameworks and monitoring mechanisms. The company should disclose, to the extent possible, all of its AML related activities and progress on AML related initiatives.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

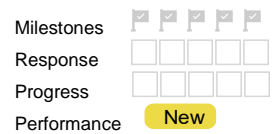
Change Objective: KEPCO’s subsidiary should use its leverage to ensure that project-affected communities are adequately compensated and consulted, and make sure that a transparent process for grievance and compensation is established for the project. Once the project is running, it should ensure the 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.



Li Ning Co Ltd (China, 2022)

► Forced Labour – Supply Chain

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



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

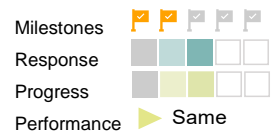
Change Objective: OFILM Group should put in place a group-wide human rights due diligence programme and provide greater disclosure on relevant policies and implementation thereof. The company should also adopt grievance mechanisms accessible to all employees.



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

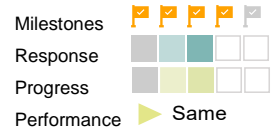
Change Objective: Ratch should ensure that a comprehensive assessment of the safety and stability of the project is conducted, together with independent experts and that appropriate mitigation measures are taken. It should use its leverage to ensure adequate consultations with, and compensation to, project-affected 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 Kuntti 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.



Tencent Holdings Ltd (China, 2021)

► Involvement with Entities Violating Human Rights

Change Objective: Tencent should take steps to manage human rights risk exposure and limit impact on its users where possible. The company should demonstrate efforts to establish human rights due diligence practices, define policies relevant to digital rights, and to report on external data requests and content moderation requirements.

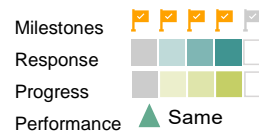


*Associated company: **Tencent Music Entertainment Group**

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

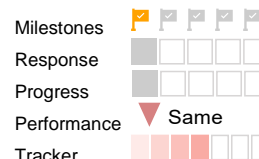
Change Objective: Vedanta should analyze the root causes of the protests in Tuticorin and address the identified issues in cooperation with the local communities. It should develop a framework for improving its communication with stakeholders with the aim of applying it across operations. The company 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 take steps to manage human rights risk exposure and limit impact on its users where possible. The company should demonstrate efforts to establish human rights due diligence practices, define policies relevant to digital rights, and to report on external data requests and content moderation requirements.



Westpac Banking Corporation (Australia, 2020)

► Money Laundering

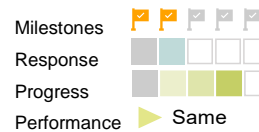
Change Objective: Westpac should ensure it is not complicit in any money laundering. The company should strengthen its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) processes and implement all improvements in accordance with the Response Plan. The company should ensure it has robust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



Wilmar International Limited (Indonesia, 2019)

► 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.



*Associated companies: *Yihai Kerry Arawana Holdings Co., Ltd.*

Yes Bank Ltd (India, 2020)

► Business Ethics

Change Objective: Yes Bank should properly report non-performing assets to the regulator. The bank should responsibly manage the restructuring process and reform the internal control and compliance systems to ensure their effectiveness. A robust anti-corruption policy should be adopted; its implementation should be properly overseen at the board level and sufficiently disclosed in the public reporting.



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

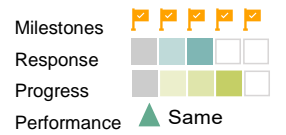
Change Objective: Zijin Mining should exert pressure on Barrick to ensure responsible management of tailings and to address potential long-term legacy issues at Porgera and ensure that it is reported in a publicly available strategy. Zijin should adopt a policy of prohibiting the future use of riverine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

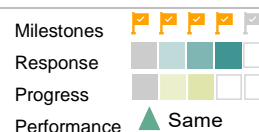


*Associated Company: **Barclays Bank Plc**

Bayer AG (United States, 2018)

► Quality and Safety

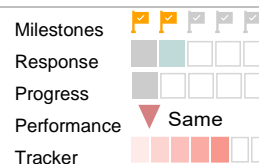
Change Objective: Bayer (formerly Monsanto) should ensure that it has a policy and procedure for the disclosure of health, safety, and environmental data to both regulators and consumers.



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.

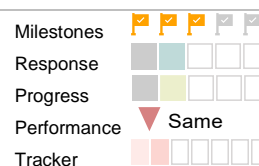


*Associated Company: **Danica Pension Livsforsikrings A/S**

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.



*Associated Companies: **EDP Renováveis, S.A. and Viesgo Infraestructuras Energéticas SL**

Glencore PLC (Bolivia, 2021)

► Child Labour

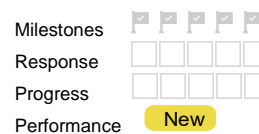
Change Objective: Glencore and its subsidiaries should cease purchasing ore from cooperatives which practice child labor. It should work with the authorities to assist in fulfilling the government's pledge to eradicate child labor by 2025; and should have programs to improve health and safety in the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



Medtronic PLC (United States, 2022)

► Quality and Safety

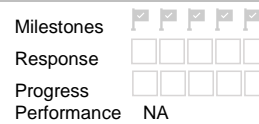
Change Objective: Medtronic should take appropriate actions to responsibly address the negative impacts of its products to compensate those affected and ensure no repeat of quality failures. The company should continue to improve quality and safety of its devices to achieve industry recognized good practice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



MMC Norilsk Nickel PJSC (Russia, 2020)

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

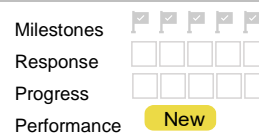
Change Objective: Not applicable. As a result of the situation in Ukraine, we have decided to pause our engagement with MMC Norilsk Nickel PJSC.



Orpea SA (France, 2022)

► Quality and Safety

Change Objective: Orpea should cooperate with authorities to aid investigations, resolve outstanding proceedings if necessary, and make meaningful public disclosures. The company should take steps to align its policies, governance, risk management framework and grievance mechanisms to international quality and safety standards. It should also measure effectiveness of its efforts via robust monitoring, reporting and communicating, and take steps to transform its corporate culture to avoid similar issues in the future.



Sanofi (Philippines, 2020)

► Quality and Safety - Human Rights

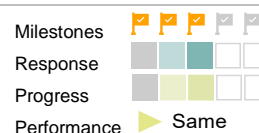
Change Objective: Sanofi should have a robust governance, compliance, and risk management system in place with respect to its research and development of new products. Sanofi should also ensure appropriate levels of disclosure on the risks and side-effects of its products.



Siemens Gamesa Renewable Energy, 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

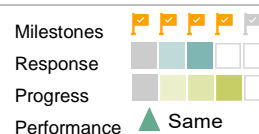
Change Objective: Swedbank should ensure that it has implemented risk management systems and internal controls that aim to prevent financial crime and money laundering and demonstrate that they are robust and universally applied. It should also ensure that the board has sufficient and effective oversight 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 other labour rights violations are occurring and should provide any remediation of issues, as appropriate. It should demonstrate that across its operations its labour practices align with international standards, enable freedom of association, and that due diligence practices are sufficient to manage concerns.



LATIN AMERICA AND 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.



Empresas Publicas de Medellin E.S.P. (Colombia, 2019)

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

Change Objective: EPM should conduct a comprehensive assessment of the safety and stability of the dam, together with independent experts. The company should take appropriate mitigation measures as a result, both on legacy issues and identified impacts and risks. The company should make sure consultations with, and compensation to, project-affected communities are aligned with international norms, such as the IFC performance standards or similar and put in place relevant processes to ensure compliance with international norms for future projects.



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 should 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.



*Associated company: **Independencia Internacional**

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.



*Associated companies: **JBS USA Food Co and Pilgrim's Pride Corp.**

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.

*Associated company: **JBS USA Food Co**



Petroleos Mexicanos S.A. de C.V. (Mexico, 2015)

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

Change Objective: PEMEX should mitigate environmental and health impacts from the spills. The company should trace the causes of spills and strengthen its internal programmes, leak control and monitoring systems to minimize likelihood of new spills. The company should also exert its influence on all stakeholders to counter oil theft activity and its related impacts.



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

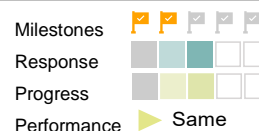
Change Objective: 3M Co. should provide greater clarity and public disclosure on its PFAS stewardship initiative and how it is mitigating potential liability from the historic sale/use of its products outside of the US. In addition, the company should explain how it is applying the lessons learnt from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



Activision Blizzard, Inc. (United States, 2021)

► Discrimination and Harassment

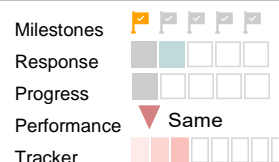
Change Objective: Activision Blizzard should cooperate with ongoing investigations and, if found guilty, compensate plaintiffs. Furthermore, the company should reinforce anti-discrimination policies by conducting related sensitization training, to move towards a culture of gender equality, diversity 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 take place within its operations. The company shall ensure union elections are performed in a fair and impartial manner. Amazon should demonstrate how its Global Human Rights Principles, addressing ILO standards and freedom of association, is implemented throughout its entire operations.



Amazon.com Inc (United States, 2020)

► Occupational Health and Safety

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



Bunge Ltd. (Brazil, 2021)

► Land Use and Biodiversity

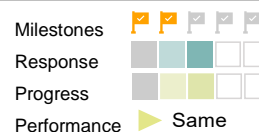
Change Objective: Bunge should stop sourcing soy from suppliers that are directly or indirectly involved in deforestation practices. Bunge should fully implement comprehensive measures to identify non-compliant suppliers, use best practice to achieve its commitments in relation to deforestation, and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



Caterpillar Inc (Myanmar, 2020)

► Involvement with Entities Violating Human Rights

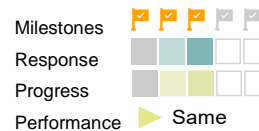
Change Objective: Caterpillar should use its leverage with importers and distributors in high-risk locations to reduce the risk of its products getting implicated in human rights violations. It should establish clear criteria to identify high-risk countries and collaborate with local business partners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



CoreCivic Inc (United States, 2019)

► Incident(s) Resulting in Negative Human Rights Impacts

Change Objective: CoreCivic should ensure its Human Rights Policy is implemented throughout the entire operations, and show it has proper mechanisms in place to manage complaints. The company should also improve transparency in public reporting on how it ensures compliance with the Human Rights Policy.



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.



GEO Group, Inc. (United States, 2019)

► Incident(s) Resulting in Negative Human Rights Impacts

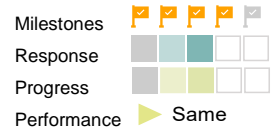
Change Objective: Geo Group should ensure its Human Rights Policy is implemented throughout the entire operations, and show it has proper mechanisms in place to manage complaints. The company should also improve transparency in public reporting on how it ensures compliance with the Human Rights Policy.



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.



Mattel, Inc. (United States, 2021)

► Quality and Safety - Human Rights

Change Objective: Mattel should undertake a complete review (and commission an independent validation of the appropriateness of any review) of all infant sleep / soothing products it has on the market, in production and in design process against the relevant safety standards for potential recall and compensate the affected families. To prevent reoccurrence, Mattel should have in place robust safety standards and processes, in line with the potential risks identified with the products it puts on the market.



McDonald's Corp (United States, 2015)

► Labour Rights

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



McKesson Corp (United States, 2019)

► Consumer Interests - Human Rights

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



Meta Platforms, Inc. (United States, 2018)

► Data Privacy and Security

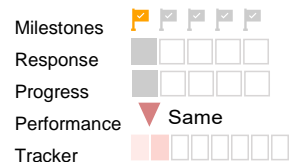
Change Objective: Facebook should implement its commitments to privacy and data security by ensuring that it has in place adequate internal controls systems and risk management procedures to manage the cybersecurity risks. Specifically, the company should ensure an adequate protection level for personal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



Meta Platforms, Inc. (United States, 2021)

► Social Impact - Products

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



Pan American Silver Corp. (Guatemala, 2019)

► Community Relations - Indigenous Peoples

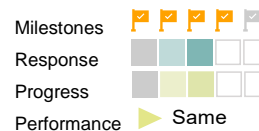
Change Objective: Pan American Silver should align policies and practices to international human rights norms, in particular with regards to security and human rights and community relation, and in particular with regards to the Escobal mine.



PG&E Corp (United States, 2019)

► Quality and Safety - Human Rights

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



Raytheon Technologies Corp. (Saudi Arabia, 2020)

► Involvement with Entities Violating Human Rights

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



Southern Copper 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

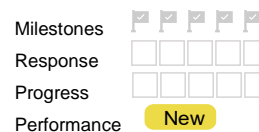
Change Objective: Southern Copper Corporation should consult with affected communities and authorities to address concerns over shortcomings in the remediation and compensation measures taken. The company should mitigate any remaining negative impacts of the spill and address shortcomings in compensation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



Starbucks Corp. (United States, 2022)

► Freedom of Association

Change Objective: Starbucks should promote good labour relations and ensure no anti-union practices take place within its operations. The company should cooperate with investigations and take appropriate steps to identify any barriers to dialogue with its workforce and introduce corrective actions. Starbucks should ensure it respects its commitments to international standards are implemented throughout its operations. Relevant actions should be transparent.



Stryker Corporation (United States, 2019)

► Quality and Safety - Human Rights

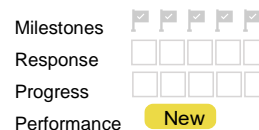
Change Objective: Stryker should take appropriate actions to responsibly address the negative impacts of its products. The company should continue to improve quality and safety of its devices and improve the disclosure of all product-related data to ensure that relevant information is communicated to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



Tesla Inc (United States, 2022)

► Discrimination and Harassment

Change Objective: Tesla should have the reported incidents investigated by an independent third party and fully participate with the investigation. The company should reinforce anti-discrimination policies by conducting related sensitization training, to move towards a culture of gender equality, diversity and inclusion. The company should ensure a robust grievance-mechanism is in place and appoint senior level anti-discrimination and human resource experts to lead such activities with a strong mandate from the executive team and company board, and with sufficient resources. The company should disclose regularly on such efforts, along with external audit.



The Chemours Co (United States, 2018)

► Activities Resulting in Adverse Environmental and Human Rights Impacts

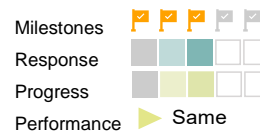
Change Objective: Chemours should ensure that it has a strategy in place for each legacy issue and to show that its current waste practices comply with international best practice, in order to prevent future liabilities arising from potential detrimental human health or environmental impacts. The company should also show that it is addressing PFAS contamination where it is applicable to its sites.



Thermo Fisher Scientific Inc. (China, 2021)

► Involvement with Entities Violating Human Rights

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



Uber Technologies, Inc. (United States, 2019)

► Data Privacy and Security

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



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

AFRICA / MIDDLE EAST	Elbit Systems Ltd. ▶ Operations in Occupied Territories	Palestinian Authority
ASIA / PACIFIC	AviChina Industry & Technology Company Limited ▶ Involvement With Entities Violating Human Rights	China
	China Northern Rare Earth (Group) High-Tech Co Ltd ▶ Activities Resulting in Adverse Environmental and Human Rights Impacts	China
	Coal India Limited ▶ Recurring Workplace Accidents	India
	Inner Mongolia Baotou Steel Union Co. Ltd. ▶ Emissions, Effluents and Waste	China
	Metallurgical Corporation of China Ltd. ▶ Environmental Impacts from Waste Practices	Papua New Guinea
LATIN AMERICA AND CARIBBEAN	Petróleos de Venezuela S.A. ▶ Corrupt Practices ▶ Oil Spill(s) ▶ Recurring Workplace Accidents	Venezuela
UNITED STATES AND CANADA	Motorola Solutions, Inc. ▶ Operations in Occupied Territories	Palestinian Authorities

Disengage due to involvement in controversial weapons

AFRICA / MIDDLE EAST	Israel Aerospace Industries Ltd. ▶ Involvement in Cluster Munitions	Israel
	Makina Ve Kimya Endustrisi Kurumu ▶ Involvement in Cluster Munitions	Turkey
	Roketsan Roket Sanayii ve Ticaret AS ▶ Involvement in Cluster Munitions	Turkey
ASIA / PACIFIC	Larsen & Toubro Limited ▶ Nuclear Weapons Development *Associated company: Larsen & Toubro Infotech Limited	India
	MindTree Limited ▶ Nuclear Weapons Development	India

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

AFRICA / MIDDLE EAST	Saudi Arabian Oil Co. ▶ Operations in Territories with Elevated Human Rights Risks *Associated companies: Saudi Basic Industries Corp and S-Oil Corp.	Saudi Arabia
LATIN AMERICA AND CARIBBEAN	Petróleos de Venezuela S.A. ▶ Operations in Territories with Elevated Human Rights Risks	Venezuela
EUROPE	ALROSA PJSC (New) ▶ Involvement with Entities Violating Human Rights	Russia
	Gazprom PJSC (New) ▶ Involvement with Entities Violating Human Rights	Russia
	Rosneft Oil Co. (New) ▶ Involvement with Entities Violating Human Rights	Russia
	Sberbank Russia PJSC (New) ▶ Involvement with Entities Violating Human Rights	Russia
	Tatneft PJSC (New) ▶ Involvement with Entities Violating Human Rights	Russia
	VTB Bank PJSC (New) ▶ Involvement with Entities Violating Human Rights	Russia

Resolved

EUROPE

Volvo AB (Israel, 2019)

Volvo has demonstrated leadership in the industry by adopting a responsible sales policy framed by the UNGPs and has embedded it across the company. With its UNGP aligned policy framework and comprehensive risk assessment processes, including for high risk and conflict affected regions, Volvo has demonstrated substantial progress. The company has also taken specific actions in conflict-affected areas. Although such measures do not exclude all possible human rights-related risks and impacts, we assess such risks as having been reduced and deem measures sufficient to resolve the case.

ISSUE

► Involvement with Entities Violating Human Rights

MILESTONES

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UNITED STATES AND CANADA

Dow, Inc. (United States, 2019)

Chlorpyrifos is no longer produced nor purchased by Dow, resulting in a complete removal of associated health and safety and waste management risks. In general Dow adopts a lower acceptable level of contaminants in effluent discharge than required by the regulator. Dow also has committed to producing chemicals that are 'sustainable for people and planet', meaning that it is focusing on the production of benign chemicals, which although still posing a risk, indicate a move towards a greater degree of awareness and responsibility for managing hazardous chemicals. In terms of risk management, the company adopts a hands-on approach to ensure products are managed appropriately cognizant of the health and safety risks. This includes banning certain products, training of suppliers and subsequent auditing to ensure compliance with the required practices. Internally, the company employs strong product stewardship with decision making for the release of new chemicals involving a number of company 'gatekeepers', sustainability being one of the key measures. Therefore, Sustainalytics considers the case is resolved.

ISSUE

► Quality and Safety - Human Rights

MILESTONES

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DuPont de Nemours, Inc. (United States, 2018)

DuPont has provided a significant level of disclosure. The company has committed to green chemistry principles for delivery by 2030 and is compliant not only with the American Chemical Council but also the European REACH organization, providing oversight of the use of chemicals of concern in the products DuPont produces. The company has disclosed a robust approach to product stewardship and risk assessment, activities that are third party audited. The company confirmed that all its contamination liabilities sit with another entity arising from the de-merger, Corteva (Chemours). Furthermore, it does not produce PFAS (the main family of chemicals of concern). The company has also disclosed a strong internal 'responsible care management system', which is externally audited. It has also adopted an internal risk screening process to evaluate and screen out products that are considered to have an unacceptable impact on the environment and human health. Therefore, Sustainalytics considers the case is resolved.

ISSUE

► Activities Resulting in Adverse Environmental and Human Rights Impacts

MILESTONES

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Global Standards Engagement Overview

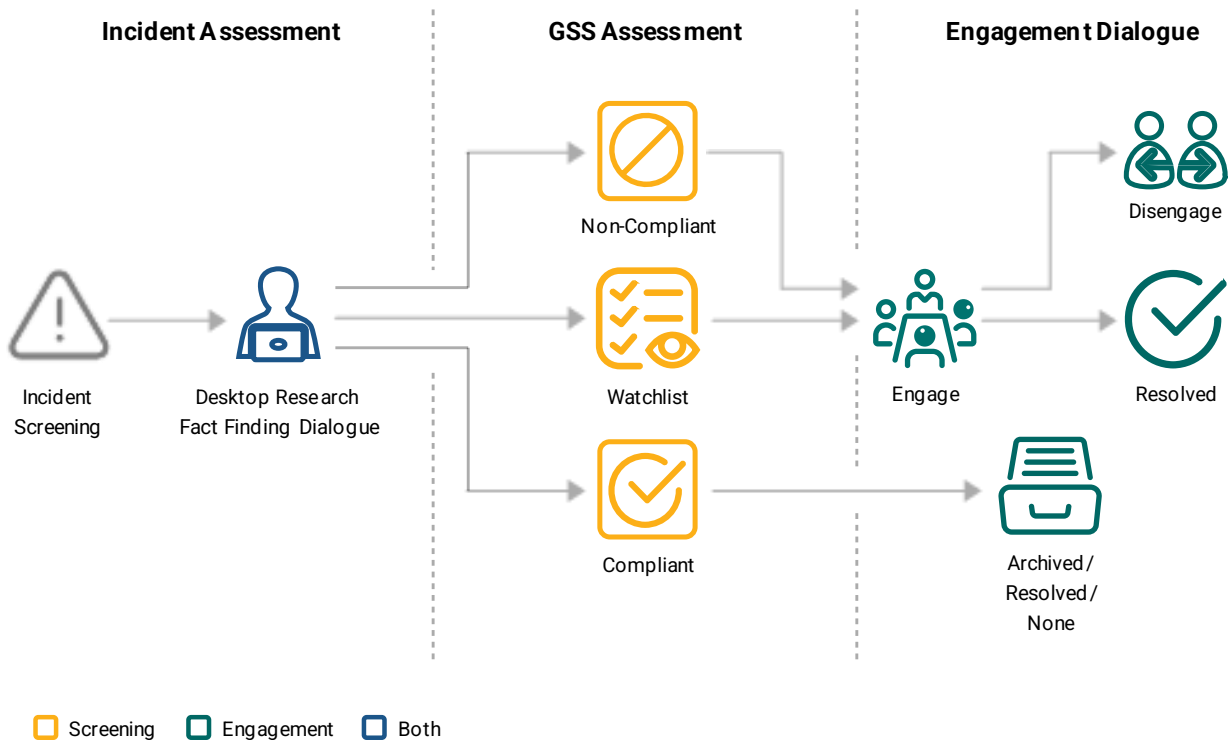
Global Standards Engagement (GSE) is an incident-driven engagement with focus on companies that severely and systematically violate international standards, such as the UN Global Compact Principles and the OECD Guidelines for Multinationals. The engagement is based on a thorough and continuous assessment 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 is the United Nations (UN) Global Compact Principles. GSS company assessments reflect several dimensions, including:

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

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



Global Standards Engagement Status

Evaluate

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

Engage

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

Associated

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

Disengage

- Poor or no progress and/or poor or no response from the company within a period of two years after the start of engagement.
- Companies 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).
- Companies classified as non-engageable due to no or limited publicly traded securities or under significant distress

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.



Material Risk Engagement

Executive Summary

Sustainalytics' Material Risk Engagement program continues to expand and produce positive results from engagement activities. Over the past three months, we conducted 47 meetings and had 471 email exchanges and phone calls. More importantly, our efforts are generating results, including 45 positive developments and one successfully resolved engagement.

Realizing Progress

Positive developments are defined as new initiatives that engaged companies have implemented related to our suggested actions that generate tangible results. An engagement dialogue is considered resolved when a company's ESG Risk Rating score improves to below 28 (moving it into the Medium ESG Risk Rating category), reflecting lower unmanaged ESG risk. This quarter, we resolved one engagement and in the full quarterly Material Risk Engagement report, we include details on the resolved engagement and examples of the Positive Developments achieved.

Disengage of Sanctioned Companies

By the end of this quarter, we have 340 engagements in total. In response to the situation in Ukraine and the related sanctions, we have disengaged any directly sanctioned Russian companies and have paused our engagement with all other Russian companies. We will monitor the situation closely to determine whether further steps need to be taken.

The Snowball Theory in Engagement

In the full quarterly Material Risk Engagement report, we include a thought leadership article showing how our engagement managers are creating a big impact by focusing on those initiatives that can generate a snowball effect—where one thing leads to something bigger. We build our engagement strategies based on an understanding of human and organizational behavior and what drives motivation for change.

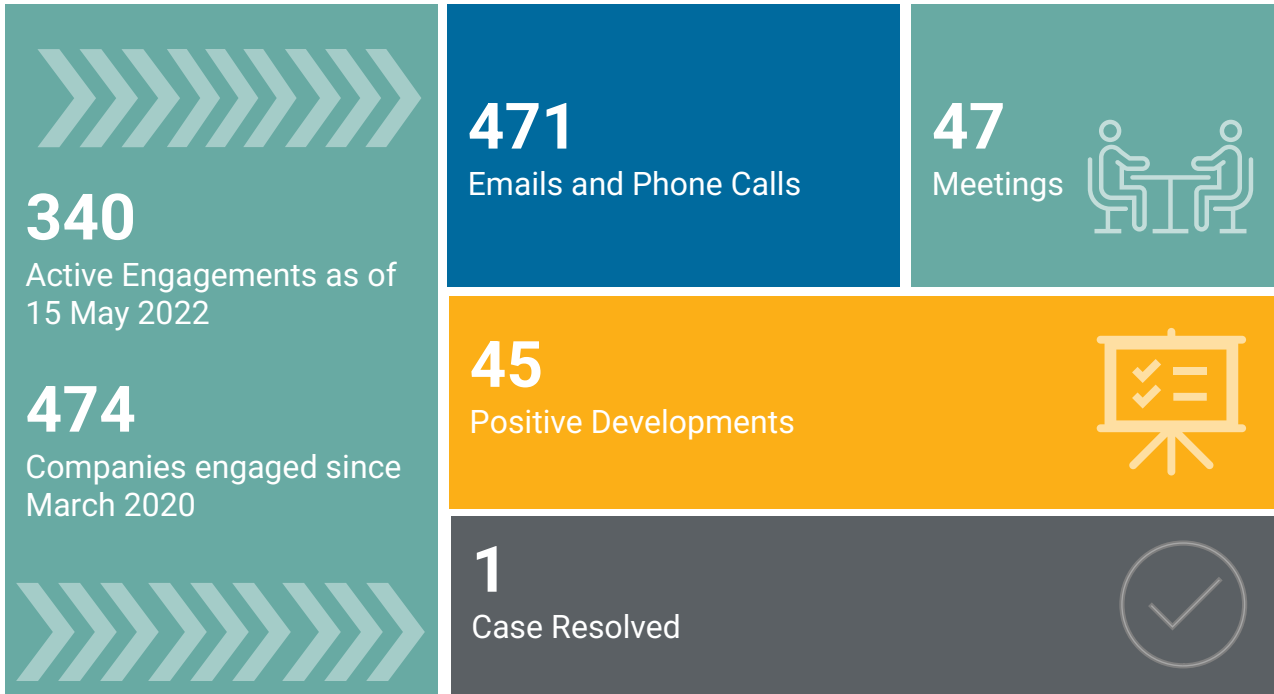
The Coming Months are Peak Season

Many companies release their annual disclosure at the end of Q2, so we have pushed many engagement meetings to incorporate this fresh ESG data. This means that we will be conducting many meetings in the coming period. You can follow the meeting schedule in the calendar on the landing page of Material Risk Engagement in Global Access.

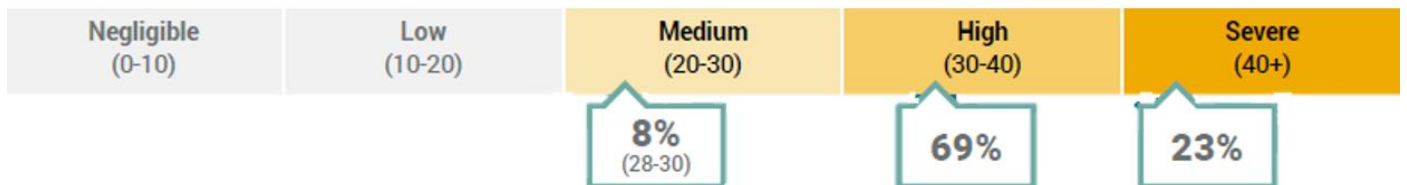
For general program questions, please email mre@sustainalytics.com or Sustainalytics' regional client representatives.

Quarterly Statistics March – May 2022

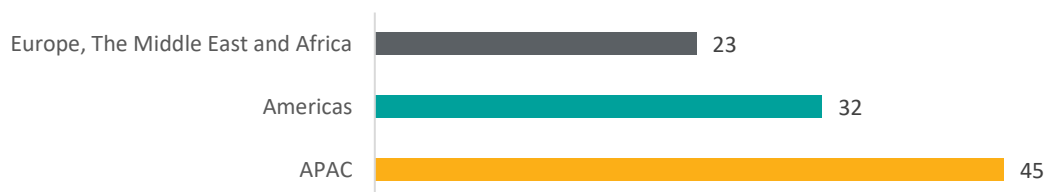
Key Results



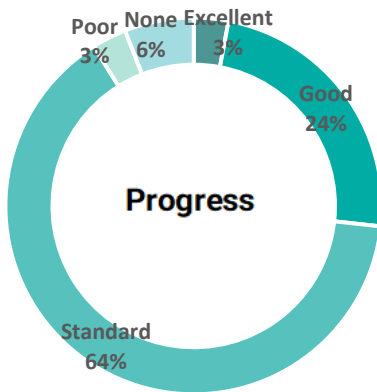
Active Engagements by ESG Risk Ratings Categories



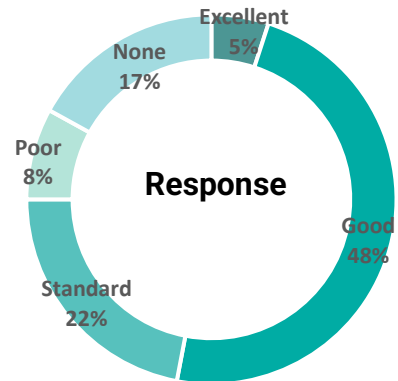
Regional Distribution



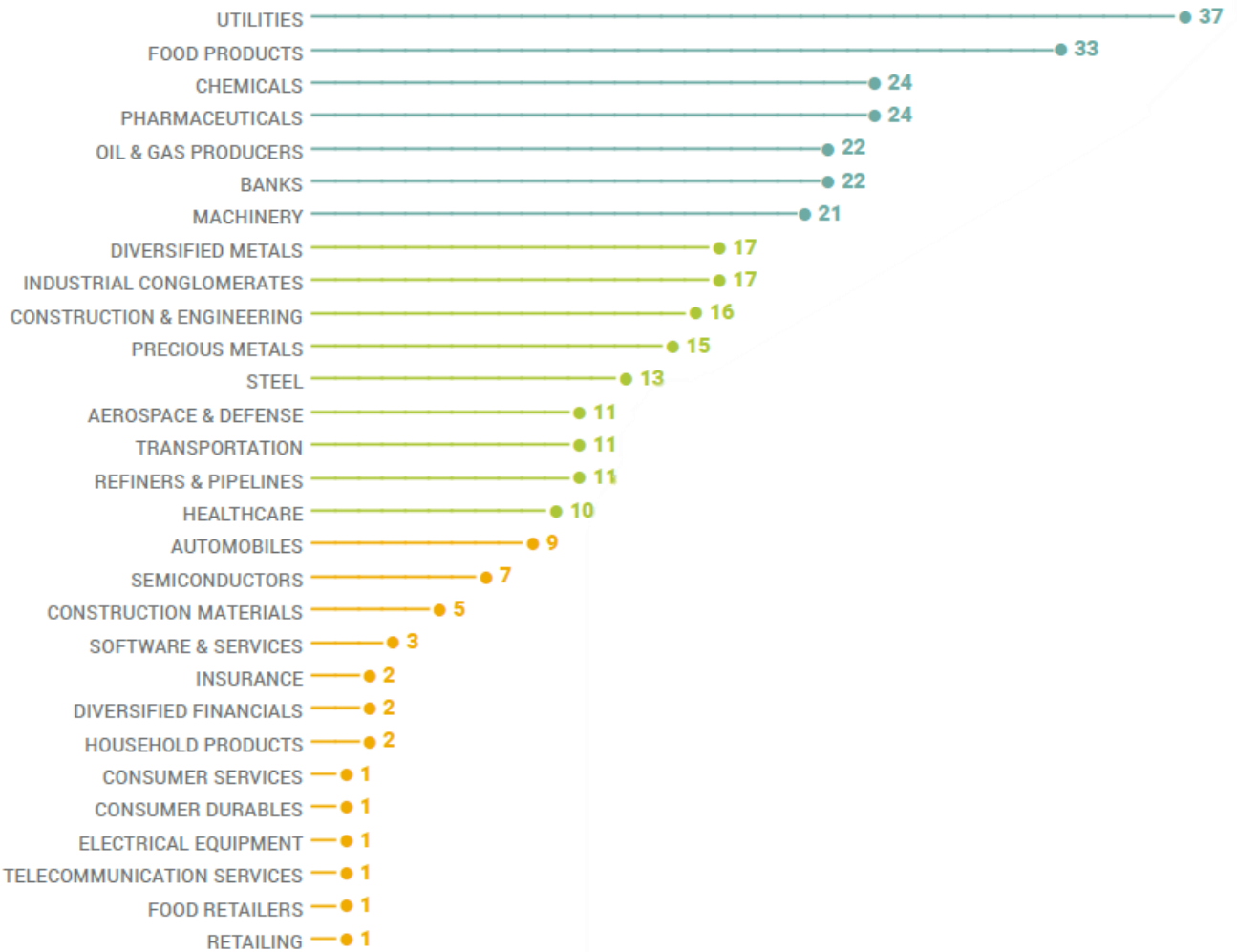
 **Engagement Progress Overview**



 **Engagement Response Overview**



 **Industry Distribution**


















Material ESG Engagement Topics

Our company engagements focus on the Material ESG Issues with the largest management gaps as measured by Sustainalytics' ESG Risk Ratings. Engagements typically cover multiple Material ESG Issues as most companies have several ESG management gaps. The table below outlines the main topic(s) of each engagement (most engagements involve more than one issue).

About one third of the engagements are focused on ESG risk assessment and disclosure practices. A sound and efficient ESG risk assessment process is fundamental for effective ESG risk management. A good risk assessment process should inspire constructive dialogue with internal and external stakeholders and help companies establish accountability and focus on material issues. Once a company is clear on its risks, it can move on to risk mitigation. As seen in practice, robust ESG disclosure is an important driver for commitment to, and consistency in, ESG practices. What gets measured, gets done.

Beyond ESG disclosure, carbon-related issues are the most common focus. This is even more evident when we consider the secondary issues that the engagements touch upon besides the main focus. Carbon/climate related issues are very often highlighted among the suggested actions for companies to address. Product governance is another prevalent engagement focus, as it often relates to significant liabilities for companies and investors.

TOPICS	NUMBER OF ENGAGEMENTS
 Risk Assessment and ESG Disclosure	98
 Carbon Risk Management	59
 Product Governance	38
 Emissions, Effluents, and Waste	21
 Corporate Governance	14
 Occupational Health and Safety	10
 E&S Impact of Products and Services	10
 ESG Integration in Financials	8
 Community relations	8
 Business Ethics	7
 Human capital	4
 Land Use and Biodiversity	2
 Resource use	2
 Data Privacy and Security	2



Thematic Engagement

Responsible Cleantech

EXECUTIVE SUMMARY

The Issue at Hand

Just like the products it aims to replace or make more efficient, cleantech requires space and natural resources. Companies have a responsibility to respect local communities' human rights and consider the environmental impacts in and around sites where raw materials are sourced, where products are made, and/or where renewable energy is generated. Similarly, the cleantech supply chain relies on human resources. The labour rights of workers in mines and factories need to be respected, including healthy and safe working conditions, freedom of association and collective bargaining, and avoidance of child and forced labour. Furthermore, the recycling of products such as solar photovoltaic (PV) systems, wind turbines and vehicle batteries has received less attention than the benefits of these technologies. It is advantageous to promote circular business models for recovering materials when products reach the end of their life cycle. These products are truly sustainable only if all stages in the value chain are environmentally and socially sustainable. Sustainalytics' Responsible Cleantech engagement addresses both the environmental and social implications of the growth of selected cleantech domains – solar panels, wind turbines, battery electric vehicles and hydrogen – 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 13 'Climate action'.



Developments and Engagement Efforts from September 2021 to March 2022

The Responsible Cleantech thematic engagement programme started with a baseline report in September 2020. This third biannual report accounts for the progress made between September 2021 and March 2022. Furthermore, this report marks the midpoint of the second year of this thematic engagement as well as the point where all engaged companies have passed the overall score threshold from the Low to the Medium category. According to plan, Sustainalytics shifted the focus from onboarding companies to developing the dialogue with the engaged companies. It was possible to increase the number of engagement calls significantly, i.e., from 12 in the previous round to 18 this round.

There has been active dialogue with the following 18 companies: 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.

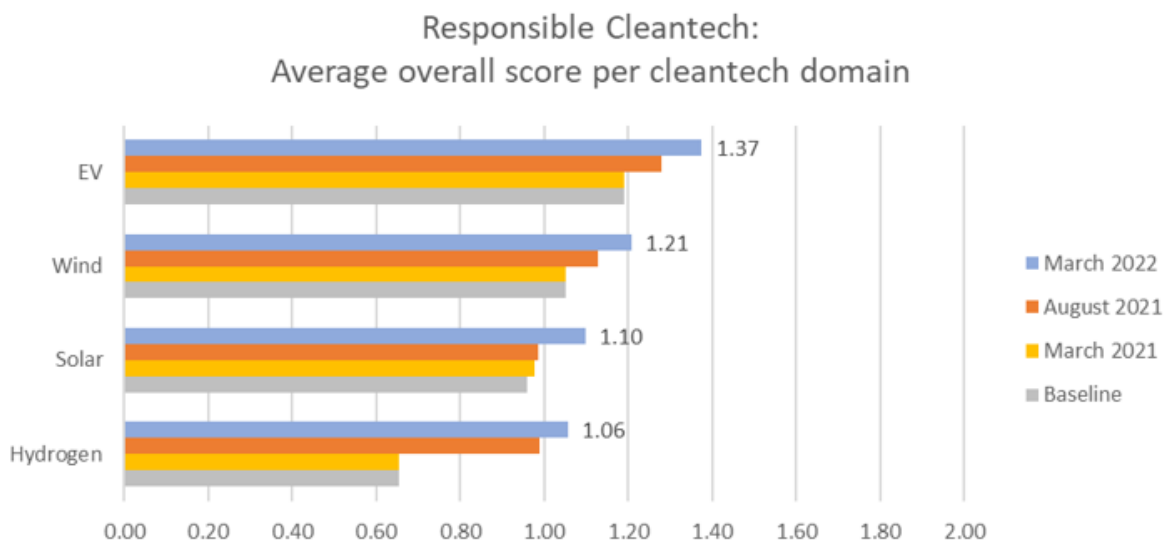
As only a few of the engaged companies published new sustainability reporting before the closing date of this report, the engagement calls were mostly used to inquire more about progress opportunities with respect to programs and targets, performance accounting and industry collaboration. Tangible positive environmental and social impacts remain challenging to measure and even more challenging to claim. Most of the time the engagement helps reinforce broader developments and complimentary efforts of other stakeholders. Yet, the Responsible Cleantech engagement's outputs have been plentiful (including many conference calls and content-related emails) and there are various noteworthy positive outcomes to account for, such as:

- In the solar domain, international concerns about forced labour risks in China's Xinjiang Uyghur Autonomous Region have posed a challenge due to the solar industry's reliance on China for crystalline silicon. The engaged companies, including some in China, do not tolerate forced labour in their own operations and there are opportunities in the engagement to get companies to expand their supply chain due diligence efforts.
- In the wind domain, momentum for creating a circular economy for the composite blades is increasing. Original equipment manufacturers (OEMs), specialized suppliers and technical universities have been teaming up to discover commercially viable solutions.
- In the EV domain, the procurement departments of various manufacturers are really stepping up when it comes to assessing and addressing sustainability risks, especially in the supply chains of battery materials such as '3TG', aluminium, cobalt, lithium, manganese and nickel.
- In the hydrogen domain, the most discussed material has been platinum, which is applied in both electrolyzers to produce green hydrogen from water and fuel cells to produce electricity from hydrogen. Due to the high financial cost of this precious metal, it has been easier to make a business case for circular product design and recycling. There is also increased attention for the mines' environmental and social performance.

In addition to the company engagements, Sustainalytics attended various relevant webinars and spoke with subject matter experts. These events provide avenues to bring relevant expertise into the dialogue and harness synergies where they exist. This engagement's efforts to cross-pollinate the various cleantech domains and to leverage existing multi-stakeholder initiatives could drive further improvement of all companies including the more advanced ones. With the Responsible Cleantech thematic engagement now well into its second year, we have come to appreciate the value of

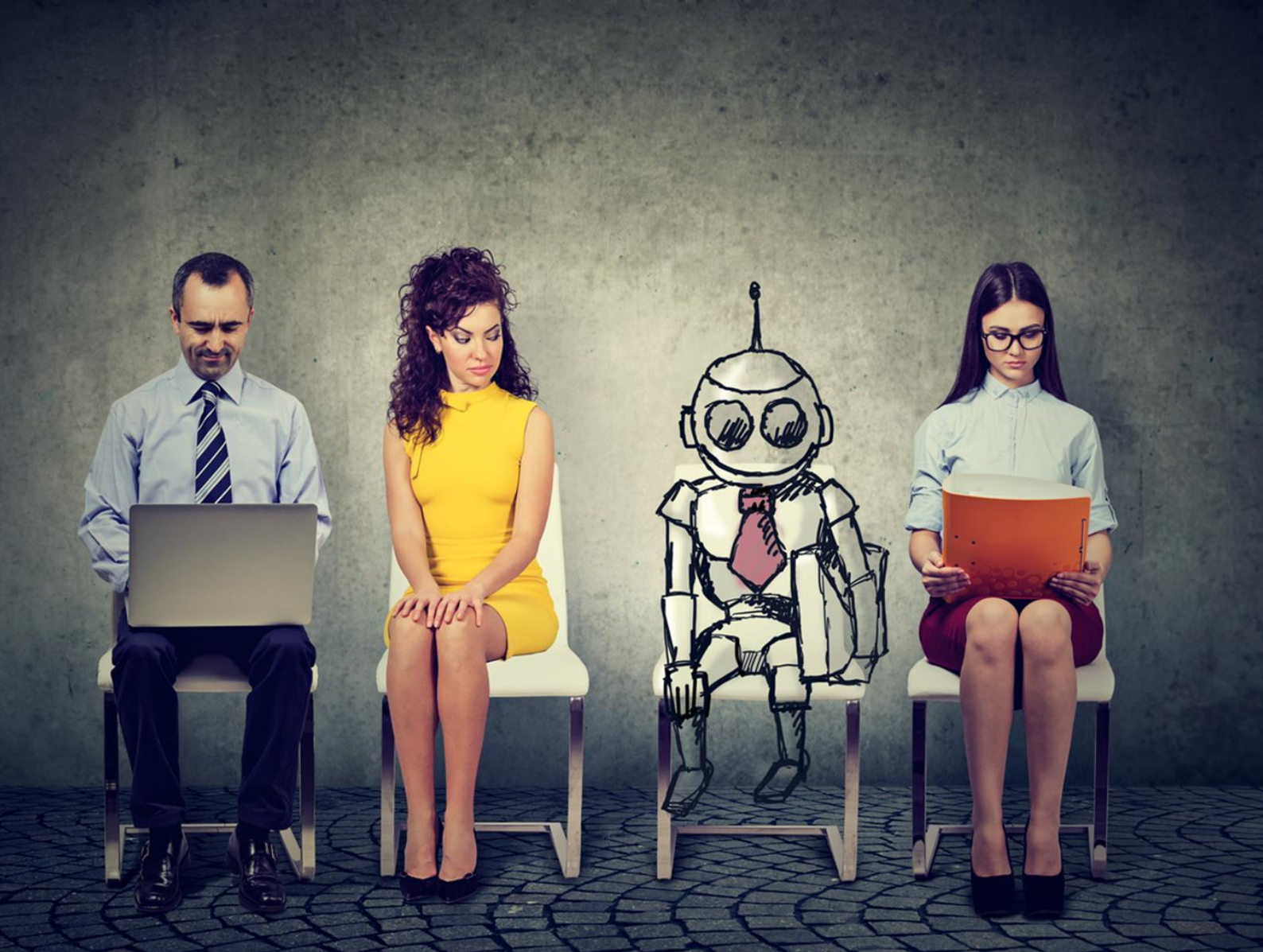
engaging not just laggards but also leaders. Once strategy and reporting have been well established, the hard work continues with implementation, turning aspirations into accomplishments with tangible environmental and social impacts.

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 domain continues to lead, followed by the wind domain. The solar domain reduced its backlog (mainly resulting from one company having published its first sustainability report). The hydrogen domain is singled out here for the first time. The underlying scores at the company level mainly serve to structure the dialogues.



Next Steps

To inform the agendas of the next round of engagement calls, Sustainalytics will assess the new sustainability reporting that is becoming available for the majority of the engaged companies. We can continue to focus on overall improvement for laggards and dig deeper into specific topics with leaders. Sustainalytics would also like to carve out some more significant time to leverage existing multi-stakeholder initiatives, getting more companies to commit and influence their suppliers all the way up to the mines. The theme was meant to be holistic from the outset, so there will also be opportunities to address other topics such as Science-Based Targets, the need for a circular economy and navigating the workforce of automobile manufacturers through the transition. As a way of concluding the second year of the Responsible Cleantech theme, we will identify at least one specific improvement for each company to deliver in the third year.



Thematic Engagement

Human Capital and the Future of Work

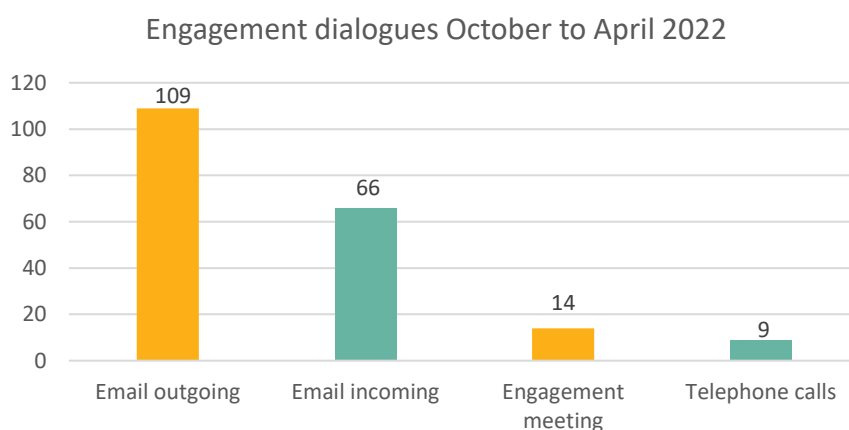
EXECUTIVE SUMMARY

Recent Developments

As we enter the post-pandemic era, we are seeing the need to attract, retain and develop talent stay on or rise to top of many CEOs' agendas. According to the survey run by the Conference Board in its C-Suite Outlook 2022, attracting and retaining talent is an internal high-impact issue and a top priority in 2022, and is being highlighted by hundreds of CEOs globally². In today's complex environment, the challenge of attracting and retaining talent poses a great risk for companies to stay competitive and to be able to execute their business strategies in the long-term. This emphasizes the critical role investors play in ensuring companies take care of their people, assess the skills needed to execute business strategies, and show progress on their diversity, equity and inclusion (DEI) efforts. Investors and companies are both relevant players in helping to find ways to attract and retain talent.

Developments and Engagement Efforts from October 2021 to April 2022

Since the publication of the October 2021 biannual report, Sustainalytics has exchanged 175 emails, held nine telephone calls, and hosted 14 engagement meetings. Sustainalytics also participated in two internal events in two different companies to discuss relevant topics with stakeholders on DEI and the future of work. The two events are registered as part of the engagement meetings in the statistics.



Collaborating with subject matter experts and leading organisations that focus on specific and relevant DEI metrics helps us help inform our engagements with companies. We have been in dialogue with The Valuable 500, an organisation committed to disability inclusion, and the Age Equity Alliance, an NGO committed to helping businesses ensure age equity in the workplace. We envision a future of shared learnings and collaborations with many different stakeholders.

Further, we want to share the main highlights from the dialogue with companies during this period. One important aspect to feature is that we have experienced a new development in this thematic engagement. Beyond our regular engagement calls with companies, two companies have invited us to participate in their internal events. This is a new development to this theme and we believe that companies find our insights and capital market perspectives valuable and show a growing sense of transparency within the companies to find solutions in collaborative ways. Companies are more interested now in gathering insights from peers and external stakeholders, embracing the different perspectives in adjusting to the changing nature of the future of work. The key highlights have been categorized as follows:

Remote workers can become a vulnerable group as companies implement new ways of working. Companies are still struggling to implement new ways of working across regions and operations. The preference of employees to work from the office, remotely or in a hybrid setting varies across sectors depending on the type of work. Companies need to understand how the hybrid model or encouraging people to work from the office might affect employees working remotely on a permanent basis. One aspect to consider of new ways of working is how to tailor benefits according to the needs of the employees.

Understanding the workforce composition is key to establishing targets and measures aiming to make a business more diverse and inclusive. Even though companies are aware of the need to know their numbers to identify gaps and make adjustments, they still need to find ways to address the

² The Conference Board C-Suite Outlook 2022 <https://www.conference-board.org/pdfdownload.cfm?masterProductID=38504>

legal and data privacy constraints in acquiring diversity data. The next challenge after acquiring data is disclosing it. Considering that there is no requirement to disclose the data, companies are still reluctant to disclose this type of information proactively. However, some companies that we are engaging with have been taking steps to measure and disclose the data. Some companies are disclosing the information based on mandatory requirements such as the EEO-1 form in the US or disclosing the workforce composition by nationalities and overseas operations. We have also learned that some companies are carrying out voluntary self-identification surveys as a tool to collect diversity data beyond gender and age.

Outcome-based metrics of learning and development (L&D) programmes are key as part of the efforts to retain and develop talent. The need to attract, retain and develop talent today has emphasized the importance of reskilling and upskilling programmes. Through our engagement dialogues and our participation in an internal event at a company, we learned that it is not enough to just have L&D programmes but also there is a need to develop metrics assessing the effectiveness of the programmes and learnings. Outcome-based metrics can showcase how the L&D programmes enhance productivity, reduce employee turnover and improve business performance to create long-term value. We also learned that L&D programmes need to be agile and need to respond to the demands of employees and technological changes.



Thematic Engagement

Feeding the Future

EXECUTIVE SUMMARY

The Issue at Hand

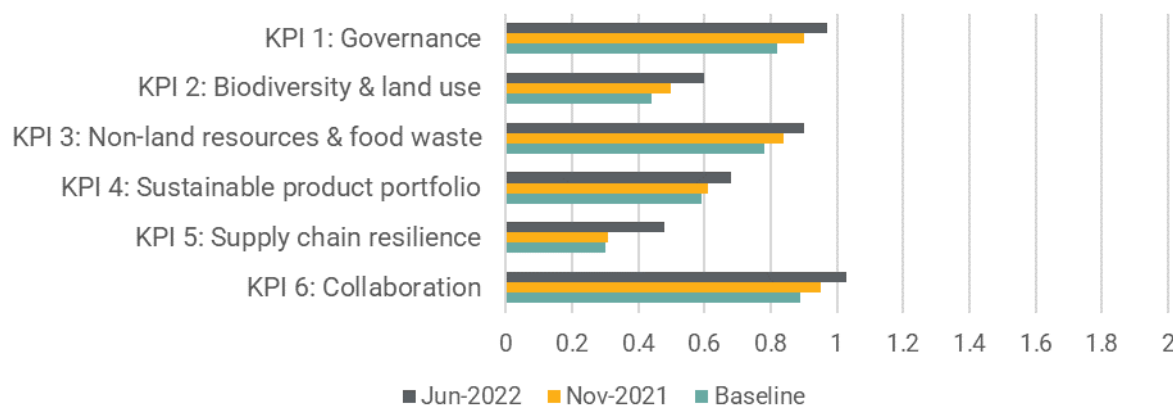
Ensuring a sustainable supply of food for the world's fast-growing population is a major challenge. As with other man-made activities, food production contributes to climate change, water scarcity, soil degradation and the destruction of biodiversity. It is estimated that by 2050 the world's population will reach 9.1 billion (34% higher than today), putting more pressure on already constrained resources. Food production will need to increase by 70% to feed the larger population³, meaning that more food will have to be produced using less land. In addition, energy and water will become limiting factors.

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

Developments and Engagement Efforts from November 2021 to June 2022

In the first half of 2022 Sustainalytics has sought to continue and/or commence dialogue with all 20 companies in the engagement programme. We have exchanged 229 emails, made 16 telephone calls and sent two investor letters, resulting in 12 introductory and content-based calls with engagement companies.

Feeding the Future: Average KPI scores



We have seen improvement in the average score for all KPIs in our framework, as illustrated in the chart above. The three KPIs demonstrating the best performance are governance (1), non-land resources and food waste (3) and collaboration (6), which all have a medium average score. We are seeing encouraging examples of high-level commitments to sustainable agriculture, which are in turn linked to board-level responsibility and executive pay structures. Similarly, companies are taking a proactive approach to GHG management, and we will follow the development of the **Forest, Land and Agriculture (FLAG) methodology** for target-setting by the Science-based Targets Initiative (SBTi). Collaboration is the best-performed KPI, suggesting that companies are seeing the benefits of working with stakeholders in multiple categories, such as civil society organizations and sectoral peers, to deal with the complexities of sustainable food production.

On the other hand, biodiversity and land use (2), sustainable product portfolio (4) and supply chain resilience (5) all exhibit a low average score. March 2022 saw the publication of the **beta version** of the Taskforce on Nature-related Financial Disclosures (TNFD) framework. We anticipate that this framework will help to drive transparency, which should in turn incentivize improvements to systems for monitoring and managing biodiversity impacts. Likewise, we would like to see greater engagement on developing products with a lower environmental impact, including alternative proteins,

³ <https://www.eufic.org/en/food-production/article/food-production-3-3-a-sustainable-food-supply>

although progress on innovation based on a wider set of sustainability criteria is more pronounced. Supply chain resilience remains the most under-performed KPI on our framework, indicating that companies have up till now prioritized the sustainability of their own operations.

Comparing performance across sectors, we note a continuing disparity between the earlier and later links in the food value chain, with agriculture and agricultural chemicals companies attaining a medium overall score on average, while packaged food and food retail companies remain in the low scoring band. It seems that the differentiator is primarily the leading KPIs noted above (1,3 and 6), with performance more uniform on the lagging KPIs. We suggest that the greater direct exposure of agricultural businesses to issues such as climate change, water pollution and soil health, as well as legal pressure on the use of agrochemicals, is driving more advanced sustainability governance, resource strategy and stakeholder cooperation.

A key theme that has surfaced, which cuts across different sectors, is the *interconnectedness* of sustainability issues associated with food production, such as climate change mitigation, biodiversity and soil health. Various companies have observed that: limiting deforestation helps to mitigate climate change; likewise, healthy soil sequesters carbon; and climate change mitigation is beneficial for flora and fauna. When it comes to practical action, we are increasingly seeing the adoption of digital tools by companies to monitor and manage their environmental impacts, for example to analyze soil health and facilitate digital application of fertilizer.

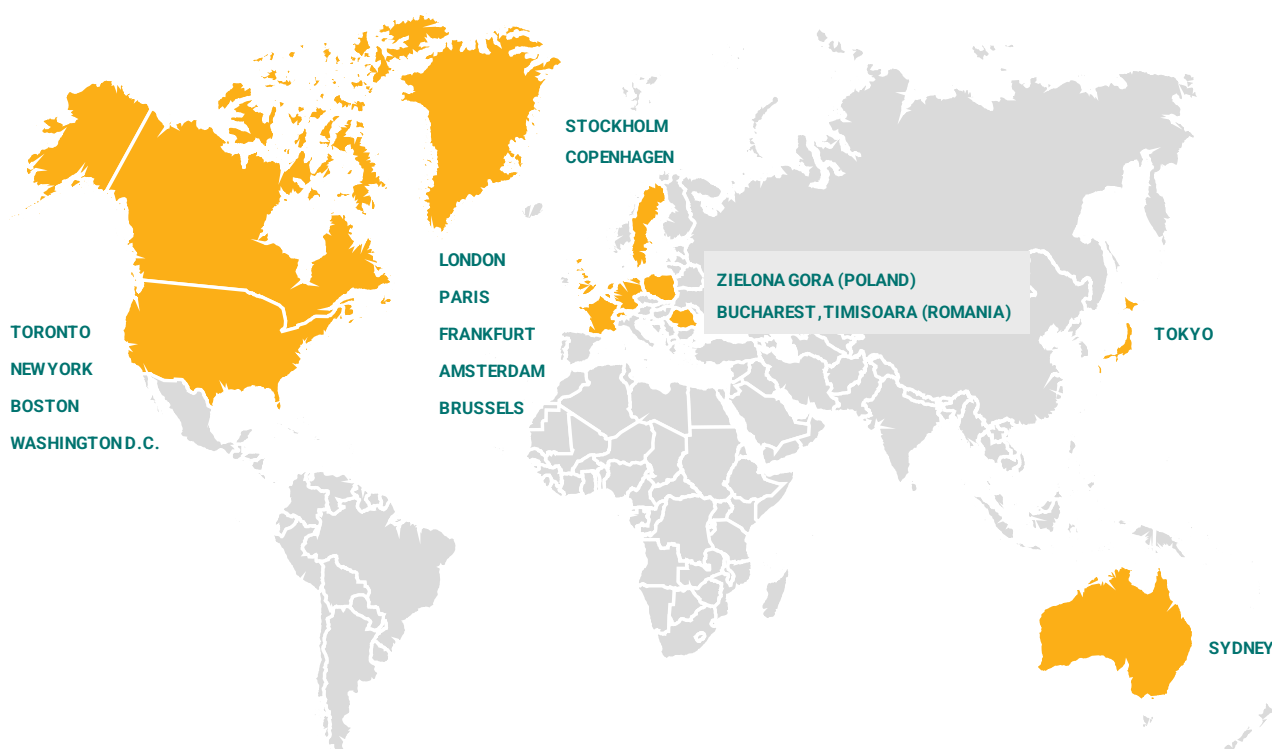
Looking ahead to the next six months, we will continue previously established dialogues and, where appropriate, move from broad-based information-gathering to a deeper exploration of specific, material topics and recommendations for improvement. We will also track emerging currents, such as responses to TNFD, and gather further examples of stakeholder collaboration, given its importance to embedding sustainability in complex value chains.

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 nearly 30 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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