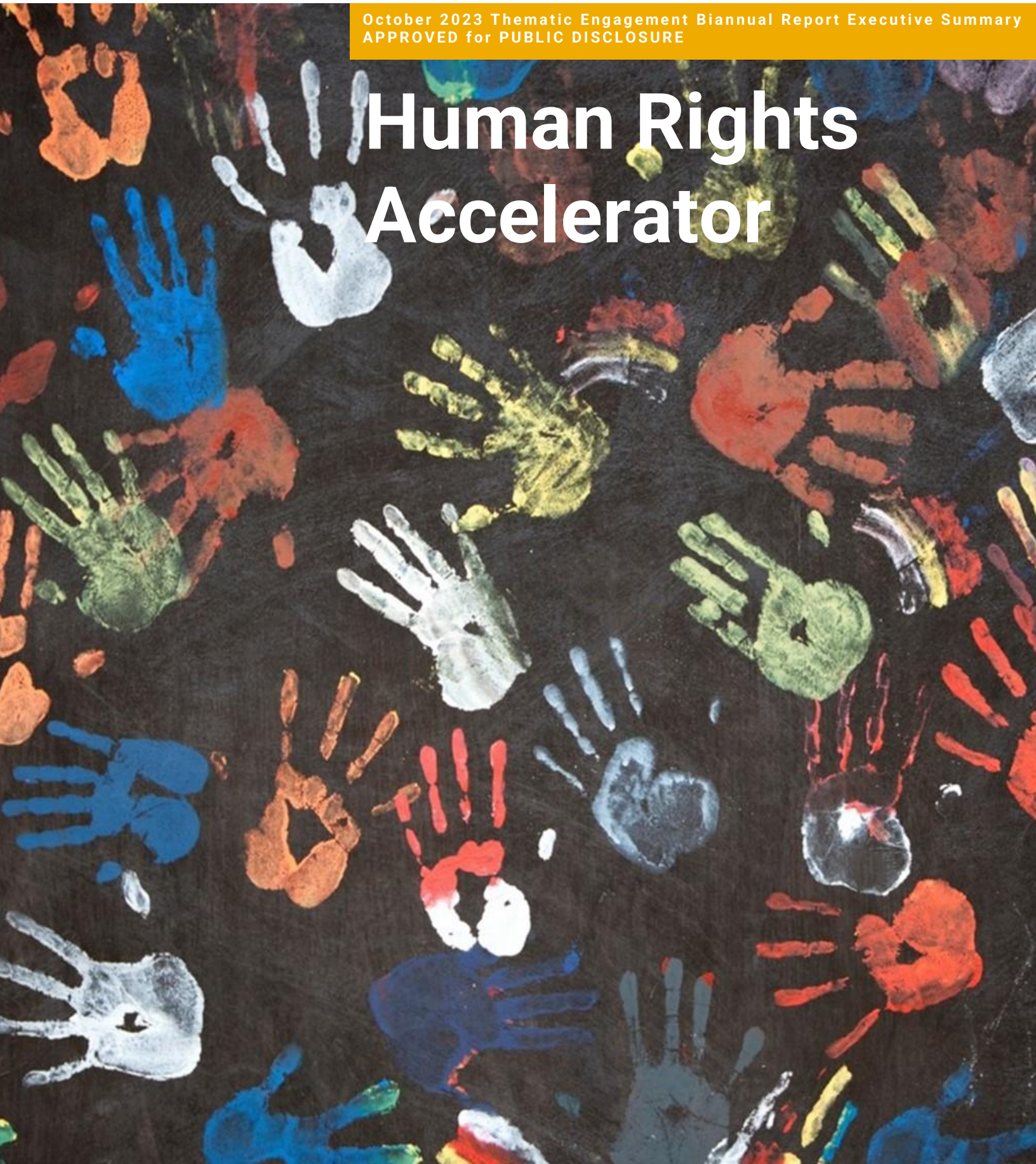


October 2023 Thematic Engagement Biannual Report Executive Summary
APPROVED for PUBLIC DISCLOSURE

Human Rights Accelerator



EXECUTIVE SUMMARY

The goal of the Human Rights Accelerator (HRA) thematic engagement is to encourage companies to set and implement effective human rights due diligence (HRDD) as per the United Nations Guiding Principles on Business and Human Rights (UNGPs). Ultimately, the impact to be sought is to improve in the livelihood of workers, farmers and local communities directly involved in the focus sectors – electronics, mining, and cocoa. To this end, companies will need to implement robust HRDD that considers the operating context and root causes of their salient human rights risks.

This biannual Human Rights Accelerator report covers the months from May 2023 to September 2023. This report provides an update on progress made to date with an overview of insights on KPIs. Input is also provided with regard to sector-specific developments as well as challenges faced by companies. The [UNPRI Advance Initiative](#) was launched on 1 December 2022 and Morningstar Sustainalytics was selected to lead or collaborate on the following five engagements:

- AngloGold Ashanti Limited (Lead Investor with [Perpetua Investment Managers](#))
- First Quantum Minerals (Collaborating Investor)
- BHP Group Limited (Collaborating Investor)
- Newmont Corporation (Collaborating Investor)
- Freeport-McMoRan Inc. (Collaborating Investor)

Joining Advance is an opportunity to have more scale and impact through collaboration with other investors. The complexity and scale of the human rights issues we engage companies on require multi-stakeholder collaboration. By coming together, investors get the opportunity to learn from each other and increase their leverage with the common goal of triggering greater alignment with the UNGPs – ultimately to prevent adverse impacts on people.

Update on Engagement Efforts

The Human Rights Accelerator thematic engagement has been running for about a year. Over the biannual period which took place between May 2023 and September 2023. There are now 19 active companies in the Human Rights Accelerator. Since the April 2023 biannual report, Sustainalytics exchanged 119 emails and held 13 meetings.

During our engagements, we have observed that those in the early stages of their HRDD journey often hesitate to share information. Many of them fear leaving a negative impression on investors or lack confidence when discussing human rights matters. Mature companies are generally more willing to share, but they often have many priorities and need to decide if engaging can add value to their work. Several companies continue to delay meaningful engagement as they prioritize other activities over human rights. All participants expressed interest in learning about the EU legislation on HRDD, exploring best practices, and knowing more about our assessment of their performance in comparison to other participating companies. All these insights help us better understand the needs of our participants. In the next phase of the engagement, our goal is to provide meaningful support to these companies to facilitate the engagement effectively.

Engagement Insights

Alignment with human rights due diligence

Every participant in the HRA has a publicly accessible human rights policy. The majority of these companies have established structures at either the board or executive level to deal with human rights issues. Additionally, most of these companies have clear requirements regarding human rights in their supplier code of conduct (CoC).

However, there are still some remaining gaps. While the majority explicitly pledge to uphold universally recognized human rights or make reference to the International Bill of Human Rights, some companies mention only the Universal Declaration of Human Rights or national laws in their policies. Many companies have an ESG or Sustainability Committee at the board level, and only a few companies reported that they integrate human rights performance in their executive compensation.

Many companies conduct risk assessments within their supply chains, but there is often an over-reliance on third-party audits. Only a few companies carry out thorough risk-scoping exercises that involve relevant stakeholders. This raises concerns about the effectiveness of the risk assessments. Traditional risk assessment activities like supplier surveys and social audits often fail to identify certain risks, such as forced labour, child labour, and sexual harassment.

Livelihood and living income

Supply chain mapping serves as the foundation for human rights due diligence. While all companies seem to improve transparency in their supply chain, they still face unique challenges when it comes to mapping their respective supply chains.

In the electronics and mining sectors, many companies proudly highlight in their annual reports that a majority of their workforce is unionized. They view labour unions as their negotiation partners when it comes to wages, although limited data is disclosed regarding living wages. In the cocoa sector, companies prioritize achieving a living income, recognizing it as an integral factor in addressing child labour and deforestation issues. The cocoa companies extensively report on their efforts to boost farmers' incomes and their contributions toward this goal. However, overall, there remains a lack of transparency among all companies regarding the specific wage or income improvements resulting from their activities.

Joint collaboration and policy dialogue

While many companies acknowledge investors, employees, customers, suppliers, and industrial initiatives as their stakeholders, only a few share substantial information on their engagement activities and results. The UNGPs emphasize the importance of maintaining stakeholder relationships and conducting open consultation processes to ensure that companies are aware of any concealed human rights risks. We will prioritize aligning with this recommendation in the upcoming phase of our engagement efforts.

LOOKING AHEAD

In the coming six months, our focus will be on addressing identified gaps in engagement. We aim to encourage companies to take specific actions, tailored to their respective industries:

For companies in various sectors, including cocoa, electronics, and mining, we will emphasize the importance of robust risk assessment, the establishment of grievance mechanisms, and meaningful engagement with stakeholders to provide remedies for affected workers and communities. Specifically, in the cocoa sector, we will work with companies to assess and address the risk of forced labour. In the electronics sector, our discussions will revolve around ensuring living wages at supplier facilities, prevention of forced labour and increasing transparency regarding supply chain and remuneration. In the mining sector, we will emphasize the significance of the human rights impact assessment (HRIA) and provide guidance on how to conduct them.

To illustrate best practices and demonstrate the potential for positive impact, we will develop examples of successful approaches. Additionally, we will share valuable guidance documents from international organizations like the Organisation for Economic Co-operation and Development (OECD).

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings, and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Morningstar Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices, and capital projects. With 17 offices globally, Sustainalytics has more than 1,800 staff members, including more than 850 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

Copyright ©2023 Sustainalytics. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or its content providers intended for non-commercial use, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are provided for informational purposes only and (1) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (2) do not constitute investment advice, nor represent an expert opinion or negative assurance letter; (3) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transaction; (4) are not an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; (5) are not a substitute for professional advice; (6) past performance is no guarantee of future results; (7) have not been submitted to, nor received approval from, any relevant regulatory bodies.

These are based on information made available by the issuer and/ or third parties, subject to continuous change and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. The information and data are provided “as is” and reflects Sustainalytics’ opinion at the date of its elaboration and publication.

Neither Sustainalytics nor any of its content providers accept any liability for damage arising from the use of the information, data or opinions contained herein, or from the use of information resulting from the application of the methodology, in any manner whatsoever, except where explicitly required by law.

Any reference to content providers’ names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information visit <http://www.sustainalytics.com/legal-disclaimers>

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information visit [Governance Documents](#) or contact compliance@sustainalytics.com.

Sustainalytics
info@sustainalytics.com
www.sustainalytics.com

