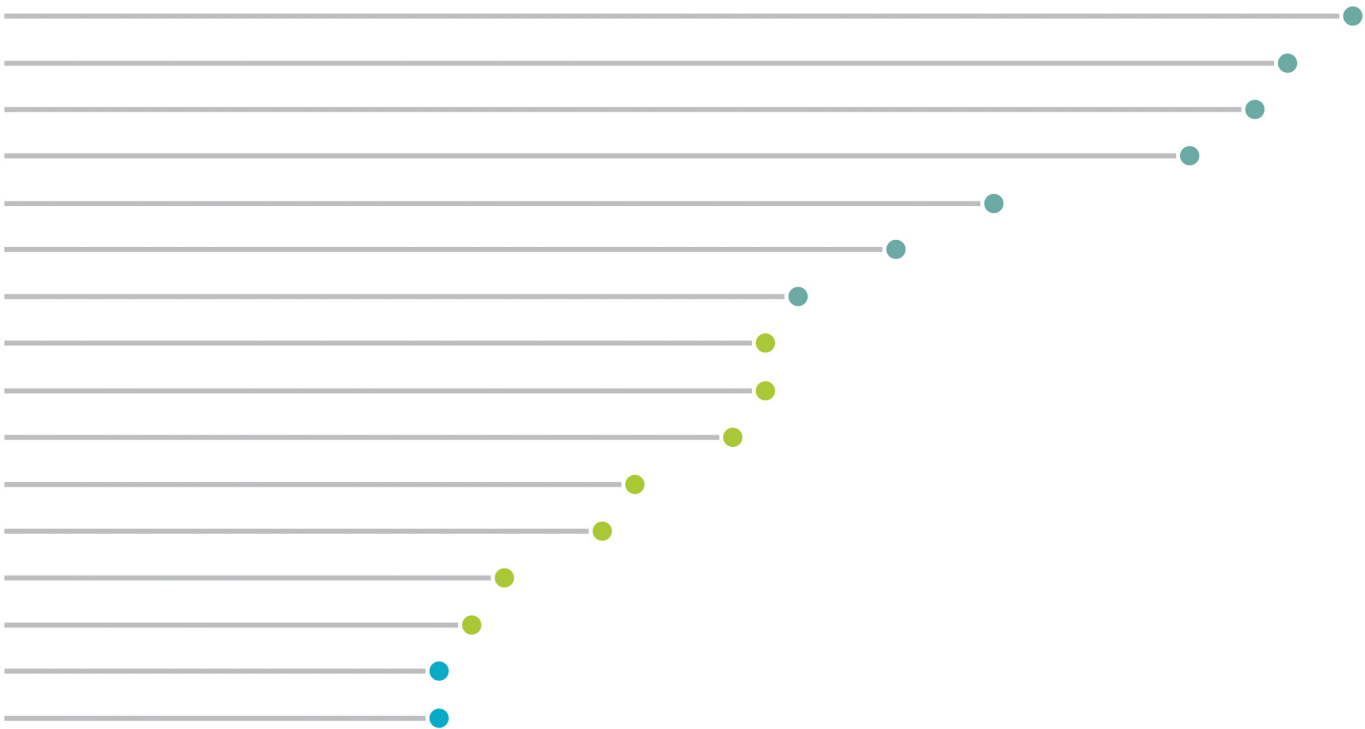


Global Standards Engagement

2024 Annual Report



Global Standards Engagement supports the management of reputational and regulatory risks by engaging with companies where incidents severely and systematically violate international standards to remediate the issue at hand and mitigate recurrence.

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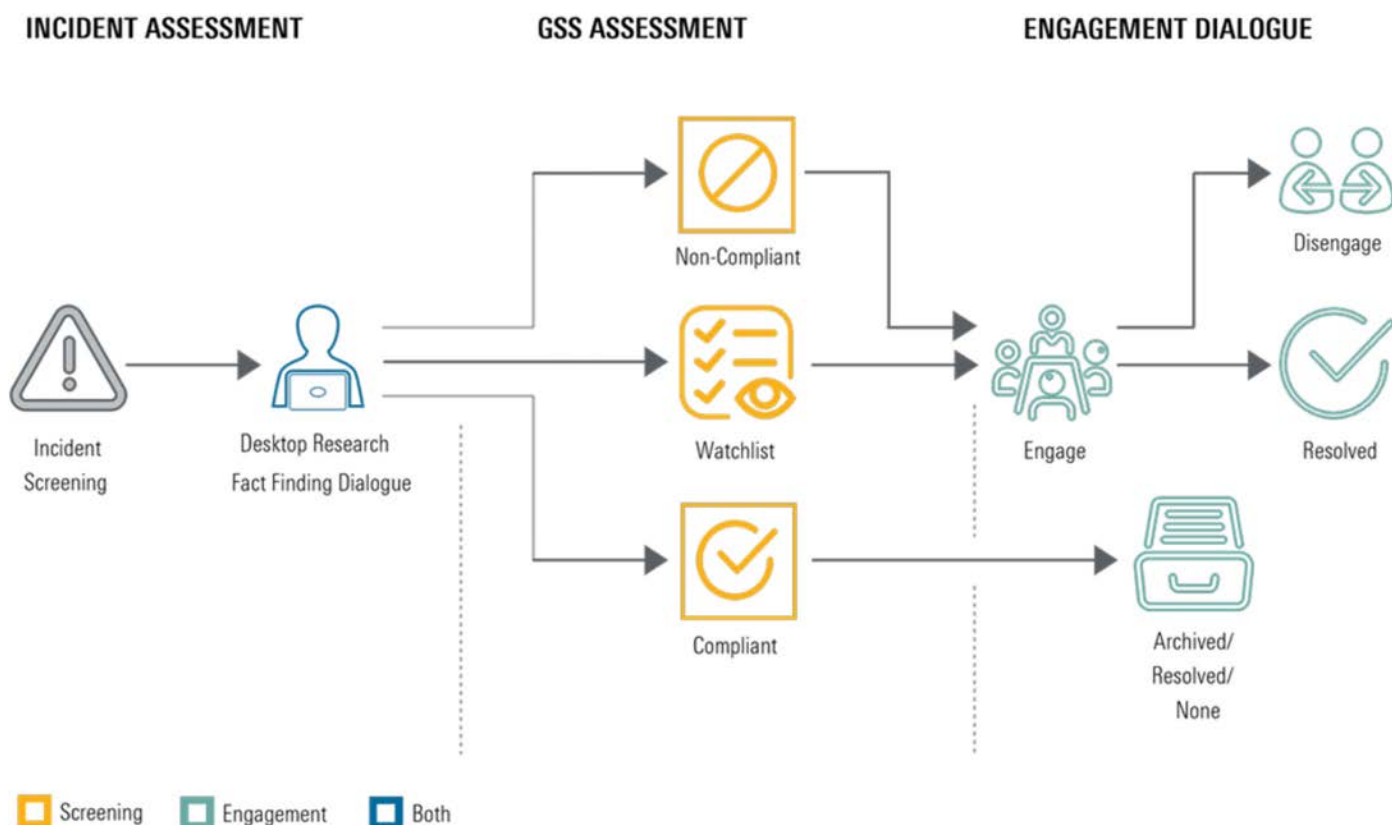
This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed between January and December 2024. If there is no specific reference to date in graphs and tables, the data is presented as per end of the reporting period. Due to periodic quality reviews throughout the year, small discrepancies between cumulative quarter and annual statistics may occur. The report has been produced in January 2025 and uses data for the year ending 31 December 2024. Version 1 was disseminated on 20 January 2025. Use of and access to this information is limited to clients of Morningstar Sustainalytics and is subject to Morningstar Sustainalytics legal terms and conditions.

Engagement Approach

Global Standards/Incidents Engagement is an incident-driven engagement with focusing 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/Incidents 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 are in place to avoid future reoccurrences and improve its ESG disclosure. The Global Standards/Incidents Engagement is based on our Global Standards Screening analysis of more than 25,000 companies. The engagement scope is global and spread across all sectors. Company size ranges from small to large cap.



Executive Summary



Paulina Segreto

Director, Stewardship
Morningstar Sustainalytics

Annual Highlights

Throughout 2024, the Global Standards Engagement team has made significant strides in our engagement efforts, driven by the Global Standards Screening quarterly cycles. Key achievements include:

- We had 159 engagements and concluded the year with 124 engagements.
- 17 new engagements were initiated, identified through downgrades to Watchlist from the Global Standards Screening assessment.
- Several engagements reached advanced stages, resulting in the successful resolution of 15 engagements as they met the engagement objectives.
- Nine companies received Disengage status, including seven due to low performance (around 24 months with none/poor progress and response).

Over the course of the year, we exchanged 1,490 emails and phone calls, and conducted 131 meetings, including 14 in-person meetings. These efforts culminated in the achievement of 52 Milestones.

Key Engagement Themes

Deforestation and Biodiversity

Deforestation and biodiversity have been central themes of some of our engagements, particularly with companies operating in Brazil. The focus has been on addressing the environmental and human rights impacts of deforestation, which affects biodiversity and local communities. Our engagement trip to Brazil in October 2024 was a highlight, where we met with nine companies and various stakeholders across São Paulo, Brasília, and Rio de Janeiro. A full-day site visit to SLC Agrícola's Pamplonas Farm provided valuable insights into the challenges and potential solutions related to deforestation.

Human Rights Issues

Human rights have been another central focus, with 77% of our engagements relating to the 'S' within the Environmental, Social and Governance topics. We have successfully initiated dialogues with several previously unresponsive companies, particularly those operating in countries where human rights are challenging or those involved in human rights violations. Instead of concentrating solely on controversies, our approach has emphasized the importance of human rights due diligence.

Our engagements have focused on ensuring that companies implement robust human rights due diligence processes. This involves assessing and addressing potential human rights impacts, engaging with affected stakeholders, and integrating human rights considerations into their business operations. By prioritizing human rights due diligence, we aim to foster a proactive approach to human rights management, encouraging companies to identify and mitigate risks before they escalate into significant issues.

Supply Chain Labour Issues

Within the broader context of human rights, supply chain labour issues, especially forced labour, have been another critical area of focus. Effective risk management in preventing forced labour in supply chains has been emphasized. We evaluated how companies manage this risk, highlighting the importance of sufficient knowledge, robust analysis, and a holistic approach in assessing a company's risk related to forced labour.

By addressing both human rights due diligence and supply chain labour issues, companies can better protect human rights within their operations and supply chains. This proactive approach not only ensures compliance with international human rights standards but also strengthens their overall sustainability and ethical business practices.

Health and Safety in the Mining Sector

With an increased focus on the importance of mining to deliver essential mineral components for the transition to a low-carbon future, we have emphasized the need for responsible mining practices. Our health and safety expert has used content and disclosures from existing engagements to identify and mitigate potential risk areas, ensuring that ESG criteria remain at the forefront of mining operations.

Data Privacy and Security

Data privacy and security have become significant concerns for investors, especially with the rise of cyber threats and data breaches. In 2024, we commenced engagements with one US and two Australian companies that experienced major cybersecurity breaches. Our focus has been on understanding and providing input into the activities these companies plan to undertake to prevent recurrences and build resilience.

Challenges and Successes

Throughout the year, we have faced challenges such as engagement fatigue, particularly from companies based in the US. Investor relations teams are increasingly hosting webinars or sustainability roadshows instead of direct one-on-one engagements. We have also noticed a focus on labor rights and related controversies, particularly in the US, driven by investor-led shareholder resolutions.

Building trusting relationships has been a cornerstone of our approach. We have successfully showcased recommendations that create trust and build resilience in companies. Validation and verification of the successful implementation of our recommendations have reinforced the value of our engagements.

Looking Ahead

The year 2024 has been marked by significant progress in our engagement activities, particularly in addressing important issues such as deforestation, biodiversity, forced labor in supply chains, and data privacy and security. Our proactive approach and commitment to multi-stakeholder dialogue have enabled us to achieve meaningful milestones and drive positive change. As we move forward, we remain dedicated to advancing our engagements and addressing emerging challenges to promote sustainable and responsible business practices globally.

As we look ahead to 2025, our goals include:

- **Expand Engagements:** Increase the number of companies we engage with on ESG issues, particularly those involved in controversies that are not linked to severe impacts on stakeholders but are material for both companies and investors.
- **Address Emerging Issues:** Stay ahead of emerging ESG issues and adapt our engagement strategies to address new challenges as they arise.
- **Enhance Due Diligence Processes:** Work with companies to further develop and refine their human rights due diligence processes, ensuring they are comprehensive and effective.
- **Strengthen Stakeholder Collaboration:** Foster stronger collaborations with stakeholders, including affected communities, civil society organizations, and investors, to enhance the impact of our engagements.
- **Monitor and Report Progress:** Continuously monitor the progress of our engagements and provide transparent reporting on outcomes and impacts.

Engagement Overview



124
engagements as of 31
December 2024

17
new engagements

159
engagements
throughout 2024

15
engagement
successfully Resolved

7
Low Performance
engagements
moved to Disengage

Asia / Pacific
region with the largest
number of
engagements

**Utilities and Food
Products**
industries with the
most engagements

77%
of engagements are
related to 'S' within
the Environmental,
Social and
Governance topics

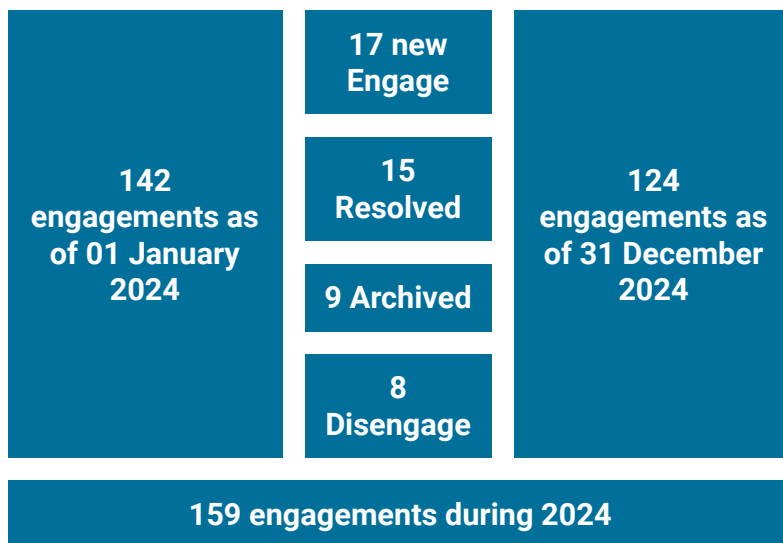
Engagement Status

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

Resolved The company has achieved the engagement objective.

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

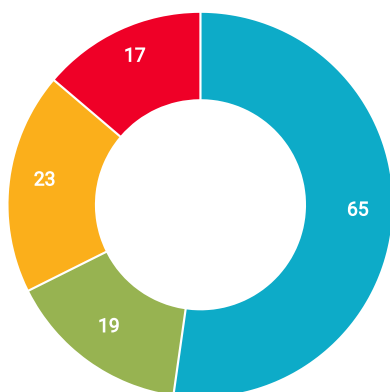
Disengage Engagement is deemed unlikely to succeed.



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

Engagements by Norm

Morningstar Sustainability categorizes all incident-based cases according to UN Global Compact's (UNGC) principles.



- Human Rights
- Business Ethics
- Environment
- Labour Rights

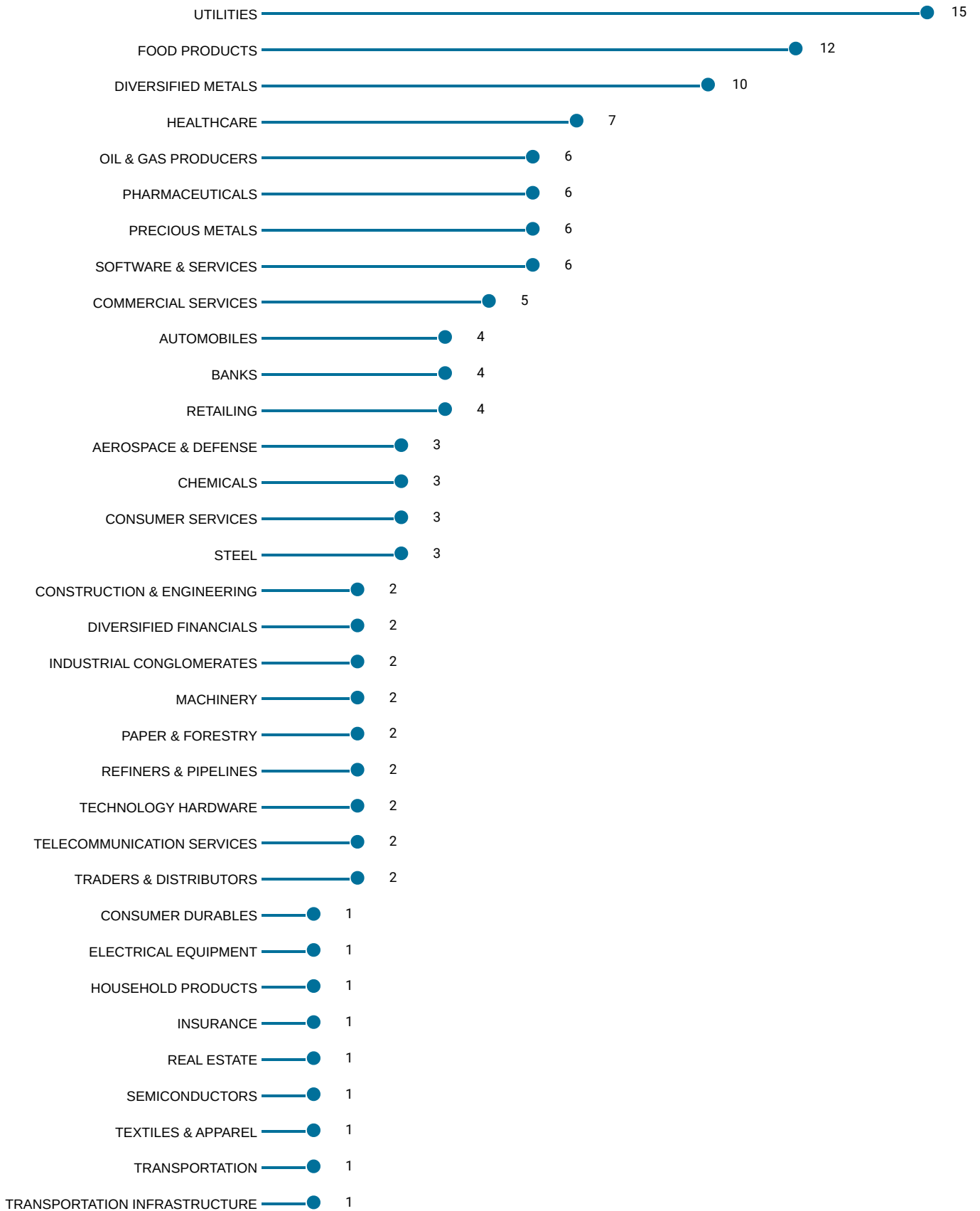
Human Rights Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.

Labour Rights Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

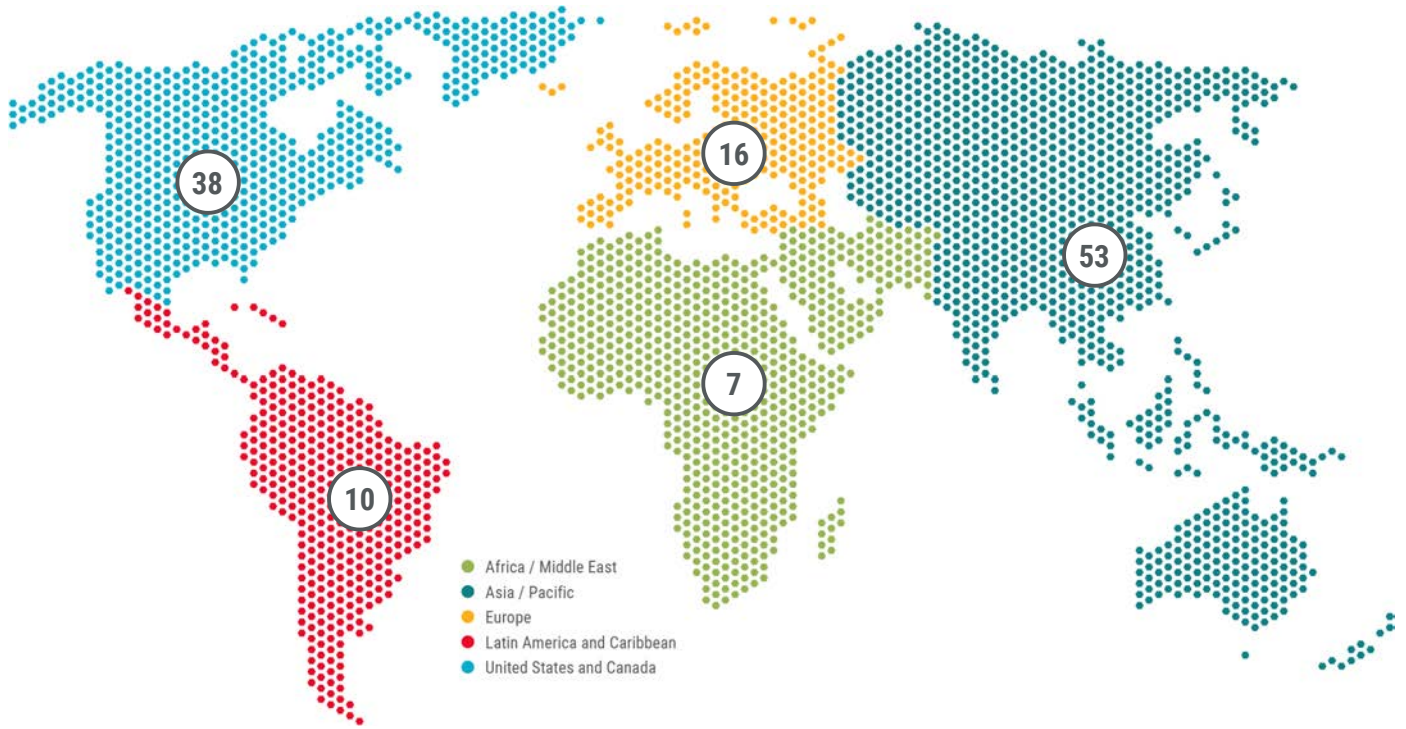
Environment Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

Business Ethics Businesses should work against all forms of corruption, including extortion and bribery. This norm is extended to additional topics not within UNGC scope such as taxation or antitrust issues.

Industry Distribution



Engagements by Headquarter Location

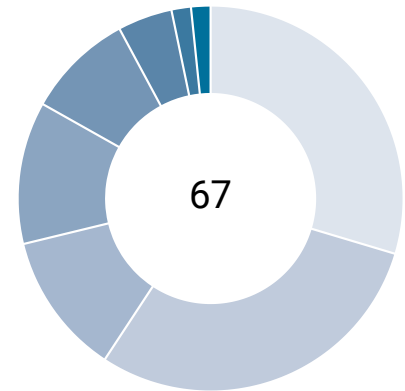


Engagement Topics

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

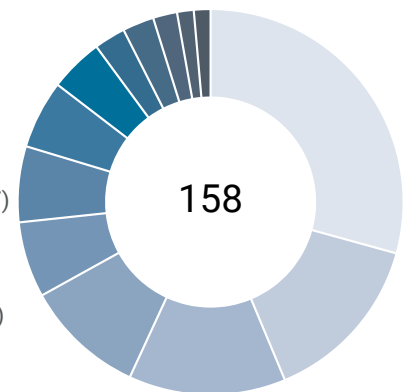
Environmental

- WATER QUALITY (20)
- BIODIVERSITY (8)
- LAND POLLUTION AND SPILLS (6)
- CLIMATE CHANGE (1)
- WATER SECURITY (20)
- DEFORESTATION (8)
- AIR POLLUTANT EMISSIONS (3)
- WASTE MANAGEMENT (1)



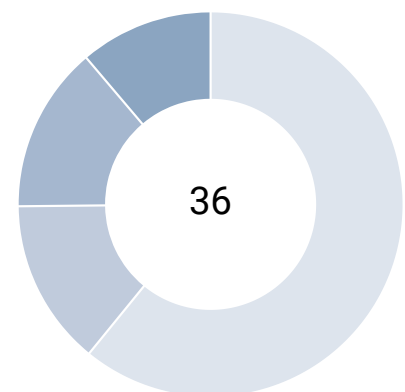
Social

- HUMAN RIGHTS (47)
- LABOUR RIGHTS (21)
- FORCED LABOUR (10)
- DATA PRIVACY AND SECURITY (9)
- MARKETING PRACTICES (4)
- CHILD LABOUR (3)
- HIGH-RISK TERRITORIES (2)
- COMMUNITY RELATIONS (23)
- PRODUCT QUALITY AND SAFETY (16)
- INDIGENOUS PEOPLE (10)
- OCCUPATIONAL HEALTH AND SAFETY (7)
- WEAPONS (4)
- DIVERSITY, EQUITY AND INCLUSION (DEI) (2)



Governance

- BUSINESS ETHICS, BRIBERY AND CORRUPTION (22)
- DISCLOSURE (5)
- ACCOUNTING AND TAXATION (5)
- ESG GOVERNANCE (4)



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

Sustainable Development Goals - Mapping Engagements

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

1 No Poverty	10%	10 Reduced Inequality	12%
2 Zero Hunger	6%	11 Sustainable Cities and Communities	9%
3 Good Health and Well-Being	27%	12 Responsible Consumption and Production	16%
4 Quality Education	2%	13 Climate Action	6%
5 Gender Equality	5%	14 Life Below Water	6%
6 Clean Water and Sanitation	6%	15 Life on Land	18%
7 Affordable and Clean Energy	0%	16 Peace and Justice, Strong Institutions	40%
8 Decent Work and Economic Growth	23%	17 Partnerships to Achieve the Goal	0%
9 Industry, Innovation and Infrastructure	7%		

Case Study: Hangzhou Hikvision Digital Technology Co., Ltd.

Global Standards/Incidents Engagement - Engagement Since: 29 November 2019



Industry: **Technology Hardware**

Country: **China**

Incident Location: **China**

Global Standards Screening
Assessment: **Non-Compliant**

Hikvision is the world's largest manufacturer of video surveillance equipment. The controversy focuses on the use of the company's products and services in activities involving forced labour practices at vocational education centres in Xinjiang, China.

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

Engagement Update

In 2024, we held a total of eight meetings with the company, including three in-person meetings. The company has developed its human rights policy and become a member of the UN Global Compact. Most notably, Hikvision publicly announced in December 2024 that it had terminated all five collaboration projects with the government in Xinjiang. Additionally, the company set up a system to incentivize employees to restrict sales to high-risk areas or use cases. A corporate culture of respect for human rights is being fostered. While these are significant improvements, we continue to engage with the company on its due diligence process, especially in managing external product distributors and enhancing the procedures for evaluating high risks.

Focus Area

The company leverages AI in facial recognition technologies in its products. Such technologies can pose significant human rights risks, especially when used in geographical areas where laws and regulations conflict with internationally recognized human rights. The discussions of this engagement focus on downstream due diligence, addressing human rights risks associated with the use of companies' goods.

Engagement Outcomes

Encouraging developments have been observed in the Hikvision engagement case. We have built a trustworthy relationship with the company. From being unwilling to speak to investors and denying the company's exposure to forced labour risks, Hikvision has grown to become confident in discussing sensitive human rights issues.

Insights & Outlook

The engagement has showcased Hikvision's commitment to downstream human rights due diligence and its willingness to communicate with stakeholders. The company made critical improvements this year, particularly in terminating controversial projects. Hikvision needs to continue its efforts to regain the trust and confidence of stakeholders. This will be a time-consuming process. We will encourage Hikvision to increase disclosure and improve the implementation of due diligence principles. Specifically, we advise the company to develop systems that prevent distributors from selling products in high-risk areas.

Case Study: JBS SA

Global Standards Engagement/Incident Engagements | Engagement Since: 26 February 2021



Industry: **Food Products**

Country: **Brazil**

Incident Location: **Brazil**

Global Standards Screening Status:
Watchlist

JBS specializes in meat processing and is one of the largest beef producers globally. It is linked to deforestation in Brazil. Most recently it was fined USD 63 million by Brazilian regulators in October 2024 for raising or buying cattle on illegally deforested land in Brazil.

Progress: **Standard** | Response: **Good** | Latest Milestone: **3 Engagement Update**

JBS was very active in dialogue with us until late 2023, when it ended individual engagements with all investors. Our decision to hold a Brazil engagement trip likely helped secure an in-person meeting with JBS in October 2024. During this meeting and two ESG webinars in 2024, JBS disclosed that 70% of its suppliers are enrolled on its Transparent Livestock Platform and reiterated its 2025 cutoff date for enrollment. We received updates on Cowbot Friboi, its AI-assisted risk assessment tool, and its Green Offices and regularization work. JBS is starting to track TNFD and aims to address biodiversity further over the next two years.

Focus Area

A complete solution for mapping and tracing suppliers will likely involve individual animal IDs, which is eight to ten years away. The industry currently relies on the GTA (Guia de Trânsito Animal), a batch-based government database. The company acknowledges the importance of individual animal IDs and updated us on its pilot programme at its Maraba plant in Pará, which seems promising. Scaling to the national-level requires cooperation between states, scaling of Brazil's 250 million cattle, and addressing the prohibitive cost of individual tags.

Engagement Outcomes

JBS committed to zero illegal deforestation in Brazilian biomes by the end of 2025 for direct and tier 1 indirect cattle suppliers. It has a responsible sourcing policy, signed the Cattle Moratorium, and excludes thousands of farms. JBS has mapped its direct suppliers and increased enrollment onto its blockchain-encrypted platform for indirect suppliers. Its Green Offices assist 13,000 farms with productivity, training, and compliance.

Insights & Outlook

JBS has shown commitment to supply chain due diligence. The recent fine in October 2024 is likely due to a) high deforestation risks from its large operations, b) limitations of the batch-based system for indirect suppliers, and c) 30% of its suppliers are not yet enrolled on its Transparent Livestock Platform. If some suppliers miss the cutoff date, JBS should exclude them as planned. Its individual animal ID pilot and industry collaborations are also important. Regarding biodiversity, we asked JBS to sign Business for Nature's statement and develop a holistic nature strategy with science-based targets.

Engagement Results



131

meetings, including
14 in-person meeting

1,490

emails and phone
calls exchanged



15

engagement
Resolved



63%

of engagements with Standard Progress



52

Milestones achieved

29%

of engagements with
Excellent or Good
Response

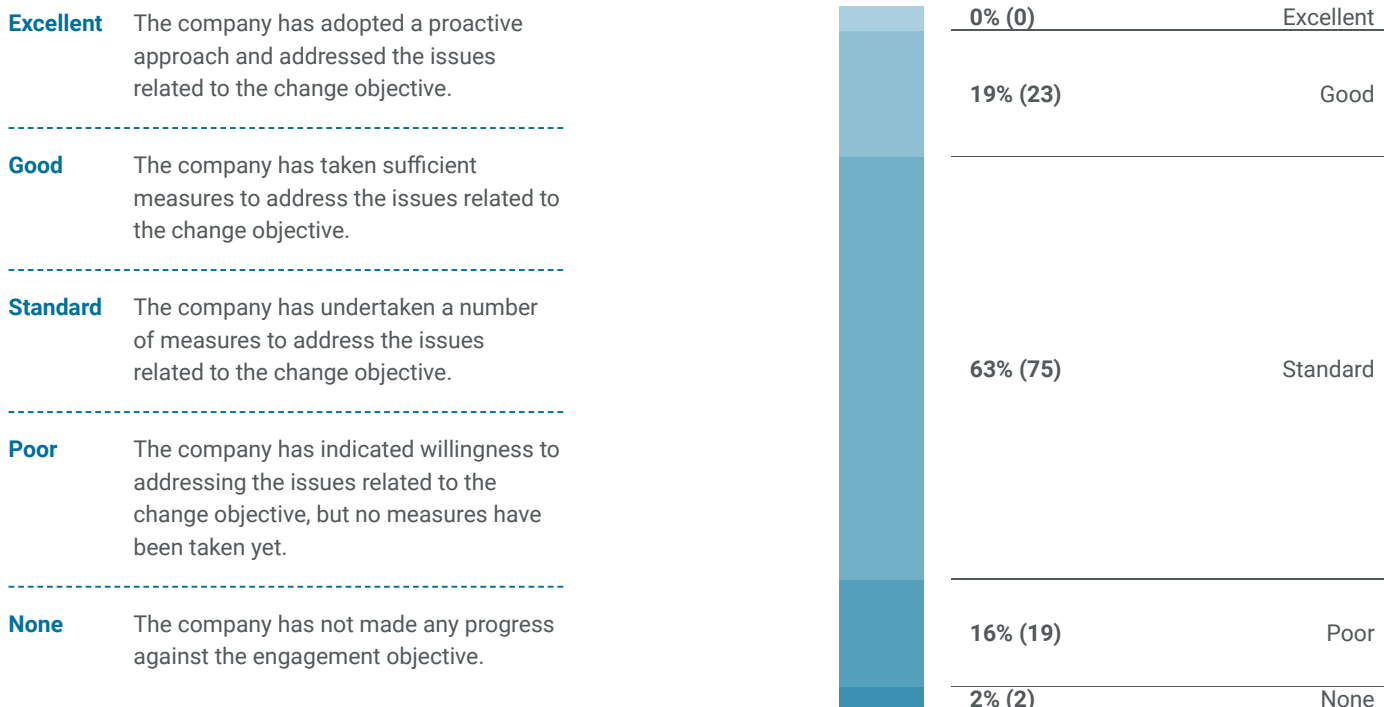
10%

of engagements
with Performance
assessed as Low



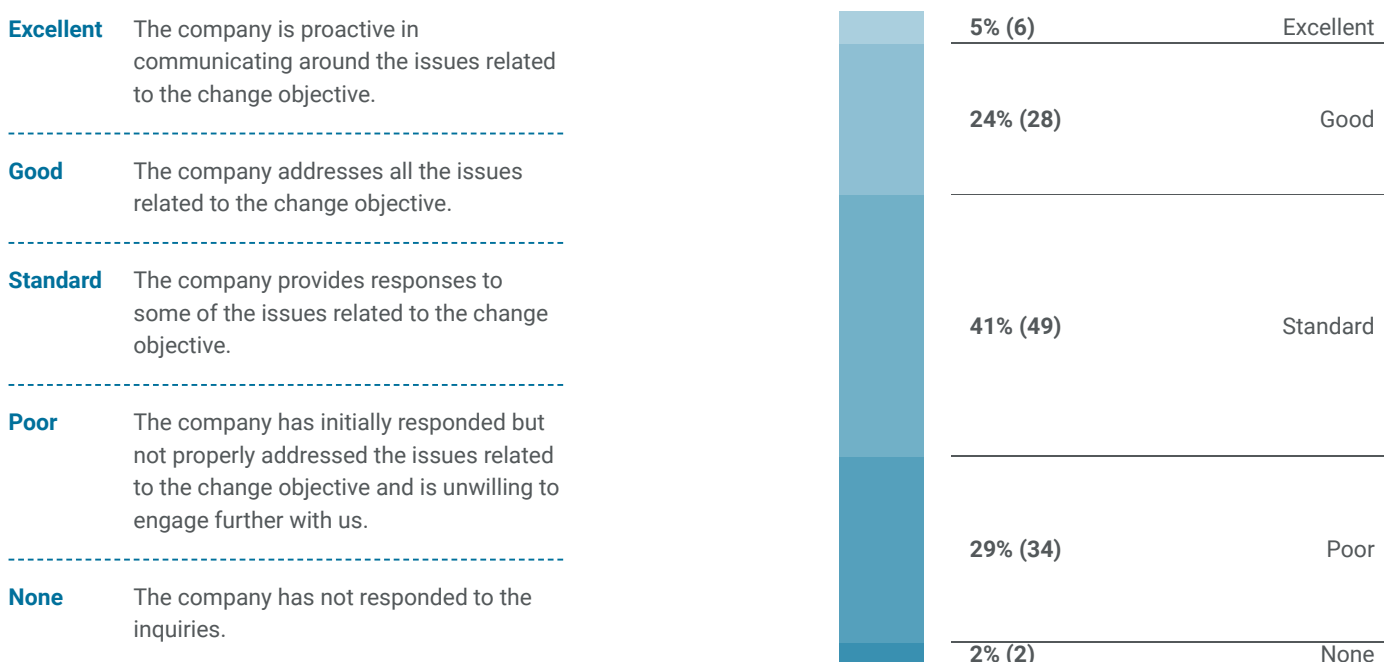
Engagement Progress

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



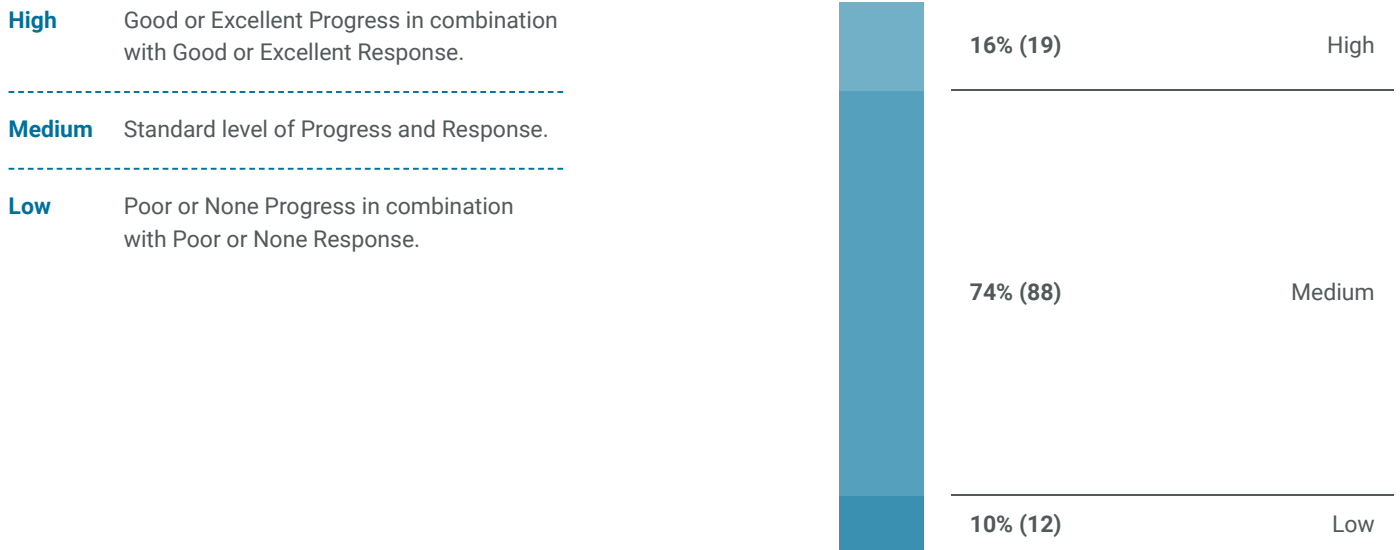
Engagement Response

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



Engagement Performance

Performance describes the combined company Progress and Response.



Engagement Performance Assessment Update

To provide a more granular assessment, we have expanded the tiers used to evaluate Engagement Performance. Previously, engagements assessed Performance using three tiers: Low, Medium, and High (as listed above).

Going forward, we will use five tiers to offer a more nuanced understanding. The new tiers are: Low, Below Average, Average, Above Average, and High. This change subdivides the previous Medium category into three distinct levels. In the future, all reporting will use the five-tier system.

The following Progress and Response matrix is used to determine Performance.

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

Engagement Milestones

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

**52 Milestones
achieved in 2024**

Milestone Framework

- Milestone 5** Change objective is considered fulfilled.

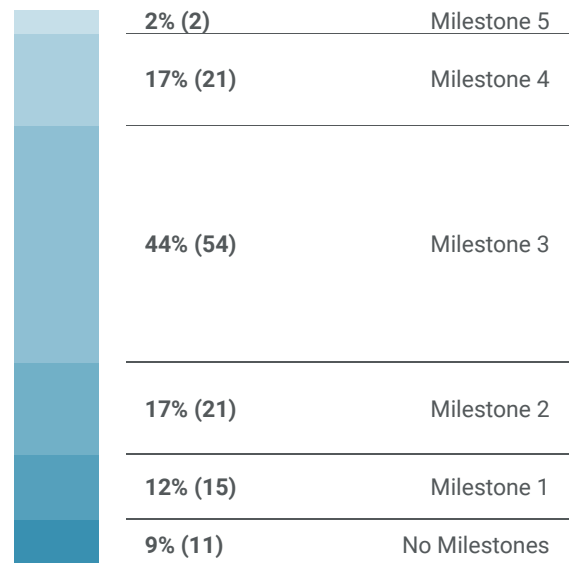
- Milestone 4** Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing.

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

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

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

Engagements by Highest Milestone Achieved



Engagements Resolved

COMPANY	COUNTRY	INDUSTRY	ISSUE	RELATED COMPANY	QUARTER
EDP-Energias de Portugal SA	Portugal	Utilities	Bribery and Corruption	EDP Energias do Brasil SA EDP Renováveis SA	Q4
Grupo México S.A.B. de C.V.	Mexico	Diversified Metals	Freedom of Association	GMéxico Transportes SAB de CV	Q4
PG&E Corp.	United States of America	Utilities	Quality and Safety - Human Rights	None	Q4
Southern Copper Corp.	United States of America	Diversified Metals	Freedom of Association	None	Q4
Tiger Brands Ltd.	South Africa	Food Products	Quality and Safety - Human Rights	None	Q4
YES BANK Ltd.	India	Banks	Business Ethics	None	Q4
Danske Bank A/S	Denmark	Banks	Money Laundering	Danica Pension, Livsforsikringsaktieselskab	Q3
Sanofi	France	Pharmaceuticals	Quality and Safety - Human Rights	Provention Bio, Inc. Sanofi India Ltd. Sanofi-Aventis Participations SAS	Q3
Telefonaktiebolaget LM Ericsson	Sweden	Technology Hardware	Bribery and Corruption	Vonage Holdings Corp.	Q3
Teva Pharmaceutical Industries Ltd.	Israel	Pharmaceuticals	Price-Fixing Violations	None	Q3

COMPANY	COUNTRY	INDUSTRY	ISSUE	RELATED COMPANY	QUARTER
Uber Technologies, Inc.	United States of America	Software & Services	Data Privacy and Security	None	Q3
Westpac Banking Corp.	Australia	Banks	Money Laundering	Westpac New Zealand Ltd.	Q3
Adani Ports & Special Economic Zone Ltd.	India	Transportation Infrastructure	Involvement With Entities Violating Human Rights	None	Q2
Syngenta AG	Switzerland	Chemicals	Quality and Safety	China National Chemical Corp., Ltd. Sinochem Group Co., Ltd. Sinochem Holdings Corp. Ltd.	Q1
Top Glove Corp. Bhd.	Malaysia	Healthcare	Labour Rights - Operations	None	Q1

Resolved - Syngenta AG

Engagement Since: 30 May 2019



INDUSTRY:
Chemicals

COUNTRY:
Switzerland

ISSUE:
Quality and Safety

GLOBAL STANDARDS
SCREENING STATUS:
Watchlist

INCIDENT
LOCATION:
Thailand

Syngenta AG has faced severe criticism for the adverse health impacts of its Paraquat herbicide.

CHANGE OBJECTIVE

Syngenta should address the environmental and/or health impacts of its products. Syngenta should fully disclose all research material on these chemicals and their impacts and to have a process of seeking independent product reviews before the market release of any new products.

Engagement Outcomes

- Syngenta has addressed the environmental and/or health impacts of its products and discloses research material on these chemicals and their impacts. It reports that 120 countries have Syngenta toxicovigilance programmes in place.
- With an ambitious global drive to reach and educate users of the product to prevent misuse, partnering with a reputable NGO 'Crop Life', the company recognizes the need for proactive and long reaching action.
- The company has implemented a new internal reporting system that tracks adverse impacts from the use of its products. This allows focused responses and a systematic way to track and analyze incidents.
- Whilst the company does not have a process for seeking independent review of new products, it does have in place a sustainability criteria screening to ensure new products are not harmful to human health or the environment.

Conclusion: Since Syngenta has introduced a number of improvements to its product safety implementation, Morningstar Sustainalytics decided to resolve this engagement.

Resolved - Top Glove Corp. Bhd.

Engagement Since: 26 February 2021



INDUSTRY:
Healthcare

COUNTRY:
Malaysia

**GLOBAL STANDARDS
SCREENING STATUS:**
Compliant

**INCIDENT
LOCATION:**
Malaysia

ISSUE:
Labour Rights – Operations

Top Glove Corp. Bhd. previously faced claims of labour abuse at its manufacturing operations in Malaysia, including alleged forced labour practices related to recruitment fees imposed on migrant workers by employment agents, unsafe working and poor living conditions, and requirements to work excessive overtime.

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.

Engagement Outcomes

- Top Glove significantly improved policies, strategies and systems to prevent forced labour, aligned with international standards.
- The company resolved all labour right issues that emerged during the investigation and put in place remedial strategies, it also reimbursed of all migrant workers who had paid substantial recruitment fees to agencies.
- The company strategically reduced the number of recruitment agencies, opting for two dedicated ones. Top Glove provides these agencies with human rights training and assesses them regularly to strengthen its oversight.

Conclusion: Considering the improvements in labour rights practices of the company, Morningstar Sustainalytics decided to resolve the case.

Resolved - Adani Ports & Special Economic Zone Ltd.

Engagement Since: 28 May 2021



INDUSTRY:
Transportation
Infrastructure

COUNTRY:
India

ISSUE:
Involvement With Entities Violating
Human Rights

**GLOBAL STANDARDS
SCREENING STATUS:**
Compliant

**INCIDENT
LOCATION:**
Myanmar

In May 2019, Adani Yangon International Terminal Co., a subsidiary of Adani Ports & Special Economic Zone Ltd., signed a 50-year agreement with Myanmar Economic Corporation (MEC) to develop a new port. In August 2019, MEC was found to have ties with the Tatmadaw, a military group accused of human rights abuses.

CHANGE OBJECTIVE

Adani Ports and Special Economic Zones 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.

Engagement Outcomes

- In October 2021, Adani Ports and Special Economic Zones (APSEZ) announced its decision to exit its investment in Myanmar. It took the company over two years to sell the port in the country.
- The company made commitments to conduct enhanced due diligence in any other new projects, considering lessons learnt from its involvement in Myanmar.
- In its 2023 integrated report, APSEZ has committed to significantly more widespread and detailed corporate responses to human rights.

Conclusion: Considering the fact that the company is no longer operating in Myanmar and its commitment to enhanced approach to human rights, we decided to resolve this engagement.

Resolved - Danske Bank A/S

Engagement Since: 17 October 2018



INDUSTRY:
Banks

COUNTRY:
Denmark

ISSUE:
Money Laundering

GLOBAL STANDARDS
SCREENING STATUS:
Compliant

INCIDENT
LOCATION:
Estonia

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

CHANGE OBJECTIVE

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

Engagement Outcomes

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

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

Resolved - Sanofi

Engagement Since: 29 May 2020



INDUSTRY:
Pharmaceuticals

COUNTRY:
France

GLOBAL STANDARDS
SCREENING STATUS:
Watchlist

INCIDENT
LOCATION:
Philippines

ISSUE:
Quality and Safety – Human Rights

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

CHANGE OBJECTIVE

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

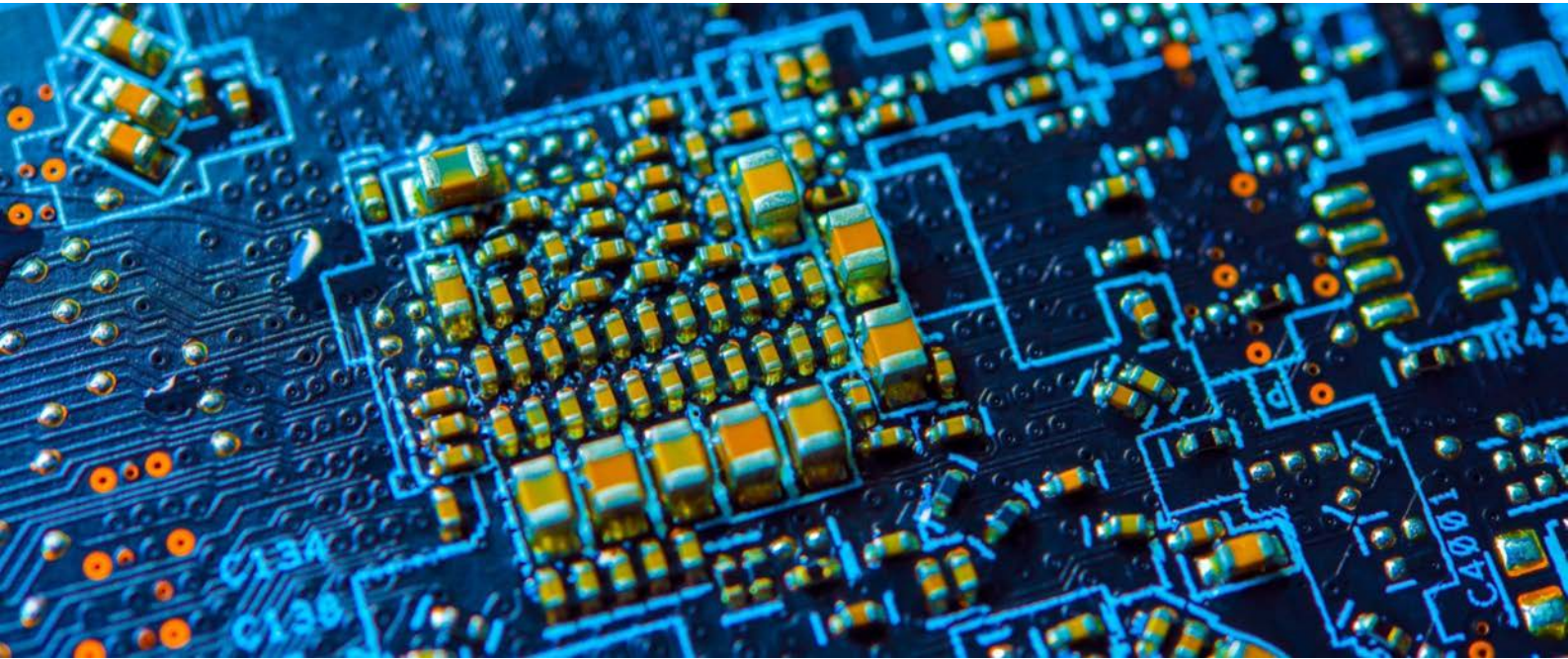
Engagement Outcomes

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

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

Resolved - Telefonaktiebolaget LM Ericsson

Engagement Since: 28 February 2020



INDUSTRY:
Technology Hardware

COUNTRY:
Sweden

GLOBAL STANDARDS
SCREENING STATUS:
Compliant

INCIDENT
LOCATION:
Sweden

ISSUE:
Bribery and Corruption

Ericsson was involved in alleged bribery and corruption scheme of making improper payments in Djibouti, China, Vietnam, Indonesia and Kuwait between 2000 and 2016.

CHANGE OBJECTIVE

Ericsson should continue to strengthen its anti-corruption and ethical compliance processes in accordance with 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.

Engagement Outcomes

- Ericsson reached a settlement and closure of the deferred prosecution agreement negotiated with the US Department of Justice.
- The company has established anti-corruption and ethical compliance processes in accordance with its public commitments and the settlement with US authorities, certified by an independent auditor.
- It made several cultural improvements reinforced via an updated code of ethics, compliance team investment, training for employees and company leadership, executive remuneration link to ethics and compliance, Audit Committee mandate to include oversight and monitoring of ethics and compliance.

Conclusion: As Ericsson established anti-corruption and ethical compliance processes, successfully concluded the deferred prosecution agreement and independent monitoring, as well as enhanced its ethics and compliance culture and related disclosures, Morningstar Sustainability decided to resolve this engagement.

Resolved - Teva Pharmaceuticals Industries Ltd.

Engagement Since: 30 August 2019



INDUSTRY:
Pharmaceuticals

COUNTRY:
Israel

ISSUE:
Price – Fixing Violations

GLOBAL STANDARDS
SCREENING STATUS:
Watchlist

INCIDENT
LOCATION:
United States

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

CHANGE OBJECTIVE

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

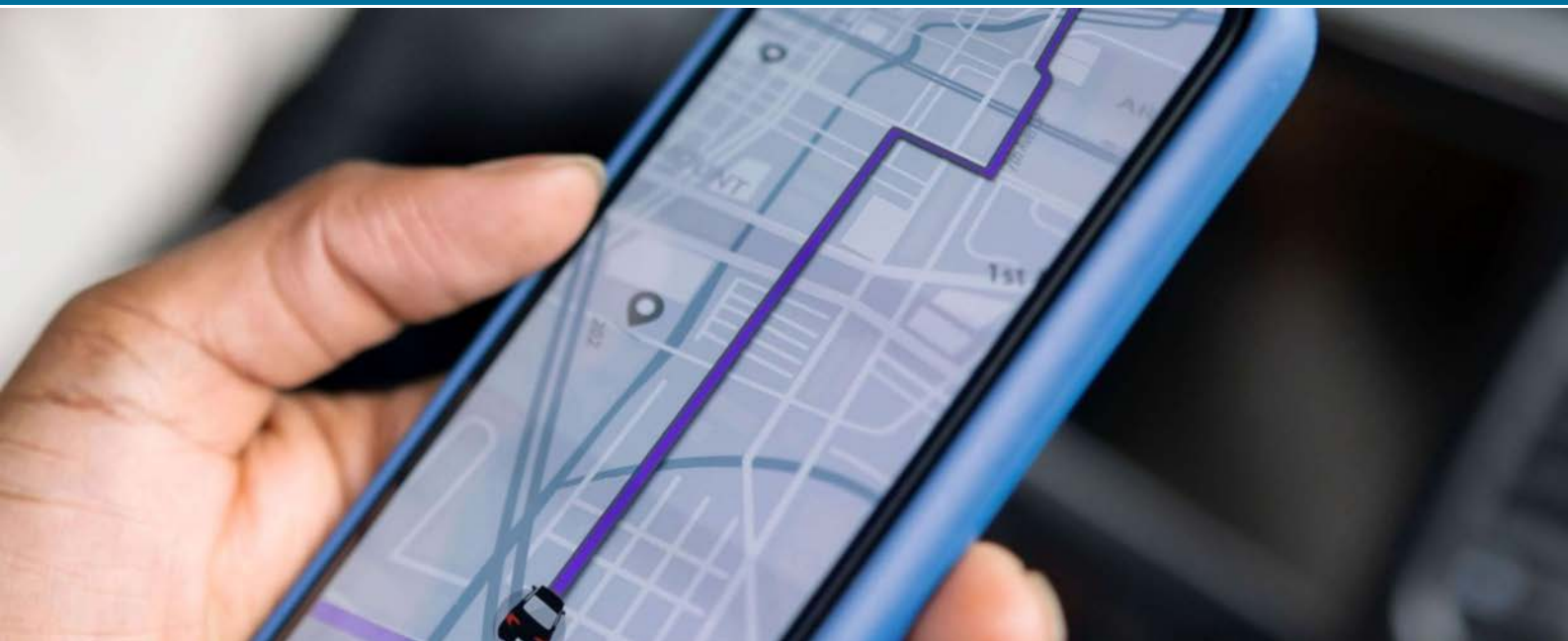
Engagement Outcomes

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

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

Resolved - Uber Technologies, Inc.

Engagement Since: 30 May 2019



INDUSTRY:
Software & Services

COUNTRY:
United States

ISSUE:
Data Privacy and Security

**GLOBAL STANDARDS
SCREENING STATUS:**
Watchlist

**INCIDENT
LOCATION:**
United States

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

CHANGE OBJECTIVE

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

Engagement Outcomes

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

Conclusion: Due to the company’s improved data privacy and security management, better reporting, and alignment with best practices.

Resolved - Westpac Banking Corp.

Engagement Since: 28 February 2020



INDUSTRY:
Banks

COUNTRY:
Australia

ISSUE:
Money Laundering

GLOBAL STANDARDS
SCREENING STATUS:
Compliant

INCIDENT
LOCATION:
Australia

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

CHANGE OBJECTIVE

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

Engagement Outcomes

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

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

Resolved - EDP-Energias de Portugal SA

Engagement Since: 27 November 2020



INDUSTRY:
Utilities

COUNTRY:
Portugal

GLOBAL STANDARDS
SCREENING STATUS:
Compliant

INCIDENT
LOCATION:
Portugal

ISSUE:
Bribery and Corruption

EDP-Energias de Portugal SA (EDP) has been subject of a long-running bribery and corruption investigation by Portuguese prosecutors.

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.

Engagement Outcomes

- EDP commissioned an independent investigation into the allegations, disclosed the findings and demonstrated through its Anti-Bribery and Corruption (ABC) Plan how it enacted the recommendations.
- EDP made specific enhancements to its Whistleblower Program to protect whistleblowers and prevent retaliation.
- EDP implemented a Compliance Management System in line with international best practices and has been auditing the efficacy of internal control mechanisms.

Conclusion: Based on the company's steps taken to address bribery and corruption, and other business ethics-related concerns via execution of the ABC Plan, changes in governance, operational ABC risk management and culture of compliance, Morningstar Sustainalytics decided to resolve the case.

Resolved - Grupo México S.A.B. de C.V.

Engagement Since: 28 August 2020



INDUSTRY:
Diversified Metals

COUNTRY:
Mexico

**GLOBAL STANDARDS
SCREENING STATUS:**
Watchlist

**INCIDENT
LOCATION:**
Mexico

ISSUE:
Freedom of Association

Grupo Mexico has faced significant labour challenges and lengthy strikes, triggered by alleged health and safety issues, as well as unpaid compensation to workers.

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 implementation of the measures and their effectiveness.

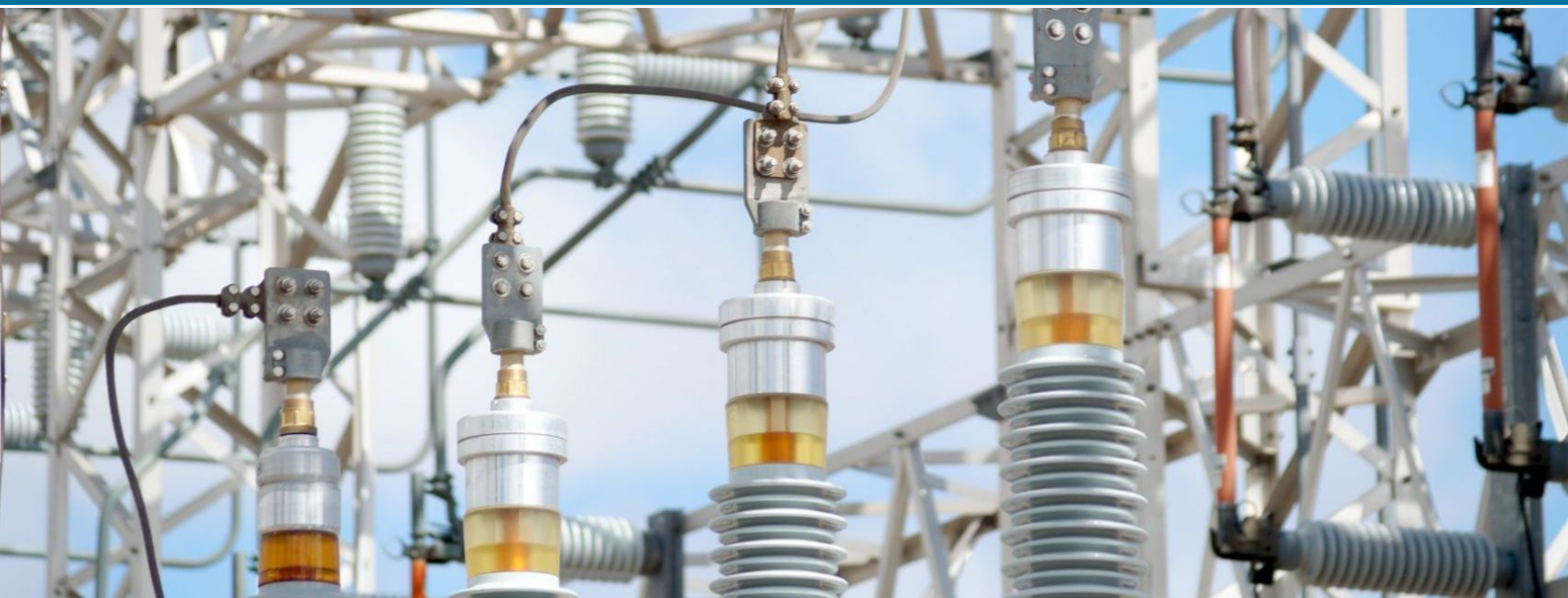
Engagement Outcomes

- Grupo Mexico has shown through direct response and disclosure the development of its labour policies.
- The company greatly improved the quality of its disclosure, including providing detail of labour relations and company interaction with unions.
- The company's leadership culture relating to labour rights has matured following changes in senior management.

Conclusion: Based on the company's steps taken to reform how it interacts with unions and the improved relations this has led to, as well as improved quality of the disclosures, Morningstar Sustainalytics decided to resolve the case.

Resolved - PG&E Corp.

Engagement Since: 30 May 2019



INDUSTRY:
Utilities

COUNTRY:
United States

ISSUE:
Quality and Safety – Human Rights

GLOBAL STANDARDS
SCREENING STATUS:
Watchlist

INCIDENT
LOCATION:
United States

PG&E faced intense scrutiny from US authorities in connection with wildfires in California between 2017 and 2020. The fires led to fatalities, injuries and widespread destruction of homes and infrastructure.

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.

Engagement Outcomes

- PG&E has largely resolved all legal and civil claims relating to 2018 Camp Fire and 2019 Kincadee Fire and exited bankruptcy through effective reorganization.
- PG&E started publishing its extensive Wildfire Mitigation Plan in 2019, in collaboration with regulators. Since then, it has shown progress in both enhancing and executing the plan, and has published bi-annual updates to it.
- The company tracks specific metrics and key indicators relating to wildfire protection, and these are being regularly updated to show progress towards the targets.

Conclusion: Based on the company's steps taken to address wildfire risks, climate change and public safety via execution of its Wildfire Mitigation Plan and the ensuing changes in risk governance, operational equipment upgrades and culture of compliance, Morningstar Sustainalytics decided to resolve the case.

Resolved - Tiger Brands Ltd.

Engagement Since: 30 May 2019



INDUSTRY:
Food Products

COUNTRY:
South Africa

ISSUE:
Quality and Safety – Human Rights

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
South Africa

Tiger Brand’s subsidiary, Enterprise Foods, was associated with a large listeria outbreak from its ready-to-eat meat products.

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 the consistency of operational practices and procedures for product safety across the group.

Engagement Outcomes

- Tiger Brands has responsibly addressed the incident’s impacts and improved operational consistency and product safety across the group.
- The company achieved international certification in 2024, demonstrating the full execution of its Food Safe Management System to eliminate pathogens and prevent foodborne illnesses from its food products.
- It ensured improvements in food safety governance, manufacturing facility upgrades and food safety culture.
- All Tiger Brands suppliers and third-party manufacturers are required to possess food safety certification, and it introduced its supplier quality assurance (SQA) protocol.

Conclusion: Based on the company’s steps taken to address food safety and product quality risks, Morningstar Sustainalytics decided to resolve the case.

Resolved - Southern Copper Corp.

Engagement Since: 28 August 2020



INDUSTRY:
Diversified Metals

COUNTRY:
Mexico

ISSUE:
Freedom of Association

GLOBAL STANDARDS
SCREENING STATUS:
Watchlist

INCIDENT
LOCATION:
Mexico

Southern Copper Corp. has faced significant labour challenged and lengthy strikes, triggered by alleged health and safety issues and unpaid compensation to workers.

CHANGE OBJECTIVE

Southern Copper Corp. 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 implementation of the measures and its effectiveness.

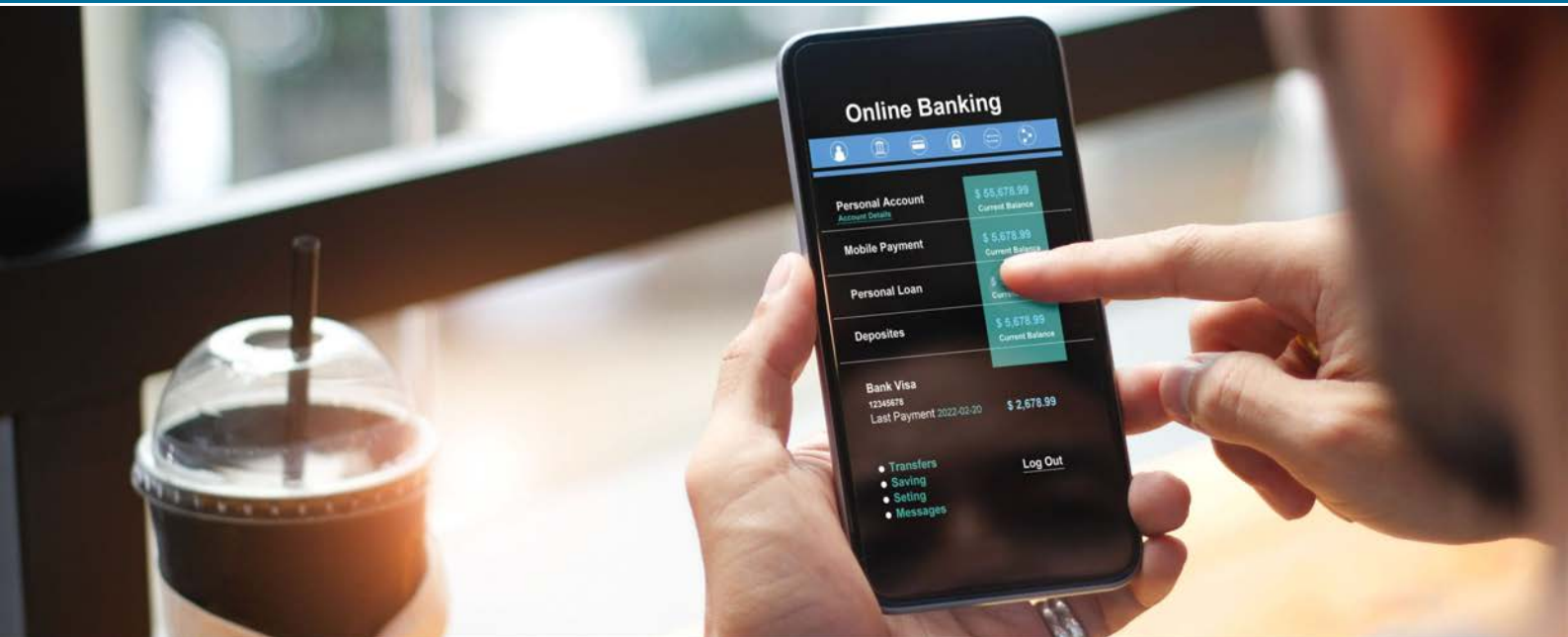
Engagement Outcomes

- Southern Copper Corp. has shown through direct response and disclosure the development of its labour policies.
- The company greatly improved the quality of its disclosure, including providing detail of labour relations and company interaction with unions.
- Its leadership culture relating to labour rights has matured following changes in senior management.

Conclusion: Based on the company's steps taken to reform how it interacts with unions and the improved relations this has led to, as well as improved quality of the disclosures, Morningstar Sustainalytics decided to resolve the case.

Resolved - YES BANK Ltd.

Engagement Since: 28 August 2020



INDUSTRY:
Banks

COUNTRY:
India

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
India

ISSUE:
Business Ethics

YES BANK faced regulatory problems at least since 2017, when it was fined an undisclosed amount by the Reserve Bank of India for underreporting its non-performing assets (NPAs).

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.

Engagement Outcomes

- YES BANK has aligned its NPAs reporting with the regulatory standards. The bank has enhanced transparency in the NPAs disclosure and eliminated all discrepancies between its reporting and Reserve Bank of India’s findings.
- The bank has responsibly managed the restructuring process and reformed the internal control and compliance systems to ensure effectiveness.
- A robust Anti-Bribery and Corruption policy has been put in place and its implementation has been overseen by the board level and sufficiently disclosed in the public reporting.

Conclusion: Due to the company’s efforts to address bribery, corruption, and other business ethics concerns through its Ethics and Compliance Management System, resulting in improved governance, risk management, and compliance culture, Morningstar Sustainalytics decided to resolve the case.

Low Performance Engagements







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

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

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

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	TIME TRACKER
Caterpillar, Inc.	United States of America	Involvement With Entities Violating Human Rights	Poor	Poor	0-3
Emeis SA	France	Quality and Safety - Human Rights	Poor	None	0-3
Power Construction Corporation of China, Ltd.	China	Controversial Project(s) - Environmental and Human Rights Impacts	Poor	Poor	3-6
PT Indah Kiat Pulp & Paper Tbk	Indonesia	Land Use and Biodiversity	Poor	Poor	3-6
China Railway Construction Corp. Ltd.	China	Controversial Project(s) - Human Rights and Environmental Impacts	Poor	Poor	6-9
Hoshine Silicon Industry Co., Ltd.	China	Forced Labour	Poor	Poor	9-12
Xinjiang Xinxin Mining Industry Co., Ltd.	China	Forced Labour	Poor	Poor	9-12
SDIC Power Holdings Co., Ltd.	China	Controversial Project(s) - Environmental and Human Rights Impacts	Poor	Poor	12-15
PTT Oil & Retail Business Public Co., Ltd.	Thailand	Involvement With Entities Violating Human Rights	Poor	Poor	15-18
Tongling Nonferrous Metals Group Co., Ltd.	China	Controversial Project(s) - Human Rights and Environmental Impacts	Poor	Poor	15-18

One piece equals three months.

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	TIME TRACKER
HDC Hyundai Development Co.	South Korea	Quality and Safety	 None	 None	One piece equals three months.  21-24
Xinjiang Zhongtai Chemical Co., Ltd.	China	Forced Labour	 None	 Poor	 Above 24

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

Engagement Status Updates

The following is an overview of all engagement status updates from 1 January to 31 December 2024.

New Engage

COMPANY	COUNTRY	ISSUE	RELATED COMPANY	QUARTER
Acadia Healthcare Co., Inc.	United States of America	Human Rights	None	Q4
Hawaiian Electric Industries, Inc.	United States of America	Quality and Safety	None	Q4
Kobayashi Pharmaceutical Co., Ltd.	Japan	Quality and Safety - Human Rights	None	Q4
Petroleos Del Peru - Petroperu SA	Peru	Leaks, Spills and Pollution - Environmental and Human Rights Impacts	None	Q4
Suzano SA	Brazil	Community Relations	None	Q4
JSW Steel Ltd.	India	Community Relations	None	Q3
LVMH Moët Hennessy Louis Vuitton SE	France	Labour Rights - Supply Chain	Christian Dior SE	Q3
Medibank Private Ltd.	Australia	Data Privacy and Security	None	Q3
Norfolk Southern Corp.	United States of America	Incident(s) Resulting in Negative Environmental and Human Rights Impacts	Southern Railway Co. Mobile & Ohio RR Co.	Q3
Singtel Optus Pty Ltd.	Australia	Data Privacy and Security	Singapore Telecommunications Ltd.	Q3
Tesla, Inc.	United States of America	Freedom of Association	None	Q3
The Toronto-Dominion Bank	Canada	Money Laundering	Cowen, Inc.	Q3

COMPANY	COUNTRY	ISSUE	RELATED COMPANY	QUARTER
Bunge Global SA	United States of America	Land Use and Biodiversity	Bunge Ltd.	Q2
Glencore Plc	Switzerland	Emissions, Effluents and Waste	PolyMet Mining Corp.	Q2
UnitedHealth Group, Inc.	United States of America	Data Privacy and Security	EMIS Group Ltd. LHC Group, Inc. naviHealth, Inc. Surgical Care Affiliates, Inc.	Q2
Amazon.com, Inc.	United States of America	Forced Labour - Supply Chain	None	Q1
Daihatsu Motor Co., Ltd.	Japan	Consumer Interests - Business Ethics	None	Q1
Fresh Del Monte Produce, Inc.	United States of America	Community Relations	None	Q1

New Engage – Details

ACADIA HEALTHCARE CO., INC.

Norm Area:

Human Rights

Incident Location:

United States

Issue:

Human Rights

Change Objective:

Acadia Healthcare should cooperate with authorities in their investigations, resolve outstanding proceedings, and provide remedy to affected victims as necessary.

It should take steps to ensure that its policies, corporate governance and processes meet international quality and safety standards for patient care.

The company should robustly monitor the effectiveness of its efforts and make appropriate public disclosures.

Incident Summary:

Acadia Healthcare Co., Inc. (Acadia) is facing multiple allegations of poor care, unsafe conditions and inadequate admission and billing practices across its facilities in the US. In June 2024, the Senate's Committee on Finance presented the findings of a two-year investigation into allegations of child abuse and neglect at residential treatment facilities (RTFs) operated by four providers, including Acadia. The probe found the overuse of seclusion and chemical restraints, sexual abuse and unsafe and unsanitary conditions, among other violations at some of Acadia's RTFs in the years between 2017 and 2022. Separately, in September 2024, the New York Times (NYT) published the findings of its own investigation, which concluded that Acadia detained patients at its psychiatric hospitals, without medical justification, for financial gain. In that same month, Acadia agreed with the US Department of Justice (DOJ) to pay USD 19.85 million to settle claims that it knowingly billed patients for unnecessary inpatient behavioural health services between 2014 and 2017. However, the September 2024 investigation by the NYT suggests that these practices continue. In September 2024, Acadia announced that it is facing renewed investigations from the Attorney's Office for the Southern District of New York and the US District Court for the Western District of Missouri looking into its patient admission and billing practices. Moreover, in October 2024, news media reported that the Veterans Affairs Department is also investigating whether Acadia is committing insurance fraud in connection to allegations that the company is keeping patients for longer than it is medically necessary.

HAWAIIAN ELECTRIC INDUSTRIES, INC.

Norm Area:

Human Rights

Incident Location:

United States

Issue:

Quality and Safety

Change Objective:

Hawaiian Electric Industries should provide appropriate resources for the relief and restoration of the affected areas.

The company should implement a full risk-based safety system, which incorporates equipment and vegetation maintenance programmes and stakeholder engagement.

It should regularly monitor the effectiveness of its actions and provide appropriate disclosures.

Incident Summary:

Hawaiian Electric Industries (HEI) and its subsidiary, Hawaiian Electric Company (HECO), have faced scrutiny following the Maui wildfires in August 2023. The fires began early on 8 August when a utility line that was downed due to strong winds re-energized, which created sparks and ignited unmaintained vegetation, leading to an initial fire that was contained before 9 a.m. However, strong winds rekindled embers from this fire later that afternoon, resulting in a catastrophic second phase that caused widespread destruction. Ultimately, the wildfires resulted in 102 fatalities, the destruction of more than 2,200 structures and an estimated economic loss of USD 6 billion, primarily affecting the historic town of Lahaina. The fires also led to significant environmental destruction, impacting native and endangered species, disrupting tourism and causing extensive damage to historic landmarks. Recognized as the worst natural disaster in Hawaii's history and the fifth deadliest wildfires in US history, the fires prompted state and federal emergency declarations and extensive relief efforts for those affected. The US Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) played a critical role in investigating the incident, classifying the fire as accidental and confirming that it originated from HECO's equipment. In response to the event, HEI has faced numerous legal challenges, including a USD 4 billion settlement agreement reached in August 2024. The settlement, which does not include an admission of liability from any of the co-defendants, aims to resolve hundreds of lawsuits filed by individuals and businesses affected by the wildfires. The company's contribution to this settlement is nearly USD 2 billion. As of October 2024, restoration efforts for impacted communities and ecosystems are ongoing.

KOBAYASHI PHARMACEUTICAL CO., LTD.**Norm Area:**

Human Rights

Incident Location:

Japan

Issue:

Quality and Safety - Human Rights

Change Objective:

Kobayashi should take appropriate actions to responsibly address the negative impacts of its products in order to compensate those affected and prevent quality failures.

The company should respond to the findings of any internal and external investigations into the issue and any potential risks to human health in the future.

It should respond appropriately to these findings, including reviewing, upgrading and externally assuring its quality and safety management system as needed, and disclosing outcomes of product safety audits.

Incident Summary:

Kobayashi Pharmaceutical Co. Ltd (Kobayashi) is a Japanese consumer goods company that manufactures various household products, including pharmaceuticals and supplements. It primarily sells products to customers in Japan but has been expanding its overseas business in the US, China and Southeast Asia. In March 2024, Kobayashi issued a voluntary recall of all its Beni-Koji (red yeast rice) supplements. This was in response to multiple customers' reports that they had developed kidney disorders after having consumed the company's Beni-Koji Choleste-Help supplement. In May 2024, the Japanese Ministry of Health, Labour and Welfare confirmed that some of the substances found in Kobayashi's Beni-Koji supplements can have toxic effects on kidney function. In September 2024, after further testing, the Ministry identified puberulic acid as a toxic, and not normally found substance in Kobayashi's Beni-Koji supplements. In the beginning of November 2024, the company had received reports of 397 deaths and 530 hospitalizations potentially linked to the supplements. Japanese authorities have criticized Kobayashi's slow initial response, taking approximately two months to disclose the health impacts of its products to the government and society at large. In July 2024, the company's board released an external report stating that Kobayashi had failed to prioritize customer safety and that the company had acted with an "insufficient sense of urgency". In response, the company's president and chairman – both from the Kobayashi founding family – announced that they would step down from their positions. In August 2024, the company started reimbursing customers who had sought medical attention after having consumed the Beni-Koji supplement. In September 2024, Kobayashi also published a number of prevention measures aimed at resolving ongoing manufacturing and quality issues, as well as issues related to disclosure practices (to the authorities and society at large).

PETROLEOS DEL PERU - PETROPERU SA

Norm Area:

Environment

Incident Location:

Peru

Issue:

Leaks, Spills and Pollution - Environmental and Human Rights Impacts

Change Objective:

Petroperu must implement a robust and appropriate environmental management system and practices, in conjunction with a full maintenance and monitoring strategy to stop and prevent oil spills and leaks.

Appropriate disclosures should be provided.

Petroperu should engage with affected communities and take appropriate actions to mitigate the impact of spills.

Incident Summary:

Petroleos Del Peru, a state-owned oil company, has been linked to numerous oil spills from its Northern Peruvian Oil Pipeline (Oleoducto Norperuano, or ONP). This has led to significant environmental damage that has particularly affected the Marañón River. The river, located in northern Peru, flows through the regions of Huánuco, Loreto and Amazonas (regions that are both mountainous and tropical rainforest), before joining the Ucayali River. The Marañón's basin is home to many Indigenous communities that rely on it for their livelihood and sustenance. The Marañón River is crucial to these communities because it serves as their primary source of drinking water, food and transportation. It also holds cultural significance, as it is deeply tied to their livelihoods, traditions and well-being. A 2020 report co-published by Oxfam and CNDDHH (Coordinadora Nacional de Derechos Humanos) documented 94 spills along the ONP between 2000 and 2019. Half of these spills are attributed to ONP's ageing infrastructure and Petroperu's poor maintenance of it, while third-party sabotage (linked to local unrest, social protests, or illegal activities like oil theft) has also been identified as a contributing factor in several incidents. As of mid-2024, the company has been responsible for at least 191 oil spills since 2020, according to CNDDHH's Hydrocarbon Impact Working Group. In 2021, in response to the ongoing pollution, a group of Kukama Indigenous women filed a lawsuit asserting that the river is a living entity deserving protection. In March 2024, a court ruled in favour of the plaintiffs, ordering Petroperu to clean up the river, a decision that holds the company accountable and empowers Indigenous communities as guardians of their environment. This ruling not only highlights the ongoing environmental and social impacts linked to Petroperu's operations, but it also sets a precedent for future legal actions in Peru against oil companies operating in sensitive ecological areas.

SUZANO SA

Norm Area:

Human Rights

Incident Location:

Brazil

Issue:

Community Relations

Change Objective:

Suzano SA should provide remedies to the affected communities and mitigate environmental damages.

The company should ensure its policies and practices at the site level are aligned with international standards.

Suzano SA should obtain FPIC from impacted communities, regularly assess and address human rights and environmental impacts on those communities, and provide appropriate disclosures.

Incident Summary:

Suzano has been accused of causing negative human rights and environmental impacts through its eucalyptus plantation operations in Brazil. Allegations against the company range from failure to consult local communities and threatening their livelihoods to causing health issues due to the indiscriminate use of pesticides. In January 2023, eight Quilombola communities from the Brazilian state of Bahia published an open letter, in which they denounced years of conflict with Suzano as well as damage to their infrastructure, including the destruction of a historical bridge that formed part of the communities' heritage. These communities, which total about 8,800 people, accused Suzano of failing to consult them or obtain their free, prior and informed consent before commencing operations on their land. In June 2023, Deutsche Welle (DW) stated in an article that it investigated eight socio-environmental conflicts involving Suzano and local communities, and in the process was informed by Brazilian officials of 40 other conflicts. In August 2023, the World Rainforest Movement (WRM) published an alert alleging that Suzano is responsible for serious socio-environmental damage in Brazil, including deforestation, water pollution, land grabbing and the destruction of fertile land. The Brazilian Federal Public Prosecutor's Office (FPPO) filed two lawsuits against Suzano (one in August 2023 and one in April 2024), alleging that the expansion of Suzano's eucalyptus plantations in Bahia occurred in the complete absence of socio-environmental and cultural protection measures. The lawsuits accuse Suzano of having caused the disappearance of two Quilombola communities, among other wrongdoings. In July 2024, the Environmental Paper Network (EPN) published a report in which they document years of conflicts involving Suzano and various communities across Brazil, primarily in the states of Bahia, Maranhao and Espirito Santo. The EPN alleges ongoing impacts, including threats to livelihood.

JSW STEEL LTD.**Norm Area:**

Human Rights

Incident Location:

India

Issue:

Community Relations

Change Objective:

JSW Steel should resolve all community conflicts and provide appropriate remedy to the affected communities linked to its project in Odisha.

It should evidence that it complies with UNGP's and international expectations in relation to delivery of community engagement, relocation and security.

The company should also ensure that livelihoods and access to ecosystem services are not compromised by the operation of the steel plant.

Incident Summary:

JSW Steel Ltd. has been facing community opposition to its steel plant in Odisha, India, the construction of which started in February 2024. The communities near the project have accused JSW and the previous owner—South Korean steel manufacturer POSCO—of forced evictions, loss of livelihoods, environmental damage, and failure to obtain the communities' consent. JSW acquired the plant in June 2017 and operates it through its wholly owned subsidiary, JSW Utkal Steel Ltd. (JUSL). The project includes an integrated steel plant with a capacity of 13.2 million tonnes per annum and a 900 MW captive power plant, among other facilities. POSCO withdrew from the project in March 2017, citing a lack of progress due to years of community resistance. Community opposition to the plant began in 2005 when the project was first announced and has continued into 2024. Locals assert that their consent was not obtained, neither for the plant nor for the rehabilitation and resettlement plan. According to the NGO Down to Earth (DTE), the affected villages passed multiple resolutions against the land transfer through the Gram Sabhas. Locals further raised concerns about the project's environmental impacts, which have allegedly resulted in a loss of livelihoods. According to the NGO FIAN, the project destroyed the livelihoods of about 1,000 families. According to a May 2024 report published by the American Bar Association (ABA) Center for Human Rights, the loss of livelihoods forced thousands of families to leave their homes. The ABA further states that numerous studies highlight the steel plant's environmental hazards, including increasing water scarcity, pollution and damage to flora and fauna. Company officials were also allegedly implicated in the demolition of 20 houses in the village of Dinkia in October 2022, according to FIAN. Locals have also allegedly been facing repression and criminalization, with the ABA stating that there are serious allegations of torture in custody.

LVMH MOËT HENNESSY LOUIS VUITTON SE

Norm Area:

Human Rights

Incident Location:

Italy

Issue:

Labour Rights - Supply Chain

Change Objective:

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

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

Incident Summary:

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

MEDIBANK PRIVATE LTD.**Norm Area:**

Human Rights

Incident Location:

Australia

Issue:

Data Privacy and Security

Change Objective:

Medibank should act on all findings by, and work cooperatively with, Australian authorities into deficiencies within IT security.

The company should fully investigate the breach and undertake comprehensive data risk assessments and implement a comprehensive IT security and data protection system, meeting international best practice standards for IT security.

Medibank should have remediation support for those who are impacted by the breach.

Incident Summary:

In 2022, Medibank Private Ltd (Medibank), Australia's largest health insurer, experienced a data breach that exposed the data of 9.7 million current and former customers. Between August and October 2022, a Russian cybercriminal group, REvil, was able to access numerous Medibank IT systems, including a database that contained personal information on the company's customers and sensitive data such as names, date of birth, gender, Medicare number, visa details for international customers, and health claims records. In November 2022, Medibank confirmed that a total of 9.7 million current and former customers had been affected by the breach. Of those affected, 480,000 had their medical records stolen. In November and December 2022, the hackers released customer data on the dark web, including over 1,500 medical records that contained potentially sensitive information including on mental health issues, pregnancy terminations, and alcohol and drug use. In November 2022, the Australian Prudential Regulation Authority (APRA) enhanced its supervision of Medibank and announced that the company had tasked Deloitte with investigating the incident. In December 2022, the Office of the Australian Information Commission (OAIC) launched a probe into Medibank's personal information handling practices. In June 2023, APRA concluded that there were weaknesses in Medibank's information security environment at the time of the incident and imposed a AUD 250 million (USD 167 million) capital adequacy requirement. The OAIC sued Medibank in June 2024, alleging that from March 2021 to October 2022, the company failed to protect the personal information of 9.7 million customers.

NORFOLK SOUTHERN CORP.**Norm Area:**

Environment

Incident Location:

United States

Issue:

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

Change Objective:

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

The company must remediate contaminated land and water caused by its activities and compensate for any identified health and livelihood impacts.

The company should demonstrate that its policies and procedures for the management and transportation of hazardous chemicals are at a minimum compliant with national legislative requirements and work towards adherence to international best practices.

Incident Summary:

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

SINGTEL OPTUS PTY LTD.**Norm Area:**

Human Rights

Incident Location:

Australia

Issue:

Data Privacy and Security

Change Objective:

Singtel Optus should fully investigate the cause of the data breach and identify deficiencies within its IT systems.

The company should ensure it has implemented comprehensive policies, practices, and management systems sufficient to manage its data privacy and security risks and in line with international best practice.

Singtel Optus should provide remediation support for those who are impacted by the breach and meet the requirements of regulators.

Incident Summary:

In September 2022, Singtel Optus Pty Ltd. (Optus), Australia's second largest mobile operator, experienced a major cybersecurity breach that exposed the data of almost 10 million current and former customers. The exposed data included potentially sensitive personal information, including customers' names, dates of birth, email addresses, driver's licence numbers, passport numbers, Medicare numbers, phone numbers and address information. The company detected the breach when a cyberattacker exploited a coding error in Optus' systems and obtained customers' personally identifiable information. While the cyberattacker later withdrew their request for ransom, Optus confirmed that approximately 10,200 customers already had their personal information published on the dark web. In October 2022, the Office of the Australian Information Commissioner (OAIC) and the Australian Communications and Media Authority (ACMA) initiated separate but co-ordinated investigations into Optus's data breach. Meanwhile, in October 2022, Optus tasked Deloitte to perform an independent external review of the incident, but the findings remain unavailable to the public. In June 2024, the ACMA charged Optus with 3.6 million breaches of the Telecommunications (Interception and Access) Act for failing to protect customers' data. Optus is also facing a class action lawsuit filed in April 2023 over the data breach, representing 100,000 former and current customers who allege that Optus failed to adequately protect customer data and destroy or deidentify former customer data. Regarding the ACMA charges and the lawsuit, Optus has stated that it intends to defend itself against any such proceedings.

TESLA, INC.**Norm Area:**

Labour Rights

Incident Location:

United States

Issue:

Freedom of Association

Change Objective:

Tesla should promote good labour relations and ensure no anti-union practices take place within its operations.

The company should cooperate with investigations and take appropriate steps to identify any barriers to dialogue with its workforce and introduce corrective actions.

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

Tesla should be transparent and provide disclosure on labour relations.

Incident Summary:

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

THE TORONTO-DOMINION BANK

Norm Area:

Business Ethics

Incident Location:

Canada

Issue:

Money Laundering

Change Objective:

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

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

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

Incident Summary:

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

GLENCORE PLC

Norm Area:

Environment

Incident Location:

Switzerland

Issue:

Emissions, Effluents and Waste

Change Objective:

Glencore should remediate the negative environmental impacts it has caused and ensure that its practices at the site level are implemented in alignment with the its Sustainability Policy Framework.

Glencore should enhance the governance of its subsidiaries and JV companies to ensure greater control over their environmental performance and implement on-going systematic controls for planned and existing operations related to environmental remediation, grievance mechanisms and FPIC and disclose these controls.

Incident Summary:

For more than a decade, Glencore has been involved in controversies related to adverse environmental and health impacts from its subsidiaries and joint venture (JV) operations globally, which has led to several investigations, lawsuits and prolonged community and NGO opposition. In 2023, some key permits, revoked by US authorities, remained blocked for NorthMet, a copper-nickel mine in Minnesota proposed by a JV, NewRange Copper Nickel LLC, established between Glencore's subsidiary PolyMet Mining Corp. (PolyMet) and Teck Resources Ltd. The mine has faced years of opposition from environmental conservationists, local tribes and political groups. In 2021, the UK National Contact Point, which oversees the implementation of the OECD guidelines for UK-based companies, accepted a complaint filed by three NGOs in relation to the 2018 wastewater spill in Chad, operated by Glencore's former subsidiary PetroChad Mangara (PCM). According to the complaint, the company failed to provide remediation to at least 50 local residents who were seriously injured, allegedly as a result of the spill; Glencore dismissed the allegations. In 2022, Canadian provincial ministers rejected Glencore's proposed Sukunka mine, which the company planned to locate within a protected caribou conservation area in British Columbia. The ministers determined the project would have significant adverse environmental impacts that could not be mitigated. In 2019, the Colombian Constitutional Court confirmed that the Cerrejon coal mine, equally owned by Glencore, BHP and Anglo American until January 2022, had adversely impacted environmental and human rights locally. While Glencore reported it complies with the court's requirements, grievances by environmental protection groups and local protests related to Cerrejon's emissions and the alleged decreased water availability in the region have continued throughout 2023. Glencore also experienced acid leaks at its Congolese operations in 2017 and 2021.

UNITEDHEALTH GROUP, INC.**Norm Area:**

Human Rights

Incident Location:

United States

Issue:

Data Privacy and Security

Change Objective:

UnitedHealth should remediate the impacts of the breach and collaborate with investigating authorities.

It should implement comprehensive data privacy and data security programmes and governance structures that ensure adequate internal control systems and risk management procedures to manage cybersecurity risks across all operations, including acquisitions, and provide transparent disclosure on all these measures.

Incident Summary:

In February 2024, a cybercriminal group known as ALPHV/BlackCat carried out a ransomware attack on Change Healthcare Inc.'s online systems, encrypting them and blocking the company's access to its medical claims processing platform. UnitedHealth Group, Inc. (United) acquired Change Healthcare Inc. (Change) in October 2022. The hackers had allegedly used compromised login credentials to access Change's Citrix server, which did not have multi-factor authentication (MFA) in place. Citrix is an application used to provide remote access to desktops. The cybercriminals spent nine days extracting data from Change's systems before deploying the ransomware, at which point the breach was discovered by the company. The hacker group claimed to have obtained 6 terabytes of data in the breach. According to Andrew Witty, CEO of United, it may take several months of investigation to determine the extent of the breach, the type of data compromised, and the number and identity of the individuals affected. However, the company has confirmed that it identified files containing protected health information (PHI) and personally identifiable information (PII) among the data exposed in the breach. The data breach is estimated to have impacted around a third of US citizens, more than 100 million people. Change's system remained offline for several weeks after the attack, which had extreme short-term impacts. During this time, pharmacies, hospitals and healthcare providers throughout the US were unable to access the system, through which they submit medical claims and receive payment, while patients experienced delays in care and were unable to fill their prescriptions. Change processes around 50% of all medical claims in the US, and the incident allegedly resulted in USD 14 billion in delayed medical claims. In March 2024, the US Department of Health and Human Services' Office for Civil Rights announced that it had launched a federal investigation into the incident.

AMAZON.COM, INC.**Norm Area:**

Labour Rights

Incident Location:

United States

Issue:

Forced Labour - Supply Chain

Change Objective:

Amazon should identify, prevent, and minimize the risk and incidence of forced labour in all its operations.

The company should work with its labour supply contractors to protect human rights and ensure access to remedy for all workers.

It should provide transparency into steps and processes it will enact to ensure commitments to respect labour rights are implemented.

Incident Summary:

Amazon faces a series of allegations of human rights abuses at its operations in Saudi Arabia related to the hiring of Nepali migrant workers by a third-party labour agency contracted by the company. Interviews with Amazon contract workers conducted by Amnesty International (Amnesty), as part of an investigation published in October 2023, alleged that migrant workers from Nepal routinely paid hefty fees to recruitment agencies hired by Amazon's vendor, Abdullah Fahad Al-Mutairi Co. (AFMCO) and its subcontractor Basmah Al-Musanada Co. (Basmah) between 2021 and 2023. Amnesty's investigation report describes other instances of modern slavery affecting Nepali workers, such as deception in the recruitment process and violations of their right to freedom of movement. A separate investigation of Amazon over similar allegations was published in October 2023 by a coalition of media outlets, including The Guardian US, the International Consortium of Investigative Journalists (ICIJ), NBC News and Arab Reporters for Investigative Journalism. This investigation is part of Trafficking Inc., a joint reporting effort examining human trafficking and labour exploitation across the world. Amnesty's investigation and the Trafficking Inc. report also revealed other labour rights violations faced by migrant workers in Saudi Arabia, including instances of harassment, payment issues, health and safety violations at Amazon-owned facilities, as well as inadequate living conditions. In July 2023, the company confirmed to Amnesty that "an Amazon audit earlier this year uncovered similar issues to those raised by Amnesty". Amazon also announced its decision not to suspend AFMCO but instead initiate a remediation plan. Separately, Saudi Arabia's Human Resources and Social Development Ministry confirmed in October 2023 that it is investigating the allegations of human rights violations at Amazon facilities in the country.

DAIHATSU MOTOR CO., LTD.**Norm Area:**

Business Ethics

Incident Location:

Japan

Issue:

Consumer Interests - Business Ethics

Change Objective:

Daihatsu should improve its compliance and audit system for vehicle testing, certification and safety standards.

The company should have adequate internal controls, corporate governance, training and communication focused on ethics, integrity and culture.

Furthermore, the company should implement remedial measures for quality and assurance to promote a culture of compliance with technical and regulatory requirements.

Incident Summary:

In April 2023, Daihatsu Motor Co. (Daihatsu), a manufacturer specializing in small car models that is wholly owned by Toyota Motor Co., confirmed that it had rigged car doors in the side-collision safety tests of four of its car models. In May 2023, Daihatsu disclosed another procedural irregularity in the pole side-collision tests of two car models. In December 2023, a report published by an Independent Third-Party Committee, commissioned by the company, identified 174 new procedural irregularities for 64 car models, dating back to 1989. Moreover, as part of the investigation, tests on the airbags of some car models revealed an irregularity related to the “airbag deployment computer” (ECU), which was not the same as that of Daihatsu’s mass-produced products. According to the Independent Third-Party Committee’s investigation report, the workers cheated on the tests because of the pressure to keep production rolling. Daihatsu’s president admitted that the company “neglected to understand the burdens and hardships faced by employees as they developed vehicles on a short-term schedule and created a corporate culture that cannot abide by legal rules”. In December 2023, Daihatsu halted shipments of all its vehicles in Japan and overseas following an order by Japan’s Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and closed all four of its plants in Japan. In December 2023, the MLIT conducted an onsite investigation and confirmed 156 procedural irregularities. As part of the investigation results, the MLIT revoked Vehicle Type Approval for three car models and “directed Daihatsu to promptly submit notice if it becomes necessary to conduct a recall of the two car models” related to the ECU’s potential non-compliance with standards. In January 2024, the company recalled two car models, involving more than 320,000 vehicles. In April 2024, Daihatsu stated that the shipment suspension for approved models were lifted and that all plants would resume operations.

FRESH DEL MONTE PRODUCE, INC.**Norm Area:**

Human Rights

Incident Location:

United States

Issue:

Community Relations

Change Objective:

Del Monte should align its policies to international human rights norms, in particular with regards to security and community relations, and ensure their implementation on its Kenyan subsidiary.

The company should also assess and address the human rights impacts on local communities in its farm in Kenya and deliver stakeholder engagement aligned to international standards.

Incident Summary:

Fresh Del Monte Produce, Inc. (FDMP) has been implicated in a dispute with the local community at one of its farms in Kenya, leading to a land ownership row and accusations of violence and killings attributed to the company's security staff. The violence allegedly occurred at a pineapple farm that is owned and operated by FDMP's wholly owned subsidiary Del Monte Kenya Ltd (DMK). In June 2023, The Guardian and the Bureau of Investigative Journalism (BIJ) published the results of a joint investigation in which they accused FDMP's guards of assaulting and killing locals suspected of trespassing on its land. This investigation linked four deaths to DMK's security guards since 2019. At the same time, in June 2023, the British law firm Leigh Day wrote a letter to Del Monte on behalf of 134 villagers, seeking compensation for 146 incidents of violence allegedly committed by DMK's guards in the past decade. This letter contained allegations of five killings, five rapes and life-changing injuries. The publication of these allegations led two British supermarkets – Tesco and Waitrose – to suspend sales of FDMP pineapples in June 2023 and September 2023, respectively. Five more deaths attributable to DMK's guards have been recorded since, one in November 2023 and four in December 2023, bringing the total number of fatalities to 10. In October 2023, a Kenyan parliamentary committee ruled that 3,014 hectares of land currently occupied by DMK should be returned to the community, in the context of a complaint made by the latter regarding historical land injustices. On 30 December 2023, NGOs Kagama and the African Centre for Corrective and Preventive Action filed a lawsuit on behalf of affected community members, accusing DMK's guards of assaulting, torturing and killing locals. In October 2024, the BIJ reported another incident of violence where Del Monte's security guards beat a man with batons after allegedly mistaking him for a pineapple thief.

New Disengage

COMPANY	COUNTRY	ISSUE	PREVIOUS STATUS	RELATED COMPANY	QUARTER
Chongqing Energy Investment Group Co., Ltd.	China	Occupational Health and Safety	None	Chongqing Energy Investment Group Co., Ltd. /Old/	Q4
McDonald's Corp.	United States of America	Labour Rights	Engage	None	Q3
The Chemours Co.	United States of America	Activities Resulting in Adverse Environmental and Human Rights Impacts	Engage	None	Q3
Tingo Group, Inc.	United States of America	Accounting and Taxation	None	None	Q3
Bolloré SE	France	Activities Resulting in Adverse Human Rights Impacts	Engage	Compagnie de l'Odet SE Compagnie du Cambodge SA La Forestière Équatoriale SA	Q2
China Energy Engineering Corp. Ltd.	China	Occupational Health and Safety	Engage	China Gezhouba Group Co., Ltd.	Q2
Huafu Fashion Co., Ltd.	China	Forced Labour	Engage	None	Q2
China BaoWu Steel Group Corp. Ltd.	China	Forced Labour	Engage	Baoshan Iron & Steel Co., Ltd. Baosteel Resources International Co. Ltd.	Q1
Shezan International Ltd.	Pakistan	Child Labour	Engage	None	Q1
Shezan International Ltd.	Pakistan	Occupational Health and Safety	Engage	None	Q1

New Disengage - Details

CHONGQING ENERGY INVESTMENT GROUP CO., LTD.

Country:

China

Issue:

Occupational Health and Safety

Reason:

Non-Engageable

Summary:

Through its subsidiaries, Chongqing Energy Investment Group Co., Ltd. has been implicated in recurring fatal accidents in China.

Comment:

Due to no publicly listed securities of Chongqing Energy Investment Group Co., Ltd., Morningstar Sustainalytics decided to assign Disengage status.

MCDONALD'S CORP.

Country:

United States

Issue:

Labour Rights

Reason:

Low Performance

Summary:

For several years, McDonald's has experienced serious issues at its company-owned and franchised locations in the US and worldwide in relation to poor working conditions, sexual harassment, discrimination and retaliation.

Comment:

Due to the lack of meaningful dialogue and no progress in addressing the accusations, Morningstar Sustainalytics decided to assign Disengage status to the case.

THE CHEMOURS CO.

Country:

United States

Issue:

Activities Resulting in Adverse Environmental and Human Rights Impacts

Reason:

Low Performance

Summary:

The Chemours Company has been involved in recurring incidents related to pollution and failure to disclose health-related data.

Comment:

With no progress on the company's approach to understanding its response to reducing the risks associated with legacy and operational chemical production, and no meaningful dialogue, Morningstar Sustainalytics decided to assign Disengage status to the case.

TINGO GROUP, INC.**Country:**

United States

Issue:

Accounting and Taxation

Reason:

Non-Engageable

Summary:

Tingo Group has been charged with massive fraud for a multi-year scheme involving the fabrication of financial statements to defraud investors.

Comment:

Due to Tingo Group, Inc's significant market value drop and delisting, as well as the US Securities and Commission findings that the company is effectively bankrupt, we deem the engagement dialogue of low corporate priority and assign Disengage status to the case.

BOLLORÉ SE**Country:**

France

Issue:

Activities Resulting in Adverse Human Rights Impacts

Reason:

Low Performance

Summary:

Bolloré SE has been criticized for its business relationship with Société Financière des Caoutchoucs SA, whose operations have been repeatedly linked to abuses of the rights of local populations in Liberia, Nigeria, Sierra Leone, Cameroon and Cambodia.

Comment:

With no progress on the company's approach to managing community land rights and human rights impacts at its investee company, no acknowledgement that there is an issue, and no commitment to address it, Morningstar Sustainalytics decided to assign Disengage status to this case.

CHINA ENERGY ENGINEERING CORP. LTD.**Country:**

China

Issue:

Occupational Health and Safety

Reason:

Low Performance

Summary:

China Energy Engineering Corporation Ltd., through its subsidiary, Central Southern China Electric Power Design Institute, has been implicated in one of China's worst industrial accidents.

Comment:

Due to lack of dialogue and sufficient progress, Morningstar Sustainalytics assigned Disengage status to the case.

HUAFU FASHION CO., LTD.**Country:**

China

Issue:

Forced Labour

Reason:

Low Performance

Summary:

Huafu Fashion Co., Ltd. is allegedly involved in the forced labour of minority populations at its facilities in Xinjiang and Anhui, China.

Comment:

Due to lack of dialogue and no progress in addressing the accusations, Morningstar Sustainalytics decided to assign Disengage status to the case.

CHINA BAOWU STEEL GROUP CORP. LTD.**Country:**

China

Issue:

Forced Labour

Reason:

Non-Engageable

Summary:

China Baowu and its subsidiaries are allegedly involved in the forced labour of ethnic minority populations in Xinjiang, China.

Comment:

Our research shows that China BaoWu Steel Group Corp. Ltd. is a 100% Chinese state-owned entity and in 2022 none of its bonds were publicly traded, so it is not incentivized to engage with institutional investors. Thus, Morningstar Sustainalytics has classified the company as non-engageable and decided to assign a Disengage case status.

SHEZAN INTERNATIONAL LTD.**Country:**

Bangladesh

Issue:

Occupational Health and Safety

Reason:

Low Performance

Summary:

A fire at a food-processing factory near Dhaka, Bangladesh, where Shezan International's products are manufactured, resulted in the deaths of 54 workers in July 2021.

Comment:

Considering the severity of the incident, lack of company response to our engagement efforts, and very poor disclosure into its due diligence and policies for its business partners, Morningstar Sustainalytics decided to assign Disengage case status.

SHEZAN INTERNATIONAL LTD.**Country:**

Bangladesh

Issue:

Child Labour

Reason:

Low Performance

Summary:

Shezan International has been linked to child labour at its franchisee factory in Bangladesh.

Comment:

Considering the severity of the incident, lack of the company's response to our engagement, very poor disclosure on how it conducts human rights due diligence on its business partners and actions taken to address the issues at the factory, Morningstar Sustainalytics decided to assign Disengage case status.

New Associated

COMPANY	COUNTRY	ISSUE	RELATED COMPANY	QUARTER
Deutsche Bank Luxembourg SA	Luxembourg	Money Laundering	Deutsche Bank AG	Q3
PT Pabrik Kertas Tjiwi Kimia Tbk	Indonesia	Land Use and Biodiversity	PT Indah Kiat Pulp & Paper Tbk	Q3
Nuclear Damage Compensation & Decommissioning Facilitation	Japan	Incident(s) Resulting in Negative Environmental and Human Rights Impacts	Tokyo Electric Power Co. Holdings, Inc.	Q2
Numis Corp. Ltd.	United Kingdom	Money Laundering	Deutsche Bank AG	Q2
Sinopec Oilfield Service Corp.	China	Involvement With Entities Violating Human Rights	China Petrochemical Corp.	Q2
SINOPEC Engineering (Group) Co., Ltd.	China	Involvement With Entities Violating Human Rights	China Petrochemical Corp.	Q1

New Archived

COMPANY	COUNTRY	ISSUE	PREVIOUS STATUS	RELATED COMPANY	QUARTER
Endo International Plc	Ireland	Marketing Practices - Human Rights	Disengage	Endo DAC Par Pharmaceutical, Inc.	Q4
OCP SA	Morocco	Involvement With Entities Violating Human Rights	Engage	None	Q4
Siemens Gamesa Renewable Energy SA	Spain	Involvement With Entities Violating Human Rights	Engage	Siemens Energy AG	Q4
Blackstone, Inc.	United States	Money Laundering	Engage	Crown Resorts Ltd.	Q3
PT Indonesia Asahan Aluminium (Persero)	Indonesia	Emissions, Effluents and Waste	Engage	None	Q3
Imperial Pacific International Holdings Ltd.	Hong Kong	Labour Rights	Engage	None	Q2
Supermax Corp. Bhd.	Malaysia	Forced Labour	Engage	None	Q2
Turkiye Halk Bankasi AS	Turkey	Fraud	Disengage	Halk Gayrimenkul Yatirim Ortakligi AS	Q2
Aekyung Industrial Co., Ltd.	South Korea	Quality and Safety - Human Rights	Engage	None	Q1
GCM Resources Plc	United Kingdom	Controversial Project(s) - Human Rights Impacts	Engage	None	Q1
NMC Health Plc	United Kingdom	Accounting and Taxation	Disengage	NMC Health (Jersey) Ltd.	Q1
SK Discovery Co. Ltd.	South Korea	Quality and Safety - Human Rights	Engage	SK Chemicals Co. Ltd.	Q1

Engagement Statuses

Engage This status flags incidents by Global Standards Screening (companies assessed as Watchlist or Non-Compliant), such as companies with systematic incidents or an isolated incident that has severe consequences in relation to the environment or society, where we set objectives and dialogue with the companies to remediate the issue and mitigate re-occurrence.

Resolved This status flags engagements which are concluded and the company has achieved the engagement objective.

Disengage This status flags a company where engagement is not considered viable. This status can be a result of low performance, financial distress, company purpose/industry and/or company ownership.

Low Performance: Companies showing poor or no progress and/or poor or no response from the company within a period of two years after the start of the engagement;

Business Model: 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);

Financial Distress: Companies classified as non-engageable due to no or limited publicly traded securities or under significant distress.

Associated This status flags when the company or engagement is related to another, where engagement will take place with the parent company and/or the company involved in the incident.

Archived This status flags engagements which are concluded but the change objective has not been achieved. This often results from a lack of sufficient progress, in combination with either the absence of new incidents or a lack of resources confirming ongoing company involvement in the controversies.

Deforestation and Biodiversity on the Brink: Field Notes from an Engagement Trip to Brazil



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The accelerating pace of deforestation and biodiversity loss in Brazil is a critical concern with global implications. The country has lost 21% of its native vegetation to deforestation, pushing ecosystems like the Amazon and Cerrado toward a tipping point. These biomes not only help to regulate the planet's climate but are also home to immense biodiversity and indigenous communities. Yet, economic pressures from agribusiness, which account for approximately 25% of Brazil's GDP, drive much of the deforestation.¹

While agriculture is crucial for Brazil's economy and global food security, unsustainable practices lead to land degradation. Many small farmers lack the resources or knowledge to implement sustainable methods, leading to widespread suboptimal productivity and the impetus for deforest further—with 76% of farms operating below average. This presents an opportunity to enhance farming practices, boost productivity and curb deforestation.²

In October 2024, Morningstar Sustainalytics conducted an engagement trip to Brazil, meeting with nine companies and seven stakeholders across São Paulo, Brasília, and Rio de Janeiro. The goal was to deepen institutional investors' and companies' understanding of deforestation and biodiversity risks, build relationships, explore solutions and foster collaboration among stakeholders. Below, we summarize key insights from our engagements.

Multi-Stakeholder Dialogue: A Catalyst for Impact

Bringing together diverse stakeholders is essential to understanding the complexities of deforestation and biodiversity in Brazil. During the trip, representatives from 30 institutional investors joined forces with key players, including leading soy and beef suppliers (**JBS, SLC Agricola, Minerva, Marfrig, and BRF**), civil society groups (WWF Brazil, Instituto Socioambiental, and National Wildlife Federation), industry groups such as the Brazilian Beef Exporters Association (ABIEC), and government agencies like the Brazilian Forest Service (BFS). We also met with **Banco do Brasil**, which finances 60% of Brazil's agricultural sector; it and other financial services companies play a critical role in enabling or preventing activities related to deforestation and biodiversity loss.



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Five Key Insights from the Trip

1. *Despite Challenges, Supply Chain Transparency Remains a Top Priority*

The ability to trace the origins of soy and cattle remains a significant hurdle. Two government databases—the Cadastro Ambiental Rural (CAR) and the Guia de Trânsito Animal (GTA)—form the backbone of traceability efforts but are not interlinked and face data quality issues. Mapping indirect suppliers is particularly challenging, especially in tiers closer to the start of the supply chain, which contain more smallholder farmers at higher risk of causing illegal deforestation.

To continue exporting to the European Union, Brazilian companies must comply with EU Regulation 2023/1115 on Deforestation—Free Supply Chains (EUDR). Soy companies **Bunge** and **SLC Agricola** are relatively well prepared to meet it. Bunge has mapped and traced 100% of its direct suppliers and is also making progress with indirect suppliers and **SLC Agricola** has no indirect suppliers and completed nearly all its legal deforestation plans prior to the EUDR cut-off date. For the beef industry, it is more difficult to estimate EUDR preparedness given the many tiers in the supply chain and frequent movement between ranches.

From a systemic perspective, a complete solution to address deforestation will require collaboration between the industry, government, and others to rectify the issues with the CAR and GTA. In our opinion, the beef industry will need to implement individual animal identification to ensure 100% traceability, which is perhaps a decade away.

2. Legislative Challenges Could Hinder Progress

There are risks in Brazil's legislative landscape. The Brazil Forest Code remains a cornerstone for environmental protection, but lobbying by the powerful agribusiness and mining sectors threatens to weaken environmental safeguards.

A notable example is Bill 2159/2021, a landmark legislation that seeks to reform Brazil's environmental licensing process by eliminating mandatory environmental impact assessments for many activities, including cattle ranching and agriculture. According to Instituto Socioambiental (ISA), we are approaching a critical inflection point as the bill is being discussed in the Senate and efforts are underway to approve it in Q1 2025. If passed, the bill would make it very difficult for companies and others to manage deforestation and indigenous rights risks.

3. Engaging on Financial Incentives

Many of the stakeholders we met with suggested that financial incentives for Brazilian stakeholders should play a larger part in addressing environmental concerns. While the EUDR sets stringent standards, many stakeholders argue for approaches that provide more tangible benefits to Brazilian landowners and farmers.

- **Restoration Credits:** The Brazilian Forest Service is developing restoration concessions to rehabilitate degraded public lands, that generate carbon credits for sale in voluntary carbon markets. Proceeds support conservation and the forest economy. We agreed on the importance of high-quality credits given the recent controversies in quality for forest-offsetting credits.³
- **Nature-Linked Bonds:** Natura launched biodiversity bonds in July 2024 to source new bioingredients from the Amazon. This is the first sustainability-linked bond with sustainability performance targets linked to Amazon sourcing in Brazil.⁴
- **Green Credit Lines:** WWF Brazil promotes low-carbon agriculture. To support farmers in adopting these practices, WWF Brazil advocates for access to financial mechanisms such as lines of credit with low and affordable interest rates for producers.
- **Strengthening Lending Due Diligence and Disclosures:** We continue to advocate with Banco do Brasil to enhance disclosures on its due diligence process prior to each transaction and its regular monitoring strategies. We informed the company about proposed biodiversity disclosure requirements that we are advising the GRI on as part of a new GRI Banking Sector Standard that will be released in late 2025.⁵

4. Regenerative Agriculture as a Solution for Enhancing Productivity and Reducing Deforestation

Regenerative agriculture is a broad term that covers farming approaches focused on restoring and enhancing soil health, biodiversity, water cycles, and overall ecosystem resilience to make land more productive and robust over time. It offers potentially promising solutions to enhance land productivity and reduce deforestation and biodiversity loss.⁶

During the trip, we visited SLC Agricola's Pamplonas farm in the Cerrado, where the use of autonomous drones and biological factors optimize pest control and crop protection. Separately, Minerva operates integrated crop-livestock systems at a model farm, which combines eucalyptus plantations with cattle rearing and pasture management to optimize productivity and sustainability. Companies like JBS and Marfrig are training smallholder farmers in regenerative agriculture techniques via the Green Offices and Marfrig Club, respectively.^{7,8}

5. Reflecting on a Growing Brazil-China Partnership

China is Brazil's largest export market for beef, soy, and corn. Anecdotally, many buyers from China do not emphasize deforestation-related international norms and standards in Brazil when buying soy and beef. Strengthening dialogue with Chinese stakeholders is vital to aligning trade practices with global sustainability goals. Institutional investors have a unique opportunity to engage with Chinese companies and policymakers to advocate for responsible sourcing practices.

The Way Forward

Addressing deforestation and biodiversity is a polemic topic in some parts of Brazil with some questioning why they are being asked to take a different path from industrialized nations and curb agricultural and industrial development while facing deep poverty and just transition concerns.

If investors wish to see deforestation and biodiversity in Brazil addressed from a long-term, systemic perspective, then solutions should also obtain solid support from Brazil's population. The current international norms-based goals to prevent deforestation are contentious in Brazil. While these efforts to prevent deforestation are important, just transition concerns also need to be actively addressed as part of this dialogue. The route to achieving this includes sharing more economic benefits with Brazilian stakeholders and respecting their rights. There needs to be an improvement in support for solutions and education that increase the fertility and productivity of existing farmlands and ranches, especially for smallholder farmers. And engagement is more important than ever; we need to broaden the coalition and include more stakeholders from regions such as China.

Building Corporate Resilience Through Engagement



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"In a time of almost unprecedented geopolitical and geo-economic uncertainty, resilience in companies—the ability to deal with adversity, weather shocks and adapt as crises arise—has never been so important". This is the message in 2024 from a session on the importance of corporate resilience at the World Economic Forum (WEF).⁹ This important discourse was in large part a consequence of the 2020 global pandemic event. Some organizations, those considered more resilient responded well to the impact it created, others less so and some unfortunately failed completely. This article examines the role that effective engagement can have on building resilience of companies such that their ability to manage future shocks is enhanced.

Global Standards Engagement is an incident-driven service where we engage with companies that severely or systematically violate the UN Global Compact Principles. As a reminder, the Global Compact is a voluntary initiative that encourages businesses worldwide to adopt sustainable and socially responsible policies based on ten principles covering human and labour rights, the environment, and anti-corruption. Global Standards Engagement intends to influence and encourage companies to address negative impacts in a way that would enhance its future ESG performance and risk management in order to avoid similar controversies again—in effect we support companies in building their resilience, so improving their ability to withstand future shocks and preventing re-occurrence of the controversy.

What is a resilient company? According to a report by Deloitte Global, contributing to the WEF debate, resilient companies share five key traits: **preparedness, adaptability, collaboration, trust, and responsibility.**¹⁰ These traits enable businesses to anticipate disruptions, respond effectively, and recover quickly.

Our approach to engagement is to deliver strategies formed around five core pillars; incident management, culture and governance, policy and disclosure and finally audit and verification. Within these pillars we formulate a focused set of solutions that are informed by industry and sector best practice, relevant initiatives from other sectors and examples of effective delivery, using subject matter experts, and ensuring that recommendations are practical and relevant, reflecting and responding to business process. These solutions form the basis of our engagement with the company.

One of our tactics is to focus on enhancing and strengthening the corporate risk management framework, recognizing that risk prediction or **preparedness** builds resilience. We have a particular focus on working with companies which are involved in human rights controversies, to support their application of human rights due diligence. Such due diligence, once properly applied, will provide information into the cycle of risk identification to help reduce the impact of human rights risks throughout the operation of the company.

We also work with companies to **adapt** them to new norms of business. Our focus on governance allows us to introduce concepts such as ethical decision-making frameworks into companies that have neglected their duties in assuring, for example, the health and welfare of their customers. Such frameworks can translate to risk reduction but also lead to culture change, strengthening governance and enhancing responsibility.

Companies operating in isolation are less resilient than those who work collaboratively. The sharing of good practice, ideas and learning builds competence and enhances both company and sector resilience. We encourage companies to **collaborate** in multi-stakeholder fora and highlight to them where their operations are delivering good practice that would be beneficial to share. One such example is a palm oil producer who responded to community controversies by creating a 'women's charter', empowering women on the plantations to develop and lead on community governance issues. This is of relevance across the sector and our encouragement for the company to share this has been acted upon.

Our focus on ensuring a company can deliver effective stakeholder engagement is an activity that builds **trust**. Functioning grievance and whistleblowing systems aligned to a corporate culture that promotes transparency are areas that we engage effectively on, citing examples of good practice that bring community acceptance. A company that is trusted enhances its reputation, providing long-term security and reliability.

Ultimately our aim in Global Standards Engagement is to engage with companies to influence them to be **responsible**. By using a palette of engagement techniques delivered by subject matter experts, we build resilience in our engaged companies promoting responsible behavior, encouraging responsible culture and delivering responsible activities.

Engagement Events and Industry Initiatives

Malaysia trip: Meeting with Global Standards Engagement Companies—Wilmar International Ltd. and SD Guthrie Bhd.

In March 2024, we met with palm oil producer **Wilmar International Ltd.**, at its offices in Kuala Lumpur in order to further explore the commitments and content made in their sustainability report, specifically as it relates to human rights and community engagement. The company gave a presentation providing an overview of its approach to sustainability and highlighting itself as a leader in the sector.

Also, together with a few investors we visited the **SD Guthrie Bhd.'s** (previously known as Sime Darby Plantations) palm oil experience center on Carey Island in Malaysia. In addition, we also visited its plantation to see how it harvests oil palm, how workers follow Personal Protective Equipment requirements, and what are the natural solutions to combat predators. We also visited its biodiversity park and tree planting site to see its efforts in enhancing biodiversity around its plantation operations.

Meeting with Vale in Amsterdam and London Offices

At the beginning of the year, we met with the mining company, **Vale SA**, at their offices in Amsterdam to further discuss the issues of tailings dam safety. Significantly, at the meeting we secured a commitment from the company to define a risk appetite statement specifically for tailings dam safety.

We also had an in-person meeting in October 2024, where we discussed the company's approach to community engagement and how it applies its human rights due diligence to ensuring fair and appropriate representation.

GRI Banking Sector Standard Technical Committee: In-Person Meeting in Amsterdam

Highlights of the Latest Developments for the Incoming GRI Banking Sector Standard

In April 2024, Angela Flaemrich, an Engagement Manager on the Stewardship Services team at Morningstar Sustainalytics and a member of the GRI's Banking Technical Committee, participated in the GRI (Global Reporting Initiative) in-person meeting in Amsterdam, aimed at making progress on focal topics for drafting the new GRI Banking Sector Standard.

Since September 2023, members of the GRI Banking, Insurance, and Capital Markets Technical Committees have been collaborating to advise the GRI on developing the three respective sustainability reporting Sector Standards, which are expected to be released in late 2025. These Standards are designed to help identify a sector's most significant impacts and provide sector-specific disclosures to complement the existing GRI Standards and will enhance the global comparability and quality of information within the banking sector, as needed to support informed decision-making by a variety of stakeholders.

Angela has been advocating for improved disclosures on the approach, means and actions of stewardship and engagement activities by banks on material topics, and is pleased that this type of disclosure is being developed as part of this project.

The GRI Banking, Capital Markets and Insurance Sector Standards drafts underwent a significant feedback and comment period from technical committee members and peer reviewers between April and November 2024. It will enter a public comment period in early 2025, for release at the beginning of 2026.

Meeting with Hikvision in the Stockholm and London Offices

In May 2024, we met with **Hangzhou Hikvision Digital Technology Co., Ltd.** during the company's ESG roadshow in Europe. The company brought news about its projects in Xinjiang and shared its innovative approach to ensure downstream due diligence, particularly in high-risk geographical regions.

OECD Forum in Paris on Sustainable Mineral Supply Chains

This year's OECD Forum in Paris was attended by various stakeholders such as governments, businesses and civil society organizations. While the Forum addressed a wide range of issues and it offered a great opportunity to meet with stakeholders in the field, we identified three key take-aways for investors in terms of engaging with mining companies.

Firstly, the goal of engagement should focus on outcomes rather than merely counting the number of meetings. Secondly, quantitative data should be complemented by qualitative data. Thirdly, data triangulation should become mainstream when assessing corporate performance. This is especially important when engaging with mining companies, as they encounter complex issues and interact with a wide range of stakeholders. Not only might the companies have competing perspectives from those of the communities, but the various communities themselves may also have differing views. Investors need to overcome the challenge by accessing appropriate information sources, ensuring data quality, and balancing stakeholder views to make decisions.

Meeting with Koninklijke Philips NV at the Company's Head Office in Amsterdam

In May 2024, we also met with **Koninklijke Philips NV** at its offices in Amsterdam. We have been engaging with the company since November 2022 in relation to Quality and Safety. During the meeting, the company provided an update on the remediation process and shared with us its strengthened processes to ensure product safety.

Meeting with Zijin Mining Group in Amsterdam

An informal in-person conversation with **Zijin Mining Group** was held at a conference in Amsterdam in May 2024. The conversation focused on the challenges the company faces in its operations and that Zijin recognizes the value of a relationship with Morningstar Sustainalytics. The meeting was followed up by a conference call in August 2024.

Meeting with POSCO STEELEON Co., Ltd. in the London Office

Our most recent engagement with **POSCO STEELEON Co.** was in September 2024 at an in-person meeting in London. The company provided updates on the delivery of the recommendations from the human rights due diligence exercise in Myanmar. It also confirmed that human rights due diligence will be embedded into the company's enterprise risk management framework, to be delivered by the ESG team under the governance of legal affairs.

Engagement Trip to Brazil Focused on Deforestation and Biodiversity

Angela Flaemrich and Marta Patallo, Global Standards Engagement Managers, led an impactful engagement trip to Brazil from October 21-25, 2024, focused on the critical topics of deforestation and biodiversity.

Our team members met with nine companies, including five within Global Standards/Incidents Engagement, that we have ongoing engagements with and with seven diverse stakeholders, across three cities—São Paulo, Brasília and Rio de Janeiro. We also conducted a full day site visit of SLC Agrícola's Pamplonas Farm in the Cerrado region.

The companies that we met with as part of the theme included: JBS SA, SLC Agrícola SA, Minerva SA, Marfrig SA, BRF SA, Banco do Brasil SA, and Natura SA.

A key premise of the engagement was to hold multi-stakeholder dialogue to gain a more holistic understanding of local context, community perspectives, challenges and proposed solutions.

Approximately thirty institutional investor clients participated in the trip, a few attending in person and the rest online, who contributed greatly to the conversations.

More information and key insights from the trip as well as on deforestation and biodiversity topics are available in the article on page 62 of this report.

Human Rights Webinar

In October 2024, we hosted a webinar involving a number of companies engaged through Global Standards Engagement (Vale SA, **POSCO INTERNATIONAL Corp.** and Hangzhou Hikvision Digital Technology Co., Ltd.). The webinar was focused on company challenges of understanding and responding to the transitioning society, notably Just Transition. These are our observations from the webinar:

- Despite the range of company profiles and sector experiences, recognition that there is a need to prepare for a transitioning society was wholly universal. Companies were at different stages of their journey in preparing (and delivering) transition plans however there was consistent messaging that businesses need to look beyond their scope of operations to recognize and mitigate risks to society.
- The effective delivery of human rights due diligence is key to ensuring a smooth transition and whilst all companies align their human rights policies to show compliance with the United Nations Guiding Principles, it is identified that a common understanding of what comprises effective delivery of Human Rights Due Diligence is not yet being realized, with differing interpretations of what this activity means.

Endnotes

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