



ENGAGEMENT REPORT

FOR THE YEAR ENDING
31 DECEMBER 2024

Credit investing involves a level of responsibility. When engaging with issuers, we seek reassurance that they are managing sustainability risks transparently and effectively, while also identifying and capitalizing on opportunities that may contribute to long-term value creation and resilience.



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EXECUTIVE SUMMARY

Welcome to our 2024 Engagement Report. In this second edition, we build on the foundation established in 2023, reflecting our continued commitment to transparent, outcome-oriented engagement. Over the past year, that commitment translated into tangible action: we engaged with 32 issuers, continuing 10 dialogues from the previous year and launching 22 new engagements in response to evolving sustainability risks and opportunities. With an impressive 88% issuer response rate and 60% of closed engagements achieving our intended engagement objectives, we view 2024 as a year of both strong outcomes and valuable lessons. These results are not incidental. They reflect our continued focus on prioritizing quality over quantity, engaging with issuers where meaningful outcomes are likely, and applying structured and tailored escalation process.

As part of our individual engagement efforts, we addressed a variety of themes, including the financing of weapons, infrastructure projects with potential adverse environmental and social implications, forced labor, and broader human rights matters. One of the most significant areas of progress was our thematic engagement on workforce pay disparities. Building on work from previous years, our 2024 engagement efforts were marked by two key developments that came to light in early 2025: one of our engagement targets publicly disclosed its newly adopted commitment to promoting equal pay, while another published data on its CEO pay ratio and gender pay gap. Our collective engagement efforts also progressed on several fronts. We participated in the CDP Non-Disclosure Campaign for the third consecutive year, serving as Lead Engager for the second time. This year, we advocated for improved climate-related disclosure with a US-based human resources services provider. Through our participation in the Workforce Disclosure Initiative (WDI), we encouraged more robust workforce-related disclosure from issuers.

Acknowledging the pivotal role of public policy in shaping sustainability outcomes, we updated our Engagement Policy and initiated the development of Policy Engagement Guidelines to guide our strategic direction. Policy engagement is a critical lever for tackling systemic challenges. In 2024, our efforts centered on topics such as the harmonization of sustainability reporting standards, the advancement of a legally binding global plastics treaty, and the promotion of coordinated, cross-government responses to the climate crisis.

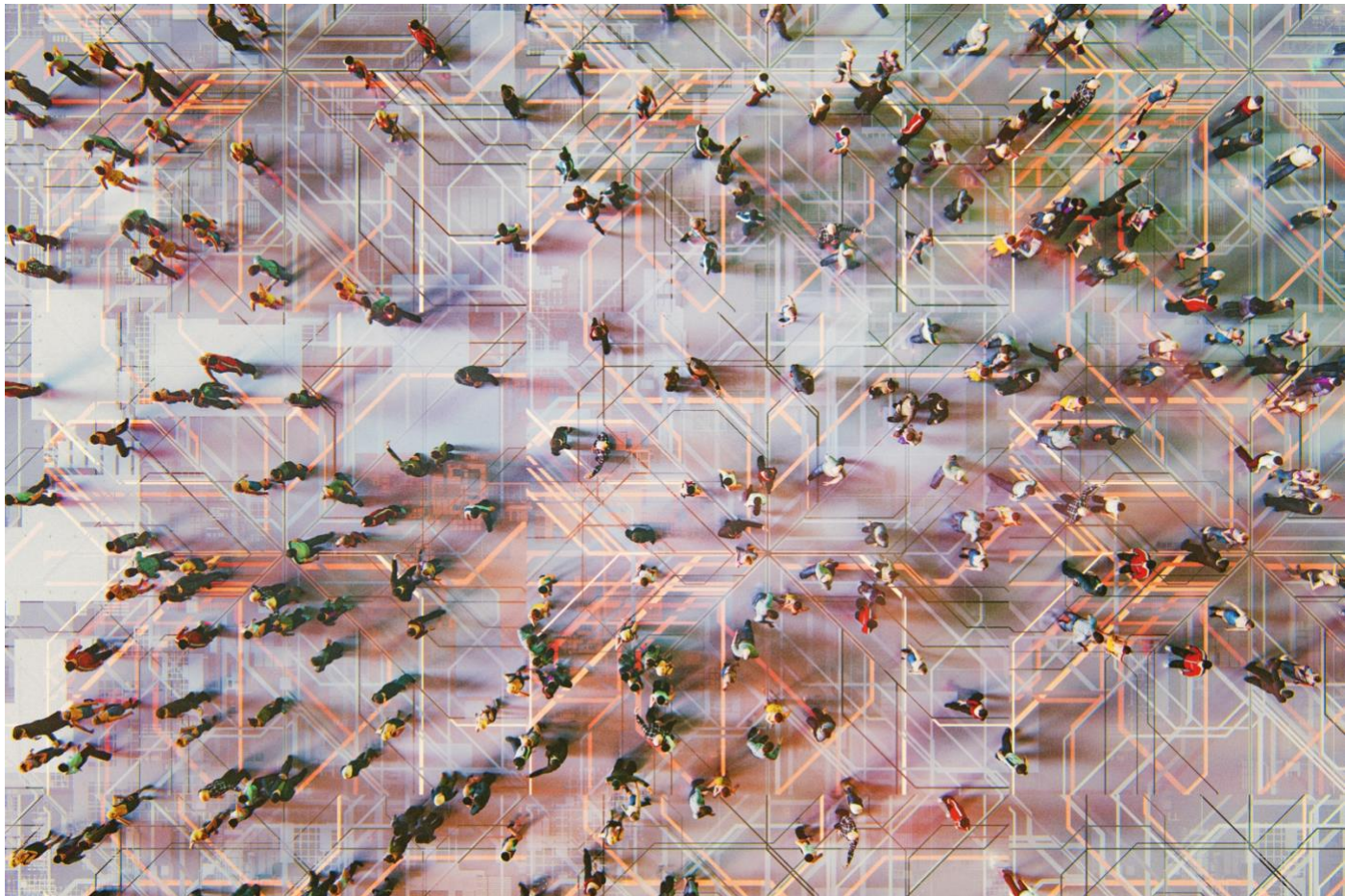
In 2024, we published our first standalone engagement report and participated in three roundtables hosted by the UN Principles for Responsible Investment (PRI) and the Asset Management Association Switzerland (AMAS) on the Swiss Stewardship Code. These roundtables provided valuable opportunities to exchange insights and best practices with peers, strengthening our approach and reinforcing our commitment to effective stewardship.

To guide readers through our 2024 engagement efforts, [Section 2](#) provides an overview of our engagement approach, outlining the methods and initiatives we undertake to support issuers' progress on sustainability practices and how these are integrated into our investment process.

Our 2024 engagement data is highlighted in [Section 3](#) and dissected in [Section 4](#), providing a more in-depth look into our individual and collaborative efforts.

In [Section 5](#), we feature a selection of case studies that illustrate the observable results of our engagements on environmental, social, and governance issues across diverse industries.

[Section 6](#) concludes with a review of our policy engagement initiatives and highlights our contributions to shaping industry and regulatory developments that support the adoption of sustainable business standards worldwide.



1 INTRODUCTION

Geopolitical tensions, economic uncertainty, and rapid technological shifts made 2024 a pivotal year for responsible investment efforts. Rising inflation and persistent wage stagnation continued to impact households across regions, while political priorities and evolving regulatory agendas gained prominence during what was widely dubbed the “Year of Elections”, with more than 70 countries heading to the polls. Artificial Intelligence (AI) became increasingly commonplace in business operations, while also raising new environmental, social and ethical questions for investors and stakeholders alike.

At the same time, the broader sustainability landscape became more fragmented. Critical perspectives towards ESG and DEI gained traction, and several major financial institutions opted to reconsider their participation in selected climate alliances. In the EU, work was initiated under the Omnibus Proposal to simplify disclosure and reporting regulation, marking the beginning of a phase of recalibration of policy priorities across the region. These developments underscore the evolving and often contrasting influences that continue to shape how sustainability is viewed and practiced across policymaking, business operations, and capital markets.

Yet even as these headwinds challenge the momentum of recent years, the foundational principles driving sustainable investing remain intact. If anything, the events of 2024, including record-breaking heat, devastating floods, and stalled progress on reducing extreme poverty, have only made sustainability challenges more visible¹. These challenges are not abstract risks; they can be material realities with direct consequences for companies, markets, and societies. For investors, addressing them is not a matter of values alone. It is, above all, a matter of sound risk management.



**CAROLINE DE LEEUW
DEN BOUTER**

*Head of Sustainability and member of
the Executive Board*

“Engagement means taking a stance. At ESG-AM, we are guided by international norms and values shaped over decades of global negotiation and collective agreement—reflected in frameworks such as human rights, labor rights, and the Sustainable Development Goals. These represent a rare and vital achievement: a shared foundation for sustainable development and responsible conduct. This common ground must not be taken for granted. In times of disruption and pushback, it requires both protection and active promotion. Our engagement work is anchored in a long-term vision—aligned with these international standards, committed to a just and prosperous future, and driven by perseverance and conviction.”


PETER JEGGLI

*Head of Portfolio Management and
member of the Executive Board*

"At ESG-AM, talking to bond issuers about sustainability isn't just a box we tick, it's a key part of how we invest. The conversations conducted by our Engagement Manager often reveal important risks and opportunities that may be overlooked by traditional financial analysis. For us as Portfolio Managers, that kind of insight is essential. It helps us to build more resilient credit portfolios and refine our investment strategies to enhance long-term, risk-adjusted returns. Our Sustainability and Portfolio Management teams work closely together to ensure that both the information gathered and positive changes that we achieve through engagement feed into our investment decisions. By actively engaging with issuers and encouraging better practices, we aim to protect our clients' investments while at the same time contribute to something bigger than just returns."

In an environment marked by political shifts, contested narratives, and increasingly diverging stakeholder expectations, proactive and informed dialogue with issuers helps investors to stay focused on long-term value creation. Thoughtful engagement contributes to promote transparency, encourage enhanced accountability, and enables companies to navigate uncertainty, supporting both sustainability goals and the resilience of investment portfolios. This is precisely why purposeful engagement is more essential than ever.

As we look to 2025, we aim to maintain the same level of ambition in our engagement activities – keeping the breadth of our work robust, continuing to tackle ongoing themes, while exploring emerging ones, especially in relation to the potential implications of AI.

As the sustainability landscape continues to evolve, our strategic direction remains clear. In a world of shifting priorities and persistent challenges, we remain committed to purposeful engagement – grounded in evidence, driven by outcomes, and focused on long-term value. Engagement is not about having all the answers; it's about asking the right questions, holding space for progress, and contributing to lasting positive change. The pages that follow illustrate how these guiding principles have been applied in practice throughout 2024.

2 OUR ENGAGEMENT APPROACH

At ESG-AM, engagement is an essential part of our toolkit for identifying investment opportunities, mitigating investment risks, supporting investees’ progress in sustainability-related performance, and supporting long-term value creation for our clients.



ESG-AM'S ENGAGEMENT

- Identifies investment opportunities and risks.
- Supports long-term value creation for clients and companies.
- Is informed by regulatory developments & industry best practice.
- Is thematic and SDG-based.
- Regards divestment as a last resort in escalation.

Achieving social and environmental sustainability objectives is at the core of ESG-AM’s Sustainable Investment Framework². The framework integrates a comprehensive approach to sustainable investing: norms- and values-based exclusions, targeted allocations towards specific Sustainable Development Goals, screening for social and climate-related criteria, monitoring of controversial incidents and adverse impacts, and engagement.

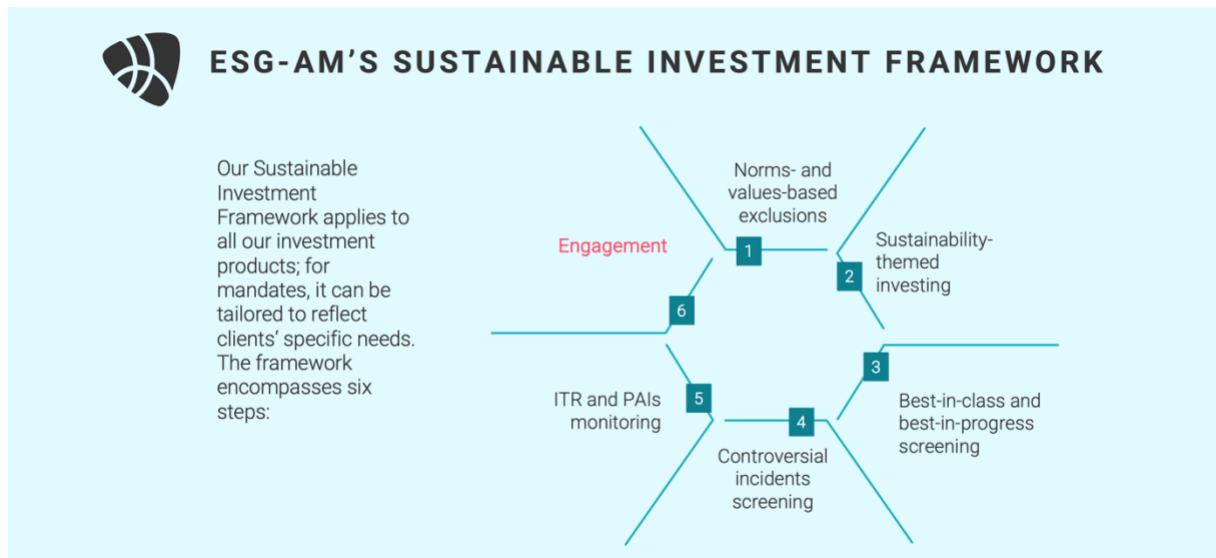


FIGURE 1: ESG-AM'S SUSTAINABLE INVESTMENT FRAMEWORK

In line with our Engagement Policy, we engage in constructive dialogue with companies through both individual and collective approaches. These engagements aim to enhance ESG performance, improve transparency, and encourage accountability of issuers for sustainability-related practices. We distinguish four types of engagement: **Disclosure Engagement**, aimed at improving ESG reporting; **Impact Engagement**, focused on encouraging the adoption of sustainable practices; **Incident Engagement**, intended to help to address and mitigate the risks arising from controversies; and **Policy Engagement**, which seeks to foster the advancement of improved policy frameworks and practices.

While disclosure, impact, and incident engagements are conducted at both the individual and collective levels, policy engagement is pursued through collaborative initiatives with other stakeholders to amplify impact and drive systemic change (See [Section 6](#) for more details).

ENGAGEMENT TYPES \ ENGAGEMENT APPROACHES	DISCLOSURE ENGAGEMENT	IMPACT ENGAGEMENT	INCIDENT ENGAGEMENT	POLICY ENGAGEMENT
INDIVIDUAL ENGAGEMENT	<ul style="list-style-type: none"> Raise bond issuers' awareness on ESG aspects Increase transparency / granularity of ESG metrics Pre- and post-investment 	<ul style="list-style-type: none"> Raise bond issuers' awareness on best practice in relevant ESG aspects Encourage companies to improve their performance on relevant ESG metrics Pre- and post-investment 	<ul style="list-style-type: none"> Reactively target investee companies involved in controversial incidents, e.g. severe breaches of international norms such as UNGC, ILO standards Post-investment 	X
COLLECTIVE ENGAGEMENT				<ul style="list-style-type: none"> Address policy makers to encourage the adoption of enhanced policy frameworks and practices

FIGURE 2: ESG-AM'S ENGAGEMENT TYPES AND APPROACHES

At ESG-AM, we prioritize direct issuer engagement. Direct engagement enables more targeted dialogue and timely follow-up on ESG-related topics, and helps build long-term relationships with investees, an important foundation of advancing sustainable progress. While our primary approach remains direct engagement, we may also participate in collaborative initiatives when appropriate, by co-signing or supporting engagements led by other parties. In such instances, while we may not be the primary point of engagement with the issuer, we contribute to collective efforts that reflect sustainability themes consistent with our overarching engagement objectives.

Engagement target selection varies on the type of engagement objectives pursued. **Disclosure Engagement** focuses on disclosure laggards. **Impact Engagement** considers several criteria, including an issuer's scoring in our proprietary scoring methodologies on sustainability themes, financial performance, portfolio weight, and our potential to contribute meaningfully to progress. Issuers significantly worsening Principal Adverse Impacts (PAIs) indicators may also be subject

to Disclosure and/or Impact engagement dialogue. Moreover, both Disclosure and/or Impact engagements may target investees or issuers not yet eligible for our strategies, but with strong potential for portfolio integration. **Incident Engagement** targets issuers included in our portfolios and flagged by media or other third-party sources for potentially breaching international norms such as the UN Global Compact principles or International Labour Organization Conventions. **Policy Engagement** focuses on institutions and organizations selected based on their relevance to targeted policy themes and their geographical scope, as defined in Appendix I to our Engagement Policy.

Our engagement themes and topics align with our sustainable investment strategies' objectives, with particular focus on UN Sustainable Development Goals (SDGs) 5 (Gender Equality), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), and 13 (Climate Action). We also engage on *ad hoc* ESG topics deemed material to our investment strategies. Policy engagement themes may also be selected based on their alignment with ESG-AM's sustainable investment objectives, relevance confirmed through materiality assessments, and consistency with internationally recognized norms.

Throughout our engagements, we aim to define key performance indicators and monitor progress over time. When constructive dialogue is limited or unattainable, we may escalate our engagement efforts through measured steps. These can include raising concerns to higher levels within the company, engaging with the board, or—in certain circumstances— collaborating with other investors, communicating concerns publicly, or ultimately considering divestment.

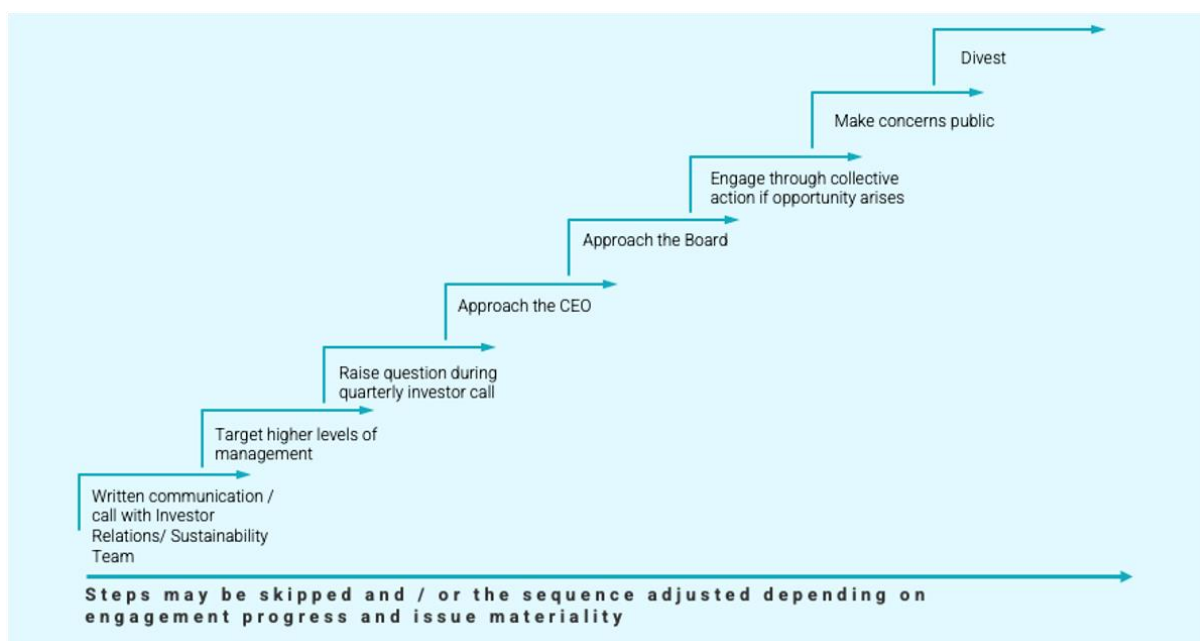


FIGURE 3: ESG-AM'S ENGAGEMENT ESCALATION STEPS

ESG-AM’s engagement activities are executed within our organization. We do not outsource engagement activities. A dedicated Engagement Manager is charged with the planning, implementation, and monitoring of engagement activities. ESG-AM’s Head of Sustainability oversees the implementation. ESG-AM’s Executive Management is regularly informed and provides guidance and feedback on our engagement activities. Engagement activities, progress, and outcomes are regularly reported to the Board of Directors. All of ESG-AM’s engagement interactions are documented and tracked internally via a dedicated database, and reported on regularly through our Engagement Report and other publications.

Please refer to our Engagement Policy for more information on our framework and process³.



FROM ALERT TO ACTION: OUR CONTROVERSIAL INCIDENTS HANDLING PROCESS

Engagement is a pivotal component of our approach to managing issuers involved or alleged to be involved in controversial behavior⁴. At ESG-AM, we actively monitor allegations and confirmed controversial incidents throughout the investment period using data from third-party providers complemented by our own research. This distinction helps address both reputational risks and the risks of underperformance related to environmental, social, and governance issues

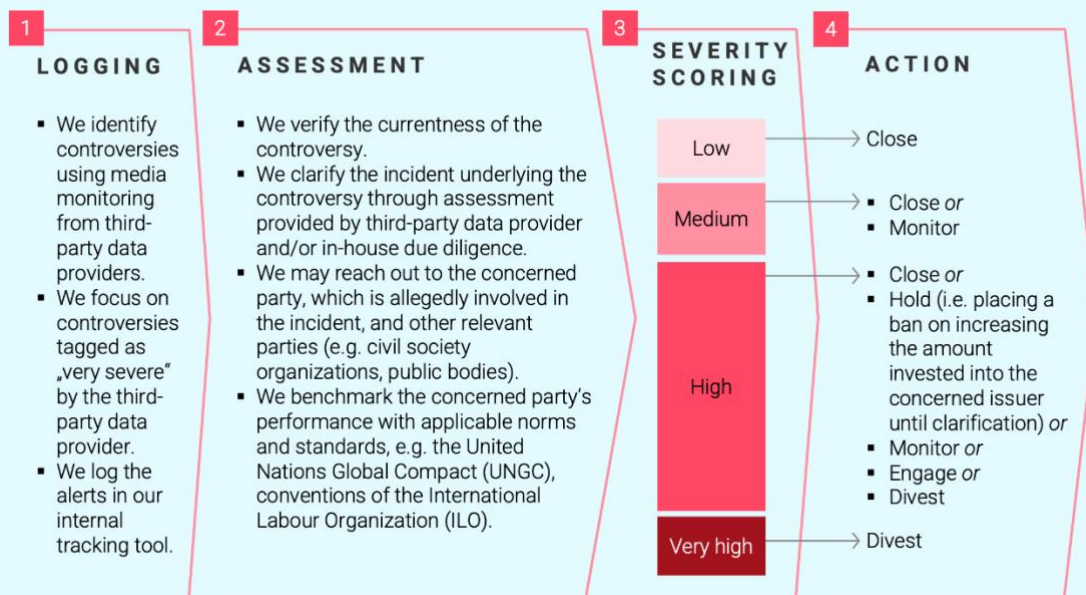


FIGURE 4: ESG-AM'S CONTROVERSIAL INCIDENTS HANDLING PROCESS

Engagement may occur at two key stages within our controversial incidents handling process. Initially, engagement can serve as a due diligence measure following the reception of an alert from our data provider. If the data obtained from third-party sources and our research does not provide enough clarity, we may engage with the involved issuer as a means to gather additional insights. This step helps determine the severity of the incident or assess the credibility of allegations. It involves direct dialogue with the issuer to establish whether they acknowledge the allegations and to understand any expressed commitments or remedial actions undertaken. During such engagements we may also approach other stakeholders such as the original source of the allegations, governmental agencies, and international and non-governmental organizations. Their insights can be valuable in informing our assessment of the allegations.

If efforts lead us to establish a high severity level and identify a clear need for responsive action, our engagement will focus on corrective measures undertaken by the issuer. Depending on the case, we may also encourage consideration of broader changes relating to the issuer's sustainability framework and practice.

THE SWISS STEWARDSHIP CODE

The Swiss Stewardship Code (SSC), launched by the Asset Management Association Switzerland (AMAS) and Swiss Sustainable Finance (SSF), offers a voluntary set of recommendations to strengthen stewardship practices across the Swiss investment industry. Aligned with international standards, the SSC promotes active ownership, enhances comparability, and supports investors in addressing sustainability risks—contributing to long-term value creation and a more resilient economy.

ESG-AM's engagement approach shares common ground with the principles and guidance included in the SSC. For instance, engagement is integrated into our investment strategies and operational processes as a lever for safeguarding long-term value in line with our fiduciary duty. Our engagement policy is publicly available, and we report transparently on engagement progress and outcomes. Where dialogue proves ineffective or progress is limited, we implement escalation measures. Our Code of Conduct defines procedures for identifying and managing potential conflicts of interest arising from engagement.

We see the SSC as a valuable framework supporting the advancement of stewardship in Switzerland. By promoting transparency and encouraging convergence, it fosters alignment within the industry and provides guidance to both experienced and emerging actors.

Continuous improvement is central to ESG-AM's stewardship philosophy. In 2024, we participated in three roundtables hosted by AMAS and the Principles for Responsible Investment (PRI), focusing on principles of the SSC: Principle 1 (Governance), Principle 2 (Stewardship Policies) and Principle 4 (Engagement). These roundtables brought together stewardship practitioners from asset managers, asset owners and service providers to share experiences, build knowledge, and promote best practices. Notably, we presented at the roundtable on *Principle 4: Engagement* held in December 2024 in Lausanne, where we provided an overview of our activities and shared case studies and lessons learned. These sessions helped us benchmark our approach, offered additional perspectives on evolving expectations, and provided a useful platform for dialogue.

We view these peer exchanges as key to refining our approach and welcome the SSC as a catalyst for continued dialogue and coordinated efforts. In 2025, we look forward to participating in further roundtables and forums that support responsible investment and stewardship in Switzerland.

VIEWPOINT

Artificial Intelligence, the Next Engagement Frontier?

As companies race to develop and integrate Artificial Intelligence (AI)⁵, critical issues are emerging, from governance and ethical use to social equity and environmental impact. No longer just a technological upgrade, AI raises questions that go to the heart of responsible business conduct and fiduciary oversight. Paula Krol, ESG-AM’s Engagement Manager, explores why investors should actively engage with companies and policymakers to encourage the ethical and sustainable development and deployment of AI.



“As a true ESG trifecta, AI cuts across environmental, social, and governance dimensions with wide-ranging impact. Investors cannot afford to stay on the sidelines. They have a critical role to play in ensuring AI is developed, deployed, and governed responsibly.”

PAULA KROL

Engagement Manager

Once confined to the realm of experts, AI has become ubiquitous almost overnight. I hear about it on my commute to work, in meetings, at family gatherings – even from my seven-year-old. This growing public interest is mirrored by a wave of high-level summits covering the topic, from the AI for Good Global Summit to the G20, where AI has steadily climbed the agenda as a priority for global leaders. But as a stewardship specialist, the questions on my mind are: How are companies adapting to this shift? Are they prepared for the risks and seizing the right opportunities? And crucially, are investors asking the right questions?

There are certainly plenty of reasons to be excited. AI, particularly generative artificial intelligence (GenAI), has the potential to drive remarkable progress: streamlining operations, boosting productivity, and opening up entirely new avenues for innovation. For responsible investors, in

particular, it also holds promise for addressing some of the world’s most pressing challenges, including those targeted by the Sustainable Development Goals (SDGs).⁶

From improving healthcare through early disease detection, to enhancing education with personalized learning tools, enabling precision agriculture to increasing yields while reducing environmental impacts, AI could significantly accelerate SDG progress. It also plays a growing role in climate action and conservation by supporting biodiversity monitoring, climate modelling, and smarter resource management⁷.

Beyond these applications, AI is also being harnessed to advance human rights and freedoms⁸. A growing number of companies and non-profits are using AI to empower communities, gather real-time input from the ground, and support civic engagement. Take non-profit

technology company Ushahidi, for example, which developed a platform that uses AI to crowdsource and map data during crises, helping marginalized groups report abuses and access aid in real time in 160 countries in 40 languages⁹. Or supply chain tracing tools such as Altana AI or Sourcemap, which incorporate AI solutions to help companies enhance traceability of their global supply chains, allowing them to identify and address issues such as forced labor more effectively¹⁰.

But alongside its promise, AI introduces a growing set of potential risks, some poorly understood, underestimated, or unevenly addressed by current regulation and companies alike. According to the World Economic Forum's 2025 Global Risks Report, "adverse outcomes of AI technologies" are ranked relatively low (31st) among risks over the next two years, indicating that experts may be underestimating immediate threats from AI. The ranking, however, leaps to 6th place over a 10-year horizon, highlighting growing concern about the long-term societal and systemic impacts of AI as it becomes more deeply embedded in our economies and institutions¹¹.

So what are some of the possible adverse impacts of AI? Added to the potential regulatory, operational and reputational risks of misuse, one increasingly visible concern is its environmental footprint. From soaring electricity use to water consumption and carbon emissions, the life cycle of AI technologies raises serious questions¹². The rapid spread of data centers, essential to training and deploying AI models, contributes to electronic waste and depends heavily on critical minerals and rare earth elements. These materials are often mined in ways that are far from sustainable, with impacts including water and air pollution, biodiversity loss, and high greenhouse gas emissions.

From a social perspective and beyond data misuse and privacy concerns, AI risks deepen existing socio-economic inequalities. The World

Economic Forum projects that by 2030, 170 million new jobs will be created globally, while 92 million will be displaced, resulting in a net gain of 78 million jobs¹³. McKinsey's projections are grimmer: it estimates that between 400 and 800 million people could be displaced by automation globally over the same period¹⁴. Regardless of the figures, those most at risk of displacement are individuals in routine jobs roles, positions often held by women and minorities. For example, the ILO estimates that 7.8% of women's jobs in high-income countries (about 21 million roles) are at risk, compared to 2.9% (9 million) of men's jobs¹⁵. Entry-level positions are also at risk, making it difficult for new graduates and young professionals to gain a foothold in the workforce¹⁶. These risks are amplified by the biases built into AI systems. Biased training data and a lack of diversity among developers (only 30% women work in AI) lead to technologies that can reinforce harmful stereotypes and exclude large segments of the population¹⁷. Meanwhile, countries in low-income and emerging economies face major barriers to AI adoption: from limited infrastructure to talent gaps, as well as absence from major AI governance discussions, further widening the global digital divide¹⁸.

AI has far-reaching implications for society, promising to transform industries and improve lives. But the outcome is not guaranteed: a poorly managed transition could harm people and planet, while a thoughtful, inclusive approach could drive innovation and shared prosperity. As a true ESG trifecta, AI cuts across environmental, social, and governance dimensions with wide-ranging impact. Investors cannot afford to stay on the sidelines, they play a critical role in ensuring AI is developed, deployed, and governed responsibly. Not only because it's the right thing to do, but also because it makes good business sense: responsible AI promotes enhanced customer trust, competitive advantage, innovation, and long-term growth¹⁹.

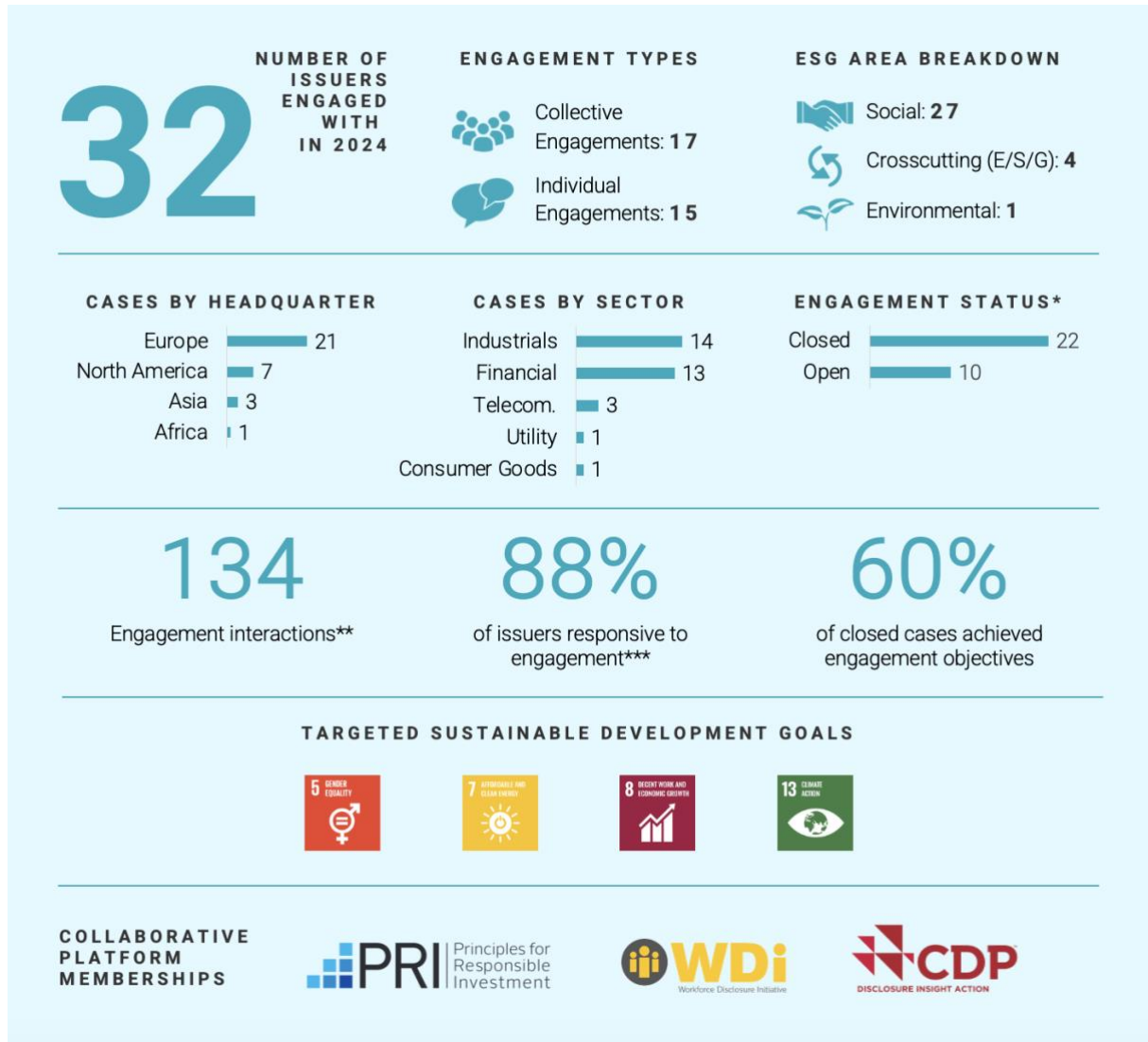
And this is where stewardship becomes essential. Investors need to be asking companies key questions such as: What principles are guiding AI development, adoption and deployment? How do policies align with international standards? Are potential adverse impacts beyond financial performance being assessed? What monitoring and safeguards are in place? Are employees being trained on responsible use? Where gaps exist, investors should advocate for the adoption of clear policies and transparent disclosure.

Individual companies can, however, only do so much. The challenges and opportunities of AI must also be addressed at the global and systemic level. This is where policy engagement comes into play, and where investors, too, can make a meaningful contribution. While international standards and regulations are emerging—such as the EU AI Act, OECD AI Principles, and UNESCO’s recommendation²⁰, for example—significant gaps in these frameworks remain. These include keeping pace with AI’s rapid development, ensuring comprehensive

consideration of human rights impacts, addressing cross-border accountability, and developing clarity around legal and ethical boundaries²¹. By supporting clear and enforceable standards, advocating for alignment with international norms, and encouraging corporate participation in public policy processes, investors can help shape a governance landscape that fosters responsible AI and enables more effective engagement with companies on this topic.

AI is already reshaping the landscape of responsible business, and with it, the scope of investor engagement. As companies and policymakers navigate this complex and fast-moving space, investors have a meaningful role to play in guiding its direction, through informed stewardship, policy engagement, and a focus on transparency and accountability. Done well, this engagement may contribute to AI developing in ways that respect human rights, support sustainability, and create long-term value. The frontier may be new, but the tools for effective dialogue are well established, and the time to apply them is now.

3 2024 HIGHLIGHTS



* Status as of 31 December 2024.

** This figure counts only substantive outbound communications from ESG-AM and excludes issuer replies and administrative emails.

*** This figure shows issuer response rates to outreach, not objective attainment

4 INSIGHTS FROM OUR ENGAGEMENT DATA

In 2024, we engaged with 32 issuers as part of our ongoing commitment to fostering constructive and purposeful dialogue around sustainability. Ten of these engagements were carried over from 2023, while 22 were newly launched during the year, reflecting both the continuity of our efforts and our responsiveness to emerging ESG themes. Of the total engagements undertaken in 2024, 22 (69%) were closed by year-end, while 10 remain open and will continue into 2025.

We were encouraged to see that 88% of issuers responded to our outreach. This is a testament, we believe, to issuers increasingly recognizing the value of engaging with investors on sustainability issues. This high level of responsiveness is not something we take for granted, and we appreciate the time and attention companies dedicated to engaging in a meaningful dialogue with us. At ESG-AM, we approach each engagement with clear objectives, grounded in materiality, informed by best practice, and supported by a structured escalation framework ([see page 9](#)). When escalation is warranted, we proceed thoughtfully and proportionally, an approach that has consistently helped to open doors for constructive dialogue.

Out of the 22 engagements closed in 2024, 60% met the engagement objectives set by ESG-AM for each dialogue²². These outcomes reflect both the relevance of our engagement priorities and the willingness of issuers to reflect and respond to core ESG matters. The remaining 9 cases (40%) that did not meet their intended objectives by the end of 2024, involved issuers engaged under the Workforce Disclosure Initiative (WDI)²³ and the CDP's Non-Disclosure Campaign (NDC).

As in 2023, this year we maintained a balanced engagement approach, with 15 individual and 17 collective engagements. Both approaches have strategic value. Individual engagements are a vital part of our strategy, enabling us to address issuer-specific risks and priorities as bondholders. These interactions also allow us to enter into dialogue with private companies that are often excluded from collaborative campaigns, typically focusing on publicly listed issuers. Collaborative platforms remain largely geared toward equity investors²⁴ and may not always address the bond issuers we seek to engage. For this reason, individual engagement remains central to ensuring our fixed-income perspective is represented. More broadly, individual engagement encourages investors to build internal ESG expertise. This can enhance overall capacity, increase internal relevance of sustainability themes, and contribute to positive organizational culture shift. At the same time, we actively participate in collective efforts to raise investor expectations on systemic issues, especially when they involve direct dialogue with

issuers. In 2024, all but one of our 17 collaborative engagements included direct issuer communication, which we view as a valuable opportunity to build relationships that support future engagements.

Our individual engagements in 2024 covered disclosure, impact, and incident engagement. Most of our individual engagements were initiated in response to alerts from third-party data providers as part of our ESG controversies monitoring (see [page 11](#)). These alerts raised concerns ranging from potential violations and workplace misconduct to possible shortcomings to human rights due diligence in defense sector financing, and adverse social and environmental impacts of financed infrastructure projects. Such projects can be particularly harmful when Free, Prior and Informed Consent (FPIC) is not respected—especially in contexts involving Indigenous communities, whose rights, land, and cultural heritage are often disproportionately affected by large-scale development initiatives (see our Spotlight on indigenous rights below). Of these 12 incident-related engagements, 10 were closed by year end, with outcomes that we deemed to represent meaningful progress based on the information made available. Two incident engagements remain ongoing and will continue into 2025. These dialogues play a crucial role in our efforts to assess issuer responsiveness to material controversies and to encourage improvements where needed. Additionally, we continued thematic dialogues on workforce pay disparities, including encouraging a travel retail company to enhance transparency by publishing gender pay data, and CEO-to-median worker pay ratio. We also encouraged two companies in the telecommunications sector to explore setting measurable targets and KPIs addressing pay disparity (see [Case 2: Encouraging Transparency and Action on Pay Disparity](#) for insights into how we engage on the theme of pay disparities).

On the collaborative side, our efforts focused on promoting improved workforce and climate data disclosure, striving for greater transparency and accountability. We remained an active signatory of the WDI, engaging with 15 companies, of which 12 responded, resulting in 3 disclosures and 3 expressions of interest in future disclosure. In 2024, we also participated in our third cycle of the NDC, and our second cycle as lead engager, targeting a US-based human resources service provider. Furthermore, by participating in the 2023-2024 Science-Based Targets Campaign, we collectively encouraged over 2100 companies to set emissions reduction targets aligned with limiting global temperature rise to well below 2°C and pursuing efforts towards 1.5°C. For further details on our collective engagements, see [Case 4: Fostering Environmental Accountability: Enhancing Transparency and Promoting Science-based Targets through CDP Initiatives](#) and [Case 5: Campaigning for Improved Corporate Transparency and Accountability on Workforce Issues: The Workforce Disclosure Initiative](#).

As in 2023, our engagement focus remained weighted towards social topics. This emphasis aligns with our investment strategies, which include a dedicated focus on social transformation, including contributions towards Sustainable Development Goals (SDGs) 5 (Gender Equality) and 8 (Decent Work and Economic Growth). A sustained attention to social issues also reflects our growing emphasis on supporting a just transition—ensuring that the pathway to a low-carbon economy is inclusive and supportive of decent work standards. In 2024, we began to more systematically integrate this lens across strategies, exploring interconnectedness between the themes of climate transition and social transformation (for more information on our just transition approach see page 20 of our 2024 Sustainability Report, as well as page 21 where we touch upon the link between gender and climate²⁵).

Looking ahead, we are encouraged by the progress made in 2024 and the continued willingness of issuers to engage thoughtfully on complex sustainability matters. Our engagement results reaffirm the importance of structured, purposeful, and credible dialogue, and strengthen our resolve to foster improved sustainability disclosure and practices through nuanced and informed engagement.

SPOTLIGHT

Respecting Indigenous Peoples' Rights: A Business Imperative?

Mainstream media frequently emphasizes indigenous peoples²⁶ in connection to remote forest environments, particularly in the context of environmental conservation or land disputes. In reality, indigenous peoples are geographically diverse, even within one same country. Today, indigenous communities live in diverse settings, including rural, coastal and urban areas, and across more than 90 countries²⁷. There are an estimated 476 million indigenous people worldwide and their rights are recognized by a number of international instruments²⁸. These include the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), ILO Convention No. 169, the OECD Guidelines for Multinational Enterprises, IFC Performance Standard 7²⁹ and the Paris Agreement, which affirms the importance of aligning climate action with human rights, including those of indigenous populations.

Despite these legal frameworks, indigenous peoples face ongoing significant challenges. Although they steward or hold rights to approximately one-quarter of the world's land, contributing to the preservation of around 80% of global biodiversity, the recognition and enforcement of those rights is often constrained by governments and corporations³⁰. Large-scale mining, agriculture, energy, and infrastructure projects frequently proceed without Free, Prior, and Informed Consent (FPIC)³¹ – the right of indigenous peoples to approve or reject activities on their lands –resulting in environmental degradation such as deforestation, pollution, habitat loss and displacement. Such outcomes can destroy key ecosystems to indigenous life, hindering food security and access to natural resources.

On the social front, environmental degradation also contributes to widening health gaps: indigenous peoples often face lower life expectancy, poorer access to clean water and sanitation, and higher exposure to diseases³². Moreover, indigenous peoples' rights defenders face elevated risks of violence and intimidation. For example, in 2023 they reportedly accounted for over 40% of fatal attacks against environmental defenders³³. Forced displacement and loss of cultural identity also contribute to the loss of languages, sacred sites and traditional knowledge. Traditional livelihoods are often threatened by land loss and environmental degradation, pushing communities to precariousness. Economic marginalization is widespread, with indigenous peoples representing 19% of those living in extreme poverty³⁴ while they only represent 6.2% of the world's population. In many cases, affected communities face barriers in accessing effective remedy and justice mechanisms³⁵.

According to the UN, indigenous peoples are "...inheritors and practitioners of unique cultures and ways of relating to people and the environment. They have retained social, cultural, economic and political characteristics that are distinct from those of the dominant societies in which they live. Despite their cultural differences, indigenous peoples from around the world share common problems related to the protection of their rights as distinct peoples."³⁶

Failure to respect and address indigenous peoples' rights can be associated with potentially material risks for businesses and investors. These may include litigation, costs overruns, reputational damage, and delay or disruptions to project execution³⁷. Companies or projects failing to provide evidence of effective FPIC may also encounter challenges in obtaining insurance coverage³⁸.

One illustrative case is the Fosen wind energy project which was found by Norway's Supreme Court to infringe on Sámi reindeer herding rights.

Despite the ruling, operations were continued, triggering public backlash and eventual settlement terms that required concessions from the developers³⁹. In the United States, an MIT study identified opposition from tribal nations, often due to lack of early and meaningful consultation, as a contributing factor in energy projects being delayed or discontinued between 2005 and 2021⁴⁰. Public sources also reference instances where retailers have faced boycotts due to perceived links to suppliers allegedly involved in indigenous land-related controversies, particularly in Latin America.



At the same time, there is emerging evidence that companies engaging indigenous peoples early, respectfully, and in line with recognized international frameworks (particularly in the context of forest governance), may be better positioned to reduce conflict, foster trust-based relationships, and support the development of more resilient and sustainable business models⁴¹.

Projects co-developed with indigenous communities, such as the Okikendawt Hydro Project in Canada, co-owned by the Dokis First Nation, or Greenwood Energy's solar initiative with the Arhuaco people in Colombia, are examples of how collaboration may support long-term project stability, cultural preservation, and shared economic benefits⁴².

With investor expectations and regulatory frameworks continuing to evolve, respecting indigenous peoples' rights is not only increasingly viewed as an important aspect of risk management, but as a means to promote more sustainable, inclusive, and credible operations. It has also been identified as a potential enabler of a just transition⁴³. In the EU, for example, the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Deforestation Regulation (EUDR), introduced new requirements for companies to assess and address adverse human rights and environmental impacts, including those affecting indigenous peoples.

However, the proposed simplifications as presented in the first set of Omnibus proposals may result in limiting due diligence to direct suppliers, while most human rights violations including those affecting indigenous communities typically occur further upstream⁴⁴.

Against this backdrop, stewardship on indigenous peoples' rights can be an important component of responsible investment practice, especially in cases where there are clear links to material risk or controversy. A first step for investor dialogue may be to screen for controversies—such as disputes, legal challenges, or negative media coverage—and to assess whether investee companies have policies and practices that explicitly and adequately address indigenous rights, including adherence to principles such as the UNDRIP and implementation of processes such as FPIC.

While approaches vary across the industry, more investors are beginning to explore how dialogue with companies, policymakers, and ESG data providers can contribute to better outcomes, enhanced transparency and stronger accountability⁴⁵. As indigenous peoples' rights gain greater visibility within corporate conduct and due diligence, they may become an increasingly relevant consideration within broader stewardship strategies, especially as regulatory expectations continue to evolve.

5 ENGAGEMENT IN ACTION: CASE STUDIES

This section presents a selection of case studies that highlight the breadth and thematic focus of our engagement activities. They reflect our commitment to supporting environmental progress, advancing socially responsible practices, and encouraging sound governance. Through focused dialogue, we aim to foster transparency and contribute to constructive outcomes, consistent with our clients' long-term objectives and broader sustainability ambitions. While some issuers are named, others remain anonymous due to ongoing dialogue or the absence of formal consent for disclosure.



CASE 1

Managing Human Rights Risks in Financial Institutions' Financing

In November 2023, we were alerted to a report by Global Witness implicating several financial institutions in financing companies allegedly linked to violence and potential war crimes in South Sudan⁴⁶. The report raised concerns about financial institutions' alignment with their publicly stated commitments to responsible investing and human rights principles. Specifically, it suggested by financing the China National Petroleum Corporation (CNPC) and Petronas, these institutions had indirectly contributed to ongoing conflicts and severe human rights abuses in South Sudan.

Nordea, a prominent Nordic financial services group, was one of the institutions implicated. Upon being informed of the controversy, we immediately placed the issuer on hold, imposing an embargo on the acquisition of additional bonds from the issuer, and initiated engagement. Our objective was to ascertain the details of Nordea's direct and indirect financing relationships with CNPC and Petronas. Furthermore, ESG-AM requested comprehensive information regarding Nordea's ESG framework and risk management policies concerning human rights violations.

Nordea responded promptly, acknowledging that it held shares in both CNPC and Petronas. The bank provided detailed insights into its sustainability framework, including its processes

for identifying and managing risks related to human rights violations. Nordea further clarified that Petronas had already committed to exiting Sudan, addressing one of the key concerns raised in the report⁴⁷. More significantly, the bank stated that CNPC would be placed on its exclusion list and that it planned to execute divestment.

Given the significance of the issue, ESG-AM carried the engagement over into 2024 to monitor the implementation of this commitment and ensure that divestment was fully completed. In February 2024, Nordea confirmed that it had fully executed the divestment from CNPC and the exclusion list had been updated accordingly⁴⁸.

We acknowledge the dedication to transparency and responsiveness that Nordea demonstrated during our engagement. Based on the responses received, we found the actions taken to be satisfactory and lifted the hold. The swift response and decisive measures to align its investment policies with human rights commitments highlight a strong dedication to responsible investing. This case study emphasizes the importance of asset managers' engagement as a risk management tool, illustrating how timely dialogue and concrete actions can enhance investor confidence in a financial institution's adherence to responsible investment principles.

CASE 2

Encouraging Transparency and Action on Pay Disparity

At ESG-AM, we believe that addressing social inequalities is fundamental to stable economic development and long-term financial returns. Companies with strong sustainability performance, particularly in the social dimension, are generally better positioned for future success. They tend to attract and retain talent, maintain stakeholder trust, and navigate regulatory and reputational risks more effectively.

One critical aspect of social performance is equitable pay. Disparities such as the gender pay gap and excessive CEO-to-median-worker pay ratios can signal deeper structural issues within a company's culture and governance⁴⁹. Since 2022, ESG-AM has been engaging with a number of companies on the theme of pay disparity. The objective of this engagement theme is to increase transparency of these two key metrics, enabling the evaluation of how effectively companies are addressing these specific pay-related issues. Once such metrics are disclosed, and where appropriate, we focus on encouraging the closing of identified gaps in compensation policies and practices.

One of the companies we targeted under this theme was the Iliad Group, a delisted and now privately held European telecommunications provider. Addressing these gaps is particularly important in the telecommunications and broader ICT sector, where gender equity and pay transparency remain persistent challenges. In particular, gender pay gaps across the European ICT sector, which includes telecommunications, ranged from 10.8% to over 30% in 2024⁵⁰, driven by occupational segregation and underrepresentation of women in technical and leadership roles.

We first approached the Iliad Group in December 2022. While the company performed well on national gender equality benchmarks⁵¹, it had not disclosed its group-wide gender pay gap or CEO-to-median-worker pay ratio, nor had it communicated public, time-bound objectives and measurable KPIs to address pay disparities.

After reviewing the company's response to our proprietary questionnaire on pay disparities provided in 2023, we renewed our efforts to encourage disclosure. A key moment came in April 2024, during a call with the Group's newly appointed, and first, Chief Sustainability Officer. We used the opportunity to reiterate the importance of disclosing the gender pay gap and CEO pay ratio, and of setting time-bound objectives, highlighting regulatory expectations, peer examples, and reputational benefits.

During the call, the company explained that it had not disclosed its group-wide pay gap due to complexities in internal reporting. Promisingly, the Iliad Group confirmed that its HR department was actively addressing these issues, improving HR data systems, in preparation for upcoming EU disclosure requirements under the CSRD⁵².

Importantly, the company highlighted that in its French operations, the gender pay gap was not significant, with some entities even showing higher average pay for women. Moreover, the company launched a Gender Equality Month in March 2024, which led to the development of a group-wide roadmap that same year. The roadmap sets strategic priorities through 2025 and beyond, focusing on increasing the number of women in tech, combating gender stereotypes, and empowering women in the workplace.

Regarding the CEO pay ratio, the company did not reveal a timeline for disclosure. However, it highlighted that ESG governance was strengthened with the introduction of a long-term share plan in December 2023, with part of the shares granted to executive officers linked to the achievement of an environmental target. A move that reflects a step forward toward greater accountability by linking executive compensation to measurable ESG outcomes.

In 2025, we were pleased to see and commend the Iliad Group for taking a significant step forward by publicly disclosing both its group-wide unadjusted gender pay gap and CEO-to-median-worker pay ratio⁵³. Given the company's private ownership structure and the complexity of its executive compensation framework, this level of disclosure reflects a strong commitment to accountability and stakeholder trust. It also sets a positive example for peers in the sector, showing that private companies can lead on transparency in social performance.

Encouragingly, these disclosures also led to an improvement in ESG-AM's proprietary Social Transformation Score (STS)⁵⁴ for the Iliad Group, which moved from 2.0 to 1.8, on a scale where 1 indicates leading issuer performance on social factors and 4 the weakest. This puts the Iliad Group ahead compared to the average STS performance of telecommunications companies represented in investment indices referenced by ESG-AM for benchmarking.

As the Iliad Group continues to implement its gender equality roadmap, we believe this disclosure lays a critical foundation for driving measurable change. While we welcome the company's 2025 focus areas for promoting gender equality, we encourage the company to build on this momentum by translating its commitments into specific, time-bound objectives supported by measurable KPIs—particularly in relation to reducing the group-wide gender pay gap. We view this as essential to moving from intention to impact and will continue to engage constructively to support the company in this next phase of its progress.

CASE 3

Seeking Clarity on Forced Labour Safeguards in the Food Services Sector

At ESG-AM, we recognize that respecting human rights contributes to long-term value creation, business resilience, and sustained financial performance. Companies that demonstrate alignment with international human rights standards are generally better positioned to maintain stakeholder trust, manage reputational risks, and meet evolving regulatory expectations⁵⁵.

A key focus of our controversies screening process (see [page 11](#)) is the potential risk of forced labor. International frameworks, including guidance from the International Labour Organization (ILO), stress that all work should be voluntary, fairly paid, and conducted under safe, humane conditions. This also applies to incarcerated individuals⁵⁶.

In March 2023, we initiated engagement with a large multinational food services company in response to a U.S. federal class action lawsuit alleging concerns related to forced labor practices within its inmate work programs. The company operates in correctional facilities across the U.S., offering vocational training designed to develop skills and provide certifications in areas like food service and retail, thereby supporting post-release employment. Public concern about the alleged practices and reports of client contract terminations, prompted ESG-AM to seek clarity on the company's policies and safeguards to ensure alignment with international standards.

While the company initially responded, early conversations with Investor Relations in 2023 did not fully address questions, particularly those relating to oversight, wages, and risk management. Follow-up inquiries went unanswered, leading to escalation of the dialogue to the Chief Financial Officer. This facilitated a constructive discussion with the heads of ESG and DEI at the end of 2023, followed by further information provided in early 2024. Through these interactions, we clarified several key points. The company confirmed it does not operate in private correctional facilities. This distinction is important, as private prisons have been associated with challenges such as conflicts of interest, commercial incentives, and comparatively limited oversight than public facilities, potentially heightening the likelihood of human rights abuses⁵⁷. It also confirmed that program participation is voluntary and that participants may apply for company jobs upon release, with some support provided.

Despite these confirmations, some questions remain. These include how the company ensures adequate oversight, whether inmate workers receive social protections, and whether formal mechanisms exist to monitor human rights compliance. Additional clarity is also sought around collaboration with correctional authorities to uphold safeguards, access to grievance procedures for inmates, and the labor conditions of individuals working outside the formal training programs.

ESG-AM summarized these open issues in a detailed internal assessment shared with the company, referencing ILO and related international standards to identify areas of alignment and opportunities for improvement.

In light of the absence of further disclosure, likely impacted by the ongoing lawsuit, ESG-AM suspended direct engagement in March 2024 and placed the issuer on enhanced monitoring for legal and reputational developments.

We re-engaged in late 2024 to request updates and encourage clarification of open points. The company reiterated its policy of not commenting on ongoing legal matters but conveyed that it is “working to resolve this matter as quickly as possible.” The engagement continues into 2025, with ESG-AM maintaining a focus on gaining insights on the open questions and supporting further transparency.



CASE 4

Addressing Weapons Financing Within Multilateral Development Banks

Bonds of Multilateral Development Banks offer unique sustainable investment opportunities but, much like corporate issuers, these entities can occasionally be associated with controversies.

In September 2024, ESG-AM was alerted to an NGO report alleging financial ties between European financial institutions, including the European Investment Bank (EIB), and large arms manufacturers. The report argued that such investments could inadvertently support arms manufacturers involved in activities that may exacerbate conflicts and contribute to human rights violations.

We immediately launched in-depth research focusing on the financial institutions' policies relating to the financing of controversial weapons, and of weapons used in conflict areas with high likelihood of human rights abuses. Our goal was to ensure that the financial institutions included in our portfolios and implicated in the allegations have robust policies on controversial weapons financing and comprehensive human rights due diligence frameworks for defence sector financing. In cases where our research was not conclusive, we reached out to financial institutions for clarification.

In this context, we also reached out to the EIB with the aim to clarify the bank's policies and due diligence processes regarding financing in the defence sector. EIB swiftly responded to our inquiry and confirmed that, per its policy⁵⁸, all weapons are excluded from financing with no exceptions. Projects financed by the EIB shall be dual-use products, services, or technologies that

benefit both civilian purposes and law enforcement or military applications. A previous requirement that projects eligible for EIB financing must derive more than 50% of their expected revenue from civilian uses has been waived.

In terms of due diligence, the EIB confirmed that it follows a comprehensive human rights-responsive approach within its Environmental, Climate, and Social (ECS) standards⁵⁹. This due diligence process involves screening and assessing human rights risks, especially in projects located in conflict-prone areas or regions with high risks of rights abuses. The EIB requires project promoters in the defence sector to integrate human rights considerations in all phases, from initial impact assessments to ongoing monitoring⁶⁰. In high-risk cases, the EIB applies enhanced due diligence, mandates further mitigation measures, and may even refuse financing if risks cannot be adequately managed. Monitoring is ongoing, utilizing reports from project promoters, independent consultants, and, when necessary, specialized experts to ensure standards are upheld, including compliance with the EU Global Human Rights Sanctions Regime.

The clarifications provided by the bank offered us confidence in the EIB's weapons exclusion policy and commitment to enforce compliance with EU and international human rights standards in its defence sector financing. As a result, we closed the inquiry while maintaining an ongoing commitment to monitoring developments in this area.

CASE 5

Strengthening Social Data Disclosure through the Workforce Disclosure Initiative

In 2024, ESG-AM continued its participation as a signatory of the Workforce Disclosure Initiative (WDI), which it joined in 2022. The WDI is an investor-led initiative that promotes corporate transparency on workforce-related matters by providing access to consistent, comparable data across operations and supply chains⁶¹. This year, the initiative transitioned to the Thomson Reuters Foundation, bringing renewed strategic direction and expanded capacity to scale its global reach. As of 2024, the initiative was supported by 47 institutional investors, collectively managing approximately USD 7.5 trillion in assets.

Every year, the WDI invites the world's largest publicly listed companies to participate in its annual workforce survey. The survey is a comprehensive questionnaire designed to improve corporate transparency and accountability around workforce-related policies and practices. The survey gathers detailed insights into how companies manage their employees and workers across their operations and their supply chains, with a particular attention to decent work, social performance, and human rights. The initiative aims to make workforce data more accessible and actionable for investors and stakeholders, helping identify both progress and opportunities for improvement in corporate practices. Participating companies receive feedback to support future enhancements, while investor signatories benefit from access to reported data and a collaborative forum to gain insights on workforce-related topics.

In the 2024 campaign, 1000 companies were invited to participate in the survey via email, out of which 462 companies across 25 countries were further approached to engage in direct dialogue. Of these, 278 responded and actively engaged,

including 152 of them by investor signatories. Ultimately, 144 companies submitted data, representing a slight decline from 166 in 2023⁶². Several non-respondents, including companies that had submitted data in previous years, cited resource constraints, increased focus on preparing for emerging mandatory frameworks such as the EU's Corporate Sustainability Reporting Directive (CSRD), and compressed timelines due to the earlier launch of the 2024 survey as reasons for not participating. Despite these challenges, responsiveness of engaged companies remained robust, reflecting continued commitment to voluntary transparency around workforce and human rights metrics.

ESG-AM engaged with 15 issuers, including three potential investees. All but three were responsive, and three disclosed workforce data. Notably, one of these, a global building materials company, had received annual disclosure requests from the WDI since its launch in 2017 and had previously been engaged by ESG-AM in 2023, but only submitted data for the first time in 2024.

As in previous years, some outreach did not result in submissions but helped raise awareness of the WDI and the broader importance of social data disclosure. For example, three companies expressed interest in future participation, including a large transportation and aerospace manufacturer we re-engaged in 2024 after it declined to disclose in 2023. Although the company indicated early on that it would not submit data this year, ESG-AM treated the interaction as a chance to highlight the WDI's purpose and underscore areas of potential improvement and requested a pre-populated survey on its behalf. Prepared by the WDI team for selected core companies or upon investor

request, the pre-populated survey maps publicly available data against WDI survey questions, identifies disclosure gaps, models peer-based disclosure scores, and references relevant reporting frameworks. ESG-AM shared the pre-population with the company and proposed a call to review the findings. This discussion, held with the company's sustainability and investor relations teams alongside a WDI representative, provided useful insights into how the company's disclosures align with WDI expectations and areas of improvement remain. Although the company did not submit data this in 2024 due to its CSRD focus, it welcomed continued dialogue with the initiative, making it a promising candidate for re-engagement in 2025.

Given recent developments, such as deferrals that occur in connection with the EU's Omnibus proposal ⁶³, broader uncertainty around mandatory disclosure timelines, and rising public debate over ESG and DEI practices, voluntary initiatives such as the WDI continue to serve a vital role. These platforms offer companies a consistent framework to disclose workforce-related data, foster accountability, and build stakeholder trust.

By participating in voluntary initiatives, companies can maintain momentum in their sustainability efforts, preparing for future compliance and adapting effectively within the evolving ESG landscape.



CASE 6

Promoting Climate Disclosure and Target-Setting: Results from the CDP Non-Disclosure and Science-Based Targets Campaigns

At ESG-AM, we view transparency on environmental issues as a cornerstone of responsible investment. In support of this, ESG-AM became a CDP signatory in 2022. CDP is a global non-profit organization that operates one of the world's leading platforms for environmental disclosure, helping companies measure and manage their impacts related to climate change, deforestation, and water security⁶⁴. Our support for CDP reflects a core belief: that climate-related data and science-based targets provide essential input for sound corporate strategy and informed investment decisions. For companies, disclosure contributes to accountability and credibility. For investors, it offers valuable insights into climate-related risks and readiness for transition. In 2024, we reaffirmed this commitment through active participation in CDP's two key initiatives: the Non-Disclosure Campaign (NDC) and the Science-Based Targets Campaign.

ESG-AM's participation in the **CDP Non-Disclosure Campaign**⁶⁵ continued in 2024 for the third consecutive year. The campaign brought together 276 financial institutions managing more than US\$21 trillion in assets. Collectively, 1,998 high-impact companies were approached, together responsible for over 4,300 megatons of CO₂ equivalent emissions, an amount comparable to the combined annual emissions of India, Brazil, Germany, and the United Kingdom. Of these, 1,329 companies were specifically encouraged to disclose climate-related data, and 191 responded by submitting information through CDP's platform. Within this climate-focused segment, ESG-AM served as a lead engager, taking on an active role in engagement with one of the targeted companies.

In this role, ESG-AM contacted TriNet Group, a U.S.-based provider of human capital management solutions, encouraging the company to disclose climate-related information via CDP's Climate Change questionnaire. Despite a formal request, follow-up, and an escalation to senior management, the company opted not to participate. Although CDP offered to facilitate further dialogue, no subsequent discussions were held, and the company confirmed it would not submit a response. CDP subsequently assigned TriNet an "F" rating, indicating non-participation. As a result, the company remained ineligible for inclusion in ESG-AM's climate-aligned investment strategies at the end of 2024.

In parallel, ESG-AM supported the final edition of the **CDP Science-Based Targets Campaign**⁶⁶ advocating for the decarbonization of high-impact sector. This initiative concluded in October 2024 with the backing of 307 financial institutions— a 31% increase compared to the prior year— who collectively engaged over 2,100 companies from October 2023 to September 2024. The campaign encouraged participating companies to adopt emissions reduction targets aligned with the goals of the Paris Agreement, aiming to limit global temperature rise to well below 2°C, with a stretch target of 1.5°C.

By the end of the engagement cycle, 71 companies had committed to the Science-Based Targets initiative (SBTi)⁶⁷. Among ESG-AM portfolio companies targeted through the campaign, 6 joined the SBTi, 3 expressed interest in joining, and 10 were actively evaluating the feasibility of setting science-based targets.

Our engagement in these two CDP 2024 campaigns underscores ESG-AM’s continued dedication to environmental accountability, transparency, and ambition. While our outreach to TriNet did not yield a formal disclosure, the broader campaign underscored a positive trend:

increasing engagement among companies towards enhanced transparency and alignment with science-based targets. We remain committed to collaborative initiatives that encourage meaningful climate action and contribute to a more sustainable, resilient future.



6 TACKLING SYSTEMIC CHALLENGES THROUGH POLICY ENGAGEMENT

As outlined by the Principles for Responsible Investment (PRI), policy engagement refers to “engagement with policymakers conducted as part of investors’ approach to responsible investment.”⁶⁸ At ESG-AM, we recognize that shaping a sustainable future involves more than corporate engagement, it also demands informed contributions to public policy dialogue. Investors alone may not be positioned to address systemic risks, such as climate change, biodiversity loss, and social inequality. Policy engagement presents a pathway to support the development of frameworks intended to mitigate these issues. By engaging with policymakers, investors can help align regulatory environments with long-term sustainability goals. This collective, multi-stakeholder approach is considered instrumental in advancing progress at a scale beyond the reach of individual entities.

In 2024, we conducted a review of our Engagement Policy to more clearly articulate the intended role and boundaries of policy engagement within our broader responsible investment framework. A key outcome was the development of internal guidelines to clarify our approach and highlight priority areas aligned with our investment focus. These guidelines were shaped by principles outlined in the Swiss Stewardship Code, which identifies policy engagement as an integral component of stewardship and complementary to both individual and collaborative efforts. Recognizing that leading institutions in sustainable investing view policy engagement as a best practice, and in some cases, a necessity for alignment with international sustainable finance frameworks, ESG-AM sought to ensure transparency and consistency in its approach. Unlike issuer-focused engagement, which enforces prevailing norms, policy engagement aims to inform the evolution of those norms, functioning outside traditional regulatory processes. Given its nuanced nature, our policy engagement activities are supported by documented protocols and communicated publicly. The guidelines will be formally adopted as an annex to our Engagement Policy following ESG-AM’s Board approval.

As part of our growing commitment to responsible policy dialogue, in 2024 ESG-AM joined the UN PRI Regional Policy Reference Groups for Switzerland and the EU, followed by the Global Policy Reference Group. These groups facilitate a structured dialogue between the PRI and signatories, ensuring that our approach remains current, aligned, and supportive of best practices in responsible investment.

In addition, in 2024 we supported four investor statements signed collectively with other investors, aligning our efforts with those outlined by the UN PRI, aimed at enhancing business transparency, responsibility, and long-term sustainability.

INITIATED BY	TITLE	THE ASK
UN PRI, LONDON STOCK EXCHANGE GROUP (LSEG), AND UNITED NATIONS SUSTAINABLE STOCK EXCHANGES INITIATIVE	Sign-on statement calling for the adoption of International Sustainability Standards Board's (ISSB) standards ⁶⁹ .	Relevant authorities across jurisdictions were called to adopt the ISSB's IFRS S1 and S2 standards by 2025 to ensure consistent, reliable, and decision-useful sustainability disclosures that enable efficient capital allocation and accelerate the transition to a net-zero global economy.
FRANK BOLD, SUPPORTED BY UN PRI	Investor statement calling for the timely development of EU sector-specific standards for sustainability reporting ⁷⁰ .	The European Union was urged to promptly develop sector-specific sustainability reporting standards to enhance clarity, reduce reporting burdens, support assurance processes, and uphold its global leadership in sustainability disclosures.
GROUP OF INSTITUTIONS INCLUDING CDP, UNEP FI and UN PRI	Financial sector statement for an ambitious international legal binding instrument for ending plastic pollution ⁷¹	Member States negotiating the international legally binding instrument (ILBI) to end plastic pollution were encouraged by the financial sector to adopt an ambitious, science-based agreement with binding obligations, aligned financial flows, and clear rules to support a circular and sustainable plastics economy.
THE INVESTOR AGENDA, SUPPORTED BY UN PRI and CDP	2024 Global Investor Statement to Governments on the Climate Crisis ⁷²	Governments worldwide were encouraged to adopt a whole-of-government approach and enact comprehensive climate policies that unlock private capital for a just transition to a climate-resilient, nature-positive, net-zero economy.



Contact

We actively seek to enhance our approach and welcome feedback. Please share your thoughts on this Engagement Report at engagement@esg-am.com.

For further information, feel free to reach out to our Engagement Manager, Paula Krol: paula.krol@esg-am.com

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- ¹ World Meteorological Organization (2025). *WMO confirms 2024 as warmest year on record at about 1.55°C above pre-industrial level*. Available at: <https://wmo.int/news/media-centre/wmo-confirms-2024-warmest-year-record-about-155degc-above-pre-industrial-level> (Accessed on 15 June 2025).

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 - ² For a detailed explanation of our Sustainable Investment Framework please refer to our 2024 Sustainability Report: <https://esg-am.ch/sustainable-investment-framework/>
 - ³ <https://esg-am.ch/sustainable-investment-framework/>
 - ⁴ For a detailed description of our controversial incidents handling process please refer to our 2023 Sustainability Report: <https://esg-am.ch/sustainable-investment-framework/>
 - ⁵ OECD definition of an AI system: "... a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments. Different AI systems vary in their levels of autonomy and adaptiveness after deployment.". For more information see: https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/03/explanatory-memorandum-on-the-updated-oecd-definition-of-an-ai-system_3c815e51/623da898-en.pdf
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- ²³ Notably, disclosing to this initiative is not a prerequisite to be eligible for investment, and the lack of disclosure does not imply that social metrics are unavailable to us; they are accessible through our third-party data providers or internal research.
- ²⁴ Bunting, T., Williams, G., Considine, N. and Linsley-Parrish, J. (2025). 'It's time for bondholders to take their seat at the stewardship table', Oxford Sustainable Finance Group, University of Oxford. Available at: <https://www.smithschool.ox.ac.uk/news/its-time-bondholders-take-their-seat-stewardship-table> (Accessed on 15 June 2025).
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²⁶ “There is no universal definition of indigenous peoples (...), but ILO Convention No. 169 provides a set of subjective and objective criteria, which are jointly applied to identify who these peoples are in a given country:

Subjective Criteria: Self-identification as belonging to an indigenous people.

Objective Criteria: Descent from populations, who inhabited the country or geographical region at the time of conquest, colonisation or establishment of present state boundaries. They retain some or all of their own social, economic, cultural and political institutions, irrespective of their legal status.”

Source: <https://www.ilo.org/resource/who-are-indigenous-and-tribal-peoples>

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³⁰ Sirén Gualinga, E. et al. (2023). *Respecting Indigenous Rights: An Actionable Due Diligence Toolkit for Institutional Investors*. Amazon Watch. Available at: <https://respectingindigenousrights.org/respecting-indigenous-rights.pdf> (Accessed on 21 June 2025).

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