



NET ZERO

THEMATIC
ENGAGEMENT

Q3 2023 Progress Report

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INTRODUCTION

This progress report presents the Net Zero Thematic Engagement activities that were carried out by ISS ESG on behalf of participating institutional investors in Q3 2023.

The report includes an overview of the ISS ESG Thematic Engagement approach as well as details on the Net Zero Thematic Engagement, including the methodology for target company selection and engagement objectives. It also includes key statistics for Q3 2023, a summary of the engagement stage and number of interactions with 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 6-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 Net Zero Thematic Engagement, participating investors aim to improve companies' commitments to reach Net Zero emissions by 2050 by calling for ambitious targets and decarbonisation strategies.

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 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.



NET ZERO THEMATIC ENGAGEMENT

The dramatic potential impacts of climate change, not only on the environment and society, but also on financial assets, are now well recognised. Through the [2015 Paris Agreement](#), participating national governments committed to limiting global temperature rise to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. In [2018](#) and [2021](#), the Intergovernmental Panel on Climate Change (IPCC) warned that global warming must not exceed 1.5°C to avoid the catastrophic impacts of climate change. To achieve this, the [IPCC determined](#) that greenhouse gas (GHG) emissions must almost halve by 2030 – and drop to net zero by 2050. At COP26 in November 2021, nearly 200 countries [agreed](#) on the 1.5°C goal through signing the Glasgow Climate Pact. Despite these pledges, the [United Nations](#) has stated that climate efforts are not in track to achieve the Paris Agreement.

Companies have a crucial role to play in decreasing GHG emissions and building a resilient, zero-emissions economy. Research shows that a relatively small number of companies are most responsible for the majority of global emissions. For example, [CDP](#) concluded that 100 companies were responsible for 71% of global industrial greenhouse gas emissions, and [UCL and Tianjin University](#) determined that multinational companies' supply chains account for a fifth of global carbon emissions. Supply chain emissions have been estimated to be on average [11.4 times greater](#) than companies' direct emissions.

[According to the World Resources Institute](#), energy consumption is the largest source of human-induced greenhouse gas emissions, responsible for 75.6% (37.6 GtCO₂e) globally. The energy sector includes transportation, electricity and heat, buildings, manufacturing and construction, fugitive emissions and other fuel combustion. Within the energy sector, heat and electricity generation produce the most emissions (15.8 GtCO₂e in 2019, or 31.8% of total greenhouse gas emissions), followed by transportation (8.4 GtCO₂e in 2018, or 17% of total emissions) and manufacturing and construction (6.3 GtCO₂e, or 12.7% of total emissions).

Other sectors that are responsible for high emissions are agriculture, including livestock and crop cultivation (5.8 GtCO₂e, or 11.6%); industrial processes of chemicals, cement (2.9 GtCO₂e, or 5.9%); waste, including landfills and wastewater (1.6 GtCO₂e, or 3.3%); and land use, land-use change and forestry, such as deforestation (1.6 GtCO₂e, or 3.3%).

COMPANY SELECTION

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

- High market capitalisation.
- Highest emitters (GHG emissions intensity data for scopes 1, 2 and 3).
- Climate laggards according to ISS ESG's Carbon Risk Rating.
- No or only partial fulfilment of the engagement objectives and KPIs, based on ISS ESG's Net Zero Alignment dataset.



NET ZERO TARGET LIST

Ameren Corporation	Kinder Morgan, Inc.
Anhui Conch Cement Company Limited	Marathon Petroleum Corporation
Canadian Natural Resources Limited	Occidental Petroleum Corporation
China Petroleum & Chemical Corporation	Oil & Natural Gas Corp. Ltd.
China Shenhua Energy Company Limited	ONEOK, Inc.
CNOOC Limited	PetroChina Company Limited
DTE Energy Company	Phillips 66
Energy Transfer LP	PTT Public Co., Ltd.
EOG Resources, Inc.	Reliance Industries Ltd.
FirstEnergy Corp.	Rongsheng Petrochemical Co., Ltd.
Formosa Petrochemical Corp.	S.F. Holding Co., Ltd.
Formosa Plastics Corp.	Saudi Arabian Oil Co.
Fortis Inc.	Saudi Electricity Co.
Hengli Petrochemical Co., Ltd.	Shaanxi Coal Industry Co., Ltd.
Imperial Oil Limited	UltraTech Cement Ltd.

ENGAGEMENT OBJECTIVES

Through this engagement, investors will focus on target companies' ambition to reach Net Zero emissions by 2050. Target companies have been asked by participating investors to accelerate their climate action by setting the following Net Zero targets and strategies:

1. 2050 Net Zero GHG emissions target

- The company should make a Net Zero GHG emissions ambition statement that explicitly includes at least 95% of scope 1 and 2 emissions.
- The company's Net Zero GHG emissions ambition should cover the most relevant scope 3 GHG emissions categories for the company's sector.

2. Medium-term greenhouse gas reduction target (2025 to 2030)

- The company should set a medium-term (2025 to 2030) target for reducing its GHG emissions on a clearly defined scope of emissions.
- The medium-term (2025 to 2030) GHG reduction target should cover at least 95% of scope 1 and 2 emissions and the most relevant scope 3 emissions.
- The target should be aligned with the goal of limiting global warming to 1.5°C.

3. Decarbonisation strategy

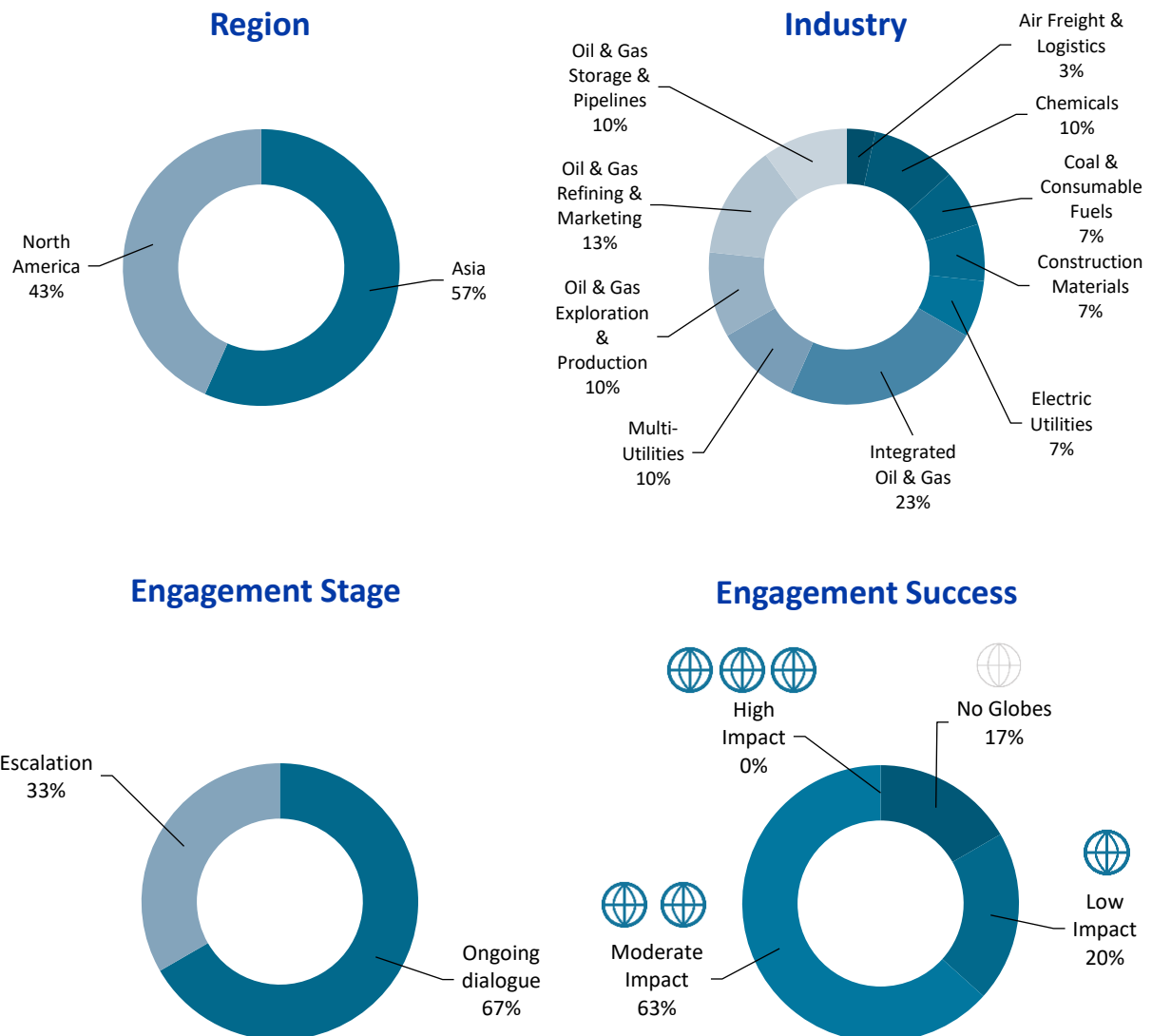
- The company should define a decarbonisation strategy to meet its medium-term GHG reduction targets. This should contain the actions it intends to take and quantify key elements.



Q3 2023 ENGAGEMENT STATISTICS

The following statistics provide an overview of the geographic and industry distribution of the Net Zero Thematic Engagement target companies, as well as the engagement stage and engagement success as of the end of Q3 2023.








Summary charts, as of 30 September 2023













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. **Engagement Success:** The overall engagement success assessment combines the quality of each company's participation in the engagement with the progress against the engagement objectives, categorised in one of four levels: **No globes = No progress, 1 globe = Low Impact, 2 globes = Moderate Impact, 3 globes = High Impact.**

ENGAGEMENT SUMMARY TABLE

The Net Zero initiation letter was sent to the above identified companies on 31 March 2022 (Q1 2022). The following table lists the number of interactions that took place with each company during Q3 2023, as well as the engagement stage and engagement success as per 30 September 2023. Note that as of Q3 2022, ISS ESG has recorded responses received from companies over several interactions, as well as clarification enquiries from ISS ESG, in a more granular manner. In Q1 2023, ISS ESG started recording friendly reminders sent to companies.

ISSUER NAME	DOMICILE	ISS ESG CORPORATE RATING INDUSTRY	ENGAGEMENT STAGE	NUMBER OF OUTBOUND INTERACTIONS	NUMBER OF INBOUND INTERACTIONS	TOTAL NUMBER OF INTERACTIONS	ENGAGEMENT SUCCESS
Ameren Corporation	USA	Multi-Utilities	Ongoing dialogue	0	0	0	
Anhui Conch Cement Company Limited	China	Construction Materials	Escalation	1	0	1	
Canadian Natural Resources Limited	Canada	Oil & Gas Exploration & Production	Ongoing dialogue	0	0	0	
China Petroleum & Chemical Corporation	China	Integrated Oil & Gas	Escalation	1	0	1	
China Shenhua Energy Company Limited	China	Coal & Consumable Fuels	Ongoing dialogue	1	0	1	
CNOOC Limited	Hong Kong	Oil & Gas Exploration & Production	Escalation	1	0	1	
DTE Energy Company	USA	Multi-Utilities	Escalation	1	0	1	

Energy Transfer LP	USA	Oil & Gas Storage & Pipelines	Ongoing dialogue	0	0	0	
EOG Resources, Inc.	USA	Oil & Gas Exploration & Production	Ongoing dialogue	0	2	2	
FirstEnergy Corp.	USA	Electric Utilities	Ongoing dialogue	1	0	1	
Formosa Petrochemical Corp.	Taiwan	Oil & Gas Refining & Marketing	Escalation	1	0	1	 
Formosa Plastics Corp.	Taiwan	Chemicals	Ongoing dialogue	0	0	0	 
Fortis Inc.	Canada	Multi-Utilities	Ongoing dialogue	0	0	0	 
Hengli Petrochemical Co., Ltd.	China	Chemicals	Escalation	1	0	1	
Imperial Oil Limited	Canada	Integrated Oil & Gas	Ongoing dialogue	1	0	1	 
Kinder Morgan, Inc.	USA	Oil & Gas Storage & Pipelines	Ongoing dialogue	2	3	5	 
Marathon Petroleum Corporation	USA	Oil & Gas Refining & Marketing	Ongoing dialogue	0	1	1	 
Occidental Petroleum Corporation	USA	Integrated Oil & Gas	Ongoing dialogue	0	0	0	 
Oil & Natural Gas Corp. Ltd.	India	Integrated Oil & Gas	Ongoing dialogue	2	0	2	
ONEOK, Inc.	USA	Oil & Gas Storage & Pipelines	Ongoing dialogue	1	0	1	


PetroChina Company Limited	China	Integrated Oil & Gas	Ongoing dialogue	1	0	1	
Phillips 66	USA	Oil & Gas Refining & Marketing	Ongoing dialogue	3	2	5	
PTT Public Co., Ltd.	Thailand	Integrated Oil & Gas	Ongoing dialogue	4	3	7	
Reliance Industries Ltd.	India	Oil & Gas Refining & Marketing	Ongoing dialogue	2	0	2	
Rongsheng Petrochemical Co., Ltd.	China	Chemicals	Escalation	1	0	1	
S.F. Holding Co., Ltd.	China	Air Freight & Logistics	Ongoing dialogue	0	0	0	
Saudi Arabian Oil Co.	Saudi Arabia	Integrated Oil & Gas	Ongoing dialogue	1	2	3	
Saudi Electricity Co.	Saudi Arabia	Electric Utilities	Escalation	1	0	1	
Shaanxi Coal Industry Co., Ltd.	China	Coal & Consumable Fuels	Escalation	1	0	1	
UltraTech Cement Ltd.	India	Construction Materials	Escalation	1	0	1	

NOTE: For definitions, see p.7.



COMPANY RESPONSES RECEIVED IN Q3 2023

During Q3 2023 ISS ESG received responses from 6 of the 30 companies. The tables below provide further information on each dialogue.


EOG Resources, Inc.		ISIN US26875P1012	DOMICILE USA
SDG ALIGNMENT SDG 13: Climate Action		SFDR PAI ALIGNMENT PAI 1-6: Greenhouse Gas Emissions	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT SUCCESS 		<p>ENGAGEMENT OBJECTIVE 1 2050 Net Zero GHG emissions target No Progress</p> <p>ENGAGEMENT OBJECTIVE 2 Medium-term greenhouse gas reduction target (2025 to 2030) No Progress</p> <p>ENGAGEMENT OBJECTIVE 3 Decarbonisation strategy No Progress</p>	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Company response		18 July 2023	
Company response		19 July 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>On 18 July, the company acknowledged the investor enquiry, and on 19 July it agreed to participate in a virtual meeting, scheduled for Q4.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>ISS ESG's underlying data shows that the company has not progressed since the beginning of the engagement cycle.</p>			

Kinder Morgan, Inc.		ISIN US49456B1017	DOMICILE USA
SDG ALIGNMENT SDG 13: Climate Action		SFDR PAI ALIGNMENT PAI 1-6: Greenhouse Gas Emissions	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT SUCCESS  Moderate Impact		ENGAGEMENT OBJECTIVE 1 2050 Net Zero GHG emissions target Raised Awareness ENGAGEMENT OBJECTIVE 2 Medium-term greenhouse gas reduction target (2025 to 2030) Partly Achieved ENGAGEMENT OBJECTIVE 3 Decarbonisation strategy Achieved	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Friendly reminder		24 July 2023	
Company response		24 July 2023	
Clarification enquiry		03 August 2023	
Company response		03 August 2023	
Engagement meeting		07 September 2023	
QUARTERLY SUMMARY OF INTERACTIONS After the company confirmed in Q2 its willingness to provide an update on the progress of the engagement objectives, a friendly reminder was sent on 24 July. The company provided a written response to the questions posed on the same day. ISS ESG sent a clarification enquiry on 3 August, and on the same day the company communicated its willingness to participate in a virtual meeting, which took place on 7 September. An engagement outlook communication will be sent in Q4.			
QUARTERLY SUMMARY OF OBSERVATIONS In its 24 July response, the company explained that it is not in a position to set long- and medium-term targets if there is no feasible path to achieve them while maintaining growth of the business. As regards scope 3, the company highlighted the complexity of its measurement and stated that its scope 3 emissions might be reported by downstream companies as their scope 1 emissions. The company stated that its use of ethanol, renewable diesel and biodiesel contributed to the avoidance or reduction of approximately 14.5 million tons of CO ₂ e, and with new projects to start from 2023, 10.1 million metric tons of CO ₂ could			


be additionally avoided or reduced annually. The company also stated specific examples of how it plans to reduce emissions, including carbon capture and storage, undertaking research on transporting and storing hydrogen, and exploring solar power opportunities. The company also shared a breakdown of its largest sources of emissions, with 61% of its combined scope 1 and 2 coming from the combustion of natural gas to power the nearly 500 natural-gas fired compressor stations in its Natural Gas Pipelines business segment. Kinder Morgan estimated the cost of replacing gas fired compressors with electrical ones to exceed \$20bn, which equals 50% of its market capitalisation, and concluded that it would not have assurance it would be able to recover the cost through rates charged to customers. In the 7 September engagement meeting, the company mentioned that it is not prepared to set a Net Zero target, and that its focus is on reducing methane emissions. The company noted that Kinder Morgan currently transports 40% of the natural gas consumed in the US or exported from LNG from the US, and it believes that natural gas assets will be needed for many years in the future. The company shared that it is agnostic about the products it transports, and that the current infrastructure can move lower carbon fuels in the future. The company mentioned it has evaluated transporting hydrogen, but its early analysis has showed integrity and safety concerns. The company mentioned it is investing in other products considered to be more promising such as renewable diesel, biodiesel, renewable feedstock, sustainable aviation fuel, and renewable natural gas, with \$1bn being invested for the latter. The company also stated that it is uniquely positioned to take advantage of carbon capture, utilisation and storage. As regards scope 3 emissions, Kinder Morgan mentioned that once the Securities and Exchange Commission publishes its disclosure requirements, it will assess the implications for the company. For Category 11 (use of sold products), the company explained that as a mid-stream operator it does not own the majority of the product it transports and that it is unclear how it would measure and report on those type of emissions.

ISS ESG's underlying data shows that in the latest six-monthly data check, the company has improved on objective 2, in relation to its medium-term target; and on objective 3, in relation to its qualitative and quantitative decarbonisation strategies.

ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as setting 2050 Net Zero and 2030 medium-term targets that cover the vast majority (>=95%) of scope 1 and 2 emissions as well as the most relevant scope 3 emissions.

Marathon Petroleum Corporation		ISIN US56585A1025	DOMICILE USA
SDG ALIGNMENT SDG 13: Climate Action		SFDR PAI ALIGNMENT PAI 1-6: Greenhouse Gas Emissions	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
 <p>Moderate Impact</p>		ENGAGEMENT OBJECTIVE 1 2050 Net Zero GHG emissions target Raised Awareness ENGAGEMENT OBJECTIVE 2 Medium-term greenhouse gas reduction target (2025 to 2030) Partly Achieved ENGAGEMENT OBJECTIVE 3 Decarbonisation strategy N/A	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Engagement meeting		19 September 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>After the company confirmed in Q2 its willingness to provide an update on the progress of the engagement objectives, a virtual meeting took place on 19 September. An engagement outlook communication will be sent in Q4.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In the 19 September engagement meeting, the company stated that it is not planning to set a 2050 Net Zero target at this time, iterating that anything beyond a ten year timeframe would involve many speculations. The company stated that it has an intensity target to reduce emissions by 30% by 2030, and noted that it has already seen a 25% reduction in emissions intensity. The company shared that it has seen an overall reduction of 5% in its absolute emissions between 2014-2023, a figure that increases to a 10% reduction for its refineries. As regards its methane emissions, the company explained that it has a target to reduce its emissions intensity by 50% by 2025, and by 75% by 2030 compared with 2016 levels. The company also noted that it has seen a reduction of 10,000 tonnes per year of methane emissions despite increasing its natural gas supply. On scope 3 emissions, the company stated that its target is focused on its refining operations, and that so far it has seen a 5% reduction vs a target of 15% from 2019-2022. The company explained that it has worked with an external third-party, HSB Solomon Associates LLC, to evaluate the resiliency of its refining assets against the projections in the International Energy Agency Net Zero Emissions by 2050 Scenario and various other scenarios, and mentioned that due to the cost competitiveness of its refining assets, it expects its refining system will remain resilient, even under carbon-constrained scenarios.</p> <p>ISS ESG’s underlying data shows that while the company has progressed during this engagement cycle, it has not done so in the latest six-monthly data check.</p>			

ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as setting a 2050 Net Zero target that covers the vast majority ($\geq 95\%$) of scope 1 and 2 emissions as well as the most relevant scope 3 emissions; and the public disclosure of the methodology used to set its scope 3 medium-term target.


Phillips 66	ISIN US7185461040	DOMICILE USA
SDG ALIGNMENT SDG 13: Climate Action	SFDR PAI ALIGNMENT PAI 1-6: Greenhouse Gas Emissions	
ENGAGEMENT STATUS Active	ENGAGEMENT STAGE Ongoing dialogue	
ENGAGEMENT SUCCESS  Moderate Impact	<p>ENGAGEMENT OBJECTIVE 1 2050 Net Zero GHG emissions target Raised Awareness</p> <p>ENGAGEMENT OBJECTIVE 2 Medium-term greenhouse gas reduction target (2025 to 2030) Partly Achieved</p> <p>ENGAGEMENT OBJECTIVE 3 Decarbonisation strategy N/A</p>	
ENGAGEMENT TIMELINE		
ACTION	DATE	
Follow-up enquiry	28 August 2023	
Company response	05 September 2023	
Clarification enquiry	15 September 2023	
Company response	18 September 2023	
Engagement outlook communication	27 September 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As a follow-up to the previous interactions with the company, ISS ESG sent a follow-up enquiry to request an update on the progress of the engagement objectives on 28 August. On 5 September, the company provided a written response to the questions posed. ISS ESG sent a clarification enquiry on 15 September, which the company responded to on 18 September. An engagement communication was sent on 27 September.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 5 September response, the company stated that its position in terms of Net Zero has not substantially changed since the previous response in January. The company mentioned that it has published its sustainability report and updated its ESG library. In its 18 September response, the company explained that it is satisfied with its current targets set for scopes 1, 2 and 3 emissions. The company stated that it continues to support the goals of the Paris Agreement, and is committed to being a part of the solution to help the world address climate change. The company shared that its targets are focused on lowering</p>		

the emissions intensity of its globally operated assets, the products it manufactures and sells, and to account for market and technological uncertainties. The company also explained its position that technology development and deployment are needed both to achieve energy today and energy transition goals. The company shared that it is committed to reassessing its targets in step with technology developments, policy changes and consumer energy demand, and noted that attaining its targets requires advancements in technologies, global policies that fund and incentivise a lower-carbon energy system, changes in consumer behaviour and energy choices, and the availability of materials throughout the supply chain.

ISS ESG's underlying data shows that while the company has progressed during this engagement cycle, it has not done so in the latest six-monthly data check.

ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as setting a 2050 Net Zero target that covers the majority ($\geq 95\%$) of scope 1 and 2 emissions; and the public disclosure of the methodology used to set its medium-term scope 3 target.



PTT Public Co., Ltd.		ISIN TH0646010Z00	DOMICILE Thailand
SDG ALIGNMENT SDG 13: Climate Action		SFDR PAI ALIGNMENT PAI 1-6: Greenhouse Gas Emissions	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
 Moderate Impact		ENGAGEMENT OBJECTIVE 1 2050 Net Zero GHG emissions target Partly Achieved ENGAGEMENT OBJECTIVE 2 Medium-term greenhouse gas reduction target (2025 to 2030) Raised Awareness ENGAGEMENT OBJECTIVE 3 Decarbonisation strategy N/A	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Follow-up enquiry		25 August 2023	
Company response		04 September 2023	
Clarification enquiry		12 September 2023	
Company response		13 September 2023	
Clarification enquiry		19 September 2023	
Company response		20 September 2023	
Engagement outlook communication		27 September 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As a follow-up to the previous interactions with the company, ISS ESG sent a follow-up enquiry to request an update on the progress of the engagement objectives on 25 August. The company provided a written response to the questions posed on 4 September. ISS ESG sent a clarification enquiry on 12 September, which the company responded to on 13 September. On 19 September, ISS ESG sent an additional clarification enquiry, which the company responded to on 20 September. An engagement outlook communication was sent on 27 September.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In its 4 September response, the company mentioned that all energy-related scope 3 emissions of energy products in PTT's value chain would be covered in future scope 3 targets. The company stated that its scope 3 targets would align with Thailand's Long-Term Low Greenhouse Gas Emission Development Strategy (LT-LEDS) and that the company would stay on a 2°C pathway. In its 13 September response, the company stated that it is complicated to measure scope 3 emissions and that it plans to set scope 3 targets in 2030 and 2040. The company explained that it will be within a 2°C pathway by 2030 for scope 1 and 2,</p>			

and 1.5°C after 2030, and that scope 3 targets will be aligned with these goals. In its 20 September response, the company confirmed that it intends for its scope 3 targets to be achieved by 2030 and 2040. The company explained that the timeline for including these targets is still under consideration.

ISS ESG's underlying data shows that while the company has progressed during this engagement cycle, it has not done so in the latest six-monthly data check.

ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as the inclusion of scope 3 emissions in its existing Net Zero and medium-term targets and the public disclosure of the associated methodology.

Saudi Arabian Oil Co.		ISIN SA14TG012N13	DOMICILE Saudi Arabia
SDG ALIGNMENT SDG 13: Climate Action		SFDR PAI ALIGNMENT PAI 1-6: Greenhouse Gas Emissions	
ENGAGEMENT STATUS Active		ENGAGEMENT STAGE Ongoing dialogue	
 Moderate Impact		ENGAGEMENT OBJECTIVE 1 2050 Net Zero GHG emissions target Raised Awareness ENGAGEMENT OBJECTIVE 2 Medium-term greenhouse gas reduction target (2025 to 2030) Partly Achieved ENGAGEMENT OBJECTIVE 3 Decarbonisation strategy Achieved	
ENGAGEMENT TIMELINE			
ACTION		DATE	
Engagement outlook communication		20 July 2023	
Company response		20 July 2023	
Engagement meeting		07 September 2023	
<p>QUARTERLY SUMMARY OF INTERACTIONS</p> <p>As the company remained unresponsive to the follow-up enquiry sent in Q2, an engagement outlook communication was sent on 20 July. The company responded on the same day, communicating its willingness to participate in an engagement meeting, which took place on 7 September. An engagement outlook communication will be sent in Q4.</p> <p>QUARTERLY SUMMARY OF OBSERVATIONS</p> <p>In the 7 September engagement meeting, the company highlighted its goal to achieve Net Zero scope 1 and 2 emissions by 2050 covering its wholly owned operated assets, stating that it believes this is a credible goal, and for which it has a high level of confidence it can be achieved. Regarding scope 3, the company explained that it has not publicly disclosed any plans to begin reporting this metric, but that it has a range of initiatives to reduce scope 3 emissions, such as its work on blue hydrogen, improving technologies for combustion engines, carbon capture and storage, biofuels, and including an increased quantity of renewables in its energy mix. Regarding medium-term targets, the company stated that it does have some 2030 targets, but that plans to accelerate these is not something the company is prepared to disclose at this time. Concerning its decarbonisation strategy, the company explained that it looks for additional emissions reduction opportunities on a continual basis, and that these would be publicly disclosed once forming part of a credible strategy. The company stated that it would likely not disclose its targeted energy mix for 2030 as it may send unwarranted market signals.</p> <p>ISS ESG's underlying data shows that since the previous six-monthly data check, the company has</p>			

improved on objective 2, in relation to its medium-term target; and on objective 3, in relation to its qualitative and quantitative decarbonisation strategies.

ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as the inclusion of scope 3 emissions in its existing Net Zero commitment and setting a 2030 medium-term target that covers the majority ($\geq 95\%$) of scope 1 and 2 emissions as well as the most relevant scope 3 emissions.



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