




BIODIVERSITY

THEMATIC ENGAGEMENT

Q3 2024 Annual Progress Report



Including analysis of progress during the first cycle of the engagement



October 2024



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INTRODUCTION

This report presents the biodiversity Thematic Engagement activities that were carried out by ISS ESG on behalf of participating institutional investors in Q3 2024, as well as analysis of the progress during the first cycle of the engagement.

The report includes an overview of the ISS ESG Thematic Engagement approach as well as details on the biodiversity Thematic Engagement, including the methodology for target company selection and engagement objectives. The report includes a section providing insights from the first cycle of the engagement, in terms of the biodiversity context, the responsiveness to and progress of the engagement, highlights from the engagement dialogues, the future focus of the engagement, and a summary of the first engagement cycle. It also includes key statistics for Q3 2024, a summary of the engagement status, stage, number of interactions and engagement success status for all target companies; as well as details of the responses received during the period. The report includes a measurement of the progress against engagement objectives as well as the overall engagement success, based on the six-monthly data check on the target companies' improvement in their alignment with the requirements for each engagement objective.



ISS ESG THEMATIC ENGAGEMENT APPROACH

ISS ESG's Thematic Engagement solution allows investors to participate in a joint outreach and dialogue with companies on material sustainability-related themes. By engaging collaboratively, institutional investors can leverage their scale in discussions on ESG issues and communicate their concerns to corporate management more effectively. ISS ESG facilitates engagement on behalf of participating clients to promote positive change through active ownership and dialogue. This may include ongoing dialogue with companies identified for enhanced disclosure, a push for improved sustainability performance, or the mitigation of ESG risks.

Through ISS ESG's Biodiversity Thematic Engagement, participating investors seek to improve transparency around biodiversity impact and strategies to manage nature-related risks in key high impact industries of Food Products and Mining & Integrated Production.

ENGAGEMENT PROCESS

ISS ESG's Thematic Engagement involves a number of steps carried out over a two-year lifecycle. The process starts by identifying target companies and setting objectives and key performance indicators in line with investor expectations. Both the company selection and the objective setting leverages ISS ESG proprietary data and research, as well as internal expertise.

The engagement dialogue is initiated through letters to companies, sent by ISS ESG on behalf of participating investors. Dialogue may be conducted in writing or through calls and meetings, facilitated by ISS ESG. Some companies require reminders to respond. Should the company remain unresponsive, enquiries are escalated to the CEO and the Board.

At the end of each engagement cycle, ISS ESG will assess the opportunity to extend or close engagements.

ENGAGEMENT OUTCOMES

ISS ESG's Thematic Engagement includes regular measurements of the outcome of the engagement dialogue, both at the level of each objective as well as at an aggregate level of each company engagement. The outcome measurements are based on improvements in each company's alignment with the requirements for each engagement objective, as evidenced by their public disclosures and assessed in the relevant ISS ESG data and research (checked twice a year); as well as ISS ESG's assessment of the quality of each company's participation in the engagement.

REPORTING

Participating investors are informed of the progress of engagements through quarterly and annual progress reports. The reports provide an overview of the engagement stage reached for each company, details of interactions as well as company responses.

In the quarter following the check of the ISS ESG data on the requirements for each objective, the reports also include measurements of progress against each engagement objective as well as the overall engagement success.



BIODIVERSITY THEMATIC ENGAGEMENT

All companies are dependent on ecosystem services such as clean air, fresh water, fertile soils, and a stable climate. At the same time, business activities contribute to the degradation of nature through land-use change, pollution, the overexploitation of resources, and greenhouse gas emissions. This poses a number of physical and transition risks to corporate performance and may hinder progress on achieving climate commitments. In December 2022 at COP15, the [Kunming-Montreal Global Biodiversity Framework](#) was published with the goal to halt and reverse nature loss by 2030, and highlighted that both companies and financial institutions must monitor, assess and disclose their risks, dependencies and impacts on biodiversity.

The Food Products industry has both a significant [impact and dependency](#) on biodiversity. Demand for food has [increased significantly](#) alongside global population growth, in turn triggering extensive expansion of agricultural production and the transformation of habitats and ecosystems worldwide. The industry has a multitude of [nature-related dependencies](#) (such as land and soil, water, animals, and climate regulation) for their operations, with some of the [highest levels of deforestation in the Amazon](#) in recent years attributable to agricultural commodities production. Water and soil pollution in the industry is significant and [studies show](#) that food production creates ~32% of global terrestrial acidification and ~78% of eutrophication, affecting species composition and reducing ecological resilience. Additionally, the use of fertilisers, pesticides and monoculture practices can [exacerbate biodiversity loss](#), affecting the quality of water, soils, the air, and natural ecosystems. The Food Products industry is particularly vulnerable to environmental change. This is a material business risk, since [more than half of the world's GDP is moderately or highly dependent on nature-related services](#).

The Mining & Integrated Production industry also has a very high impact on biodiversity due to its direct use of land and water in operations. Impacts can include soil and water pollution, and the production of solid waste, and habitat disturbances, such as for instance seismic activity affecting marine species. The UN has called for [protected areas to be expanded to at least 30%](#) of terrestrial and inland water areas, and marine and coastal areas, and for at least 30% of degraded ecosystems to be restored. Mining activities are forecast to [grow significantly over the next 30 years](#). It is estimated that currently [over 3,300 large-scale mines exist in forests](#), a figure that is likely to increase, especially in biodiversity hotspot areas.

COMPANY SELECTION

Relevant companies for engagement are selected on the basis of the following factors:

- High market capitalisation.
- Industries with high impact and/or dependency on nature.
- Laggards identified using ISS ESG's Biodiversity Impact Assessment Tool (BIAT).
- No or only partial fulfilment of the engagement objectives and KPIs, based on ISS ESG's Corporate Rating indicators.



BIODIVERSITY TARGET LIST

| | |
|---|-----------------------------------|
| Ajinomoto Co., Inc. | Kerry Group Plc |
| Aluminum Corporation of China Limited | Kikkoman Corp. |
| Antofagasta Plc | McCormick & Company, Incorporated |
| Barry Callebaut AG | Mondelez International, Inc. |
| Britannia Industries Ltd. | Mowi ASA |
| China Feihe Ltd. | MP Materials Corp. |
| China Northern Rare Earth (Group) High-Tech Co., Ltd. | Newcrest Mining Ltd. |
| Conagra Brands, Inc. | Saudi Arabian Mining Co. |
| First Majestic Silver Corp. | Shandong Gold Mining Co., Ltd. |
| First Quantum Minerals Ltd. | Sumitomo Metal Mining Co., Ltd. |
| Foshan Haitian Flavouring & Food Co., Ltd. | The Hershey Company |
| Freeport-McMoRan, Inc. | Tyson Foods, Inc. |
| Grupo Mexico S.A.B. de C.V. | Zhaojin Mining Industry Co., Ltd. |
| JDE Peet's NV | Zhejiang Huayou Cobalt Co., Ltd. |
| Jiangxi Copper Company Limited | Zijin Mining Group Co., Ltd. |

ENGAGEMENT OBJECTIVES

Target companies have been asked by participating investors to improve their biodiversity-related disclosures, focusing on the following engagement objectives:

| FOOD PRODUCTS | MINING & INTEGRATED PRODUCTION |
|---|--|
| 1. Disclosure of a biodiversity management strategy | |
| <ul style="list-style-type: none"> ▪ Position on soil and biodiversity management ▪ Value chain engagement on soil and biodiversity management ▪ Sustainable palm oil commitment | <ul style="list-style-type: none"> ▪ Risk and impact assessments ▪ Targets and objectives ▪ Consultation with biodiversity experts ▪ Mitigation measures ▪ Monitoring and evaluation ▪ Coverage of all sites |
| 2. Reduction of negative impacts | |
| <ul style="list-style-type: none"> ▪ Measures to reduce the impact of packaging | <ul style="list-style-type: none"> ▪ 2. Commitment to international conventions on protected areas ▪ Protected areas policy |
| 3. Disclosure of key metrics | |
| <ul style="list-style-type: none"> ▪ Share of raw materials/products from certified organic farming ▪ Percentage of RSPO-certified palm oil | <ul style="list-style-type: none"> ▪ 3. Transparency on disturbance and rehabilitation ▪ GRI aligned disclosure for the decommissioning of mines |



FIRST CYCLE OF THE BIODIVERSITY ENGAGEMENT

The third quarter of 2024 marks two years since ISS ESG's Biodiversity Thematic Engagement was initiated. The following section provides observations on the evolving Biodiversity landscape during the cycle, as well as analysis of the changes that ISS ESG has observed at the end of the first engagement cycle. The section also highlights common themes emerging in the engagement dialogues held to date – including challenges shared by companies – and the focus of future engagements.

EVOLVING BIODIVERSITY LANDSCAPE

Since the initiation of the Biodiversity Thematic Engagement, the topic of biodiversity protection has continued to gain traction and interest globally. The December 2022 publication of the [Kunming-Montreal Global biodiversity framework](#) sets out the Convention on Biodiversity's vision of a world that lives in harmony with nature by 2050, with a goal to halt and reverse biodiversity loss by 2030, comprised of 23 targets. Target 15 in particular calls on all large and transnational businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity by 2030, including impacts throughout supply and value chains, and portfolios.

In an attempt to provide clarity on how impacts should be disclosed, in September 2023 the Taskforce on Nature-related Financial Disclosures (TNFD) published its [final set of recommendations](#), which are ready to be adopted following a two year development. The recommendations set out the framework for businesses and financial institutions to identify, assess, respond to and disclose their nature-related issues, aligned with and inspired by the approach from the Taskforce on Climate-related Financial Disclosures.

Running alongside disclosure initiatives is the Science Based Targets Network, which recently published its updated [target-setting guide](#) and [corporate manual](#), to guide companies through the target setting process. Covering the five realms of nature (with methods for oceans under development), the guidance outlines the 5-step approach: step 1: assess; step 2: interpret & prioritise; step 3: measure, set & disclose, and steps 4 and 5 – act and track – which are in early development).

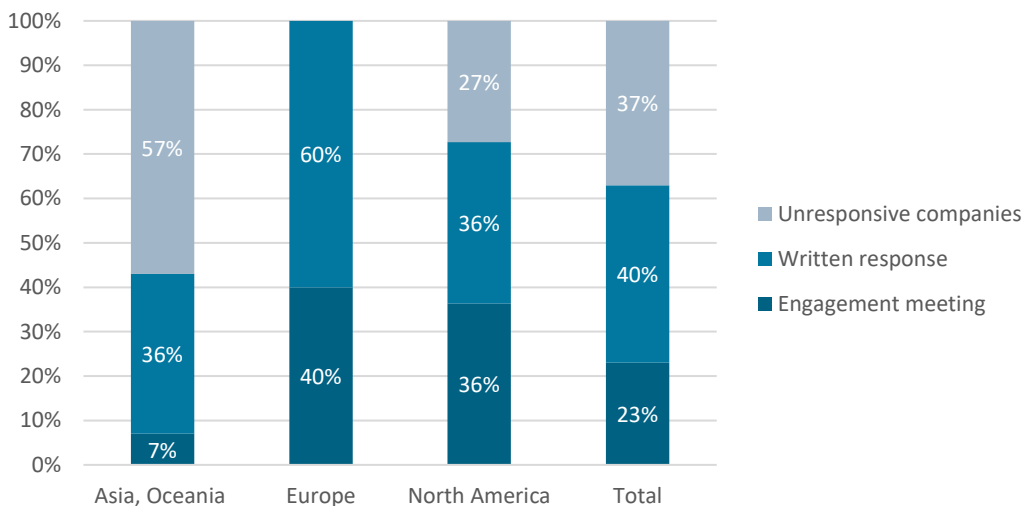
Biodiversity loss is also a growing area of focus for investor engagement with corporate issuers. Following Finance for Biodiversity's [guide on biodiversity-related corporate engagement](#), published in April 2022, the Nature Action 100 initiative has progressed in its development, building on the learnings from Climate Action 100+. In September 2023, letters were sent to 100 companies across eight key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. The [investor expectations](#) communicated to companies span six key focus areas of Ambition, Assessment, Targets, Implementation, Governance, and Engagement.

ENGAGEMENT RESPONSIVENESS

The Biodiversity Thematic Engagement was initiated in September and, for a small number of companies, in October 2022. As of the end of the two-year engagement ~~cycle, 63%~~ cycle, 63% of the target companies have responded, showing willingness to participate in the engagement and discuss the issues with participating investors. The response rate differs by region. Among the target companies domiciled in Asia and Oceania, the response rate is 43%, while for North American companies the response rate is 73%, and among European companies it is 100%.



Regional Overview of Response Rate and Type



NOTE: Due to rounding, totals may not add up to 100%.

ISS ESG encourages companies to share their responses to the engagement questions through a (virtual) meeting, as this enables the participating investors to gain valuable insights and better understand the companies’ perspectives. At the end of the two-year engagement cycle, 23% of the target companies have participated in the dialogue through at least one engagement meeting, and a further 40% have responded in writing.

ISS ESG implements a robust reminder and escalation process for non-responding companies, and the response rate has progressively increased throughout the cycle. Initially, 23% of companies responded to the engagement letter. The response rate then increased to 37% following reminder emails to the Investor Relations’ teams of the target companies; to 57% following reminder calls to Investor Relations; to 60% following escalation letters to the CEO, and to 63% following escalation letters to the Board, where it remained following additional escalation letters to the CEO and Board, and a final reminder to Investor Relations.

ISS ESG notes that once a company enters into a dialogue, it often continues to provide updates throughout the cycle. Out of 18 companies that were sent follow-up enquiries at least once during the engagement cycle, 16 companies (89%) responded again.

QUALITY OF PARTICIPATION

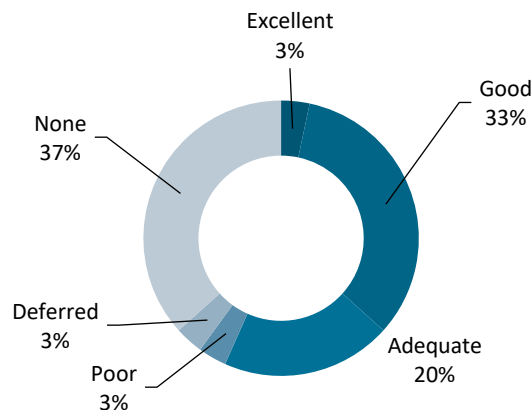
For each company response, ISS ESG assesses the quality of the participation in the engagement. The assessment considers the extent to, and depth in which, the company has addressed the engagement questions, and is separate from the measurement of progress against the engagement objectives. The assessment is dynamic over time, as ISS ESG continues to pose clarification questions where a company does not initially address all questions, or only does so in a partial manner.

For the large majority of target companies, the quality of participation at the end of the first engagement cycle is assessed as positive. In total, 57% of all target companies (89% of responding companies) are assessed as either ‘Adequate’ – meaning that they have at least partially addressed the engagement questions, – ‘Good’ – meaning that they have addressed most elements of the



questions or ‘Excellent’ – meaning they have substantially addressed all elements of the questions. Approximately 10% of all responding target companies have provided responses deemed ‘Poor’ or ‘Deferred’ – meaning that they have either provided a general response which has not addressed the specific questions, or that they have acknowledged the engagement outreach but have yet to provide answers to the specific engagement questions.

Quality of Participation



ENGAGEMENT OBJECTIVE PROGRESS

Progress against the relevant engagement objectives for each company considers a combination of improvements in the company’s alignment with the requirements for each objective, as well as the quality of participation in the engagement.

ISS ESG notes a difference in the fulfilment of each of the engagement objectives between the two industries covered by the engagement, with Food Products companies displaying less progress on the underlying indicators compared to Mining & Integrated Production companies, which have made progress across all three engagement objectives.

FOOD PRODUCTS

Among responding companies in the Food Products industry, the key progress is that a dialogue has been established across all objectives, and 50% of the target companies have made progress in their alignment with at least one of the underlying indicators. An additional 7% of the target companies have demonstrated a positive quality of participation despite not having progressed against the underlying indicators, and the objectives which were not fulfilled at the initiation are now assessed as ‘Raised Awareness’.

Most of the progress beyond the establishment of a dialogue has been noted for objectives 1 and 3, related to the disclosure of a biodiversity management strategy and key metrics. Here, 36% and 29% of the target companies which had not fulfilled the objectives at the start of the engagement are now assessed as ‘Partly Achieved’, indicating that some requirements of the underlying indicators have been fulfilled. The engagement objective with the highest share of companies which are assessed as

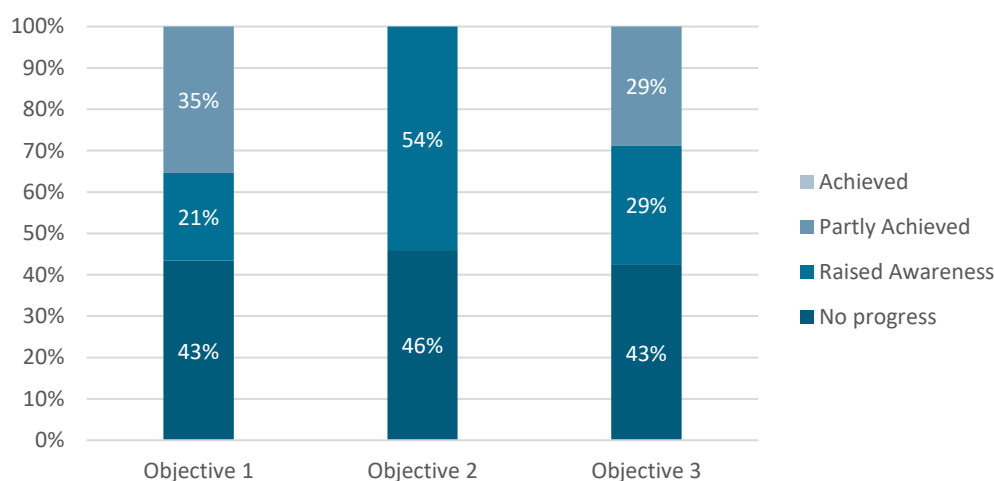


‘Partly Achieved’ is objective 1. The share of companies for which there is no progress noted – either in terms of participation in the dialogue or in terms of alignment with the underlying indicators – is around 43%.

Looking in more detail at each specific engagement objective and the underlying requirements, ISS ESG notes the following trends:

- **Objective 1 – Disclosure of a biodiversity management strategy:** There has been an increase noted both in companies’ positions on and measures to promote soil and biodiversity management throughout the value chain, though after two years of engagement this remains unfulfilled for the majority of companies. No improvements have been noted regarding target companies’ positions on sustainable palm oil.
- **Objective 2 – Reduction of negative impacts:** No improvements have been noted regarding companies’ measures to reduce the negative impacts of packaging.
- **Objective 3 – Disclosure of key metrics:** The greatest improvement is in relation to the disclosure of the percentage of certified palm oil, for which companies have continued to progress since the initiation of the engagement; however, no progress has been noted regarding the share of raw materials/products from certified organic farming.

Engagement Objective Progress (Food Products)



NOTE: Due to rounding, totals may not add up to 100%.

MINING & INTEGRATED PRODUCTION

Among companies in the Mining & Integrated Production industry, ISS ESG has observed a positive trend in the progress towards all three engagement objectives since the engagement was initiated. Engagement objective 1, in relation to the disclosure of a biodiversity management strategy, has the highest share of companies assessed as ‘Achieved’ at the end of the cycle at 25% of companies.

The share of target companies that have already shown progress in their alignment with at least one of the underlying indicators is 31%. An additional 38% of the target companies have demonstrated a positive quality of participation, and the objectives which were not fulfilled at the initiation are now assessed at ‘Raised Awareness’. The share of companies for which there is no progress noted – either

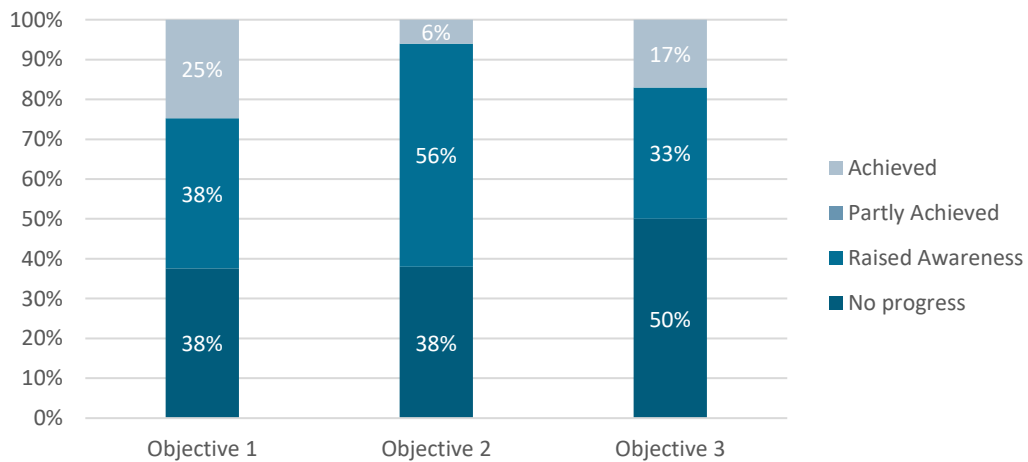


in terms of their participation in the dialogue or in terms of their alignment with the underlying indicators – is around 31%.

Looking in more detail at each specific engagement objective and the underlying requirements, ISS ESG notes the following trends:

- **Objective 1 – Disclosure of a biodiversity management strategy:** The greatest improvement has been in relation to companies setting out how they manage biodiversity impacts, with a particular focus on risk and impact assessments, targets and objectives, consultation with biodiversity experts, mitigation measures, monitoring and evaluation, and coverage.
- **Objective 2 – Commitment to international conventions on protected areas:** There has been a small increase noted in the share of companies that have explicit statements or policies to refrain from operating in designated protected areas and areas of particular importance for biodiversity.
- **Objective 3 – Transparency on disturbance and rehabilitation:** There has been a small increase noted regarding companies’ disclosure of total land disturbed and rehabilitated, in line with the GRI indicator MM1 for the Mining and Metals sector.

Engagement Objective Progress (Mining & Integrated Production)



NOTE: Due to rounding, totals may not add up to 100%.

OVERALL ENGAGEMENT SUCCESS

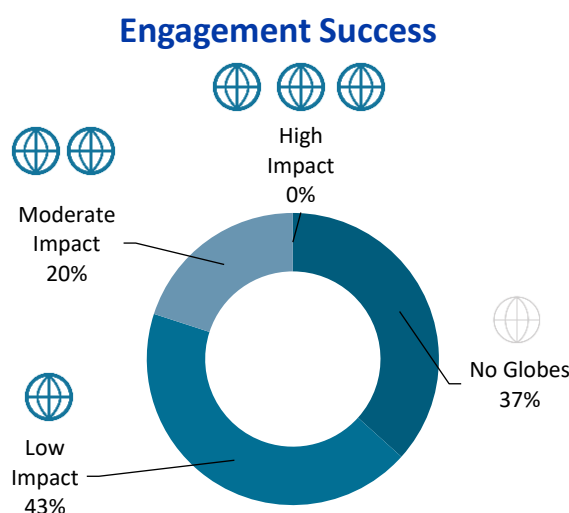
The overall success and impact of the engagement with each company is an aggregate measure of the progress towards all of the relevant engagement objectives. Each company engagement is categorised in one of four levels of zero to three globes, which takes into consideration both whether a dialogue has been established and awareness of the issues has been raised, and/or whether the company has improved its alignment with the objectives – as evidenced in its public disclosures. Given the approach of combining both the participation in the dialogue and the progress towards the objectives, there is a range of different scenarios for each globe level.



As of the end of the two-year engagement cycle, ISS ESG notes an impact with the majority (63%) of target companies. For 20% of the companies, the engagement is assessed to have a 'Moderate Impact'. This includes companies which have made progress towards at least one objective and addressed the engagement questions, or which have made progress towards two objectives or more.

For another 43% of the companies, the impact is assessed to be 'Low'. This includes companies which have addressed the engagement questions but have not made any progress towards any of the engagement objectives. It also includes companies which have made progress towards at least one engagement objective, even if they have not addressed the engagement questions.

The share of companies which have neither addressed the engagement questions nor demonstrated any progress towards any of the objectives, stands at 37%.



ENGAGEMENT DIALOGUE

The following section outlines case studies of positive dialogues noted since the engagement was initiated, as well as a summary of general observations from the discussions with companies and challenges highlighted through the dialogues. Further details on the dialogue with companies are available in each respective Quarterly Progress Report, as well as the Activity Reports.

CASE STUDIES



| | | |
|---|--|------------------------------|
| <p>Conagra Brands, Inc.</p> | | <p>ISIN US2058871029</p> |
| <p>THEME Biodiversity (Food Products)</p> | <p>DOMICILE USA</p> | |
| <p>SUMMARY</p> | <p>Since the start of the engagement, ISS ESG has facilitated dialogue with Conagra Brands, Inc. through both written communication and an engagement meeting, with responses received in Q1 and Q2 2023, and an engagement meeting held in Q2 2024.</p> <p>Since the engagement was initiated, the company has shared several updates regarding its approach to sustainable agriculture. For example, it highlighted a range of practices in place for some of its core crops including a range of vegetables and animal-based ingredients. The examples shared cover aspects of biodiversity protection such as soil health and crop rotation, the reduction of pesticide and fertilizer use, conservation tillage and no-till systems, pest management, and the company’s cover crop programme. In addition, the company shared that its sourcing strategy seeks to achieve no-deforestation sourcing by the end of 2025, and that 100% palm oil is already sourced from RSPO-certified suppliers. The company also highlighted some of the efforts to engage with suppliers, such as the Supplier Excellence Programme, which cover topics such as biodiversity, regenerative agriculture and deforestation, and Good Agricultural Practice surveys which seek to understand biodiversity efforts at the farm level. These measures were reflected in the company’s 2023 Citizenship Report, which also highlights on-farm conservation buffer zones to preserve ecosystem biodiversity. Additionally, during the Q2 2024 engagement meeting, the company explained that its newly-hired Vice President for Sustainability is tasked with conducting assessments to understand and prioritise key initiatives as it seeks to become more transparent and progressive moving forward.</p> <p>At the end of the engagement cycle, Conagra Brands, Inc. is assessed to have a quality of participation of ‘Good’, meaning that it has addressed most elements of the questions throughout the dialogue. Throughout the two-year engagement cycle, the company demonstrated progress against underlying indicators on objective 1, in relation to the public disclosure of its measures to promote sustainable soil and biodiversity management throughout the value chain; and on objective 3, in relation to the public disclosure of certified palm oil. At the end of the engagement cycle, the underlying indicators that remain unfulfilled are the public disclosure of the company’s position on soil and biodiversity management in agricultural production; ambitions to source segregated and/or identity preserved RSPO-certified palm oil; and the percentage that organic raw materials and/or products represent across the business.</p> | |



JDE Peet's NV

ISIN
NL0014332678

THEME
Biodiversity (Food Products)

DOMICILE
Netherlands

SUMMARY

Since the start of the engagement, ISS ESG has facilitated dialogue with JDE Peet's NV through written communication, with responses received in Q4 2022, Q2 2023 and Q1 2024.

During this time, JDE Peet's has shared details of how it has enhanced its position on soil and biodiversity management, notably under its Common Grounds programme targeted at coffee farmers, which includes responsible sourcing principles that refer to sustainable soil fertility management, Integrated Pest Management, a no deforestation commitment, and on-farm biodiversity. The company also disclosed several examples of the measures it has taken, as part of Common Grounds, to promote sustainable soil and biodiversity management throughout the value chain in its 2022 Annual Report, including smallholder engagement, stakeholder partnerships, farmer training, and research. Regarding packaging, the company shared that it has created Packaging Design Guidelines, in which substances of concern are designed out of new packaging, and that an 'absent-by-design list has been established in order to ensure new materials are future-proofed against regulatory changes. Additionally, during the engagement dialogue, the company highlighted its sourcing principles for palm oil, which include a commitment to source 100% of its palm oil from RSPO-certified suppliers. This commitment is reflected in the company's 2022 Annual Report, which notes that the goal, originally set for 2025, was achieved in 2022. The company also highlighted the challenge of creating segregated supply chains for palm oil due to the complexity of hydrogenated palm kernel oil, but that it is working together with suppliers to find solutions to increase transparency around palm oil.

At the end of the engagement cycle, JDE Peet's NV is assessed to have a quality of participation of 'Good', meaning that it has addressed most elements of the questions throughout the dialogue. Throughout the two-year engagement cycle, the company demonstrated progress against underlying indicators on objective 1, in relation to the public disclosure of its position on sustainable soil and biodiversity management throughout the value chain; and on objective 3, in relation to the public disclosure of certified palm oil. At the end of the engagement cycle, the underlying indicators that remain unfulfilled are the public disclosure of the company's measures to promote sustainable soil and biodiversity management in throughout the value chain; ambitions to source segregated and/or identity preserved RSPO-certified palm palm oil; public disclosure of measures to reduce the negative impacts of packaging; and the percentage that organic raw materials and/or products represent across the business.



| | | |
|--|---|----------------------|
| Freeport-McMoRan, Inc. | | ISIN US35671D8570 |
| THEME Biodiversity (Mining & Integrated Production) | DOMICILE USA | |
| SUMMARY | <p>Since the start of the engagement, ISS ESG has facilitated dialogue with Freeport-McMoRan, Inc. through written communication, with responses received in Q1, Q2, Q3 and Q4 2023, and Q2 2024.</p> <p>Since the engagement was initiated, the company has shared several updates regarding its biodiversity management strategy. For example, the company stated that its adoption of the mitigation hierarchy approach applies to all of its sites, including smaller mine projects in addition to new mines and major expansion projects at existing mines. Additionally, the company shared that it demonstrates continuous monitoring or evaluation of the effectiveness of its biodiversity management measures, and noted that it implements Biodiversity Action Plans at several of its sites, including Cerro Verde and El Abra, and that it has a target to normalize and disclose biodiversity management plans at significant sites by the end of 2023. These efforts were also communicated through its public disclosures, which outline the company’s approach to managing biodiversity at 100% of its sites. For example, the company conducts biodiversity risk and impact assessments and discloses the methods, tools and criteria applied. The company also discloses detailed information regarding its consultation with external biodiversity experts, and has set site-specific biodiversity targets and objectives.</p> <p>At the end of the engagement cycle, Freeport-McMoRan, Inc. is assessed to have a quality of participation of ‘Good’, meaning that it has addressed most elements of the questions throughout the dialogue. Throughout the two-year engagement cycle, the company demonstrated progress against the underlying indicator on objective 1, in relation to the public disclosure of a biodiversity management strategy, with particular focus on risk and impact assessments, consultation with biodiversity experts, targets, mitigation measures, monitoring, and site coverage. At the end of the engagement cycle, the underlying indicator that remains unfulfilled is the public disclosure of a policy regarding operating in protected areas.</p> | |



ISS ESG OBSERVATIONS

The engagement dialogues have provided insights beyond what is included in companies' disclosures, and have provided a forum for companies to highlight their biodiversity management efforts to investors. For example, regarding Food Products companies' policies and actions towards achieving sustainable sourcing, there are often a multitude of priority commodities to report on, and companies have been able to explain complexities, for instance the differences in the types of biodiversity management practices required for different commodities and in different regions. Similarly for companies in the Mining & Integrated Production industry, it is evident that whilst companies may provide a range of examples of ecological restoration projects in an engagement dialogue, the same level of detail is not always replicated in disclosures. The same applies to publishing a policy on protected areas, which has been noted as a verbal commitment from some companies rather than as a formal written policy. The broader topic of consolidated, standardised biodiversity-related disclosures has been prevalent in the dialogues, with several companies referring to the recommendations from the Taskforce on Nature-related Financial Disclosures. Additionally, several companies have referenced the adoption of the LEAP approach and commitment to the goals of the Global Biodiversity Framework in relation to their approach to managing biodiversity risks, impacts and opportunities.

Some companies have also highlighted challenges related to biodiversity management practices. For Food Products companies, several companies have explained that there is relatively minimal demand for organic products, and that since organics tend to represent a low proportion of the company's total products or revenues, disclosing such a figure is not a priority. Also, some have noted that their biodiversity efforts are driven by materiality assessments, which, due to the nature of the industry's impact on the natural environment, may highlight other environmental challenges above those set out in the engagement objectives. For Mining & Integrated Production companies, whilst there may be examples of standalone environmental commitments or initiatives, it is clear that understanding the environmental impacts of mining activities in a comprehensive manner and for all sites remains a challenge, with some companies stressing the importance of local approaches to managing biodiversity.

FUTURE ENGAGEMENT FOCUS

For investors, it is critical that companies demonstrate both their awareness of the impacts their business activities have on natural ecosystems, but also that they collect, manage and disclose data at the appropriate scale and format. ISS ESG will continue to facilitate dialogue through the launch of the second cycle of the Biodiversity Thematic Engagement. The engagement with companies in the Food Products industry will focus on the disclosure of a sustainable sourcing policy, including setting out expectations of suppliers around topics including agrochemicals, deforestation and soil health, and also ensuring the adoption of measures to support both the economic and social inclusion of farmers in the value chain. In addition, the engagement will focus on regenerative agricultural practices with companies, and cover topics such as the portion of materials produced in line with regenerative agricultural practices, actions to minimise agrochemical use, and ensure sustainable soil management. Further, the engagement will adopt a specific focus on deforestation, in terms of what measures companies have in place to prevent deforestation from occurring, for instance risk assessments, traceability of materials, afforestation efforts, or training and financial support initiatives, as well as reviewing key metrics such as the percentage of certified palm oil, what levels of traceability palm is sourced through, and also what proportion of raw materials are certified as



deforestation and/or conversion free. The Biodiversity Thematic Engagement will also target companies with extractive activities, and in addition to companies in the Mining & Integrated Production industry, companies in Oil & Gas Exploration & Production industries will also be targeted. Here, the engagement objectives will include the disclosure of a biodiversity management strategy, which may include risk and impact assessments, site-specific targets, mitigation and monitoring efforts regarding the affected environments, as well as transparency around operating in or around protected areas, and disclosure of rehabilitation, restoration and reclamation activities, which may include habitats and vegetation.

Some companies included for engagement during the first engagement cycle will be considered for the second cycle in order to build on progress made in the first two years. The 37% of unresponsive companies will not be considered for inclusion in the second cycle as eight attempts to escalate the investor enquiry have been made, and to allow for participating investors to focus their effort on companies which are more open to dialogue.

The second cycle will be initiated by sending engagement letters to 30 companies in November 2024.



SUMMARY OF FIRST ENGAGEMENT CYCLE

The table below provides a summary of the engagement for each company as of the end of Q3 2024. A company is defined as responsive if at least one response was logged during the engagement cycle.

| ISSUER NAME | DOMICILE | RESPONSIVE (Y/N) | NUMBER OF OUTBOUND INTERACTIONS | NUMBER OF INBOUND INTERACTIONS | TOTAL NUMBER OF INTERACTIONS | ENGAGEMENT SUCCESS |
|--|----------------|------------------|---------------------------------|--------------------------------|------------------------------|--------------------|
| Ajinomoto Co., Inc. | Japan | N | 10 | 0 | 10 | |
| Aluminum Corporation of China Limited | China | N | 10 | 0 | 10 | |
| Antofagasta Plc | United Kingdom | Y | 14 | 5 | 19 | |
| Barry Callebaut AG | Switzerland | Y | 12 | 5 | 17 | |
| Britannia Industries Ltd. | India | N | 10 | 0 | 10 | |
| China Feihe Ltd. | Cayman Islands | N | 10 | 0 | 10 | |
| China Northern Rare Earth (Group) High-Tech Co., Ltd. | China | N | 10 | 0 | 10 | |
| Conagra Brands, Inc. | USA | Y | 11 | 8 | 19 | |
| First Majestic Silver Corp. | Canada | Y | 12 | 8 | 20 | |



| | | | | | | |
|---|-------------|---|----|----|----|--|
| First Quantum Minerals Ltd. | Canada | Y | 8 | 10 | 18 | |
| Foshan Haitian Flavouring & Food Co., Ltd. | China | N | 10 | 0 | 10 | |
| Freeport-McMoRan, Inc. | USA | Y | 15 | 9 | 24 | |
| Grupo Mexico S.A.B. de C.V. | Mexico | N | 10 | 0 | 10 | |
| JDE Peet's NV | Netherlands | Y | 10 | 6 | 16 | |
| Jiangxi Copper Company Limited | China | N | 10 | 0 | 10 | |
| Kerry Group Plc | Ireland | Y | 13 | 2 | 15 | |
| Kikkoman Corp. | Japan | Y | 10 | 1 | 11 | |
| McCormick & Company, Incorporated | USA | N | 10 | 0 | 10 | |
| Mondelez International, Inc. | USA | Y | 12 | 4 | 16 | |
| Mowi ASA | Norway | Y | 14 | 8 | 22 | |
| MP Materials Corp. | USA | Y | 11 | 6 | 17 | |
| Newcrest Mining Ltd. | Australia | Y | 11 | 8 | 19 | |



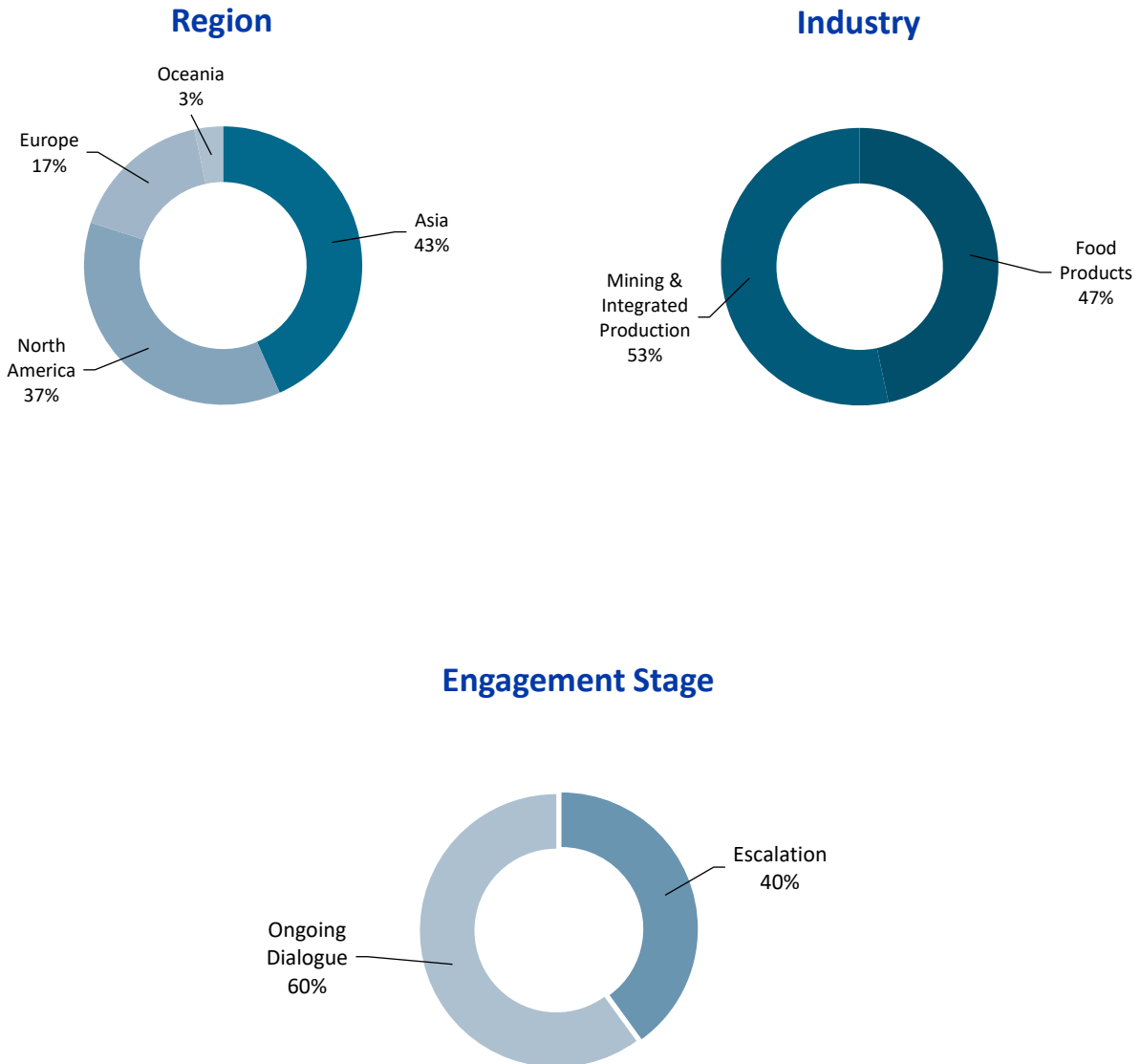
| | | | | | | |
|--|--------------|---|----|---|----|--|
| Saudi Arabian Mining Co. | Saudi Arabia | Y | 12 | 3 | 15 | |
| Shandong Gold Mining Co., Ltd. | China | N | 10 | 0 | 10 | |
| Sumitomo Metal Mining Co., Ltd. | Japan | Y | 10 | 4 | 14 | |
| The Hershey Company | USA | Y | 14 | 9 | 23 | |
| Tyson Foods, Inc. | USA | Y | 11 | 4 | 15 | |
| Zhaojin Mining Industry Co., Ltd. | China | N | 10 | 0 | 10 | |
| Zhejiang Huayou Cobalt Co., Ltd. | China | Y | 11 | 1 | 12 | |
| Zijin Mining Group Co., Ltd. | China | Y | 10 | 4 | 14 | |



Q3 2024 ENGAGEMENT STATISTICS

The following statistics provide an overview of the geographic and industry distribution of the Biodiversity Thematic Engagement target companies, as well as engagement stage.







Summary charts, as of 30 September 2024.



NOTE: "Industry" refers to ISS ESG Corporate Rating Industry. **Engagement Stage** definition: **Initiation:** An engagement letter is sent to the relevant company representatives. **Reminder:** Reminder letters are sent to unresponsive companies. **Escalation:** In case of non-response, enquiries are escalated to a higher level of seniority within the company. **Ongoing dialogue:** The company is entering into a dialogue with the investors through ISS ESG and is providing answers to the questions raised or providing further information (the engagement stage refers to engagement activities before engagements were closed on 30 September 2024 due to the end of the first engagement cycle). Due to rounding, totals might not add up to 100%.

ENGAGEMENT SUMMARY TABLE

The initiation letter was sent to the target companies on 27 September 2022 (Q3 2022), with the exception of the letters for Aluminum Corporation of China Limited, Jiangxi Copper Company Limited and Zijin Mining Group Co., Ltd, which were sent on 7 October (Q4 2022). This table lists the number of interactions that took place during Q3 2024, as well as the engagement stage, engagement status and engagement success as per 21 October 2024. Note that in Q1 2023, ISS ESG started recording friendly reminders sent to companies.

| ISSUER NAME | DOMICILE | ISS ESG CORPORATE RATING INDUSTRY | ENGAGEMENT STAGE | ENGAGEMENT STATUS | NUMBER OF OUTBOUND INTERACTIONS | NUMBER OF INBOUND INTERACTIONS | TOTAL NUMBER OF INTERACTIONS | ENGAGEMENT SUCCESS |
|--|----------------|-----------------------------------|------------------|-------------------|---------------------------------|--------------------------------|------------------------------|---|
| Ajinomoto Co., Inc. | Japan | Food Products | Escalation | Closed | 1 | 0 | 1 |  |
| Aluminum Corporation of China Limited | China | Mining & Integrated Production | Escalation | Closed | 1 | 0 | 1 |  |
| Antofagasta Plc | United Kingdom | Mining & Integrated Production | Ongoing dialogue | Closed | 3 | 3 | 6 |  |
| Barry Callebaut AG | Switzerland | Food Products | Ongoing dialogue | Closed | 3 | 0 | 3 |  |
| Britannia Industries Ltd. | India | Food Products | Escalation | Closed | 1 | 0 | 1 |  |
| China Feihe Ltd. | Cayman Islands | Food Products | Escalation | Closed | 1 | 0 | 1 |  |

| | | | | | | | | |
|--|-------------|--------------------------------|------------------|--------|---|---|---|---|
| China Northern Rare Earth (Group) High-Tech Co., Ltd. | China | Mining & Integrated Production | Escalation | Closed | 1 | 0 | 1 |  |
| Conagra Brands, Inc. | USA | Food Products | Ongoing dialogue | Closed | 1 | 0 | 1 |   |
| First Majestic Silver Corp. | Canada | Mining & Integrated Production | Ongoing dialogue | Closed | 1 | 0 | 1 |   |
| First Quantum Minerals Ltd. | Canada | Mining & Integrated Production | Ongoing dialogue | Closed | 2 | 0 | 2 |  |
| Foshan Haitian Flavouring & Food Co., Ltd. | China | Food Products | Escalation | Closed | 1 | 0 | 1 |  |
| Freeport-McMoRan, Inc. | USA | Mining & Integrated Production | Ongoing dialogue | Closed | 1 | 0 | 1 |   |
| Grupo Mexico S.A.B. de C.V. | Mexico | Mining & Integrated Production | Escalation | Closed | 1 | 0 | 1 |   |
| JDE Peet's NV | Netherlands | Food Products | Ongoing dialogue | Closed | 1 | 0 | 1 |   |
| Jiangxi Copper Company Limited | China | Mining & Integrated Production | Escalation | Closed | 1 | 0 | 1 |  |

| | | | | | | | | |
|--|--------------|--------------------------------|------------------|--------|---|---|---|---|
| Kerry Group Plc | Ireland | Food Products | Ongoing dialogue | Closed | 1 | 0 | 1 |  |
| Kikkoman Corp. | Japan | Food Products | Ongoing dialogue | Closed | 1 | 0 | 1 |  |
| McCormick & Company, Incorporated | USA | Food Products | Escalation | Closed | 1 | 0 | 1 |  |
| Mondelez International, Inc. | USA | Food Products | Ongoing dialogue | Closed | 1 | 0 | 1 |  |
| Mowi ASA | Norway | Food Products | Ongoing dialogue | Closed | 1 | 0 | 1 |  |
| MP Materials Corp. | USA | Mining & Integrated Production | Ongoing dialogue | Closed | 1 | 0 | 1 |  |
| Newcrest Mining Ltd. | Australia | Mining & Integrated Production | Ongoing dialogue | Closed | 0 | 0 | 0 |   |
| Saudi Arabian Mining Co. | Saudi Arabia | Mining & Integrated Production | Ongoing dialogue | Closed | 1 | 0 | 1 |  |
| Shandong Gold Mining Co., Ltd. | China | Mining & Integrated Production | Escalation | Closed | 1 | 0 | 1 |  |
| Sumitomo Metal Mining Co., Ltd. | Japan | Mining & Integrated Production | Ongoing dialogue | Closed | 1 | 0 | 1 |  |



| | | | | | | | | |
|--|-------|--------------------------------|------------------|--------|---|---|---|---|
| The Hershey Company | USA | Food Products | Ongoing dialogue | Closed | 2 | 0 | 2 |  |
| Tyson Foods, Inc. | USA | Food Products | Ongoing dialogue | Closed | 1 | 0 | 1 |  |
| Zhaojin Mining Industry Co., Ltd. | China | Mining & Integrated Production | Escalation | Closed | 1 | 0 | 1 |  |
| Zhejiang Huayou Cobalt Co., Ltd. | China | Mining & Integrated Production | Escalation | Closed | 1 | 0 | 1 |  |
| Zijin Mining Group Co., Ltd. | China | Mining & Integrated Production | Ongoing dialogue | Closed | 1 | 0 | 1 |  |


NOTE: For definitions, see p.21



COMPANY RESPONSES RECEIVED IN Q3 2024

During Q3 2024 ISS ESG received a response from one of the 30 companies. The table below provides further information on the dialogue.

MINING & INTEGRATED PRODUCTION

| | | |
|--|---|----------------------------|
| Antofagasta Plc | ISIN GB0000456144 | DOMICILE United Kingdom |
| SDG ALIGNMENT SDG 14: Life Below Water; SDG 15: Life On Land | SFDR PAI ALIGNMENT PAI 7: Activities negatively affecting biodiversity-sensitive areas | |
| ENGAGEMENT STATUS Closed | ENGAGEMENT STAGE Ongoing dialogue | |
| ENGAGEMENT SUCCESS  Low Impact | ENGAGEMENT OBJECTIVE 1 Disclosure of a biodiversity management strategy Raised Awareness ENGAGEMENT OBJECTIVE 2 Commitment to international conventions on protected areas Raised Awareness ENGAGEMENT OBJECTIVE 3 Transparency on disturbance and rehabilitation Raised Awareness | |
| ENGAGEMENT TIMELINE | | |
| ACTION | DATE | |
| Company response | 08 July 2024 | |
| Clarification enquiry | 15 July 2024 | |
| Company response | 15 July 2024 | |
| Company response | 30 July 2024 | |
| Engagement outlook communication | 05 August 2024 | |
| Engagement closure communication | 30 September 2024 | |
| QUARTERLY SUMMARY OF INTERACTIONS | | |
| <p>After the company in Q2 committed to respond to the follow-up enquiry, it provided a written response to the questions posed on 8 July. A clarification enquiry was sent on 15 July, and the company responded on the same day, committing to respond to the questions posed by 29 July. The company provided a written response on 30 July, and ISS ESG sent an engagement outlook communication on 5 August, followed by an end of cycle closure communication on 30 September.</p> | | |



QUARTERLY SUMMARY OF OBSERVATIONS

In its 8 July response, the company reiterated that it adheres to the commitments made in the International Council on Mining and Metals Position Statement on Positive Nature and noted that its plans for increased biodiversity-related disclosures align with the Position Statement and GRI requirements. The company referred to the “Governance and transparency” aspect of the Position Statement, which includes disclosing material nature-related impacts, dependencies, risks, and opportunities for operations in priority locations by 2026, and for the most material value chain categories or issues by 2030. The company highlighted that its 2023 Sustainability Report and Databook detail the advances made in the implementation of its Biodiversity Standard. The company stated that its biodiversity impact assessments follow the guidelines and requirements of the national environmental authority and that its mining companies comply with all national biodiversity regulations. The company also noted that it has a biodiversity risk management process in place for its four mining companies (Los Pelambres, Centinela, Antucoya, and Zaldívar), and that risks are reviewed every six months with controls and mitigation plans. With regard to making a public commitment to refrain from operating in areas of high ecological importance, the company reiterated its commitment to respect legally designated protected areas, and to ensure that operations are not incompatible with the objectives of these areas. The company confirmed that it does not explore or mine in UNESCO World Heritage sites, and shared that it takes steps to ensure operations near these sites do not compromise their value or integrity. Regarding disclosure of the total hectares of the area of land disturbed and rehabilitated, as well as the total hectares of the land disturbed and not yet rehabilitated, the company stated that it plans to publish indicators from the GRI Mining and Metals Sector in the 2025 reporting suite (year 2026), but that this will be contingent on data availability.

In its 30 July response, the company shared that its risk management methodology is based on ISO 31000 and COSO ERM.1. The company stated that this methodology is applied to all operating companies, projects, exploration activities, and support areas to comprehensively view uncertainties affecting strategic goals. It explained that sustainability risks including biodiversity are regularly monitored, and that each operation holds an annual risk workshop to review and update risks and mitigation activities. The company also referenced its Annual Report 2023, highlighting pages 74 to 85 for further information. Regarding establishing a protected areas policy, the company noted that as a member of ICMM, it adheres to the ICMM principles and commitments related to biodiversity and nature positive. The company also explained that it does not have plans to establish and publish a specific policy for protected areas but noted that in the context of its Sustainability Policy, biodiversity protection is part of its long-term sustainability approach. Regarding UNESCO World Heritage sites, the company reiterated its compliance with national biodiversity-related regulations and commitments. The company cited the Los Pelambres expansion project as an example, which it notes is considering different measures related to biodiversity such as not affecting wetlands, and continuous monitoring. Regarding the disclosure of indicators from the GRI Metals and Mining sector, the company stated that in Q4 2024 it plans to define which biodiversity indicators will be reported on starting in 2026. The company emphasised the need to assess internal capabilities and data availability to prepare for GRI 101: Biodiversity 2024.

ISS ESG’s underlying data shows that the company has not progressed in the latest six-monthly data check.



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