Q3-2022 ENGAGEMENT CASE STUDIES

NORTHERN TRUST

ASSET MANAGEMENT

NTAC:3NS-20

Climate Risk

Our 2022-2023 Capital Market Assumptions has for the fourth year in a row identified climate change as an investment risk. Scientists have connected increasing human reliance on fossil fuels over the past 100 years with higher average global temperatures and more severe weather events including drought, wildfires and flooding. To address climate change, governments and investors are encouraging companies to transition to “greener” ways of doing business, in particular by reducing their reliance on fossil fuels. We recognize that the green transition heightens investment risk over the long-term, as we expect that some companies will struggle to adjust.

While all companies have a role to play in the climate transition, we prioritize companies within certain industries or of a particular size and scope of operations that have been deemed “climate priorities.” Specifically, companies in the utilities sector responsible for power generation, and those in the materials and industrials sectors with higher carbon intensity profiles. These companies are targets of the Climate Action 100+ of which we are a signatory member, and companies

Q3 2022

SUNCOR

THE CHALLENGE

Based on publicly disclosed information, the company made a qualitative net zero GHG emissions ambition statement that explicitly includes at least 95% of their scope 1 and scope 2 emissions. However, they do not adequately disclose evidence of how they intend to meet this goal.

WHAT WE DID

We had a discussion with Suncor on their decarbonization strategy and capital allocation plan based on an escalation plan aimed at reducing climate risks and improving disclosure. During the engagement, the company stated they have 10% of capital allocated towards emissions reduction initiatives including a coke broiler replacement project and cogeneration plans. They have a 30% GHG emissions reduction goal by 2030, while Canada’s national goal is 40%.

THE OUTCOME

We expressed to the company our desire to see them improve disclosures to a point that they achieve at minimum a partial score under indicators 5 and 6 of the CA100+ Net Zero Benchmark; requiring them to have a decarbonization strategy that explains how they intend to meet long and medium-term GHG reduction targets, specifying the role of “green revenues” from low carbon products and services, as well as disclosing the methodology used to determine the Paris alignment of the company’s future capital expenditures. We asked to see these improvements within a two-year timeframe.

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NTAC:3NS-20

Biodiversity

More than half the world's GDP, is moderately or highly dependent on nature. Investors are increasingly interested in understanding the impact, negative and positive, that businesses have on our natural resources.

We aim to work across two critical sectors: food & agriculture and metals & mining, two sectors which consume large quantities of freshwater and are largest drivers of biodiversity loss and land use change

Water scarcity is increasing, with major droughts in parts of Latin America, Africa, Asia, the Middle East, Australia and the U.S. Challenges with water availability may hinder operations or raise production costs, and could result in difficulties with permitting, stranded assets or increased conflicts with local communities.

Expansion of agricultural land is a primary driver of global deforestation, with significant impacts for biodiversity. The growth of the palm oil industry, an inexpensive and cost-effective vegetable oil, is contributing to largescale deforestation in Indonesia and, increasingly, West Africa

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CONAGRA BRANDS

THE CHALLENGE

Conagra discloses deforestation risk management practices for paper fiber packaging, beef, soy, palm oil, and cocoa**.** However, they do not report on how their sourcing criteria align to their deforestation policy.

WHAT WE DID

We engaged with the company to understand the details of their supplier code of conduct as it relates to deforestation – it applies to all suppliers for palm oil, paper fiber, beef, and cocoa addressing deforestation. Conagra confirmed they achieved their goal to source 100% sustainable palm oil and soy.

THE OUTCOME

Since approximately 98% of beef is sourced from areas designated as low risk for deforestation, we would like to see the company achieve 100% deforestation free beef and begin reporting on their deforestation free sourcing.

SSR Mining

THE CHALLENGE

SSR Mining's water intensity and consumption has increased significantly for the company over the last few years. Additionally, the company needs to improve disclosures on water consumption in line with SASB standards.

WHAT WE DID

During our call with the company, they outlined the 3 pillars of their water risk management: external disclosure, operational excellence, and community stability. To maintain its ongoing operations, the company needs to use large quantities of water and recognizes that water resources have become increasingly constrained.

THE OUTCOME

The company does not have plans to formally commit to reducing water consumption and intensity. SSR confirmed it is prioritizing developing water accounting frameworks (ICCM) by end of 2022 to help them identify areas of opportunities which could lead to setting reduction goals the following year.

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Human Capital

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Today, there is universal recognition that the most important asset of any organization is its human capital. Employees are integral to driving customer satisfaction, product/service innovation, along with growth and overall profitability. Despite the affordability and availability of automation and other technical solutions that can replace humans on manufacturing lines and other work areas, human knowledge and skills are necessary to enable an organization to accomplish anything.

Diversity, Equity & Inclusion (DEI) are important factors which may determine whether prospective employee accepts an extended offer or current employee seeks opportunities elsewhere. Unfortunately, investors often do not have clear insight into company's DEI management efforts. There is growing pressure on companies to provide greater data transparency on efforts to retain and promote diverse talent. Better access to these insights will allow investors to make clearer decisions in the investment process, establish best practices and foster more robust issuer accountability.

AMAZON.COM, INC.

THE CHALLENGE

Amazon and other technology companies have been receiving shareholder proposals that ask for reports and assessments of the risks associated with the use of concealment clauses for the company employees. As we are generally supportive of shareholder resolutions around concealments clauses, NDAs, and forced arbitration – we engaged with Amazon on the issue.

WHAT WE DID

Amazon confirmed they do not use such clauses in employee contracts and when they are included in separation agreements, they are agreed upon by both parties. The company addressed the criticisms lobbied against them for their approach to freedom of association and unionization, stating their approach is an agree to disagree approach.

THE OUTCOME

Amazon informed us that those who put forward criticisms and shareholder proposals on collective bargaining and unionization are not necessarily engaging with Amazon on these topics, causing a gap between what people think and what is actual. The company also raised concerns related to the volume of third-party audits being requested and flagged potential litigation exposure. We will continue to monitor the company's response to these requests as we expect these resolutions to only increase going forward.

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