MORNINGSTAR® | SUSTAINALYTICS

Global Standards Engagement
2023 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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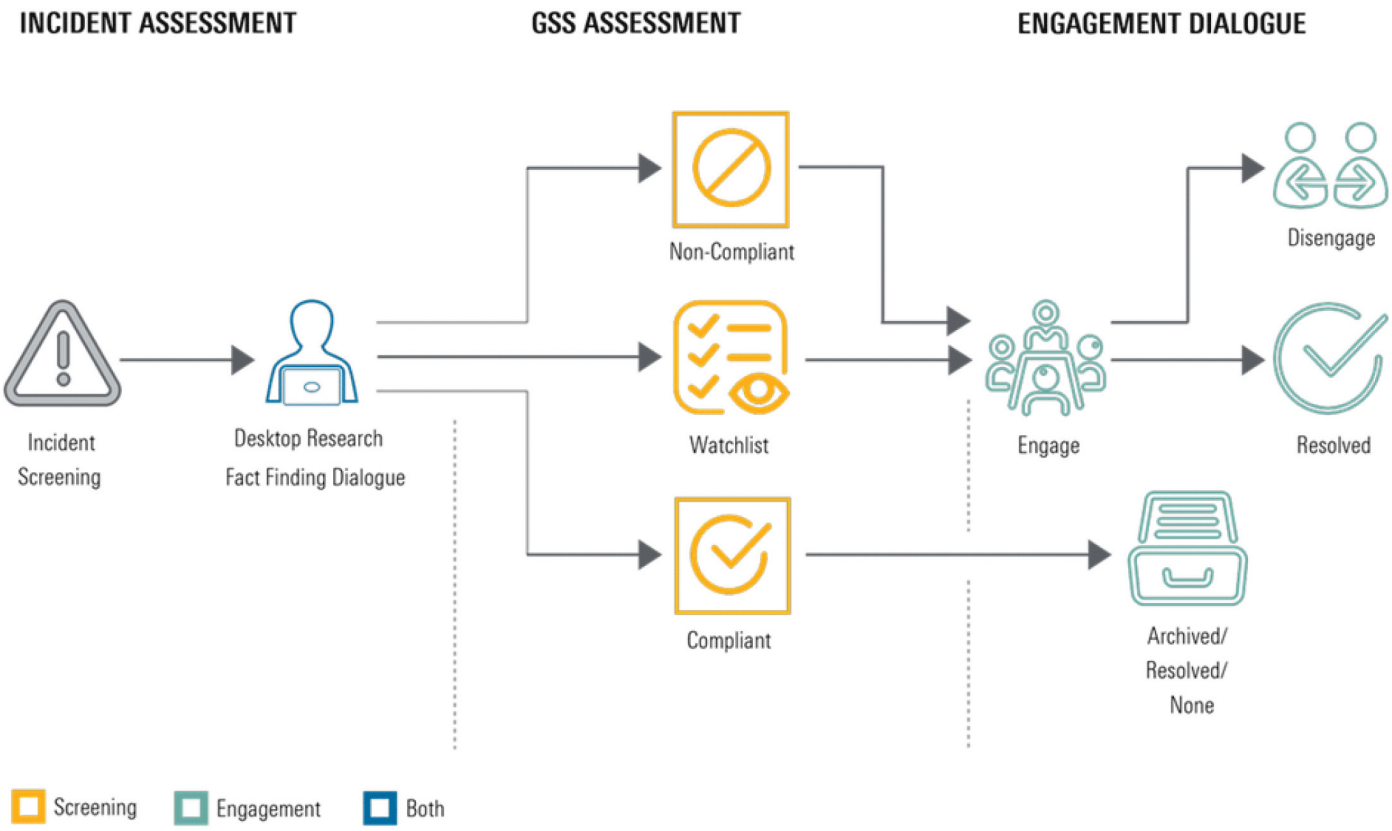
This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed on behalf of investor clients during 2023. The report has been produced between 1 – 30 January 2024. Version 1 disseminated 30 January 2024. Use of and access to this information is limited to clients of Sustainalytics and is subject to Morningstar Sustainalytics' legal terms and conditions.

Engagement Approach

Global Standards 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 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 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 and Product Manager
Global Standards Engagement

We are delighted to share Morningstar Sustainalytics' new 2023 annual report for Global Standards Engagement.

In a new format, this report provides an overview of statistics for engagement activities between January – December 2023 and presents several emerging ESG topics that we have identified in 2023 and expect to remain in focus in 2024.

Key Highlights from 2023

During 2023, our team worked on 171 engagements and closed the year with 142. 15 engagements were opened during the year and 9 were successfully resolved. More than 2,430 emails and phone calls have been exchanged, and 183 meetings have been conducted.

Besides resolved engagements, we achieved 57 milestones. In collaboration with the ESG Voting Policy Overlay team, we leveraged voting recommendations to escalate eight engagements in an effort to move the dialogue and case toward resolution. For nine engagements, we prepared and sent collaborative investor letters. We assigned 'Disengage' status to five of our engagements due to a lack of progress and response over a two-year period.

Apart from our regular dialogue and conference calls with the companies, we also organized special events for clients to participate in that offered deep dives into content, in the form of webinars and in-person meetings. At the end of March, we organized a webinar with Vale, attended by 21 investor clients and in the late fall an online roundtable 'Culture in Mining: Why it's Important'. We also participated in panel discussions organized by institutional investors on the topic of the role of engagement in promoting human rights within investment practices and participated in the OECD Global Anti-Corruption & Integrity Forum in Paris. Learn more about our engagement activities in the Engagement Events section of this report.

In addition, the Global Standards Engagement team participated in a number of ESG initiatives and consultations, including guidance for corporate culture reporting in response to a UK Financial Conduct Authority request and input to the EU Taxonomy for technical screening criteria, just to name two. One team member, was appointed as a member of the GRI Banking Technical Committee in mid-2023 and is responsible for making recommendations to the GRI on how to enhance its guidance and standards for the global banking.

Global Standards Engagement focus and addressing recent challenges

Concerns are mounting that the tipping points for climate change and biodiversity will soon be reached unless meaningful action is taken. Alongside this there are corresponding concerns that human rights gains are being reversed. Impacts to society from a rapidly changing climate and from compromised ecosystems will bring greater risks to protecting human rights. These key ESG issues present a concern to investors, regulators, civil society and businesses alike who seek to bring attention, clarity and focus to the measures necessary to mitigate the risk and reverse negative impacts.

In June 2023 we took into account the updated OECD Guidelines for Multinational Enterprises which 'reflects a decade of experience since their last review in 2011 and responds to urgent social, environmental, and technological priorities facing societies and businesses.[i] The update provides re-energized recommendations across key areas of climate change, biodiversity, technology, business integrity and supply chain due diligence, as well as updated implementation procedures for the National Contact Points for Responsible Business Conduct.

In tandem with upcoming European legislation, due diligence plays a big part in the revised Guidelines. Companies are required to assess risk and prevent harm to human rights, the climate and the environment in their global value chains. They should carry out risk-based due diligence to assess and address adverse environmental impacts and risk-based due diligence in relation to a company's products or services. This will have a material impact on understanding and responding to risks, improving the scope and content of our engagements.

The future changes in business operations and employer needs, including those responding to societal, environmental technological changes, as well as risks and opportunities linked to automation, digitalization, or just transition have also been added to the updated guide. These are subjects captured in some of our engagements, and potentially will become new areas of focus for us and are explored in more detail in the thought pieces below.

Looking Ahead

In 2024, our engagement activities will remain high. As some of our engagements are at advanced stages (milestone 4 and 5), we expect to resolve several of them in the first half of 2024. As we are reviewing the updated OECD Guidelines, we will explore ways to strengthen our engagement efforts on issues linked to lobbying and climate.

We recognize the importance of bringing companies and institutional investors together to discuss emerging risks and share good practices within and across industries. We leverage the high client interest in our webinars and roundtables to engage with companies and will continue to invite our clients to join these events in 2024.

As always, clients are welcome and encouraged to participate in Sustainalytics' engagement activities. You can follow our scheduled meetings in the calendar found in Global Access, or via the weekly engagement brief. For general questions or feedback regarding Global Standards Engagement, please email engagement.support@sustainalytics.com or your client team.

Engagement Overview



142
Engagements
December 31, 2023

15
New engagements

171
Engagements throughout 2023

9
Engagements successfully resolved

5
Low performance engagements moved to 'Disengage'

Asia Pacific Region
with the largest number of engagements

Food Products and Utilities
industries with most engagements

70%
of engagements are related to 'S' within the Environmental, Social and Governance topics

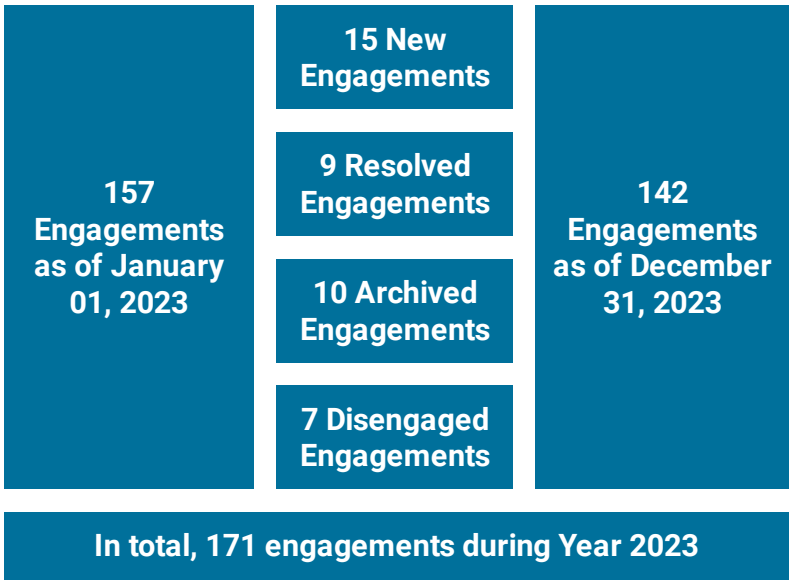
Engagement Status

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

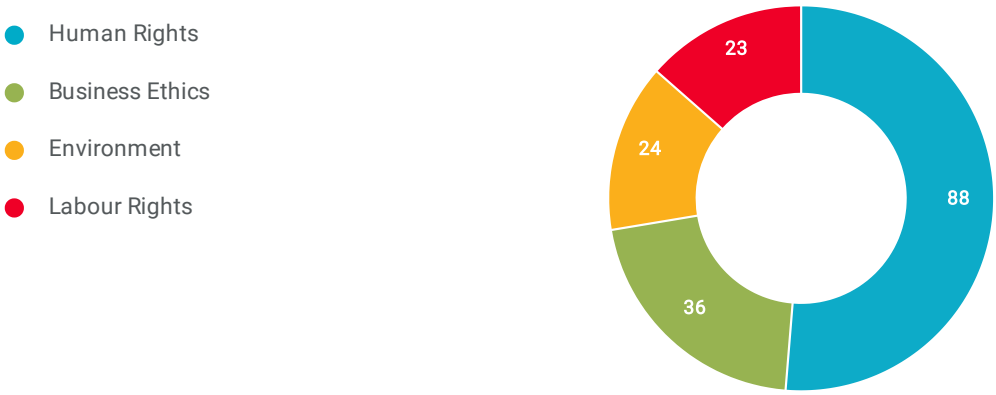
Resolved The company has achieved the engagement objective.

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

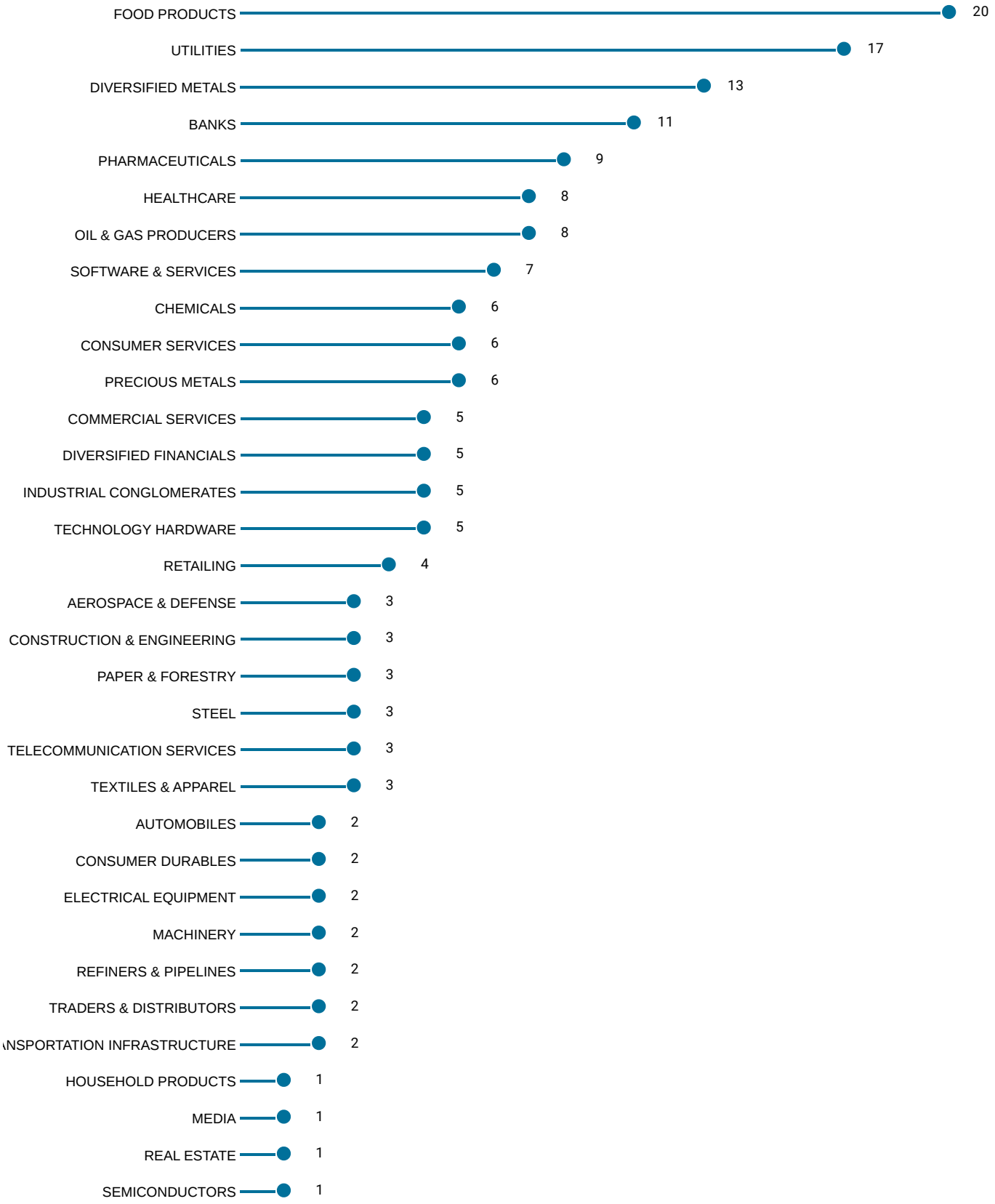
Disengage Engagement is deemed unlikely to succeed.



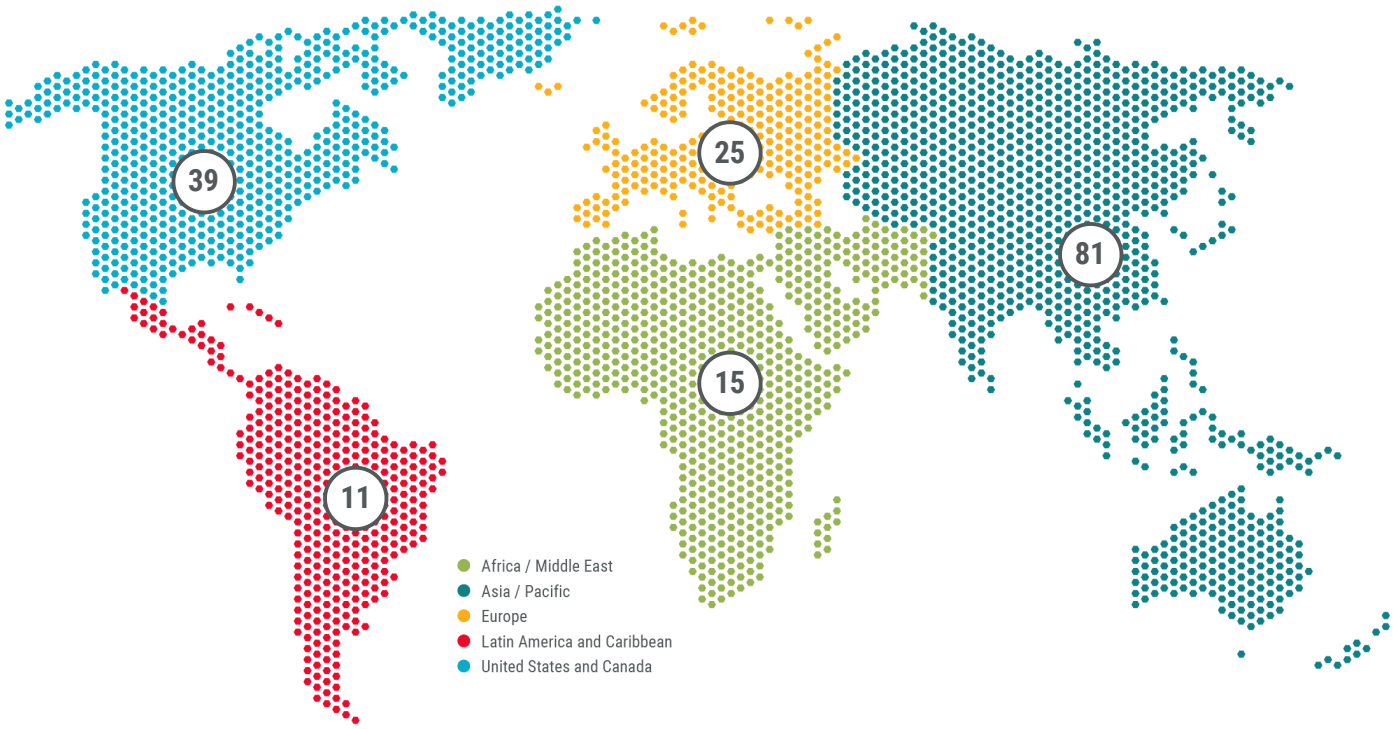
Engagements by Norm



Industry Distribution



Engagements by Headquarter Location





E, S and G Overview

E, S and G Overview



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

Engagement Topics

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

ENGAGEMENT TOPICS	ENGAGEMENTS
Human Rights	51
Business Ethics, Bribery and Corruption	43
Labour Rights	31
Community Relations	26
Water Quality	23
Water Security	23
Product Quality and Safety	22
Forced Labour	14
Occupational Health and Safety	12
Accounting and Taxation	10
Deforestation	10
Indigenous People	9

Engagement Topics (cont.)

ENGAGEMENT TOPICS	ENGAGEMENTS
Biodiversity	8
Data Privacy and Security	7
Weapons	6
Land Pollution and Spills	5
Child Labour	4
Marketing Practices	4
Disclosure	3
High-Risk Territories	3
Sanctions	3
Diversity, Equity and Inclusion (DEI)	2
Waste Management	2
Air Pollutant Emissions	1
ESG Governance	1
Natural Resource Use	1

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	6%	10 Reduced Inequality	12%
2 Zero Hunger	4%	11 Sustainable Cities and Communities	6%
3 Good Health and Well-Being	22%	12 Responsible Consumption and Production	18%
4 Quality Education	2%	13 Climate Action	5%
5 Gender Equality	3%	14 Life Below Water	4%
6 Clean Water and Sanitation	4%	15 Life on Land	13%
7 Affordable and Clean Energy	0%	16 Peace and Justice, Strong Institutions	43%
8 Decent Work and Economic Growth	22%	17 Partnerships to Achieve the Goal	0%
9 Industry, Innovation and Infrastructure	5%		

Engagement Activities and Results



183
Meetings, including 3 in-person meetings

2433
Emails and phone calls exchanged

9
Engagements resolved

55%
Engagements with standard progress

57
Milestones achieved

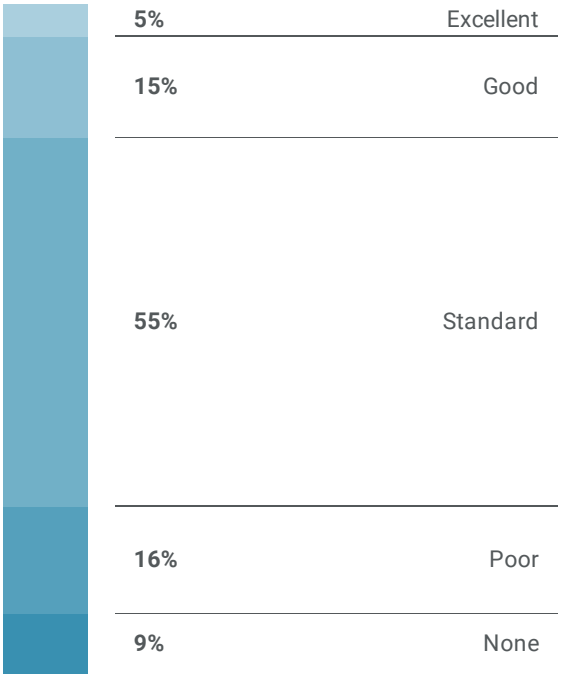
28%
Engagements with good or excellent response

18%
of engagements with performance assessed as low

Engagement Progress

The rating of Progress reflects the pace and scope of changes towards the engagement objective that the company is making. We rate progress according to a five-point scale:

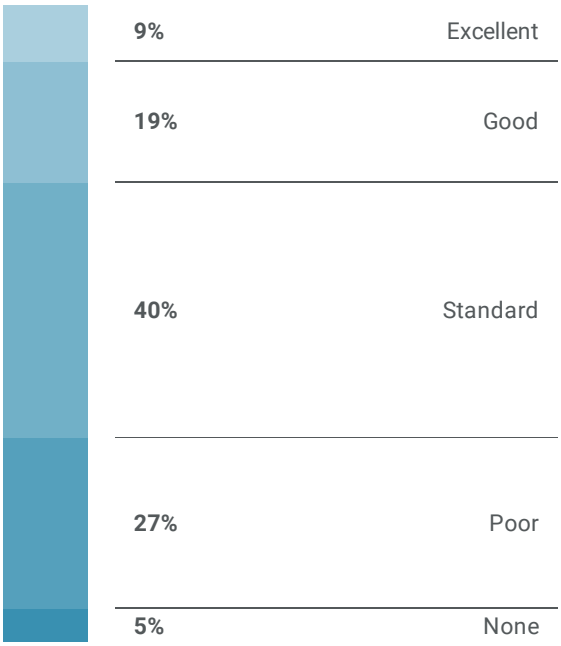
Excellent	The company has adopted a proactive approach and addressed the issues related to the change objective.
Good	The company has taken sufficient measures to address the issues related to the change objective.
Standard	The company has undertaken a number of measures to address the issues related to the change objective.
Poor	The company has indicated willingness to addressing the issues related to the change objective, but no measures have been taken yet.
None	The company has not made any progress against the engagement objective.



Engagement Response

We rate the company Response to the engagement dialogue and willingness to engage with investors on a five-point scale:

Excellent	The company is proactive in communicating around the issues related to the change objective.
Good	The company addresses all the issues related to the change objective.
Standard	The company provides responses to some of the issues related to the change objective.
Poor	The company has initially responded but not properly addressed the issues related to the change objective and is unwilling to engage further with us.
None	The company has not responded to the inquiries.



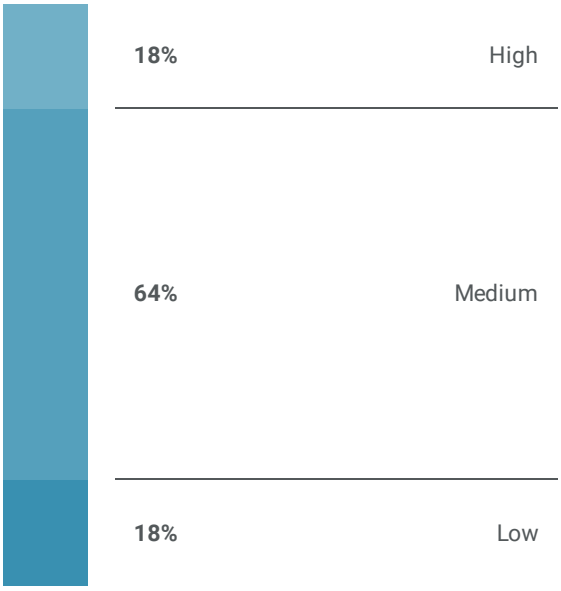
Engagement Performance

The indicator describes the combined company progress and response Performance.

High Good or excellent Response in combination with good or excellent Progress.

Medium Standard level of Response and Progress.

Poor Poor or no Response in combination with poor or no Progress.



Engagement Milestones

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

57
milestones achieved in Year 2023

Milestone Framework Structure

Milestone 5 Change objective is considered fulfilled.

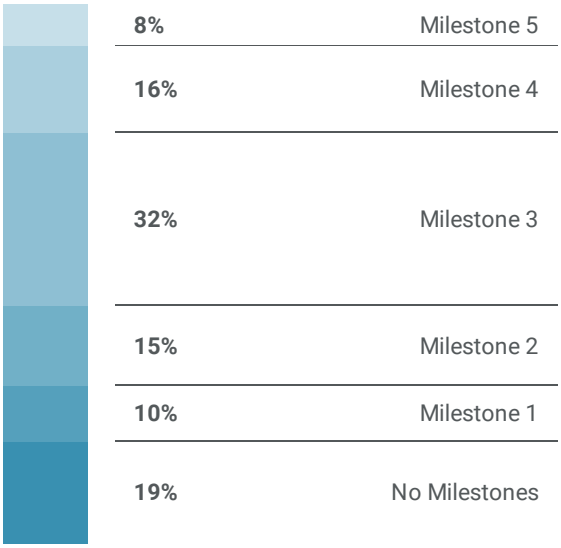
Milestone 4 Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing.

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

Milestone 2 ESG risk management and strategy established.

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

Engagements by Highest Milestone Achieved



Quarterly Overview of Engagement Activities and Results

	Q1	Q2	Q3	Q4	FULL YEAR
Emails/Phone Calls Exchanged	758	622	521	532	2,433
Meetings Conducted	37	43	47	56	183
Milestones Achieved	8	12	20	17	57
Engagements Resolved	1	0	3	5	9



Engagements Resolved

COMPANY	COUNTRY	INDUSTRY	ISSUE	RELATED COMPANY	QUARTER
3M Co.	United States	Industrial Conglomerates	Activities Resulting in Adverse Environmental and Human Rights Impacts	3M India Ltd.	Q4
Barclays PLC	United Kingdom	Banks	Business Ethics	Barclays Bank Plc; Barclays Bank Plc (New York Branch; Barclays Capital, Inc.	Q4
BRF SA	Brazil	Food Products	Consumer Interests - Human Rights	None	Q4
Rio Tinto Ltd.	Australia	Diversified Metals	Community Relations - Indigenous Peoples	Energy Resources of Australia Ltd.	Q4
TOSHIBA Corp.	Japan	Industrial Conglomerates	Accounting and Taxation	None	Q4
AMP Ltd.	Australia	Diversified Financials	Consumer Interests - Business Ethics	AMP Capital Investors Ltd.	Q3
Johnson & Johnson	United States of America	Pharmaceuticals	Quality and Safety - Human Rights	Kenvue, Inc.	Q3
Stryker Corp.	United States	Healthcare	Quality and Safety - Human Rights	Invuity, Inc.	Q3
JBS SA	Brazil	Food Products	Bribery and Corruption	None	Q1

Resolved - 3M Co.

Engagement Since: August 30, 2019



INDUSTRY:

Industrial Conglomerates

BASE LOCATION:

United States

ISSUE:

Activities Resulting in Adverse Environmental and Human Rights Impacts

For several years, 3M Co. faced intense scrutiny over widespread environmental pollution stemming from its past activities and products, which were linked to severe health impacts.

CHANGE OBJECTIVE

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

Engagement Outcomes

- The company has worked on the development of sustainable chemicals and discontinuing the production of PFAS by 2025.
- It invested in technology to remove up to 99% of contaminants from its waste water discharges.
- The company has also developed a PFAS dedicated section to its website to inform others of how to ensure effective product stewardship.
- It has set aside USD 10 billion to deal with historical litigation claims arising from PFAS contamination of drinking water supplies.

Conclusion: 3M recognizes the sensitivity surrounding the production and use of PFAS chemicals and has taken steps to address the potentially negative impact. As a result, Morningstar Sustainalytics decided to resolve the case.

Resolved - Barclays PLC

Engagement Since: May 30, 2019



INDUSTRY:
Banks

BASE LOCATION:
United Kingdom

ISSUE:
Business Ethics

Over the last few years, Barclays PLC was implicated in significant allegations of business ethics - related misconduct.

CHANGE OBJECTIVE

Barclays PLC should ensure on-going implementation of whistle-blower policies as mandated by regulators, as well as relevant international organizations and global banking industry best-practices. The company should also implement best practices regarding whistle-blower protections and procedures.

Engagement Outcomes

- The company retained an outside third-party to conduct a full review of its whistleblower policies, programmes, processes and controls.
- Afterward, it implemented strong whistleblower policies, independent grievance mechanisms, and good reporting on grievance mechanism statistics.
- The company significantly strengthened corporate governance of whistleblowing matters.
- It has taken various steps to reinforce a corporate culture that prioritizes ethical conduct and a compliance culture.

Conclusion: Since Barclays has implemented comprehensive measures to ensure that whistleblower treatment is appropriate, and no recent whistleblower incidents have occurred, Morningstar Sustainalytics decided to resolve the case.

Resolved - BRF S.A.

Engagement Since: May 30, 2019



INDUSTRY:

Food Products

BASE LOCATION:

Brazil

ISSUE:

Consumer Interests - Human Rights

Since 2017, BRF S.A. has faced allegations of distributing contaminated meat products and bribing health inspectors to conceal the wrongdoing.

CHANGE OBJECTIVE

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

Engagement Outcomes

- The company has improved its food safety and product quality performance.
- It has updated relevant policies and food safety and quality remain material topics in its sustainability strategy.
- Food safety and quality issues are supported by an executive committee and incentivized with targets for senior management.

Conclusion: Due to comprehensive measures taken by the company to address the food safety and product quality issues, Morningstar Sustainalytics decided to resolve the case.

Resolved - Rio Tinto Ltd.

Engagement Since: November 27, 2020



INDUSTRY:

Diversified Metals

BASE LOCATION:

Australia

ISSUE:

Community Relations - Indigenous Peoples

In 2020, Rio Tinto Ltd. was involved in destroying an Aboriginal heritage site of high archaeological and cultural value in Australia. The company was also involved in other community relations controversies in several countries.

CHANGE OBJECTIVE

Rio Tinto Ltd. should agree on a compensation package with the Puutu Kunti Kurrama and Pinikura (PKKP), the Traditional Owners of the destroyed rock-shelters. The company should ensure that it rebuilds community relations with the PKKP. It should also ensure that its community relations teams are fully integrated into its operations.

Engagement Outcomes

- Rio Tinto Ltd. has agreed on a compensation package with the PKKP, the Traditional Owners of the lands on which the company operates and completed the physical rehabilitation of the destroyed rock shelters.
- It established suitable community relations mechanisms across all its operations and to maintain the relationship on which the consent is based.
- The company's heritage and community relations teams have become fully integrated into its operations to ensure integrated decision-making process.

Conclusion: Since the company repaired the damage, re-established free, prior and informed consent with the local Aboriginal people as well as included heritage in its risk management systems and mine production decision-making, Morningstar Sustainalytics decided to resolve the case.

Resolved - Toshiba Corp.

Engagement Since: February 19, 2020



INDUSTRY:

Industrial Conglomerates

BASE LOCATION:

South Korea

ISSUE:

Accounting and Taxation

In the past, Toshiba Corp. was involved in falsification of accounts affecting its employees and shareholders. The issue appeared to be systemic and Toshiba's pre-incident internal controls were proven to be poor.

CHANGE OBJECTIVE

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

Engagement Outcomes

- Toshiba Corp. has established an effective risk management and compliance system.
- The company made changes to its Board and executive team and improved Board oversight.
- It has also implemented "segregation of duties", fraud detection and preventions measures.
- The company increased the size of the audit committee and expanded the use of independent fraud and compliance professionals.

Conclusion: Due to the company's measures taken to reduce the risk of accounting fraud, eliminate unreliable financial reporting and lack of additional controversies, Morningstar Sustainalytics decided to resolve the case.

Resolved - AMP Ltd.

Engagement Since: May 30, 2019



INDUSTRY:

Diversified Financials

BASE LOCATION:

Australia

ISSUE:

Consumer Interests - Business Ethics

AMP Limited has faced scrutiny from Australian authorities over its business ethics practices, with accountability reaching the board and executive levels.

CHANGE OBJECTIVE

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

Engagement Outcomes

- Effective improvements to responsible business conduct are evidenced by the bank sustainably embedding its compliance and cultural transformation programmes.
- AMP has implemented the Remediation Programme required by the Australian Royal Commission by fully compensating clients affected by the services misconduct.
- The company has embraced the need for change and has taken significant action to develop a new risk governance and compliance system to ensure sustained improvements to risk culture within the organization.
- AMP has improved its financial regulatory reporting and disclosures on its risk management, ethics and compliance.

Conclusion: Over the last three years, AMP has not been complicit in any financial misconduct and business ethics incidents, while making significant improvements to risk controls, accountability and culture. As such, Morningstar Sustainalytics decided to resolve the case.

Resolved - Johnson & Johnson

Engagement Since: June 07, 2018



INDUSTRY:
Pharmaceuticals

BASE LOCATION:
United States

ISSUE:
Quality and Safety - Human Rights

Johnson & Johnson has been involved in repeated issues related to the quality and safety risks of several of its medical devices, medicines, and other products.

CHANGE OBJECTIVE

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

Engagement Outcomes

- Effective quality control can be evidenced through reduced FDA activity against the company and subsequent product recalls.
- The company has mostly resolved its product controversies.
- The company favours regular internal audits to monitor the effectiveness of its quality management system, complemented with external regulator-led audits.
- The decision to discontinue talc-based products eliminates any potential future issues relating to its safe use.

Conclusion: Considering improvements in product quality and safety management and a lack of any new severe product quality and safety issues over the past few years, Morningstar Sustainalytics decided to resolve the case.

Resolved - Stryker Corp.

Engagement Since: May 30, 2019



INDUSTRY:
Healthcare

BASE LOCATION:
United States

ISSUE:
Quality and Safety - Human Rights

Stryker has been involved in several controversies related to product quality and safety.

CHANGE OBJECTIVE

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

Engagement Outcomes

- Throughout the four years of engagement, the company has shown considerable improvements in the level of meaningful disclosure, culminating in a dedicated quality website.
- While the company responded to queries with strong technical responses, it also provided additional assurances that its quality system was effective through compliance and certification with international standards (ISO).
- The effectiveness of the company's refreshed approach to quality is seen through reduced numbers of the US Food and Drug Administration interventions.

Conclusion: Considering improvements in product quality and safety management and the lack of any new severe product quality and safety issues over the past few years, Morningstar Sustainalytics decided to resolve the case.

Resolved - JBS S.A.

Engagement Since: September 05, 2017



INDUSTRY:

Food Products

BASE LOCATION:

Brazil

ISSUE:

Bribery and Corruption

In 2017, JBS S.A. reached a plea bargain with Brazilian authorities, in which it admitted to paying over USD 150 million in bribes to around 1,900 Brazilian government officials between 2005 and 2017.

CHANGE OBJECTIVE

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

Engagement Outcomes

- JBS S.A. has cooperated with authorities and been investigated thoroughly. No outstanding issues remain with Brazilian or US regulators.
- Anti-corruption and business-ethics related policies and programme have been extensively reviewed, implemented and disclosed.
- A strong whistleblower programme has been implemented. The compliance function has been significantly strengthened. Corporate governance and reporting structure has been strengthened.
- External verification was conducted, with an independent third-party audit of its compliance practices.

Conclusion: Due to the measures taken by the company to address its corruption risks, and the fact that in recent years it has not faced any new corruption allegations, Morningstar Sustainalytics decided to resolve the case.

Low Performance Engagements

The following is a list of low performance engage companies which have Poor or No Response in combination with Poor or No Progress.

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 investor letters or letter 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.

Next to each low performance case, you can also find a **Low Performance Time Tracker** which illustrates the time elapsed.

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	PERFORMANCE TIME TRACKER
					One piece equals three months.
PT Astra Agro Lestari Tbk	Indonesia	Community Relations	Poor	Poor	0-3
SDIC Power Holdings Co., Ltd.	China	Controversial Project(s) - Environmental and Human Rights Impacts	Poor	Poor	0-3
Aekyung Industrial Co., Ltd.	South Korea	Quality and Safety - Human Rights	Poor	Poor	3-6
PTT Exploration & Production Plc	Thailand	Involvement With Entities Violating Human Rights	Poor	Poor	3-6
PTT Oil & Retail Business Public Co., Ltd.	Thailand	Involvement With Entities Violating Human Rights	Poor	Poor	3-6
Tongling Nonferrous Metals Group Co., Ltd.	China	Controversial Project(s) - Human Rights and Environmental Impacts	Poor	Poor	3-6
China BaoWu Steel Group Corp. Ltd.	China	Forced Labour	None	None	6-9
HDC Hyundai Development Co.	South Korea	Quality and Safety	None	None	9-12
Indofood Agri Resources Ltd.	Singapore	Labour Rights - Operations	Poor	Poor	9-12
OCP SA	Morocco	Involvement With Entities Violating Human Rights	Poor	Poor	9-12

Low Performance Engagements (cont.)

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	PERFORMANCE TIME TRACKER
					One piece equals three months.
Xinjiang Zhongtai Chemical Co., Ltd.	China	Forced Labour	None	Poor	12-15
Huafu Fashion Co., Ltd.	China	Forced Labour	None	Poor	18-21
McDonald's Corp.	United States	Labour Rights	Poor	Poor	18-21
The Chemours Co.	United States	Activities Resulting in Adverse Environmental and Human Rights Impacts	Poor	Poor	18-21
China Energy Engineering Corp. Ltd.	China	Occupational Health and Safety	Poor	None	21-24
Supermax Corp. Bhd.	Malaysia	Forced Labour	Poor	Poor	21-24
Bolloré SE	France	Activities Resulting in Adverse Human Rights Impacts	None	Poor	Above 24
GCM Resources Plc	United Kingdom	Controversial Project(s) - Human Rights Impacts	None	None	Above 24
Imperial Pacific International Holdings Ltd.	Hong Kong	Labour Rights	None	None	Above 24
Shezan International Ltd.	Pakistan	Occupational Health and Safety	None	Poor	Above 24
Shezan International Ltd.	Pakistan	Child Labour	None	Poor	Above 24

Engagement Status Updates

The following is an overview of all engagement status updates from January 1 to December 31, 2023

New Engage

COMPANY	COUNTRY	ISSUE	RELATED COMPANY	QUARTER
ArcelorMittal SA	Luxembourg	Occupational Health and Safety	None	Q4
Barrick Gold Corp.	Canada	Human Rights - Operations	None	Q4
TotalEnergies SE	France	Controversial Project(s) - Human Rights and Environmental Impacts	None	Q4
Packers Sanitation Services, Inc. Ltd.	United States	Child Labour	None	Q3
UBS Group AG	Switzerland	Business Ethics	Credit Suisse Group AG	Q3
Blackstone, Inc.	United States	Child Labour	None	Q2
Eskom Holdings SOC Ltd.	South Africa	Quality and Safety	None	Q2
Eskom Holdings SOC Ltd.	South Africa	Business Ethics	None	Q2
Hoshine Silicon Industry Co., Ltd.	China	Forced Labour	None	Q2
PT Astra Agro Lestari Tbk	Indonesia	Community Relations	Jardine Cycle & Carriage Ltd., Jardine Matheson Holdings Ltd., PT Astra International Tbk	Q2
Allied Universal Manager LLC	United States	Forced Labour	None	Q1
Cencora, Inc.	United States	Consumer Interests - Human Rights	None	Q1
China BaoWu Steel Group Corp. Ltd.	China	Forced Labour	Baoshan Iron & Steel Co., Ltd., Baosteel Resources International Co. Ltd.	Q1

New Engage (cont.)

COMPANY	COUNTRY	ISSUE	RELATED COMPANY	QUARTER
China Petrochemical Corp.*	China	Involvement With Entities Violating Human Rights	China Petroleum & Chemical Corp., Sinopec Kantons Holdings Ltd.	Q1
POSCO INTERNATIONAL Corp.	South Korea	Involvement With Entities Violating Human Rights	None	Q1

*In Q3 2023, we assigned a 'Disengage' status to this engagement.

New Engagements - Details

ARCELORMITTAL SA

Norm Area:
Labour Rights

Incident Location:
Kazakhstan

Issue:
Occupational Health and Safety

Incident Summary:
On 28 October 2023, ArcelorMittal's subsidiary in Kazakhstan, ArcelorMittal Temirtau (AMT), was involved in a methane explosion that led to a fire at the Kostenko coal mine in the Karaganda region. AMT, the site's operating company, confirmed that more than 252 people were working underground at the time of the blaze. This was the company's deadliest accident to date and the worst accident in Kazakhstan's post-Soviet history. The previous deadliest mine accident in post-Soviet Kazakhstan occurred in 2006 at another of ArcelorMittal's sites, when a methane explosion killed 41 miners. The Kazakh authorities have launched a criminal investigation under Article 27 of the country's Criminal Code, covering "violation of safety rules during mining or construction work". The cause of the incident is still unknown and is subject to further investigation. Following the incident, President Kassym-Jomart Tokayev of Kazakhstan ordered cooperation with ArcelorMittal to be "brought to an end" and called the company "the worst enterprise in Kazakhstan's history in terms of cooperation with the government". He also declared 29 October a day of national mourning. The accident sparked public outrage and accelerated the nationalization process of AMT that had begun in September 2023. On the day of the accident, ArcelorMittal confirmed that it had signed a preliminary agreement with the Kazakhstan government to transfer ownership of the firm to the Republic of Kazakhstan and said it was committed to finalizing the transaction "as soon as possible".

Change Objective:
ArcelorMittal should develop a support framework for worker deaths and injuries, and families of deceased miners should be provided with meaningful support and benefits. The company should conduct an incident investigation and identify the cause of the fire and explosion. The company should implement a health and safety management system encompassing continuous improvement, and the system should be independently reviewed. A specific fatality elimination strategy for should be implemented.

BARRICK GOLD CORP.

Norm Area:
Human Rights

Incident Location:
Tanzania

Issue:
Human Rights - Operations

Incident Summary:
Barrick Gold (Barrick) has been linked to human rights violations related to its Porgera mine in Papua New Guinea (PNG) and its 84% owned North Mara mine in Tanzania. The Porgera mine is owned and operated by a joint venture between Barrick Niugini Ltd. (BNL), which holds a 49% interest, and PNG stakeholders (the Enga provincial government and local landowners), which hold 51%. BNL is owned 50% by Barrick and 50% by Zijin Mining Group (Zijin). At Porgera, between 2009-2017, Barrick faced multiple allegations of inadequate relocation of villagers and severe abuse by police and other security forces, including the use of excessive force against artisanal miners and local communities, forced evictions and sexual assault. The abuse, in some cases, led to injuries and deaths. In 2018, a report commissioned and funded by Barrick found a backlog of over 900 unaddressed human rights cases filed with the mine. In June 2020, due to legacy environmental and resettlement issues, the government of PNG declined to extend a mining lease for Porgera. Since then, operations have stopped, but the mine has been kept on care and maintenance. In March 2023, the company reported that it signed an agreement with the PNG government to resume operations “at the earliest opportunity”. In May 2023, the media reported that activists from PNG joined global protests against Barrick over its decision to reopen the mine, claiming that the new agreement does not address a legacy of violence and environmental damage. Between 2011-2017, the North Mara mine operations were also linked to serious human rights abuses by security forces against local communities. The abuses included deaths and sexual assault. In 2020, 10 Tanzanians launched a legal claim in the British High Court against Barrick TZ (formerly Acacia Mining), a subsidiary that operated the North Mara mine and which was fully acquired by Barrick in 2019. The claimants allege that they were abused by security forces employed at the mine.

Change Objective:
Barrick Gold should align its policies and practices to international human rights norms, in particular with regards to security and human rights and community relations. The company must provide information on how the Voluntary Principles on Security and Human Rights have been implemented and communicated at North Mara mine. Barrick should use its leverage with the Tanzanian government to promote that public forces respect and protect human rights.

TOTALENERGIES SE

Norm Area:
Human Rights

Incident Location:
Tanzania

Issue:
Controversial Project(s) - Human Rights and Environmental Impacts

Incident Summary:
TotalEnergies SE (Total) is the major shareholder in two oil and gas projects in East Africa that have been the subject of controversy over social and environmental concerns. Total's Tilenga and East African Crude Oil Pipeline (EACOP) projects are both part of Uganda's Lake Albert Development Project, which aims to develop the oil and gas resources of the Lake Albert area. The Tilenga project involves drilling 419 wells in Uganda, some of which are located in a national park, while the EACOP project will transport crude oil across Tanzania to the Indian Ocean through the world's longest heated pipeline. The projects have faced significant opposition from activist groups, which claim that Total's land acquisition programmes will displace local communities and affect their livelihoods and have raised concerns about human rights violations and fair compensation. In July 2023, Human Rights Watch (HRW), an international NGO, published a report stating that the projects have caused the loss of land and livelihoods for local communities. The report is based on over 90 interviews conducted by HRW in early 2023, including with 75 displaced families in five of the affected districts of Uganda. The controversy over the projects led to a landmark lawsuit filed by six NGOs against Total in 2019 in Paris, based on France's duty of vigilance law, which requires companies to prevent serious violations of human rights, health, safety, and the environment in their foreign operations. Several governments, international organizations and banks have expressed concerns about Total's involvement in the EACOP project, and some banks have withdrawn their funding primarily due to climate concerns. Total has maintained that it is taking necessary mitigation measures and compensating eligible local communities. The company began commercial drilling of Tilenga in July 2023 and plans to start production in 2025.

Change Objective:
The company should conduct human rights due diligence and engage with stakeholders constructively to eliminate or mitigate land and livelihood loss, provide remedy where required, and to ensure that the project has social license. The company should conduct environmental and social impact assessments across the development route, acting on all recommendations and to international best practice.

PACKERS SANITATION SERVICES, INC. LTD.

Norm Area:
Labour Rights

Incident Location:
United States

Issue:
Child Labour

Incident Summary:
Packers Sanitation Services, Inc. Ltd. (PSSI), is a cleaning and sanitation company that provides contract work (primarily cleaning services) at slaughtering and meat packing establishments throughout the US. PSSI was acquired by private equity firm Blackstone, Inc. in 2018. In August 2022, the US Department of Labor's (DOL) Wage and Hour Division (WHD) launched an investigation into potential child labour violations by PSSI. The investigation found that the company employed at least 31 children between 13 and 17 years of age in hazardous occupations, cleaning powered equipment during overnight shifts. Based on its findings, the DOL filed a complaint against PSSI with the US District Court of Nebraska in November 2022. The district court judge responded the following day by issuing a temporary restraining order and injunction against PSSI, while the investigation was ongoing, prohibiting it from committing any further child labour violations. In December 2022, 19 US NGOs sent a letter to the US Occupational Safety and Health Administration (OSHA) requesting that it take action against PSSI's employment of children. In the same month, the District Court entered a consent order and judgment, in which PSSI agreed to comply with child labour provisions at all its operations nationwide and was ordered to take significant steps to ensure full compliance with the law, including the employment of a third-party compliance specialist. In February 2023, the DOL announced that its federal investigation revealed that PSSI had employed at least 102 children at 13 meat processing facilities across eight US states. Most, if not all, of these children had been employed in violation of the Fair Labor Standards Act (FLSA). The DOL issued PSSI a fine of USD 15,138 (the maximum penalty) for each child identified, totaling USD 1.5 million. PSSI has subsequently committed to implementing new measures to strengthen its compliance with child labour laws.

Change Objective:
PSSI should implement a compliance and remedial programme to eliminate child labour. The company should demonstrate responsibility to provide remedy and respect human rights, especially the rights of children. Furthermore, the company should improve its disclosures to demonstrate compliance with international norms.

UBS GROUP AG

Norm Area:
Business Ethics

Incident Location:
Switzerland

Issue:
Business Ethics

Incident Summary:
Credit Suisse Group (CS), which was acquired by UBS Group in June 2023, has been accused of involvement in multiple business ethics-related controversies over the past decade. Since the bank pleaded guilty in a tax evasion case in 2014 and paid USD 2.8 bn to several US regulators, it has remained under regulatory scrutiny for market manipulation, money laundering, bribery, insufficient due diligence and fraud. In September 2018, the Swiss Financial Market Supervisory Authority (FINMA) identified deficiencies in CS's anti-money laundering process and appointed an independent third party to monitor the implementation of new measures aimed at strengthening its compliance process. In December 2020, the US Federal Reserve ordered CS to improve its anti-money laundering policies and to create a plan to improve its monitoring of improper activities. In addition, CS employees were involved in a USD 2 bn debt scandal in Mozambique. US prosecutors stated that, between 2013 and 2016, Mozambican state-owned companies borrowed more than USD 2 bn through loans guaranteed by the government and arranged by CS and two other banks. Three now-former CS employees have pleaded guilty to receiving bribes to arrange loans and laundering money from illegal activities. In October 2021, CS was fined USD 475 mn by US and UK regulators for deceiving investors. The bank further agreed to forgive USD 200 mn of Mozambique's outstanding debt. Separately, in March 2021, CS came under scrutiny for its business relationship with corporate clients, Greensill Capital and Archegos Capital, both of which collapsed. There are ongoing investigations into the bank's relationship with the firms. In June 2022, CS was fined USD 22 mn for having lax controls that allowed a drug ring to launder money through the bank. Furthermore, in October 2022, CS agreed to pay USD 234 mn to settle a French criminal probe into allegations that the bank helped clients hide undeclared funds between 2005 and 2012.

Change Objective:
UBS should implement a robust risk management system, have accountable risk governance, drive improvements in risk culture and have a strong compliance function company-wide, including across its subsidiaries. UBS should also establish a robust AML programme.

BLACKSTONE, INC.

Norm Area:
Labour Rights

Incident Location:
United States

Issue:
Child Labour

Incident Summary:
Packers Sanitation Services, Inc. Ltd. (PSSI) is a cleaning and sanitation company that provides contract work (primarily cleaning services) at slaughtering and meat packing establishments throughout the US. PSSI was acquired by private equity firm Blackstone, Inc. in 2018. In August 2022, the US Department of Labor's (DOL) Wage and Hour Division (WHD) launched an investigation into potential child labour violations by PSSI. The investigation found that the company employed at least 31 children between 13 and 17 years of age in hazardous occupations, cleaning powered equipment during overnight shifts. Based on its findings, the DOL filed a complaint against PSSI with the US District Court of Nebraska in November 2022. The district court judge responded the following day by issuing a temporary restraining order and injunction against PSSI, while the investigation was ongoing, prohibiting it from committing any further child labour violations. In December 2022, 19 US NGOs sent a letter to the US Occupational Safety and Health Administration (OSHA) requesting that it take action against PSSI's employment of children. In the same month, the District Court entered a consent order and judgment, in which PSSI agreed to comply with child labour provisions at all its operations nationwide, and was ordered to take significant steps to ensure full compliance with the law, including the employment of a third-party compliance specialist. In February 2023, the DOL announced that its federal investigation revealed that PSSI had employed at least 102 children at 13 meat processing facilities across eight US states. Most, if not all, of these children had been employed in violation of the Fair Labor Standards Act (FLSA). The DOL issued PSSI a fine of USD 15,138 (the maximum penalty) for each child identified, totalling USD 1.5 million. PSSI has subsequently committed to implementing new measures to strengthen its compliance with child labour laws.

Change Objective:
Blackstone should have a robust governance framework to ensure effective oversight and support to Packers of the implementation of the compliance and remedial programme. The company should demonstrate responsibility to provide remedy and respect human rights, especially the rights of children.

ESKOM HOLDINGS SOC LTD.

Norm Area:
Human Rights

Incident Location:
South Africa

Issue:
Quality and Safety

Incident Summary:
Eskom is the state-owned power utility company in South Africa responsible for generating, transmitting and distributing 90% of the country's electricity. The company has been experiencing operational and financial challenges, leading to rolling blackouts or load shedding, as the system is unable to meet the demand for electricity. The public is the primary stakeholder that is heavily affected by load shedding, although it also impacts the company's management, its workforce, and the government. The company has been struggling with ageing power plants, maintenance delays and corruption allegations, which have resulted in a shortage of electricity and frequent equipment breakdowns. The most recent allegations come from the now former CEO, André de Ruyter, who in February 2023 claimed that Eskom is riddled with corruption, theft, maladministration, sabotage, lack of consequence management, cartels and financial irregularities, which all contributed to rolling blackouts in the country. Load shedding in South Africa has been a recurring problem over the past 15 years, with several rounds of rolling blackouts taking place. The load shedding takes place in a coordinated manner, with Eskom deciding which areas to switch off at which times, based on a schedule communicated to the public in advance. It affects different regions of the country at different times and can last for several hours. The impact of load shedding is severe, as it disrupts people's lives, for example, students' education, causes traffic congestion and puts a strain on the healthcare system. According to multiple media reports, the rolling blackouts are hurting the national economy by reducing productivity and increasing business costs.

Change Objective:
Eskom should establish electricity system reliability to minimize disruptions to society and critical services. The company should achieve this by restructuring into three separate units (generation, transmission and distribution), implementing loadshedding schedules, utilizing smart power grid technology, and upgrading security to protect infrastructure from criminal activity.

ESKOM HOLDINGS SOC LTD.

Norm Area:
Business Ethics

Incident Location:
South Africa

Issue:
Business Ethics

Incident Summary:
Eskom, South Africa's main power utility company, has been facing several corruption issues over the years. The most recent allegations come from the now former CEO, André de Ruyter, who in February 2023 claimed that Eskom is riddled with corruption, theft, maladministration, sabotage, lack of consequence management, cartels and financial irregularities. Eskom has been accused of awarding contracts to politically connected individuals and companies without proper tender processes, paying bribes to secure fuel oil, construction and consulting contracts, and inflating contract prices, leading to overpriced and under-delivered projects. Many high-ranking officials and Eskom executives have been implicated in these practices. In 2017, the then-acting CEO, Matshela Koko, was suspended for allegedly signing contracts and paying over USD 38 mn in advance for substandard coal without the board's approval. In 2016, the then-acting CEO, Brian Molefe, resigned following corruption allegations involving coal contracts between Eskom and Tegeta, a company owned by the son of the former South African president, Jakob Zuma and the Gupta family. In recent years, South Africa's Special Investigating Unit has been investigating procurement irregularities, fraud and theft, at Eskom, which resulted in arrests and the dismissal of top executives. In 2022, eight people, including the former CEO, Matshela Koko, were arrested in the investigation over irregular contracts granted by Eskom. To address the issue, Eskom has been implementing measures such as lifestyle audits, procurement reforms and strengthening its internal controls. In February 2023, South Africa's president Cyril Ramaphosa declared a national state of disaster to respond to the electricity crisis and its effect on the country. In April 2023, the government revoked the state of emergency after civil rights groups filed lawsuits challenging the reasoning and claiming that the move threatened to exacerbate corruption at Eskom.

Change Objective:
Eskom should ensure that business ethics issues are thoroughly investigated, and it should cooperate with investigating authorities. It should develop robust business ethics—related policies, programs, controls, and training.

HOSHINE SILICON INDUSTRY CO., LTD.

Norm Area:
Labour Rights

Incident Location:
China

Issue:
Forced Labour

Incident Summary:
Hoshine Silicon Industry (Hoshine), through its wholly owned subsidiary with operations in the Xinjiang Uyghur Autonomous Region (XUAR), faces forced labour allegations, particularly related to its participation in state-run labour transfer schemes from at least 2017 to 2022. Hoshine's alleged involvement in the labour scheme has been documented in several sources, including a December 2022 report from Sheffield Hallam University (SHU) that examined the automotive industry's links to forced labour in Xinjiang. According to the SHU report, Hoshine's subsidiary has recruited and employed rural labourers from villages around Turpan prefecture (Xinjiang) who were transferred to its Shanshan County facility (located in eastern Turpan) through state-run surplus rural labour transfer programmes. The Office of the UN High Commissioner for Human Rights (OHCHR) stated in its August 2022 assessment of human rights concerns in the XUAR that "some publicly available information on 'surplus labour' schemes suggests that various coercive methods may be used in securing 'surplus labourers'". Moreover, the SHU report noted that Hoshine has received subsidies specifically earmarked for the provision of vocational skills training to transferred rural workers, which suggest that political indoctrination may be a key pillar of the company's recruitment and employment efforts in Xinjiang. Moreover, in June 2021 the US Customs and Border Protection (CBP) issued a Withhold Release Order (WRO) against Hoshine, which prohibited the importation of the company's silica-based products into the US. In June 2022, the US adopted the Uyghur Forced Labour Prevention Act (UFLPA) entity list, which maintains the prohibition on Hoshine products entering the US, citing forced labour concerns.

Change Objective:
Hoshine Silicon Industry Co., Ltd. should establish a due diligence system to identify, prevent and eliminate forced labour in all its operations. It should increase the disclosure of policies and practices on labour rights.

PT ASTRA AGRO LESTARI TBK

Norm Area:
Human Rights

Incident Location:
Indonesia

Issue:
Community Relations

Incident Summary:
Astra Agro Lestari (AAL) has been involved in a protracted land conflict with local communities in Central and West Sulawesi, Indonesia through the actions of three majority-owned subsidiaries: PT Agro Nusa Abadi (PT ANA), PT Lestari Tana Teladan (PT LTT) and PT Mamuang. This dispute has been ongoing since 1991 and stems, according to NGO reports, from conflicting land claims by the local communities and AAL. In March 2022, Friends of the Earth (FoE), in partnership with the Indonesian NGO WALHI, published a report accusing AAL of numerous human rights, environmental and governance violations, which were allegedly perpetrated over the dispute's 30-year duration. The NGOs accuse AAL's subsidiaries of land grabbing and forced displacement, lacking proper permits, operating outside their concessions, operating without free, prior and informed consent (FPIC), repressing and criminalizing the local communities, as well as polluting local water sources and illegally clearing 255 ha of a protected forest zone. In August 2022, a report published by an independent third party broadly affirmed the allegations, although to a lesser extent. In February 2023, the Indigenous Kaili Tado community sent a letter to Certified Sustainable Palm Oil Watch (CSPO Watch) denouncing 30 years of abuses at the hands of PT Mamuang. They accuse the company of desecrating a grave, destroying its gardens and its meeting house, and taking land they needed for agriculture. FoE and WALHI claim that the actions of AAL's subsidiaries have negatively impacted the livelihoods of the local communities, who have allegedly faced decades of repression and intimidation. In September 2022, an open letter written by the affected communities and signed by 55 NGOs decried the ongoing criminalization, human rights abuses and land grabbing by AAL's subsidiaries. Several companies—including Nestlé, Hershey and PepsiCo—have since ended their business relationship with AAL, citing the allegations as the reason.

Change Objective:
PT Astra Agro Lestari Tbk should provide remedies to the affected communities and mitigate environmental damages. The company should implement a comprehensive sustainability due diligence programme to prevent adverse impacts on the environment and human rights, in particular land rights of indigenous peoples.

ALLIED UNIVERSAL MANAGER LLC

Norm Area:
Labour Rights

Incident Location:
Qatar

Issue:
Forced Labour

Incident Summary:
G4S was acquired by Allied Universal in April 2021, creating one of the largest private security companies in the world, employing approximately 800,000 people. In November 2019, Norway's Council on Ethics for the Government Pension Fund Global (an independent body appointed by the Norwegian Ministry of Finance to provide evaluations on the consistency of the fund's investments with ethical guidelines) revealed that G4S was contributing to labour rights violations in Qatar and the United Arab Emirates (UAE). On-site studies conducted by the Council in both countries between 2016 and 2018 alleged that migrant workers from India, Pakistan and Nepal routinely paid fees to recruitment agencies hired by G4S, and that some of the workers had to take loans in their home countries to be able to afford these fees. According to the Council's study, when the workers arrived in Qatar and the UAE, they had to spend a significant portion of their salary to pay off the debt. Additionally, many of the workers received far lower wages than agreed and, in the UAE, the workers stated that their employers took their passports away from them. The Council's investigations also revealed long working days, irregularities in overtime payments, and instances of harassment. On the day when the exclusion was announced, 14 November 2019, G4S published a statement claiming that it had investigated the issues raised by the Council and that it was making progress on improving its employment practices. Separately, in December 2021, a report by the Geneva Graduate Institute (GGI) linked G4S to three Kenya-based recruiters who charged G4S Qatar migrant workers recruitment fees.

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

CENCORA, INC.

Norm Area:
Human Rights

Incident Location:
United States

Issue:
Consumer Interests - Human Rights

Incident Summary:
Cencora, previously AmerisourceBergen, one of the largest distributors of pharmaceuticals in the US, has faced allegations that it contributed to widespread opioid addiction in the US by failing to report on suspicious opioid orders (e.g. unusual in size, frequency or pattern, or raising other concerns, such as the legitimacy of a customer's business practices). In December 2022, the US Department of Justice (DOJ) filed a civil complaint alleging that Cencora and two of its subsidiaries, AmerisourceBergen Drug Corp. (ABDC) and Integrated Commercialization Solutions (ICS), have violated the US Controlled Substances Act from 2014 through the present by failing to report "at least hundreds of thousands" of suspicious orders of controlled substances, including opioids, to the US Drug Enforcement Administration (DEA). The DOJ cited examples of five pharmacies for which the three companies were reportedly aware of significant "red flags", indicating a diversion of prescription drugs to illicit markets. According to the DOJ, the companies continued to distribute drugs to those pharmacies for years and reported few suspicious orders to the DEA. The complaint also alleges that Cencora relied on "deeply inadequate", both in design and implementation, internal systems to identify suspicious orders. According to the DOJ, its complaint is separate from the USD 6.4 billion settlement agreement reached by Cencora with US states and territories in February 2022 to resolve over 3,300 lawsuits. The lawsuits alleged that the company failed to report suspiciously high orders of opioids. Cencora states in its Q1 2023 quarterly report that as of 31 December 2022, the settlement (which became effective in April 2022) included 48 of 49 eligible states and all five eligible US territories. Also, it covers 99% of the population in the eligible political subdivisions (municipalities and counties) within the states and territories that settled. Alabama is not part of the global settlement.

Change Objective:
Cencora should ensure that there are robust governance, compliance, and risk management systems in place. These should address marketing practices, the disclosure of risks from its products, and ethical business practices such as, demonstrated enhancements to anti-diversion systems, and compliance with regulatory requirements.

CHINA BAOWU STEEL GROUP CORP. LTD.

Norm Area:
Labour Rights

Incident Location:
China

Issue:
Forced Labour

Incident Summary:
China Baowu Steel Group (China Baowu) is a Chinese state-owned enterprise (SOE) and a large producer of steel parts for the automotive industry, among others. In December 2022, Sheffield Hallam University (SHU) released a report documenting the automotive industry's links to forced labour in Xinjiang. The SHU report noted that China Baowu is "prolifically employing labour transfers" through China's state-run labour transfer programmes. The Office of the UN High Commissioner for Human Rights (OHCHR) noted in its August 2022 assessment on Xinjiang that there are indications that the programmes involve elements of coercion. According to Chinese state media articles referenced by the SHU report, in 2017, China Baowu's subsidiary, Xinjiang Bayi Iron and Steel (Bayi), was one of six companies that altogether received 264 "ethnic minority urban and rural surplus labourers" from Kashgar and Hotan (that have a Uyghur majority population). Also, Bayi was one of 26 SOEs that altogether "absorbed" 10,680 "surplus labourers" from those areas in 2017. Moreover, China Baowu states in its 2019 and 2020 CSR reports that Bayi transferred 2,651 people for employment in Xinjiang, in 2019, and "arranged employment" for "a total of 364 labourers from poor families in Kashgar, Hotan and Kezhou" in 2020. According to Bayi's 2021 CSR report, between 2017 and 2020, its subsidiary, Xinjiang Bagang Metal Products, "employed 1,141 people", transferred from several counties in Hotan and Kashgar. Notably, the training content delivered by the company to the transferred workers indicates political indoctrination. Another subsidiary of China Baowu, Xinxing Casting Pipe, transferred 57 people for employment in Xinjiang in 2021. Furthermore, the SHU report noted that Bayi and Xinxing Casting Pipe participated in other forms of repressive government programmes, such as the Fanghuiju programme under which employees of government agencies and SOEs monitor the behaviour of ethnic minorities in Xinjiang.

Change Objective:
China Baowu should identify, prevent and eliminate the risk and incidence of forced labour in all its operations. The company should monitor and work with its subsidiaries to protect human rights and provide access to remedy to all workers, especially vulnerable groups. It should increase the disclosure of policies and practices on labour rights.

POSCO INTERNATIONAL CORP.

Norm Area:
Human Rights

Incident Location:
Myanmar

Issue:
Involvement With Entities Violating Human Rights

Incident Summary:
POSCO International (POSCO), a subsidiary of POSCO Holdings, holds an operational stake in a major gas project via a production-sharing contract with Myanmar Oil and Gas Enterprise (MOGE), a Myanmar state-owned oil and gas company. On 1 February 2021, the Tatmadaw (Myanmar's military) overthrew the country's democratically elected government in a coup d'état after detaining the state counsellor, Aung San Suu Kyi, and the country's president, Win Myint, as well as other leaders of the ruling National League for Democracy (NLD). The international community has widely condemned the coup. The military established the State Administration Council (SAC), chaired by Myanmar's prime minister, Min Aung Hlaing, and took control of MOGE through the ministry of electricity and energy. According to several independent sources, the oil and gas sector, through MOGE, generates substantial revenue for the country's government, estimated to total USD 1.5 billion annually. In February 2022, the EU imposed targeted economic sanctions on MOGE, arguing that it "generates revenue for the Tatmadaw, therefore contributing to its capabilities to carry out activities undermining democracy and the rule of law in Myanmar." According to several reports by the UN Independent International Fact-Finding Mission on Myanmar and the UN Independent Investigative Mechanism for Myanmar (IIMM), as a result of the military campaign in Rakhine in 2017, over 850,000 members of the Rohingya ethnic minority were displaced and thousands were killed. The fourth Report of the IIMM in August 2022 concluded that between June 2021 and June 2022, the scope of potential international crimes committed by the military broadened dramatically with "ample indications that since the military takeover in February 2021, the crimes against humanity of murder; torture; deportation and forcible transfer; rape and other forms of sexual violence; persecution; and imprisonment have been committed."

Change Objective:
POSCO International should undertake human rights due diligence of its operations in Myanmar adopting approaches recognized by the international community, satisfying itself that it is not complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership. The company should ensure that its disclosures reflect the commitments it has made to deliver effective human rights assessments.

New Disengage

COMPANY	LOCATION	ISSUE	PREVIOUS ENGAGEMENT STATUS	RELATED COMPANY	QUARTER
China Evergrande Group	China	Business Ethics	None	Evergrande Property Services Group Ltd., China Evergrande New Energy Vehicle Group Ltd.	Q4
Turkiye Halk Bankasi AS	Turkey	Fraud	Engage	Halk Gayrimenkul Yatirim Ortakligi AS	Q4
China Petrochemical Corp.	China	Involvement With Entities Violating Human Rights	Engage	China Petroleum & Chemical Corp., Sinopec Kantons Holdings Ltd.	Q3
NLC India Ltd.	India	Occupational Health and Safety	Engage	None	Q3
STARK Corp. Public Co. Ltd.	Thailand	Accounting and Taxation	None	None	Q3
Société Financière des Caoutchoucs SA	Luxembourg	Activities Resulting in Adverse Human Rights Impacts	Engage	Société de Caoutchoucs de Grand-Bereby, Socfinaf SA, Socfinasia SA	Q2
The Okomu Oil Palm Co. Plc	Nigeria	Activities Resulting in Adverse Human Rights Impacts	Engage	None	Q2
Americanas SA	Brazil	Accounting and Taxation	None	Lojas Americanas SA	Q1
Orascom Investment Holding SAE	Egypt	Involvement With Entities Violating Human Rights	Engage	None	Q1
Tongaat-Hulett Ltd.	South Africa	Accounting and Taxation	Engage	None	Q1

New Disengage - Details

AMERICANAS SA

Location:
Brazil

Issue:
Accounting and Taxation

Summary:
Americanas SA admitted to the discovery of “accounting inconsistencies” totaling USD 5.2 billion, which has resulted in the company facing bankruptcy.

Reason:
Non-Engageable

Comment:
Since the company is in significant financial distress, Morningstar Sustainalytics has classified the company as non-engageable and decided to assign a ‘Disengage’ case status.

CHINA EVERGRANDE GROUP

Location:
China

Issue:
Business Ethics

Summary:
China Evergrande Group is involved in a financial misconduct scandal after it misappropriated USD 2 bn that had been pledged by its clients as deposits for future homes. It filed for bankruptcy in the US in August 2023.

Reason:
Non-Engageable

Comment:
Since the company is in significant financial distress, Morningstar Sustainalytics has classified the company as non-engageable and decided to assign a ‘Disengage’ case status.

CHINA PETROCHEMICAL CORP.

Location:
China

Issue:
Involvement With Entities Violating Human Rights

Summary:
China Petrochemical Corporation (Sinopec Group) is complicit in human rights abuses through its business relationships in several conflict-affected and high-risk areas.

Reason:
Non-Engageable

Comment:
Since the company is a majority state-owned entity by the China State-owned Assets Supervision and Administration Commission, Morningstar Sustainalytics has classified the company as non-engageable and decided to assign a 'Disengage' case status.

NLC INDIA LTD.

Location:
India

Issue:
Occupational Health and Safety

Summary:
In mid-2020, two separate boiler explosions at one of NLC India's thermal power plants killed a total of 20 of the company's workers.

Reason:
Low Performance

Comment:
Due to the company's lack of communication over two years, and insufficient of evidence that the company has improved its health and safety standards, Morningstar Sustainalytics decided to assign a 'Disengage' case status.

ORASCOM INVESTMENT HOLDING SAE

Location:
Egypt

Issue:
Involvement With Entities Violating Human Rights

Summary:
Orascom Investment Holding S.A.E. is considered complicit in human rights violations due to its involvement in a large-scale telecommunications project in North Korea.

Reason:
Low Performance

Comment:
Due to the company's lack of meaningful dialogue over two years, and lack of disclosure on its approach to human rights risk, Morningstar Sustainalytics decided to assign a 'Disengage' case status.

SOCIÉTÉ FINANCIÈRE DES CAOUTCHOUCS SA

Location:
Cameroon

Issue:
Activities Resulting in Adverse Human Rights Impacts

Summary:
The company has repeatedly been criticized for abuses of the rights of local populations at its subsidiaries' plantations in Liberia, Nigeria, Sierra Leone, Cameroon and Cambodia.

Reason:
Low Performance

Comment:
Due to the company's lack of meaningful dialogue over two years and continued exposure to community relations issues, Morningstar Sustainalytics decided to assign a 'Disengage' case status.

STARK CORP. PUBLIC CO. LTD.

Location:
Thailand

Issue:
Accounting and Taxation

Summary:
Stark Corp. and its former executives have been charged with financial misconduct for allegedly manipulating the company's financial statements.

Reason:
Non-Engageable

Comment:
Since the company is in significant financial distress, an engagement dialogue is assumed to be of low corporate priority. Therefore, Morningstar Sustainalytics decided to assign a 'Disengage' case status.

THE OKOMU OIL PALM CO. PLC

Location:
Nigeria

Issue:
Activities Resulting in Adverse Human Rights Impacts

Summary:
Okomu's operations in Nigeria and its parent company's operations, mainly in Liberia, Sierra Leone and Cameroon, have been repeatedly criticized for violating local communities' human rights.

Reason:
Low Performance

Comment:
Due to the company's lack of meaningful dialogue over two years and continued exposure to community relations issues, Morningstar Sustainalytics decided to assign a 'Disengage' case status.

TONGAAT-HULETT LTD.

Location:
South Africa

Issue:
Accounting and Taxation

Summary:
Tongaat has admitted to misstatements in its accounting, which resulted in the suspension of the company's shares and a significant restatement of its 2018 annual financial reporting.

Reason:
Non-Engageable

Comment:
Since the company is in significant financial distress, Morningstar Sustainalytics has classified the company as non-engageable and decided to assign a 'Disengage' case status.

TURKIYE HALK BANKASI AS

Location:
Turkey

Issue:
Fraud

Summary:
Turkiye Halk Bankasi AS has been charged by the US Department of Justice with fraud, conspiracy and money laundering in relation to its business operations with Iran.

Reason:
Low Performance

Comment:
Due to lack of meaningful dialogue and very limited information regarding the steps the bank has taken in relation to the US charges, Morningstar Sustainalytics decided to assign a 'Disengage' case status.

New Associated

COMPANY	LOCATION	ISSUE	RELATED COMPANY	QUARTER
DWS Investment SA	Luxembourg	Money Laundering	Deutsche Bank AG.	Q4
EDP Servicios Financieros España SA	Spain	Bribery and Corruption	EDP-Energias de Portugal SA	Q4
Paper Excellence Canada Holdings Corp.	Canada	Land Use and Biodiversity	Golden Agri-Resources Ltd	Q4
Sinochem Holdings Corp. Ltd.	China	Quality and Safety	Syngenta AG	Q4
Danske Bank	Norway	Money Laundering	Danske Bank A/S	Q3
HUYA, Inc.	China	Involvement With Entities Violating Human Rights	Tencent Holdings Ltd.	Q3
New Century Resources Ltd.	Australia	Occupational Health and Safety	Sibanye Stillwater Ltd	Q3
Saudi Aramco Base Oil Co.	Saudi Arabia	Involvement With Entities Violating Human Rights	Saudi Arabian Oil Co	Q3
Jardine Cycle & Carriage Ltd.	Singapore	Community Relations	PT Astra Agro Lestari Tbk	Q2
Jardine Matheson Holdings Ltd.	Bermuda	Community Relations	PT Astra Agro Lestari Tbk	Q2
Opiant Pharmaceuticals, Inc.	United States	Consumer Interests - Business Ethics	Indivior PLC	Q2
Provention Bio, Inc.	United States	Quality and Safety - Human Rights	Sanofi	Q2
PT Astra International Tbk	Indonesia	Community Relations	PT Astra Agro Lestari Tbk	Q2
China North Industries Group Corp. Ltd.	China	Cluster Weapons	China North Industries Corp.	Q1

New Associated (cont.)

COMPANY	LOCATION	ISSUE	RELATED COMPANY	QUARTER
China North Industries Group Corp. Ltd.	China	Involvement With Entities Violating Human Rights	China North Industries Corp.	Q1
CNPC Capital Co., Ltd.	China	Involvement With Entities Violating Human Rights	China National Petroleum Corp.	Q1
Crown Resorts Ltd.	Australia	Money Laundering	Blackstone, Inc.	Q1
LTIMindtree Ltd.	India	Nuclear Weapons	Larsen & Toubro Ltd	Q1
Power Construction Corp. of China	China	Controversial Project(s) - Environmental and Human Rights Impacts	Power Construction Corporation of China, Ltd	Q1

New Archived

COMPANY	LOCATION	ISSUE	PREVIOUS ENGAGEMENT STATUS	RELATED COMPANY	QUARTER
Aeroteh SA	Romania	Cluster Weapons	Disengage	None	Q4
Lotte Corp.	South Korea	Business Ethics	Engage	*Full list of related companies at end of table	Q4
Roketsan Roket Sanayii ve Ticaret AS	Turkey	Cluster Weapons	Disengage	None	Q4
Elbit Systems Ltd.	Israel	Society - Human Rights	Disengage	None	Q3
Hanergy Mobile Energy Holding Group Co., Ltd.	China	Accounting and Taxation	Disengage	None	Q3
Kangde Xin Composite Material Group Co., Ltd.	China	Accounting and Taxation	Disengage	None	Q3

New Archived (cont.)

COMPANY	LOCATION	ISSUE	PREVIOUS ENGAGEMENT STATUS	RELATED COMPANY	QUARTER
Kangmei Pharmaceutical Co., Ltd.	China	Accounting and Taxation	Disengage	None	Q3
PT FKS Food Sejahtera Tbk	Indonesia	Consumer Interests - Business Ethics	Engage	None	Q3
Punjab National Bank	India	Fraud	Disengage	None	Q3
Suruga Bank Ltd.	Japan	Business Ethics	Engage	None	Q3
Bank of Baroda	India	Money Laundering	Engage	None	Q2
Formosa Taffeta Co., Ltd.	Taiwan	Labour Rights - Operations	Engage	Formosa Chemicals & Fibre Corp.	Q2
Li Ning Co., Ltd.	China	Forced Labour - Supply Chain	Engage	None	Q2
Lu Thai Textile Co., Ltd.	China	Labour Rights	Engage	None	Q2
Page Industries Ltd.	India	Labour Rights	Engage	None	Q2
ZTE Corp.	China	Involvement With Entities Violating Human Rights	Engage	None	Q2
Motorola Solutions, Inc.	United States	Society - Human Rights	Disengage	None	Q1
OFILM Group Co., Ltd.	China	Forced Labour	Engage	None	Q1

**Lotte Chemical Corp.; Lotte Chemical Pakistan Ltd.; Lotte Chilsung Beverage Co., Ltd.; LOTTE DATA COMMUNICATION Co.; LOTTE Fine Chemical Co., Ltd.; LOTTE Himart Co., Ltd.; Lotte Non-Life Insurance Co., Ltd.; Lotte Shopping Co., Ltd.; Lotte Wellfood Co., Ltd.*

Engagement Statuses

Engage	This status flags incidents by Global Standards Screening (companies assed 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-occurence.	
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/industy 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 chnage 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 resouces confirming ongoing company involvement in the controversies.	

Operating in Conflict Settings – Should Companies Responsibly Exit or Remain?



Joe Attwood
Associate Director
Stewardship

In August 2023, the United Nations Office for the High Commissioner on Human Rights (UNOHCR) published a guidance note discussing issues businesses should consider when proposing to remain in or exit from challenging country contexts (this being defined as a country in conflict or one where the regulatory system is such that human rights abuses are more likely to be at risk of occurring). Similarly in June the OECD published updated guidance[ii] with specific reference to responsible engagement and disengagement relating to companies operating in conflict settings. With the conflict in Europe as well as in the Middle East, there is a heightened focus on the activities of businesses and whether they are knowingly or not contributing to human rights violations. The content of the guidance note was discussed at one of the sessions at the Forum for Business and Human Rights earlier this year with some interesting perspectives from two of the speakers, perspectives that largely align with our own as we progress with engagements in this area.

In effect to responsibly remain or to exit, exiting being either to remove operations from a country or to break with a business relationship, a company must understand whether by doing so it is causing or contributing to human rights violations. To achieve this with the clarity as required in the UN Guiding Principles, it needs to be operating a human rights due diligence. If the due diligence identifies impacts, then the company should take actions to prevent and to give remedy to those who have suffered. For challenging contexts this due diligence should be enhanced with the provision of conflict sensitivity assessments to provide input that informs of the dynamics that have created or are contributing to the conflict, providing increased contextual assessments to better inform decisions. This is to prevent accidental harm being caused by, for example, providing resource to armed militia through the provision of security arrangements or through the payment of royalties to regimes accused of human rights violations.

Discussions within the Forum for Business and Human Rights recommended that any business planning to do business in a challenging environment should plan its exit strategy alongside its entry strategy. This makes good sense. An exit strategy would be a living document, informed like any credible risk register with new information as it becomes relevant, as the context changes. Ideally it would incorporate the views of stakeholders including workers both within the business and within the supply chain to ensure that potential negative impacts and risks can be identified and responded to. If assets are to remain an exit strategy would identify who to transfer these to, favouring those organizations who can exhibit responsible behaviours. Selling to the highest bidder runs counter to the expectations of responsibility as rights are often overlooked as profits are maximized.

For investors, a similar level of oversight should be applied to assess and avoid the potential negative impacts of disinvestment. Effective stewardship that includes disinvestment as the final option is likely to be more effective than simply walking away. This becomes especially relevant where the business has chosen to remain and the investment is essential to keep it viable, therefore providing employment and security. Responsible remaining demands high levels of transparency from businesses to ensure that stakeholders remain credibly informed of how the business is responding to the challenges and ensuring that it is not complicit in human rights violations. The UN Guiding Principles make it clear that without this transparency and where complicity is suspected the business must take the consequences.

Within our engagements we are seeing business activities across the spectrum of expectations for responsible practice. POSCO, a South Korean conglomerate, has operations in Myanmar and has decided to 'responsibly remain', citing that the welfare of their staff, and their continued employment, is one of their priorities. Constructive and meaningful engagement with the company has focused on the delivery of human rights due diligence, the first for the company. The learning from this activity is significant to the company, not only allowing ensuring it can deliver on its commitments but that it also recognizes the need for increased resourcing, both internally and using consultants to deliver an effective response.

Again, this reflects comments made at the Forum that observations of company readiness and capacity to be able to respond to a worsening operating environment are generally low. Awareness of what actually is an enhanced human rights due diligence, from our own experience, is also very low. However, the desire to 'do the right thing' is notable, and whilst some companies are less proactive than others, they are all reassuringly listening and responding to the call for greater awareness and responsibility, whether they are exiting or remaining.



AI is Changing the World of Work: What Does This Mean for Workers Rights?



Qiaochun Juliette Li
Manager
Stewardship

The hype surrounding Artificial Intelligence (AI) has reached its zenith in recent years, accompanied by a heightened awareness of its potential impact on humanity. While much of the discourse has focused on the risks AI poses to all human beings, particularly in relation to product risks, this article seeks to explore a relatively less-discussed aspect: the influence of AI on the workforce.

To delve into the question of AI impact on workers, we need to examine what AI is and understand how it will change the world of work. The general consensus is that AI is a technology that utilizes machine-based systems to perform tasks that the human mind can, in principle, accomplish. Technology, including AI, is not an isolated entity. The success of any technology relies on sufficient knowledge of the tech and an understanding of the social, political and economic operational environment.

AI comes in various forms based on capabilities and functionalities. One type that has recently gained much attention in the media is generative AI. Generative AI can learn from extensive data sets to produce content like text, images, and music. It can even generate program codes based on prompts. Generative AI finds numerous applications in business. For instance, in the manufacturing sector, it can aid in innovating new products, enhancing product quality, and preventing equipment failures.



Eliot Bianco
Manager
Stewardship

In the face of AI reshaping the workplace, the spotlight falls on the crucial issue of workers' rights. As AI's automation and machine learning capabilities lead to job displacement, the primary concern becomes the need for a fair transition for affected workers. Job security takes centre stage, necessitating a careful balance between AI implementation and human oversight to prevent biased decision-making.

Generative AI is likely to complement some jobs and industries rather than replace them, where automation exposure is low. However, the International Labour Organisation (ILO) suggests that the impact of generative AI will be more pronounced in high-income countries than in low-income ones. Additionally, the number of female workers expected to be affected by AI is projected to be double that of their male counterparts, owing to women's predominant employment in clerical work.

Certain sectors, including food and beverage, textile and garment, and electronics products, are less susceptible to automation due to the nature of their work, which involves transforming raw materials into finished goods. These processes necessitate human skills such as precision and craftsmanship, which are not easily replaceable by generative AI in the near future.

While it is true that automation may not fully replace jobs in manufacturing, it does not mean that workers in these sectors are immune to its effects. The impact can vary depending on the specific application of AI. For example, if AI surveillance technology is used in the workplace, it could potentially infringe on employees' privacy and could facilitate retaliation. Similarly, employing biased AI for performance evaluations could exacerbate issues of discrimination and inequality in promotions and compensation.

Reflecting on historical examples, such as the Industrial Revolution, unveils pertinent insights into the challenges and opportunities tied to technological shifts. Much like the disruptions of traditional roles during that era, the introduction of AI prompts a call for proactive measures to address the socio-economic impacts on the workforce. Collaborative efforts among policymakers, businesses, and worker representatives are essential, mirroring historical approaches that evolved workers' rights during significant technological changes.

The lens of accountability becomes critical as AI systems make decisions impacting workers. Striking a balance between human intervention and AI autonomy is paramount to ensure fair and just outcomes. Collaboration among stakeholders remains key to achieving this balance, prompting the need to update labour laws, establish guidelines for AI implementation, and foster ongoing dialogue that centres on protecting and enhancing workers' rights.

It is clear that AI poses both a benefit and a risk to society. As legislation races to catch up with the applications of the technology the focus will be on ensuring responsible application from companies requiring scrutiny from investors and from our own engagements.

Many companies prioritize disclosing AI-related risks concerning their products and services, often neglecting reports on AI's impact within their own workplace. For instance, a company we are currently engaging with has publicly shared its policy on responsible AI. The company disclosed that it applies AI in its retail stores, which saved operational costs. However, there is a lack of information on how AI applications have affected employees in terms of job loss, income, working hours, and job satisfaction.

In light of this, we believe that investors and Sustainalytics play a crucial role. By encouraging companies during our engagement to disclose data on how AI has influenced the lives of their employees, we can foster transparency. While the forthcoming EU AI Act addresses high-risk applications, the rapidly evolving nature of AI implies that risks can change swiftly. It is imperative for us and investors to advocate for increased transparency among companies in their approaches, allowing civil society and regulatory bodies to maintain effective oversight.



Social Media and Online Platforms: Focus on Content Moderation and Online Safety for Children



Matthew Barg
Associate Director
Stewardship

The breadth and depth of opportunities for children to interact online—social media platforms, video sharing and streaming platforms, gaming platforms, education platforms, messaging and communication apps, and more—proliferates and can be expected to continue to do so, as can the exposure of children to digital media. A survey of screen time by teens and tweens in the U.S. found that screen use by this cohort increased by 17% from 2019 to 2021, a faster rate than in previous years.[iii] Estimates suggest that one in three children, globally, is a user of the internet.[iv] The International Telecommunication Union (ITU) publishes data showing that, across all geographies, the percentage of youth (those aged 15 to 24) using the internet outpaces all other age groups.

The dialogue over risks, impacts, and responsibilities matters. The United Nations Convention on the Rights of the Child (CRC) recognizes the right of children to protection from exploitation and harmful influences. The CRC extends this expectation to include the digital environment. In October 2023, 41 U.S. state attorneys general filed suit against Meta claiming its social media platforms—Facebook and Instagram—were creating a youth mental health crisis.[v] The lawsuit claims that Meta intentionally undermined young users' safety because of profit motives. In November 2023, a court allowed a lawsuit filed by school divisions in the U.S. to proceed against Meta, ByteDance, Alphabet, and Snapchat (alleging their social platforms have adverse mental health effects on children).[vi]

Platforms hold a key responsibility in managing impacts of their products. However, considering the abundance of opportunities for children to be online it is impossible to point to a single company as solely responsible. In December 2023, Instagram (i.e., Meta) launched a campaign declaring its interest in work with U.S. congress on federal legislation that would give parents approval rights on app downloads for children under 16-years of age. In the campaign, Meta pushed responsibility for app download oversight towards app platforms (e.g., Google and Apple) and pandered to the challenge parents experience in making decisions regarding their children's online life. The campaign could be seen as a response to the lawsuits and as an effort to apportion accountability to other stakeholders.

It often feels as though regulators are playing catch-up with platforms however there are indications that they are responding, as are non-governmental stakeholders. As of September 2023, the UK Online Safety Bill had passed final readings and was awaiting passage into law. In the US, the Children's Online Privacy Protection Act (COPPA) is in place to impose requirements on Internet service providers serving children under 13 years of age. The U.S. surgeon general has also stated that social media may pose a health risk to children.[vii] Recently China announced a severe limitation on the amount of time children can game on line to, claiming that on line games are 'spiritual opium'.[viii] Civil society is also active in defining the issue and providing insight that can inform standards. The Global Kids Online network looks at the impact, positive and negative, that the internet and online technologies has on children and has published research on the issue.[ix] The DQ Institute publishes its Child Online Safety Index through which it aims to provide insight to support policies that keep kids safe online.[x] There are growing calls from across society for a better understanding of the link between internet access and child mental health and there is an expectation that companies need to do more. ESG investors have their own role to play. Setting expectations of companies —whether via direct engagement to understand and drive better policies and practices, or via incorporation of child online safety criteria and consideration of corporate governance and reputational risks into investment decisions—is a prime activity. The investor community should also support advocacy and awareness initiatives, push for transparency and industry standards, and collaborate with other investors and stakeholders towards collective action on child online safety challenges.

Engagement Events

Roundtable on Culture and Compliance In Mining

Morningstar Sustainalytics strongly advocates addressing corporate culture as a key element in any transformation plan to address material ESG issues and in the last three years, the Global Standards Engagement team organized annual corporate culture–focused roundtables with sector specific groups. Discussions about conduct and culture were held in 2021 and 2022 with the bank sector where we brought international banks and institutional investors together to discuss why corporate culture matters and to share best practices on culture is at the foundation of responsible conduct, ethical decision-making and risk management. What Morningstar Sustainalytics' roundtable illustrated was that poor culture can lead to poor outcomes and material impacts for customers, stakeholders and communities.

Continuing with the theme of corporate culture and wanting to see whether the key lessons from the Banking Roundtables was applicable to other sectors, Morningstar Sustainalytics hosted an online roundtable discussion in November 2023 on the topics of corporate culture, ethics & compliance, and values in the mining sector. The roundtable involved the following engaged companies where we explored how they are applying "culture and compliance", as key drivers to improve performance in their material ESG issues:

- Glencore (Bribery & Corruption)
- Harmony (Health & Safety)
- Rio Tinto (Community Relations)
- Vedanta (Community Relations)

These companies are commended for acknowledging their shortcomings against international norms (particularly the UN Global Compact, UN Guiding Principles on Business and Human and the OECD Guidelines for Multinational Enterprises) and industry standards (such as the International Council on Mining and Metals principles and performance expectations). The Roundtable featured brief presentations by the engaged companies on their respective corporate journeys to achieve compliance with the norms and standards and initiatives for embedding an ethical culture. The companies and participating investors shared their perspectives and insights on some of the governance challenges and practices that promotes a compliance focused and values-based culture.

Some key takeaways from the Roundtable include:

- **Develop a clear plan and roadmap for transformational change:** Two of the companies presented on how they have designed their culture change plans containing an implementation roadmap and framework for transformation (of governance structures, responsibilities, risk management, policies and procedures, training, monitoring, compliance, audit and performance incentives) delivered positive results.
- **Leaders should function as role models for change:** One of the company's presented how their CEO and executive team have annual performance indicators for going to mining sites and meeting workers to talk about desired behaviours, values and ethics, and through these actions set the tone for the foundations of the corporate culture.
- **Assess and measure change:** One of the companies presented on how its compliance program was initiated with a baseline assessment, where levels of workplace culture and compliance was assessed, a vision of the ideal culture formulated and gap analysis undertaken to identify areas to strengthen and create key performance indicators to measure improvements.
- **Develop a compelling story that drives change:** Culture is hard to grasp and communicate and what one company found was that using stories and cartoons was a great way to get employees engaged in discussions about culture change. Through a bottom-up staff engagement process, compelling stories of change was gathered from across the company, and these stories were illustrated as cartoons to convey what the current culture was and what needs to transform and also how the future will look like in vivid visual language.

For previous corporate culture—focused roundtables with multi-stakeholder groups, please refer to blog posts on www.sustainalytics.com (Correlation of Business Ethics and Corporate Culture - 5 Lessons from the Banking Industry[xi] and Banks Embrace Corporate Culture as Change Agent[xii]).

Knowledge Sharing: Human Rights in Investment Practices

In August 2023, Morningstar Sustainalytics' Associate Director, Stewardship, Nigel Rossouw, discussed the role of engagement in promoting human rights at a knowledge-sharing session in Cape Town for Old Mutual Alternative Investments' employees.

Nigel spoke about how engagement as part of an active ownership strategy is key in dealing with contentious issues in contentious sectors. Pointing to an example of engagement in combination with voting, in sectors such as oil and gas and mining to secure Human Rights commitments, have proved particularly effective.

Nigel's key takeaway message: investors should embed consideration of human rights throughout the investment lifecycle. This can be accomplished by prioritizing opportunities for engagement and maximizing investor leverage to facilitate and incentivize respect for human rights.

OECD Global Anti-Corruption & Integrity Forum

The Organisation for Economic Co-operation and Development (OECD) held its 11th Global Anti-Corruption & Integrity Forum in Paris from 24-25 May 2023. Morningstar Sustainalytics' Nigel Rossouw, Associate Director of Stewardship Services, attended the forum with an aim to purposefully incorporate the multilateralism provided by the OECD into the work the Global Standards Engagement team does on business ethics controversies. The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct is a key document that the GSE team uses during engagement to hold companies accountable and drive improved performance towards international best practice. The OECD has updated those guidelines and launched its 2023 version.

The theme of the OECD Forum was "Action to Impact: Working together to strengthen integrity and fight corruption." The focus was on the public sector and business ethics and responsible business conduct, and there was a special spotlight on corruption and its impact on human rights.

Sessions in which Morningstar Sustainalytics actively participated included:

- Strengthening the partnership between the public and private sectors to combat corruption;
- Data analytics for assessing fraud and corruption;
- Corruption in critical mineral supply chains;
- Incentivising integrity in infrastructure;
- Due diligence in anticorruption and human rights;
- Developing effective whistleblowing systems.

Speakers at the forum, such as the OECD Secretary-General, the President of Costa Rica, and the US Department of State's Global Coordinator for Anti-Corruption, emphasized that governments have a responsibility to protect internationally recognized fundamental rights and to improve the functioning of markets through good governance and fair regulations. Other speakers, such as the Chair of Transparency International, and the President of Microsoft, spoke about the need for companies to adopt responsible business practices and emphasized that transparency is a precondition for monitoring and scrutiny.

Morningstar Sustainalytics' participation at the OECD Forum provided the Global Standards Engagement team an opportunity to verify that its internal engagement framework effectively covers all the measures for business integrity to combat corruption, which includes:

- Policies prohibiting corruption;
- Code of conduct;
- Ethics and compliance programmes;
- Oversight and leadership by the board of directors;
- Clear lines of responsibility at the executive team level;
- Business principles for ethics and integrity;
- Financial, accounting and procurement controls;

- Compliance officers with direct reporting lines to the board of directors;
- Information-technology safeguards;
- Monitoring and auditing.

Some key take-aways for Morningstar Sustainalytics to incorporate in its engagement include:

- Recognizing that corruption is a global issue and not something that can be effectively addressed by companies alone; there is a need for business to participate in collective action and multi-stakeholder anti-bribery and corruption initiatives.
- All companies require anti-bribery and corruption intervention, a cultural transformation and a network approach, because corruption exists in social networks and the entire network needs to be the recipient of anti-bribery and corruption measures.
- The "tone from the top" is critical for companies in order to effectively mitigate risks related to fraud, corruption and unethical behaviour.

We note that the approach that we have adopted to engagement not only conforms to the expectations set by the OECD in developing mitigation strategies to address corruption, but it actually goes one step further by recommending that companies implement preventative measures to effect systemic cultural change.

GRI Banking Sector Standard Technical Committee

In August 2023, GRI appointed Angela Flaemrich, Associate Director, Stewardship Services at Morningstar Sustainalytics, as one of 13 members of the multi-stakeholder GRI Banking Sector Standard Technical Committee.

She will advise and make recommendations over the next year on how to enhance GRI reporting and disclosure guidance for the global banking sector. She will identify sector-specific contextual matters in relation to sustainable development, likely material topics, instruments for alignment as well as the corresponding impacts and disclosures.

The Standard for Banking aims to cover a wide range of topics, including potential anti-corruption, data privacy, human rights, and climate change—that banks are involved with through their own operations as well as their financing and lending activities. The sector standard is one of the first of 40 GRI sector standards planned over the next few years.

The principal criterion for selecting members was relevant knowledge and experience of a broad range of sustainability issues for the financial services sector. In Stewardship Services, Angela specializes in covering Global Standards Engagements with banks, partnering with the world's leading asset owners and asset managers to foster constructive dialogues with global banks to achieve strong ESG engagement outcomes. Previously, she led the Financial Services Research team at Sustainalytics and was responsible for overseeing the issuance of ESG Risk Ratings on financial services companies worldwide. She brings deep subject matter expertise on business ethics issues for the sector (anti-money laundering, bribery & corruption prevention, whistleblower mechanisms, antitrust, fraud, and consumer rights), product governance and ESG integration.

Webinar with Vale

At the end of March 2023 we organized an interactive webinar with Vale, attended by 21 investor clients.

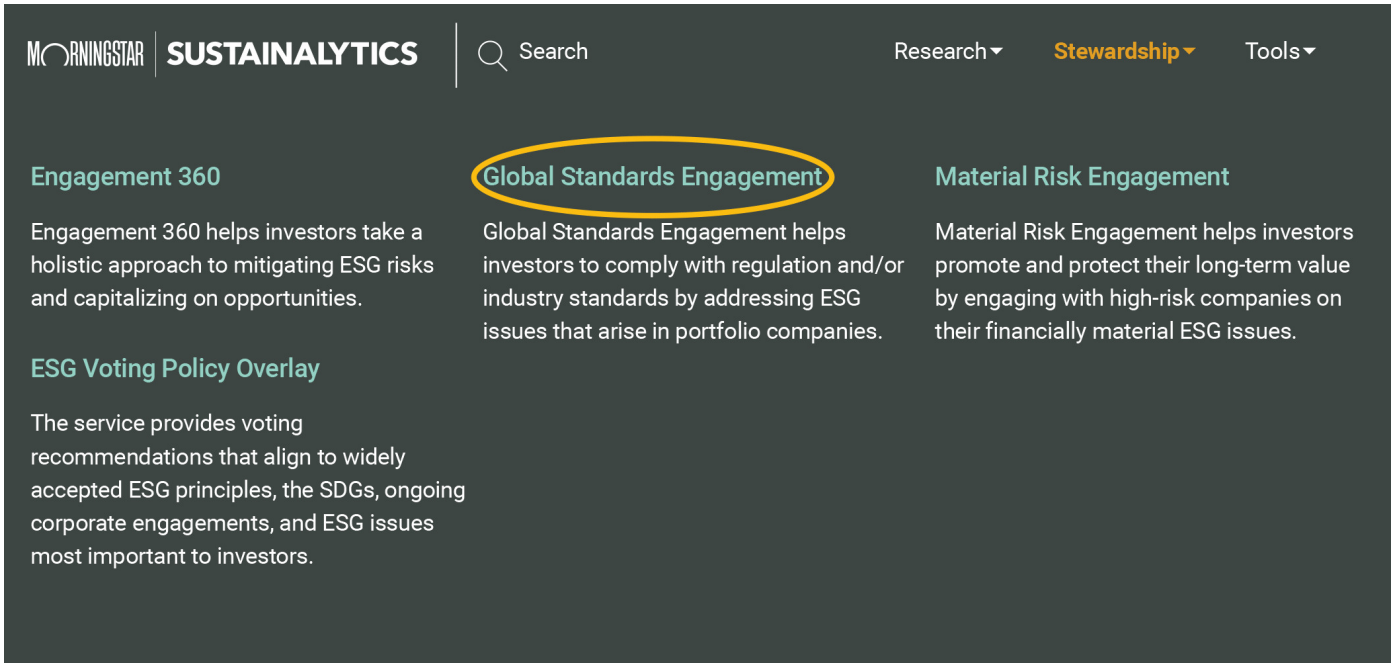
The webinar focused on the status and progress with the 2019 Brumadinho tailings dam collapse reparations process. Clients expressed their expectations that substantial work still needs to be undertaken to mitigate the environmental damage, support livelihoods restoration and re-build community trust.

Vale's Directors of Reparation and Territorial Development gave a comprehensive overview of how 58% of the 10-year Reparation Agreement (covering social, environmental, economic and infrastructure development) has been implemented and that dam safety initiatives are on track to achieve 100% compliance with the "Global Industry Standard for Tailings Management" by the end of 2023. In addition, water and sediment quality of the affected rivers have returned to pre-incident levels.

This Morningstar Sustainalytics' webinar enabled significant progress towards the engagement objectives by ensuring sharing of a broad scope of comprehensive data in a single engagement event.

How to Generate Reports from Global Access

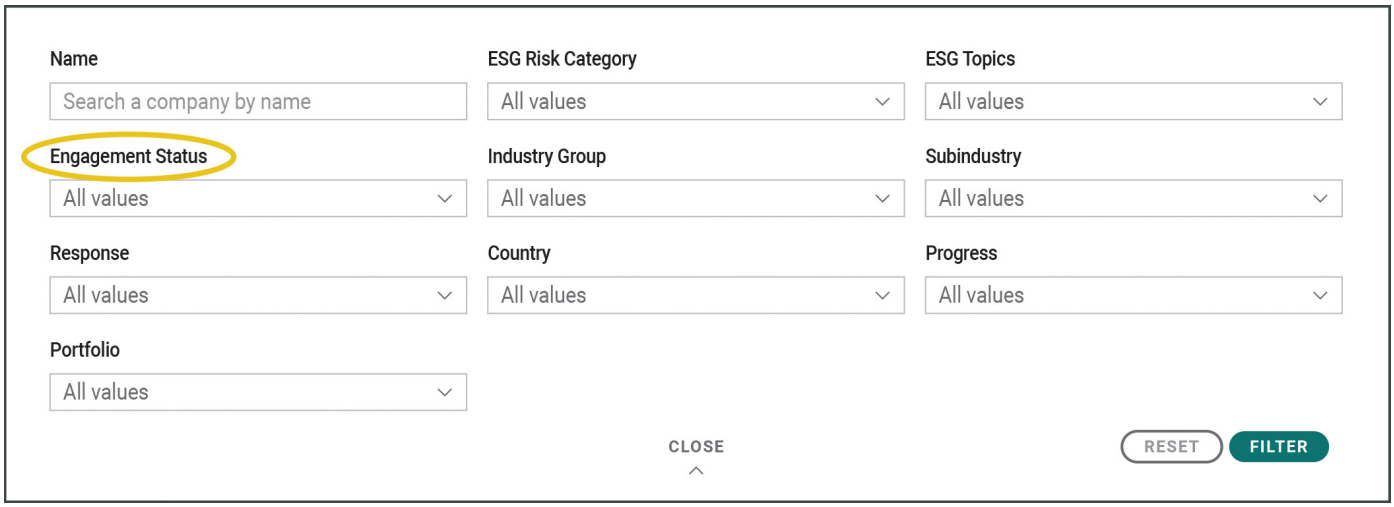
Clients have the opportunity to generate reports on their own through the online platform Global Access .



On the Global Standards Engagement landing page, scroll down to the search section to search for a specific company or filter by various criteria, including Norm, ESG topics, industry group, country, response, and progress .

Reports can be generated for an individual portfolio if a portfolio has been uploaded to the user's account in the Portfolios section under the Tools tab . Once a portfolio is uploaded, it is available under the Portfolio filter in the search section, in addition to other standard research universes .

To see the number of engagements in a portfolio, select Engage under the Engagement Status and the portfolio under Portfolio . This will produce a report that includes multiple data points for the companies selected.



Endnotes

i https://www.oecd-ilibrary.org/finance-and-investment/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_81f92357-en

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