

2025

ENGAGEMENT REPORT

For the year ending 31 December 2025

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01 Introduction

We are pleased to share our 2025 Engagement Report, marking ESG-AM's third full year of engaging with bond issuers. The activities, results, and lessons presented here further support our view of engagement as a core pillar of our sustainable investment approach and reinforce our commitment to continuing to develop these efforts.

2025 was shaped by geopolitical tensions, trade policy uncertainty, and a rapidly evolving regulatory landscape creating a more complex operating environment for issuers. Diverging approaches to ESG topics across jurisdictions further added to this complexity, influencing how issuers respond to investor dialogue. In this context, engagement remains a critical tool for maintaining open dialogue, assessing how companies manage emerging risks, and supporting efforts to hold issuers accountable to their stated sustainability commitments.

In 2025, we expanded our activity, engaging with 39 issuers across 41 engagement dialogues. Our targeted approach, supported by a structured escalation process, helped sustain strong issuer responsiveness at 79%, in line with previous years.

During the year, we closed 32 engagement cases, with 50% meeting their predefined objectives, while 9 cases have been carried forward into 2026. We maintained a balanced approach between individual and collaborative engagement, with 19 individual and 22 collaborative engagements. Individual efforts focused on encouraging disclosure, supporting progress toward sustainable practices, and addressing controversy-driven issues. Collaborative engagement remained a key lever for amplifying our influence, and in 2025 we expanded our participation by joining two new initiatives: the AI Corporate Disclosure Initiative, focused on responsible AI transparency, and Votes Against Slavery, aimed at driving corporate compliance with modern slavery legislation. We also continued our participation in established initiatives including the CDP Non-Disclosure Campaign and the Workforce Disclosure Initiative.



Change is not a straight path, and not all issuers move at the same pace. Some do the minimum, while others lean in because they see the opportunity. Engagement helps us spot the difference, learn from the leaders, and encourage progress among those moving more slowly in building more sustainable, long-term outcomes.



PAULA KROL
ESG-AM Engagement Manager

A further milestone in 2025 was the formalization of our policy engagement approach. Our Policy Engagement Guidelines were approved by ESG-AM's Board of Directors and published on our website. We continued to contribute to policy discussions through PRI policy reference groups and supported investor statements covering human rights and environmental due diligence, supply chain standards, climate targets, and sustainability-related regulation.

Notably, in 2025 ESG-AM divested from an issuer where engagement did not lead to sufficient progress on material risks. This outcome reflects our fundamental view that engagement is intended to drive change and transparency, not to continue indefinitely, and signals our willingness to escalate where dialogue does not lead to meaningful development.

This report provides details on all of these activities. [Section 2](#) outlines our engagement approach, while [Section 3](#) highlights key milestones in our engagement journey. [Section 4](#) and [Section 5](#) present and analyze our 2025 engagement data. [Section 6](#) shares selected case studies illustrating the breadth of our engagement topics and outcomes achieved in practice. [Section 7](#) concludes with our policy engagement efforts, outlining the initiatives we supported and their underlying objectives.

For ESG-AM, 2025 was a year of growth, continued progress in strengthening our framework, and exploration of new topics. We remain committed to carrying this momentum forward with the same level of focus and determination. In 2026, this will include a new step in applying our expertise through our strategic partnership with Neue Bank AG, supporting its engagement activities and contributing our structured approach to issuer dialogue.¹



Engagement is one of the most useful tools we have as fixed-income investors. At ESG-AM, it is a core part of our investment discipline, not an add-on. Direct dialogue with issuers gives us forward-looking insight into how risks are managed and where meaningful change is taking place, supporting our ability to make informed investment decisions.



PETER JEGGLI
ESG-AM Head of Portfolio Management
Executive Board Member

02 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 aiding 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
- Aligns themes and priorities with strategies' sustainable investment objectives
- Regards divestment as a last resort in escalation

Achieving social and environmental sustainability objectives is at the core of ESG-AM's Sustainable Investment Framework.² The framework integrates a comprehensive approach to sustainable investing: norms- and values-based exclusions, targeted allocations towards specific Sustainable Development Goals, screening based on social and climate-related criteria using our proprietary scoring methodologies, monitoring of controversial incidents and adverse impacts, and engagement.

SUSTAINABLE INVESTMENT FRAMEWORK

Our Sustainable Investment Framework³ applies to all our investment products; for mandates, it can be tailored to reflect clients' specific needs. The framework encompasses six key elements:

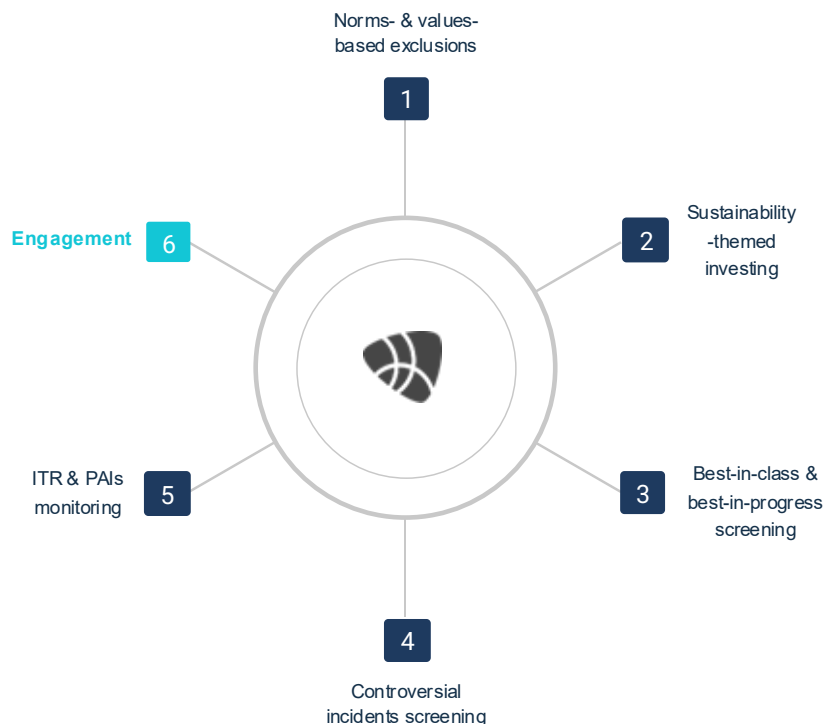


Figure 1: ESG-AM's Sustainable Investment Framework

In line with our Engagement Policy, we engage in constructive dialogue with companies through both individual and collaborative 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 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 collaborative levels, policy engagement is pursued through collaborative initiatives with other stakeholders to amplify impact and drive systemic change.

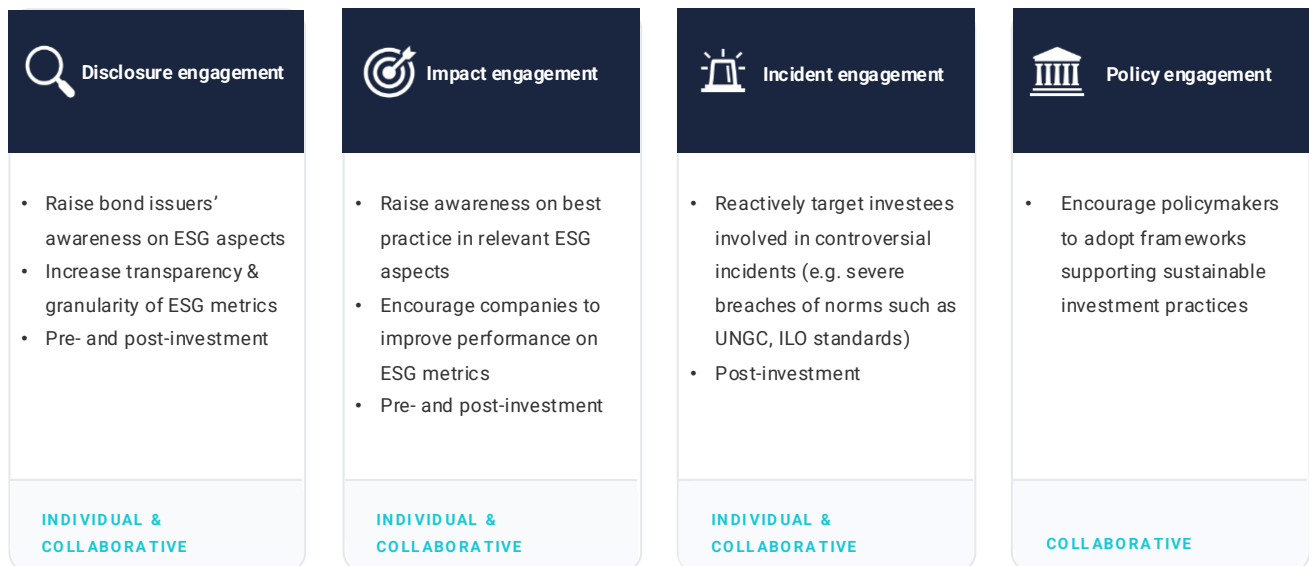


Figure 2: ESG-AM's Engagement Types and Approaches

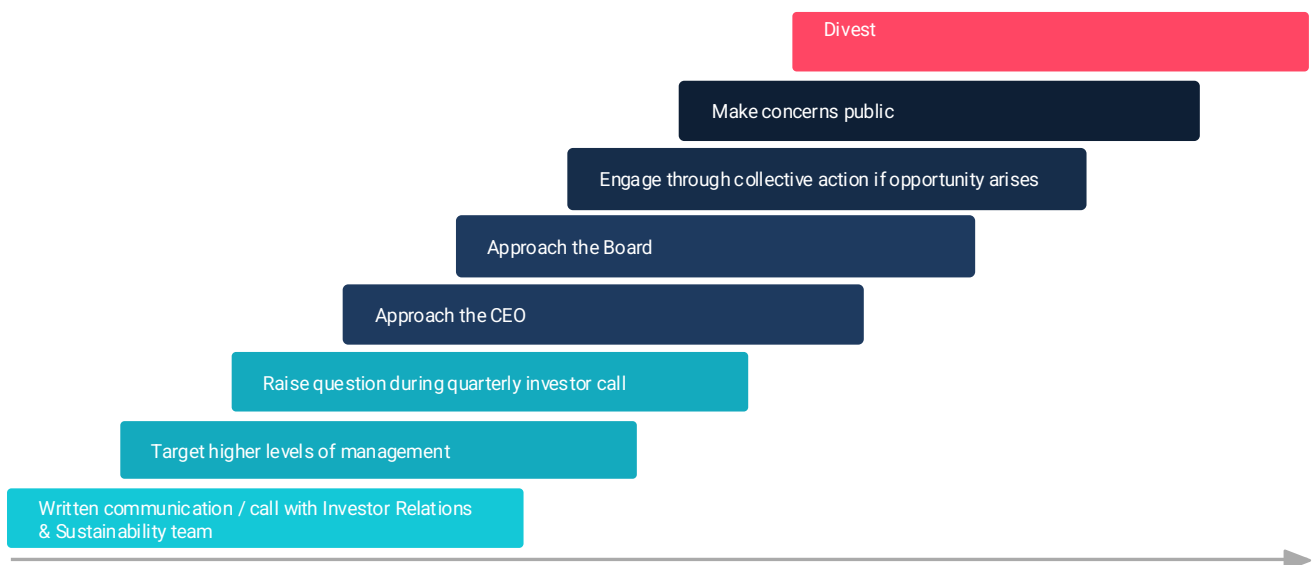
At ESG-AM, we prioritize direct issuer engagement. Direct engagement enables more targeted dialogue and timely follow-up on ESG-related topics, and helps build long-term relationships with investees, an important foundation for advancing sustainable progress. While our primary approach remains direct 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.

Issuer 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 give rise 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 (see [Section 7](#) for more details).

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 at the outset 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 management levels within the company, engaging with the board, or—in certain circumstances—collaborating with other investors, communicating concerns publicly, or ultimately considering divestment.



Steps may be skipped and/or the sequence adjusted depending on engagement progress and issue materiality.

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 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 process



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 behavior.⁴ At ESG-AM, we actively monitor allegations and confirmed controversial incidents throughout the investment cycle 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.

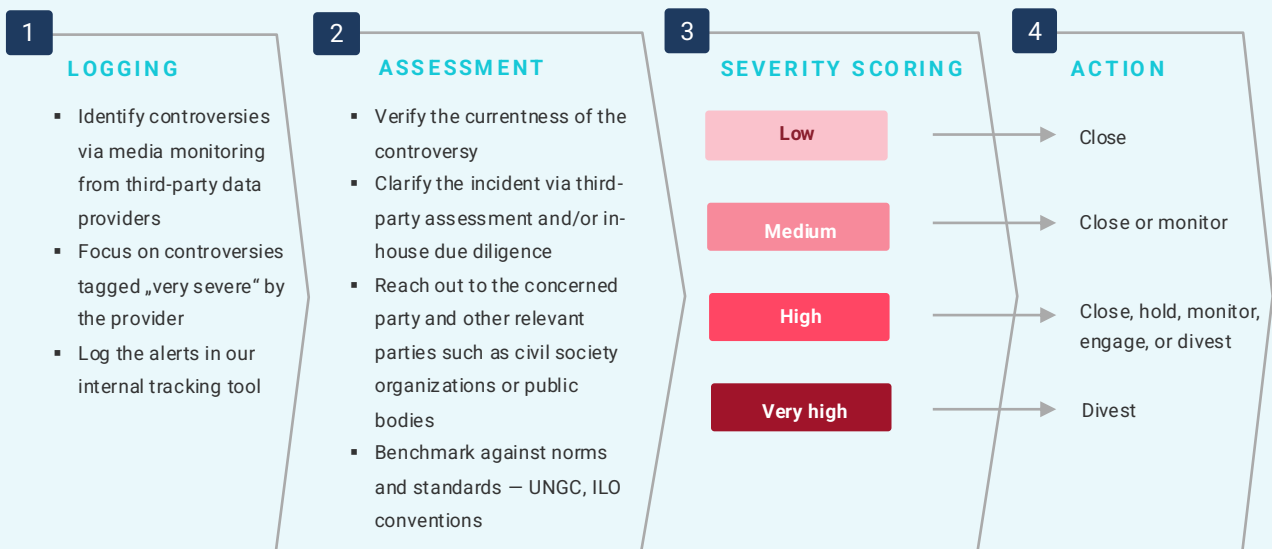


Figure 4: ESG-AM's Controversial incidents Handling Process

Engagement may occur at two key stages within our controversial incidents handling process⁴. 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

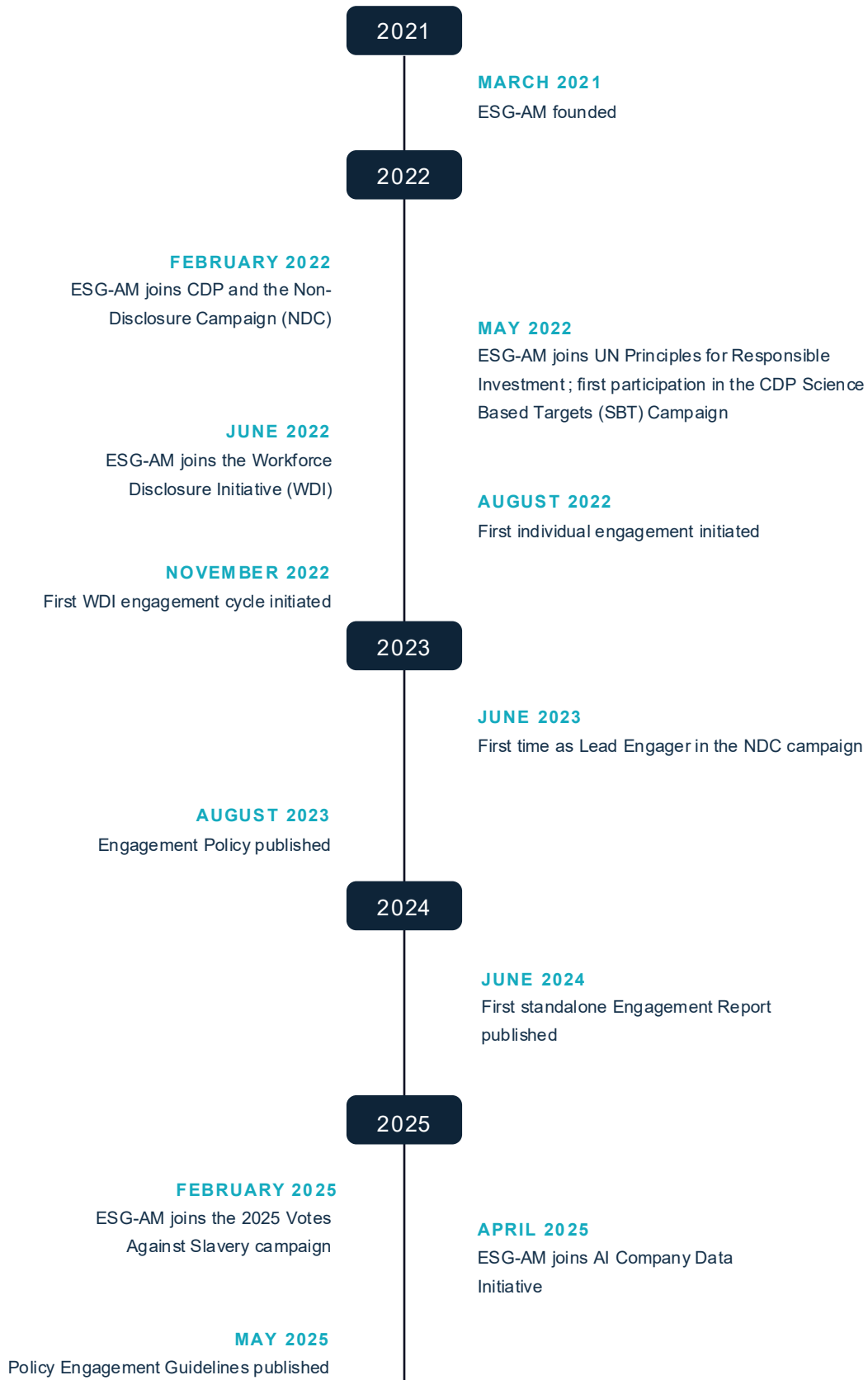
The Swiss Stewardship Code (SSC), launched by the Asset Management Association Switzerland (AMAS) and Swiss Sustainable Finance (SSF), offers a voluntary set of recommendations to strengthen stewardship practices across the Swiss investment industry. Aligned with international standards, the SSC promotes 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. While the SSC is not directly applicable to ESG-AM, we draw on it as one of several reference frameworks to continuously strengthen our own engagement practices.

As in previous years, ESG-AM continued to participate in AMAS- and PRI-led stewardship roundtables, meant to support the implementation of SSC principles and to contribute to ongoing industry dialogue. In 2025, we took part in two sessions: one on human rights in Geneva and another on engagement with oil and gas companies in Zurich. These meetings provided a valuable opportunity to exchange with peers and reflect on evolving expectations. The insights and discussions from past roundtables have informed the publication [Swiss Stewardship in Practice: Insights from the AMAS-PRI Roundtables](#) (January 2025- June 2025), which summarizes key lessons and practical takeaways from the topics discussed during the roundtables. ESG-AM's case study is also featured in the publication.

03 Our Engagement Journey



04 2025 Highlights

41 ENGAGEMENTS¹
CONDUCTED
WITH...

39 ISSUERS



Collaborative
engagements : 22



Individual
engagements: 19



Social: 27

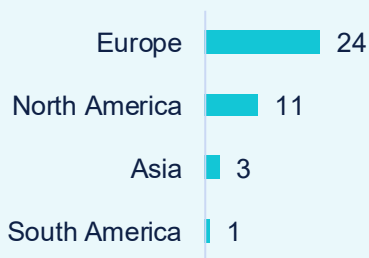


Environmental: 8



Crosscutting (E/S/G): 6

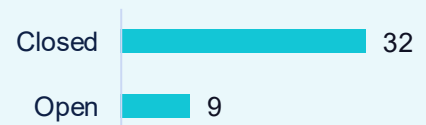
ISSUERS BY HEADQUARTER



ISSUERS BY SECTOR



ENGAGEMENT STATUS²



167

engagement
interactions³

79%

of issuers responsive
to engagement⁴

50%

of closed cases achieved
engagement objectives

TARGETED SUSTAINABLE DEVELOPMENT GOALS



COLLABORATIVE PLATFORM MEMBERSHIPS



¹ Distinct dialogues with companies, each focused on a specific sustainability-related topic.

² Status of distinct dialogues as of 31.12.2025.

³ Substantive outbound communications related to an engagement, including with companies and, where relevant, other stakeholders (e.g., civil society organizations) where such interactions contributed to the achievement of engagement objectives. Issuer/stakeholder replies and administrative emails are excluded.

⁴ Issuer response rate to outreach, not objective attainment.

05 Insights from Our Engagement Activities

In 2025, we continued to expand our engagement efforts, engaging with 39 issuers, up from 32 in 2024. Over the course of the year, we conducted 41 engagement dialogues across a range of sustainability-related topics.

Issuer responsiveness remained high, with 79% of contacted issuers responding to our outreach. This level has been consistent since 2022, when ESG-AM began engaging issuers, and indicates continued openness to bondholder engagement. It also reflects the contribution of our structured approach, including our escalation framework (see [page 7](#)).

As a result of our efforts, 32 engagement cases were closed during the year, with 50% meeting their predefined objectives. A further 9 cases remained open at year-end and have been carried over into 2026.

Across the topics addressed, social issues accounted for the majority of engagement activity, representing 27 of 41 engagements. A total of 8 engagements focused on environmental topics, and a further 6 addressed cross-cutting ESG themes. This distribution reflects both alignment with our investment strategies and the nature of opportunities identified during the year. A significant number of engagements were triggered by controversy alerts identified through our monitoring process, most of which related to social issues, particularly labor practices and human rights.



2025

balanced approach between individual and collaborative engagements

22

engagements were conducted collaboratively

19

engagements were conducted individually

INDIVIDUAL ENGAGEMENT

Individual engagements focused on disclosure, impact-oriented priorities, and incident-driven cases.

We continued our multi-year engagement on pay disparities with two private telecommunications companies, encouraging disclosure of gender pay gap and CEO-to-median worker pay ratio data, alongside measurable targets and KPIs (for more on the gender pay gap, see [page 17](#)). By year-end, one issuer had disclosed both metrics, while the second had not. Engagement with both issuers will continue into 2026, with a focus on target setting and progress tracking.

For the non-disclosing issuer, engagement expanded beyond pay disparity to broader sustainability disclosure, with a continued focus on encouraging improved transparency. In parallel, we facilitated dialogue between the issuer and our ESG data provider to enhance data coverage and assessment, supporting the issuer’s ability to improve its disclosures. These developments informed a reassessment, after which the issuer became eligible for our social strategies and was subsequently invested in.

Incident-driven engagement remained a key component of our approach. During the year, we initiated 17 engagements following controversy alerts identified through our third-party data provider (including two cases relating to the same issuer). These were conducted under our Controversial Incidents Handling Process (see [page 9](#)).

By year-end, 11 incident-driven cases had been closed, based on our assessment that issuers had taken sufficient steps to address the concerns. In one instance, ESG-AM divested following escalation of engagement, where insufficient disclosure and limited reassurance remained regarding the management of material human rights risks in high-risk operating contexts (see [Case Study 3: Escalating on Human Rights Due Diligence in Conflict-Affected and High-Risk Areas](#)).

TOPICS ADDRESSED ACROSS INCIDENT-DRIVEN ENGAGEMENTS

SUPPLY-CHAIN LABOR CONDITIONS

FORCED LABOR

EMPLOYEE RETALIATION

CHILD-ABUSE ALLEGATIONS

HUMAN RIGHTS

INDIGENOUS PEOPLES’ RIGHTS

ANIMAL WELFARE

FOSSIL-FUEL EXPOSURE

CONTROVERSIAL WEAPONS

SOCIO-ECONOMIC & ENVIRONMENTAL IMPACTS OF FINANCED PROJECTS

COLLABORATIVE ENGAGEMENT

Investor collaboration remained an integral part of our approach. Of the 41 engagements conducted in 2025, 22 were collaborative, with all but three involving direct dialogue with issuers.

CDP

MEMBER SINCE 2022

ESG-AM has been a member of CDP since 2022. As part of this membership, we also participate in selected CDP-led initiatives. In 2025, this included the Non-Disclosure Campaign for the fourth consecutive year, through which we led engagements with three issuers with the aim of encouraging enhanced climate-related transparency. For detailed information, see [Case Study 5: Encouraging Climate Transparency Through Collaborative Engagement](#).

WORKFORCE DISCLOSURE INITIATIVE (WDI)

MEMBER SINCE 2022

ESG-AM joined the WDI in 2022.⁵ This initiative, led by the Thomson Reuters Foundation, promotes transparency on workforce-related issues through an annual survey. In 2025, around 3,000 companies were invited to disclose.

As part of this effort, ESG-AM engaged with selected issuers with the aim of encouraging participation in the WDI survey and promoting disclosure of workforce data. Where companies were unable or unwilling to respond to the survey, engagements also aimed to better understand barriers to disclosure.

In 2025, we continued one engagement from the previous cycle and initiated 10 new engagements. Seven issuers responded to our outreach, while four did not. Although no disclosures were achieved during the year, the engagements provided useful insight into corporate priorities. Several issuers cited a focus on mandatory sustainability reporting and internal reporting efforts. One issuer initially agreed to participate but later withdrew due to capacity constraints. These engagements helped clarify investor expectations and supported ongoing dialogue with responsive issuers. We will assess re-engagement opportunities in 2026.

AI CORPORATE DATA INITIATIVE (AICDI)

JOINED 2025

In April 2025, we joined the AICDI, which focuses on responsible data governance and transparency in AI. In its pilot year, we engaged with four issuers in sectors with higher exposure to AI-related risks, including technology, semiconductors, telecommunications, and consumer electronics. For detailed information, [see Case Study 1: Advancing Responsible AI Through Investor Platforms](#).

VOTES AGAINST SLAVERY

JOINED 2025

In 2025, ESG-AM joined Votes Against Slavery, an investor coalition coordinated by Rathbones Investment Management. The initiative aims to improve corporate compliance with the UK Modern Slavery Act. As part of this campaign, we engaged with three potential investees. For detailed information, see [Case Study 4: Driving accountability on Modern Slavery Through Investor Collaboration](#).

ISSUER SPECIFIC COLLABORATIVE ENGAGEMENTS

CONTINUED IN 2025

We continued a collaborative engagement with one issuer on human rights risks in its sugar supply chain, including concerns related to forced and child labor. This engagement was initiated at the end of 2024 and identified via the PRI collaboration platform.⁶ During 2025, we participated in a group call with the company's investor relations and supply chain management representatives led by the coordinating investor. By year-end, investor group follow-up questions had not received sufficiently detailed responses, and the engagement will continue into 2026.

ADDRESSING THE GENDER PAY GAP: INSIGHTS FROM AN EXPERT INTERVIEW

VIEWPOINT

Over recent decades, research has deepened our understanding of women’s labor market realities, while policy efforts have sought to improve them. Despite progress in participation, protections, and leadership opportunities, unequal pay remains a persistent marker of gender inequality. To better understand why the gender pay gap endures and what drives meaningful change, ESG-AM’s Engagement Manager, Paula Krol, explored these issues with Dr. Kristen Sobeck, Lecturer in Economics at the University of Canberra and former Wage Specialist at the International Labour Organization.


PK

PAULA KROL
ESG-AM Engagement
Manager


KS

DR. KRISTEN SOBECK
Executive Lecturer in
Economics University of
Canberra

PK: To set the scene, what do we mean by the gender pay gap, how is it typically measured, and why is it important to track it?

KS: The gender pay gap refers to the difference in average wages between women and men. It can be measured using hourly wages or calculated on a weekly, monthly or annual basis. For example, if men earned \$100 per hour, and women earned \$95 per hour, the hourly gender wage gap would amount to 5%. It can also be calculated at different points (percentiles) of the wage distribution to understand if the gap is bigger for high wage or low wage individuals. Tracking the gender pay gap matters because we measure what we value. If a society values gender equity, quantitative benchmarks, such as the gender pay gap, help show how close — or how far — it is from achieving that goal.

PK: What do we know about the gender pay gap today?

KS: Historically, much of the gap could be explained by differences in education and labor-market experience. Since the 1980s, however, women have gained more experience, outpaced men in university degree attainment, and as a result, the overall wage gap has declined. So those historical explanations — education and experience — carry less weight in explaining the remaining gap today. What we see now is that a big part of the remaining gap is linked to differences in the occupations and industries that women and men go into. Women tend to choose occupations that are less well paid, on average, than men. And even when women work in the same occupation as men, they often tend to choose a less well-paid job within that occupation.

There are two broad streams of research that try to explain this. One suggests that women may have inherently different preferences, skills or psychological traits that influence their educational and career choices. The other argues that women are relatively similar to men but face different opportunities and constraints. The overall conclusion from research examining both streams is that while preferences may play a small role, the bigger factor is the different opportunities and constraints women face.

PK: What do you mean when you say women face different constraints relative to men?

KS: For women, I'm mainly talking about parenthood. Because of biological factors, cultural expectations around caregiving, and in many places the lack of substantial parental leave for fathers, mothers tend to take on more unpaid care work. And since everyone only has 24 hours in a day, more time spent on unpaid care means less time for paid work. That often leads women to choose career paths that make it easier to balance work and caregiving—sometimes even before they become mothers. And once they do, they might shift to different kinds of roles within the same field, reduce the number of hours they work, or even change careers altogether. Some of the other constraints that disproportionately impact women include gender-based violence in the workplace and/or in the home, among others. These factors make it harder for women to progress in their careers in the labor market and create economic costs that men typically don't face in the same way.

PK: Are there occupations where the gap is especially pronounced? What drives this?

KS: Yes. In her 2021 book *Career and Family*, Nobel Prize-winning economist Claudia Goldin shows that the largest pay gaps occur in jobs with high rewards for long, inflexible hours, what she calls “greedy jobs.” For example, corporate lawyers at top firms are often expected to be available around the clock.

Before children, both partners in a couple can work such jobs. But once kids arrive, it becomes difficult for both to maintain those demands while spending time with their family. As a result, it often makes financial sense for one partner, usually the man, to remain in the high-paying job. While the other, often the woman, reduces hours or moves to a more flexible, lower-paid role.

Goldin finds that wage gaps are largest in these greedy jobs and smallest in roles where workers are easily substitutable, such as pharmacists, veterinarians, and some physicians. The silver lining is that these occupations were historically greedy but transitioned over time, helped by solutions such as better use of technology, changes in corporate structure and ownership, more team-based models of work, and clearer shift structures that reduce the need for any one person to be constantly on call. Over time, these changes have allowed some of these professions to become less greedy, and with that, their gender wage gaps have narrowed or disappeared.

PK: These findings are encouraging and suggest that innovative solutions can genuinely transform occupations where gender pay gaps have historically been stubborn. Yet recent evidence shows both progress and setbacks on tackling the gender pay gap. For example, Equileap's assessment of 3,430 public companies across developed markets found that while gender pay gap disclosure has risen from 15% in 2021 to 48%, fewer than 2% of companies have actually closed their gap.⁷ Is this stall mainly about companies' willingness to act, or are there practical hurdles making pay equity tough to deliver?

KS: Company-level average gender pay gaps are important, but they can also mask a lot of dynamics. In some cases, there may be valid reasons why a gap may exist. For example, if a company is actively trying to recruit women into an industry that was or is traditionally very male, the gender pay gap may be large because the wages of young and junior women will be compared to much older senior men with more

experience. In other cases, however, average company-level pay gaps may be unjustified due to other factors such as discrimination or at times women's reduced leverage to negotiate their wages, relative to men. I think company-level pay transparency laws are important and can contribute to pay equity, but only if they spark company-specific analyses to understand and fix the root causes of inequity.

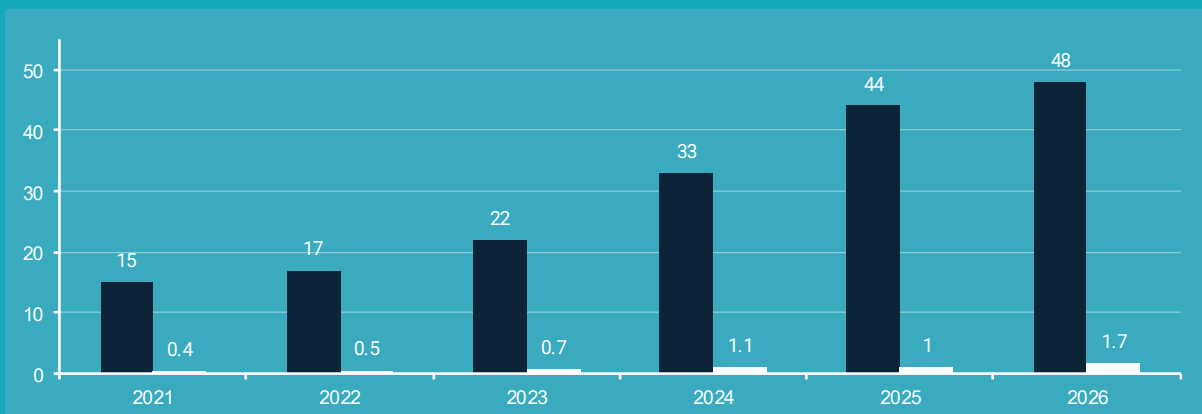
PK: Indeed, pay equity laws should encourage companies not just to disclose gaps but to act on them. In recent years, national regulations have expanded in countries like the UK, Japan, Canada, France, and Australia. At the regional level, the EU Pay Transparency Directive aims to strengthen transparency, comparability, and enforcement across member states and is set to take effect in 2026.

Success will depend on strong enforcement and combining regulation with voluntary best practices—otherwise, reporting may outpace real progress. Investors also play a key role: at ESG-AM, we've engaged on the topic since 2022, first focusing on disclosure and now on setting targets and KPIs aimed at reducing pay gaps.⁸

Disclosure is rising — action is not

% of ~3,500 public companies across developed markets

■ Disclosing the gender pay gap □ Have closed the gap*



Source: Equileap Gender Equality Reports 2021–2026.

* "Closed gap" = published a mean, unadjusted gender pay gap of 3% or less (overall or in bands)

KS: Exactly. Investor engagement can amplify that impact. While investors consider many things when choosing to make an investment, the return on their investment is an important consideration. I mean, brilliant ideas that spark economic growth or drive profit are not disproportionately concentrated among white men. Companies that draw on a diverse workforce understand this: they hire smart people, irrespective of their gender, age, sexual preference or culture.

PK: Right, and building on that, from an investor's perspective, issues like the gender pay gap are increasingly seen not only as social concerns but also as potential indicators of how well companies manage talent and long-term value creation. A growing body of research suggests that companies with well-implemented equitable and inclusive practices often perform better across measures such as employee engagement, retention, and financial outcomes.⁹

But despite these potential benefits, the pace of change has been slow. According to the World Economic Forum, at the current pace it will take around 123 years to close the global gender gap.¹⁰ While this highlights the scale of the challenge, let's end on a hopeful note: what gives you reason to feel optimistic about progress on the gender pay gap?

KS: As I said earlier, there is evidence that some professions have moved away from being greedy over time. And Goldin captures this brilliantly: She points out that even something as complex as delivering a baby is handled through teamwork and shift systems. So why should law or finance be any different? Her point is that these jobs aren't inherently non-substitutable; they're just organized that way. And I find that idea encouraging. If some occupations can eliminate greedy jobs, others can too, even if their starting point is that it's impossible.



Some professions have moved away from being “greedy” [meaning jobs that offer high rewards for long, inflexible hours] over time. Goldin captures it brilliantly: even something as complex as delivering a baby is handled through teamwork and shift systems — so why should law or finance be any different? These jobs aren't inherently non-substitutable; they're just organized that way. If some occupations can eliminate greedy jobs, others can too — even if their starting point is that it's impossible.



DR. KRISTEN SOBECK
Executive Lecturer in
Economics University of
Canberra

06 Engagement in Action: Case Studies

In this section we feature a range of case studies that illustrate both the scope and key themes of ESG-AM's engagement efforts. Through targeted dialogue, we seek to enhance transparency and support progress toward outcomes that align with our clients' long-term goals and wider sustainability priorities on a range of sustainability-related topics. While some issuers are identified, others are kept anonymous due to ongoing discussions or a lack of formal consent for disclosure.

01

Advancing responsible AI through investor platforms

04

Driving accountability on modern slavery through investor collaboration

02

Addressing worker rights concerns in Bangladeshi ready-made garment supply chains

05

Encouraging climate transparency through collaborative engagement

03

Escalating on human rights due diligence in conflict-affected and high-risk areas

06

Engaging on animal welfare with a global branded food manufacturer



**CASE
01**

Advancing Responsible AI Through Investor Platforms

In April 2025, ESG-AM joined the AI Corporate Disclosure Initiative (AICDI), a voluntary disclosure initiative aimed at improving transparency on corporate AI practices and governance. The decision to join followed ESG-AM's identification of AI as an emerging sustainability consideration, driven by its growing use, associated environmental, social and governance implications, and the need for more transparent and comparable disclosure.

During AICDI's pilot year, ESG-AM prioritized encouraging selected portfolio companies to participate in the initiative's survey as an entry to its responsible AI engagement approach. This initial phase is centered on transparency and information gathering, forming a basis for future targeted dialogue. In 2025, outreach focused on sectors with significant AI exposure, engaging four companies across technology, semiconductors, telecommunications, and consumer electronics.

For the telecommunications sector, ESG-AM engaged with Vodafone Group Plc, a global telecom operator, through written outreach and a follow-up call with investor relations, responsible AI representatives, and an AICDI representative. During the discussion – which was aimed at encouraging survey participation – ESG-AM shared its investor perspective on AI-related disclosure, while the AICDI representative highlighted areas of alignment and potential gaps in Vodafone's publicly available information. The company explained that over the past year it had strengthened governance and controls around third-party AI use, including internal checkpoints in supplier selection and onboarding.

It also noted it was in the process of updating its external AI framework to reflect regulatory developments, including the EU AI Act, and to capture progress such as training tailored to different employee roles and monitoring AI adoption through KPIs. The company emphasized its intention to move beyond high-level commitments and demonstrate a more embedded culture of responsible AI use, and highlighted its participation in the EU AI Pact.¹¹

Vodafone was among 14 companies that submitted data to AICDI in 2025, marking a constructive step towards enhancing transparency on its AI-related governance and practices.

Across engagements, responses varied. One European semiconductor company expressed interest in participating in a future cycle, citing resource constraints. A large US-based technology company noted that it already provides extensive AI-related disclosure and is prioritizing regulatory requirements. A China-based consumer electronics company did not respond despite multiple outreach attempts, including escalation to its Chief Financial Officer. ESG-AM will continue to monitor these issuers and may consider re-engaging in a future AICDI cycle.

"We are proud of our responsible AI program and recognize that transparency in how we do business is important. We have valued our engagement with AICDI and investors on this important topic."

Vodafone Group PLC

CASE

02

Addressing Worker Rights Concerns in Bangladeshi Ready-made Garment Supply Chains

In 2023, the Clean Clothes Campaign (CCC), a global coalition of trade unions and NGOs, launched a campaign highlighting labor rights concerns at Bangladeshi garment factories supplying international brands. The CCC reported that worker protests following the national wage revision in November led to dismissals and criminal charges, and called on buyers to secure remedies such as withdrawal of charges, reinstatement, and back pay. Carrefour, a French multinational retailer, was among the brands targeted.

Upon learning that criminal charges and related issues had persisted into 2025, ESG-AM began engaging with the company in April 2025 to understand its perspective on how it was addressing the allegations. In parallel, we contacted CCC for updates on affected supplier factories. Through this engagement, we sought clarification from Carrefour on whether and how the allegations were being investigated and remediated, and safeguards in place to prevent recurrence.

Over a series of written exchanges, Carrefour explained that internal supplier surveys were conducted in August–September 2024 and complemented by an anonymous worker survey in November 2024, reaching over 10,000 Bangladeshi workers with support from an independent NGO. Remediation included follow-up with the suppliers involved in the protests to seek verification that legal entitlements for terminated workers had been settled. The company also noted it had engaged with Bangladeshi suppliers to discourage what it

described as unfounded legal complaints, indicated that charges had been withdrawn except in cases characterized by the company as involving clear vandalism. Carrefour further described engaging external stakeholders, including the National Garment Workers Federation and the RMG Sustainability Council, and stated that the remediation process and follow-up investigations were supported by independent third parties. The company further outlined grievance channels available to Bangladeshi workers and noted that, across its global supply chain, suppliers are required to strengthen internal processes following remediation, with subsequent incident monitoring to prevent recurrence.

Additional information received from CCC in December 2025 confirmed that all criminal charges against workers at Carrefour supplier factories had been withdrawn following an executive decision by the Bangladeshi interim government. Along with the company's disclosures, this enabled ESG-AM to form the view that the allegations had been adequately addressed, and that appropriate remediation and preventive measures were in place, leading to engagement closure.

Throughout the process, Carrefour engaged in a timely and constructive manner, providing information that supported an informed assessment. This case illustrates the value of combining issuer dialogue with stakeholder engagement, as it contributes to validating outcomes and provides a comprehensive understanding of developments on the ground.

CASE

03

Escalating on Human Rights Due Diligence in Conflict-Affected and High-Risk Areas

In 2025, ESG-AM engaged with a consumer discretionary company in relation to confirmed business exposure in a territory subject to prolonged dispute and international humanitarian law concerns. The company acknowledged a direct operational presence in this context through its core services, which ESG-AM considered could give rise to elevated risks of being linked to potential adverse human rights impacts.

ESG-AM initially sought clarification at investor-relations level regarding how the company identifies, assesses, and mitigates human rights risks in high-risk and conflict-affected environments. While the company provided some information, it stated that this reflected the full extent of what it was willing or able to disclose at that time. From ESG-AM's perspective, the information provided did not enable a sufficiently reliable or comprehensive understanding of the company's due-diligence processes.

Given the seriousness of the allegations and the lack of substantive reassurance, ESG-AM escalated the engagement to senior sustainability leadership and the Chair of the Board. ESG-AM did not receive a response to its correspondence.

In light of the combination of the material nature of the human rights risks and the company's inability to provide further information or reassurance, ESG-AM determined that it was not in a position to adequately evaluate whether the risks were being appropriately managed in line with its sustainable investment framework and therefore decided to divest. ESG-AM will continue to monitor the company and remains open to renewed engagement should the company enhance transparency and demonstrate strengthened human rights risk management frameworks in the future.

CASE
04

Driving accountability on Modern Slavery Through Investor Collaboration

According to the latest global estimates, around 50 million people were living in situations of modern slavery in 2021, including about 28 million in forced labor.¹² Modern slavery¹³ remains a material concern for investors, as it may expose companies to various operational, legal, or reputational risks, particularly in complex global supply chains.¹⁴

Against this backdrop, in 2025, ESG-AM participated in the “Votes Against Slavery” initiative, an investor-led engagement coordinated by Rathbones Investment Management and identified through the PRI Collaboration Platform¹⁵. The initiative seeks to improve corporate compliance with Section 54 of the UK Modern Slavery Act 2015, which requires companies to publish annual statements outlining actions taken to address modern slavery risks across operations and supply chains. As part of the campaign, a group of institutional investors representing approximately £1.65 trillion in assets under management jointly engaged FTSE 350 companies identified as appearing non-compliant based on publicly available disclosures.

As part of this initiative, ESG-AM co-signed investor letters to three potential investees, reflecting its approach of encouraging sustainability improvements prior to and following investment. The companies operate across different sectors, including a global consumer packaged goods group, a UK-based food manufacturing group, and a financial advisory and consulting firm.

Following this initial outreach, ESG-AM undertook direct engagement with the global consumer packaged goods company to reinforce expectations regarding transparency and reporting practice.

By the end of 2025, two of the companies responded positively to the investor letters and subsequently published modern slavery statements. The campaign’s assessment found that these statements aligned with the Act’s requirements.

The global consumer packaged goods group made partial progress by the end of 2025, publishing a modern slavery statement on its local operating entities’ website. However, it was not prominently placed on the homepage of the group’s main corporate website, as required under the Act. ESG-AM continued the engagement into the first quarter of 2026, after which the company updated its website to include the statement more prominently. This engagement highlights that even where regulatory requirements are clearly defined, implementation may remain uneven, and collaborative investor engagement can play a role in addressing remaining gaps. It also demonstrates how collaborative initiatives can facilitate dialogue not only with existing holdings but also with potential investees, providing additional insight into company responsiveness and approach to transparency.

CASE
05

Encouraging Climate Transparency Through Collaborative Engagement

In 2025, we continued our CDP membership. CDP is a global non-profit that operates one of the world's leading corporate disclosure platforms on climate, forests, and water security. In this context, we participated in CDP's Non-Disclosure Campaign (NDC) for the fourth consecutive year, marking our third year in a lead engager role. Across the broader campaign, 1,314 high-impact companies were invited to disclose environmental data, resulting in 132 submissions across NDC-targeted themes, including 57 climate change disclosures. As part of this initiative, ESG-AM engaged on behalf of 223 campaign signatories, requesting three companies to disclose climate-related data through CDP's climate change questionnaire. Our dialogues included formal outreach, follow-up requests, and escalation to senior management, where appropriate.

One of the companies we engaged with was Akelius Residential Property AB, a Swedish real estate owner and developer. The company responded constructively and submitted a climate disclosure. Additionally, Akelius also submitted information to CDP's water security questionnaire, even though this was not a focus area for ESG-AM in this campaign cycle. These steps represent a positive development in the company's environmental transparency. Akelius received an overall CDP climate score of C. While this remains below the current average for its primary activity group (B), the disclosure establishes a baseline for future progress and enhances visibility into the company's climate-related governance, risk management, and data availability.

We also engaged with Brinker International, a U.S. based hospitality and restaurant operator, and AMC Networks, a U.S. media and entertainment company, both of which were contacted through formal outreach and subsequently escalated to their respective Chief Financial Officers to encourage participation. Despite these engagements, neither company chose to submit climate-related information through CDP, and no further dialogue followed escalation. CDP assigned both companies a "did not disclose" score. ESG-AM will continue to monitor developments at both issuers and may consider re-engaging in the next campaign cycle. In line with ESG-AM's investment criteria, both companies remained ineligible for inclusion in its climate-aligned investment strategies at the end of 2025.

As in previous years, these engagements illustrate both the progress made and the challenges that persist in advancing climate transparency. ESG-AM remains committed to constructive dialogue and to supporting the continued development of robust, science-aligned climate disclosure.

"CDP reporting reinforces our commitment to transparency and responsible, long-term growth. Investor engagement supports the work towards our sustainability goals, including climate neutrality by 2050. This helps us manage risks and identify opportunities."

Aayushi Gupta, Sustainability Reporting Manager, Akelius Residential Property AB

CASE
06**Engaging on Animal Welfare with a Global Branded Food Manufacturer**

At ESG-AM, we recognize that inconsistencies between companies' public commitments and their operational practices can create reputational and governance risks and may ultimately affect long-term value creation.

In July 2025, we initiated engagement with a global branded food manufacturer. This followed allegations raised by NGO PETA¹⁶ regarding the company's funding relationship with the Food Research Institute (FRI), affiliated with the University of Wisconsin–Madison. According to PETA, FRI had conducted animal-based studies that raised ethical concerns and had reportedly prompted several corporate sponsors to withdraw or restrict their funding to non-animal research.

In this context, we wrote to the company's senior legal and corporate governance representative. The engagement sought clarification on whether the company's broader institutional funding support for FRI is consistent with its stated animal welfare commitments, including how it assesses and responds to animal welfare allegations related to external research partners and whether it had taken steps to review and assess the claims made against FRI.

The company responded promptly, sharing its publicly available animal welfare policy and FRI's written response following its outreach. The company reiterated that it does not conduct, support, or condone animal testing unless legally required for food safety or quality. It does not maintain testing facilities and relies on accredited third-party institutions where such testing is mandated.

The company further explained that, when allegations arise, it engages directly with the relevant organization to verify facts, request additional information, and assess whether the relationship meets its standards. It may terminate partnerships where expectations are not met.

In this case, the company's engagement with FRI, and its decision to share FRI's written response with ESG-AM, indicated that it had engaged directly with the institution to address and evaluate the allegations. The information provided also clarified that the studies referenced by PETA were conducted within the framework of regulatory food safety validation required by U.S. authorities and subject to applicable ethical and regulatory oversight. Based on the information provided and our independent assessment, we concluded that the company's funding relationship with FRI appears, based on currently available information, to be consistent with its stated animal welfare commitments, insofar as research remains within legally required parameters. The concerns raised therefore relate primarily to ethical considerations associated with animal testing, rather than to evidence of non-compliance. The studies referenced are described as part of established regulatory and scientific practices for food safety validation, where animal-based methods may still be required in the absence of sufficiently reliable alternatives.

On this basis, the engagement objective was considered achieved and the case was closed. ESG-AM may revisit the topic should new information emerge, as part of its ongoing monitoring of portfolio companies.

ANIMAL WELFARE: FROM NICHE CONCERN TO INVESTOR ISSUE?

SPOTLIGHT

No longer viewed solely as an ethical issue, animal welfare is rising on the agenda for governments, companies, and consumers. Subpar practices in this area may increase the likelihood of regulatory scrutiny, supply chain disruptions, and reputational risk for companies. As expectations continue to evolve, in this issue spotlight we outline the topic's growing relevance for investors and stewardship practices.

According to the World Organisation for Animal Health, animal welfare refers to “the physical and mental state of an animal in relation to the conditions in which it lives and dies”.¹⁷ It covers how animals are bred, housed, transported, handled, tested and slaughtered. For companies involved in these activities, the management of related processes may have implications for regulatory exposure and reputational risk.

The risks associated with poor welfare practices may take several forms. Reputational damage is often the most immediate. Companies linked to poor practices may be exposed to negative media coverage, NGO campaigns, and consumer backlash, particularly where practices appear inconsistent with stated policies or commitments. Corporate attention to animal welfare has risen across industries. For example, in 2024, 85% of the 150 companies tracked by the Business Benchmark on Farm Animal Welfare had formal animal welfare policies.¹⁸ In cosmetics, pharmaceuticals, and biotech, regulatory pressure and rising consumer expectations are pushing more firms to reduce or eliminate animal testing in favor of alternatives.¹⁹ Companies lagging behind peers may face elevated risk of becoming targets of stakeholder pressure and public campaigns. Standards are also evolving. For example, in the European Union, animal welfare legislation has expanded in recent decades, adding rules on housing, transport, slaughter, and testing.²⁰

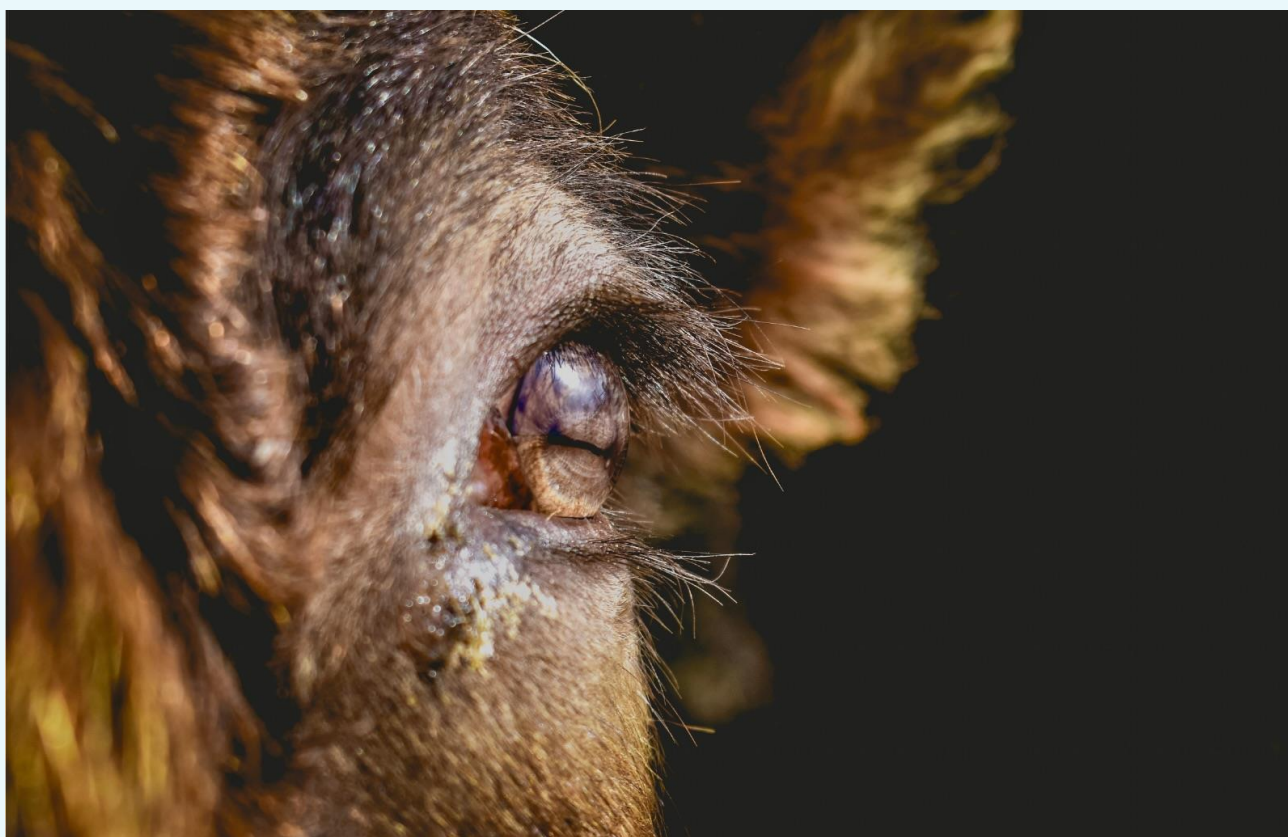
Moreover, in 2023, the OECD updated its Guidelines for Multinational Enterprises on Responsible Business Conduct, explicitly referencing animal welfare. The revised guidance calls on companies to identify, prevent, and address adverse impacts related to animal welfare across their operations and value chains as part of their broader due diligence responsibilities.²¹ Importantly, companies may now be subject to increased scrutiny and potential accountability through OECD National Contact Point mechanisms, where stakeholders can raise complaints regarding alleged non-observance of the guidelines. Businesses that delay adapting to higher animal welfare expectations may face an elevated likelihood of rising compliance costs, a shrinking customer base, supply chain pressures, or the need for rapid operational changes as regulatory requirements and international expectations continue to tighten.

Beyond the risks, strong animal welfare practices have been linked to a range of operational and commercial benefits. Research suggests higher welfare standards may be associated with improved productivity, reduced losses, and strengthened resilience.²² Healthier, lower-stress animals tend to experience lower mortality and fewer diseases, which can help reduce costs and support operational efficiency.

Better welfare has also been linked to fewer discarded products, improved quality, and reduced antibiotic use. Advocates frame animal welfare not just as compliance but as a strategic investment in sustainability, innovation, and competitiveness, potentially helping companies meet evolving consumer preferences, access premium markets, and strengthen supply chain resilience.²³

Crucially, the relevance of animal welfare extends beyond direct financial and reputational factors. In 2022, the United Nations Environment Assembly formally recognized the links between animal welfare, environmental sustainability, and human well-being.²⁴ The resolution highlighted the connections between animal welfare and broader issues such as biodiversity loss, climate change, food system resilience, and public health, underscoring its increasing relevance within sustainable development discussions.

Within this evolving landscape, and amid growing evidence linking animal welfare to financial and operational outcomes, engagement on the topic is likely to become more prominent in investor dialogue. Engagement often starts in response to a trigger such as a supply-chain incident, litigation, or negative NGO coverage (for an example of ESG-AM's engagement on the topic, see [Case Study 6](#)) such cases, investors may seek to understand whether companies have formal policies and governance in place, how risks are monitored across value chains, and whether stated commitments are translating into practice. As expectations, regulation, and public scrutiny continue to evolve, animal welfare may increasingly feature in broader discussions around operational resilience, supply-chain oversight, and responsible business conduct.



07 Engaging Policymakers

The Principles for Responsible Investment (PRI) defines policy engagement as “engagement with policymakers conducted as part of investors’ approach to responsible investment.”²⁵ At ESG-AM, we recognize that building a sustainable future goes beyond corporate engagement and includes contributing to public policy discussions. Investors alone cannot address systemic challenges such as climate change, biodiversity loss, and social inequality. Engaging with policymakers helps support the development of effective frameworks intended to address these issues and align regulation with long-term sustainability goals.

In 2025, we finalized our Policy Engagement Guidelines²⁶, building on existing internal practices and earlier guidance to provide more formalized and clearly articulated framework for policy engagement within our responsible investment framework. This refinement aimed was to ensure a transparent and consistent process, drawing on industry best practices and relevant frameworks, including the Swiss Stewardship Code.

Recognizing that policy engagement complements issuer-focused activities by helping shape evolving norms, the guidelines set out the rules for ESG-AM’s policy engagement activities. They were formally approved by ESG-AM’s Board of Directors in May 2025 and subsequently published on our website as an annex to the Engagement Policy.

As part of our policy engagement efforts, ESG-AM is a member of the UN PRI Global Policy Reference Group, as well as Regional Policy Reference Groups for Switzerland and the EU.²⁷ These groups provide a platform for signatories to share policy developments, raise questions and concerns, and provide feedback on the PRI’s policy engagement positioning and activities. In 2025, our involvement included participation in quarterly group calls, as well as ad hoc discussions on specific regulatory and policy developments. ESG-AM also contributed to a PRI-led survey informing policy recommendations to the European Commission as part of the Sustainable Finance Disclosure Regulation (SFDR) review.

In addition, we supported the following five collaborative investor statements alongside other investors, contributing to efforts to promote corporate transparency, accountability, and long-term sustainability.

INITIATED BY	TITLE	THE ASK
ETHOS	Investor Statement for the introduction of comprehensive human rights and environmental due diligence legislation in Switzerland	Urged the Swiss Parliament and the Federal Council to introduce mandatory, comprehensive human rights and environmental due diligence legislation aligned with international standards, requiring companies to identify, prevent, mitigate, and account for adverse impacts across their operations and value chains.
WORLD BENCHMARKING ALLIANCE	Investor statement on violence and harassment in supply chains	Urged governments to strengthen and enforce regulations to prevent violence and harassment in supply chains. The statement also promoted alignment with international standards, such as ILO Violence and Harassment Convention (C190), and highlighted the importance of access to remedy and accountability mechanisms.
THE INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE (IIGCC), THE EUROPEAN SUSTAINABLE INVESTMENT FORUM (EUROSIF), AND UN PRI	Investor joint statement on European Commission's 'omnibus legislation'	Encouraged the European Commission to maintain the coherence of existing sustainable finance and corporate accountability frameworks, avoid regulatory rollbacks and ensure consistency, clarity, and effectiveness.
CORPORATE LEADERS GROUP EUROPE (CLG EUROPE)	Business and Investor Sign-On Letter Calling on the EU to Set a Greenhouse Gas Emissions Reduction Target of at least 90% by 2040	Called on the EU to adopt a science-based target of at least 90% net greenhouse gas emissions reduction by 2040, provide policy certainty and align with climate goals under the Paris Agreement.
EUROSIF, IIGCC, PRI, CLG EUROPE, GRI, E3G	Investor and business joint statement on Omnibus initiative	Encouraged policymakers to ensure that the Omnibus initiative strengthens rather than weakens sustainability regulations, maintaining high standards for corporate transparency, accountability, and climate and ESG-related disclosures.

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FEEDBACK

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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