SYQUANT Capital
Helium Funds

ENGAGEMENT REPORT

2022

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Contents

I. Introduction

The year 2022 was again marked by a growing emphasis on environmental, social, and governance (ESG) concerns and we firmly believe that engagement is part of the answer to the strong demand for positive change in this area. This report presents our approach to individual and collective engagement and its results. Both the remediation measures initiated by engaged issuers and the credible commitments they have expressed underscore the meaningful progress achieved through dialogue and cooperation. Indeed, a majority of the issuers engaged by SYQUANT Capital, well over 60%, responded by implementing remediation measures or expressed of commitments to do so. From sustainable environmental practices to improved social impacts and strengthened governance structures, our engagement report sheds light on the constructive influence of our interactions with companies in fostering positive change, preserving value, and contributing to a more sustainable future.

As discussed in greater detail below, our favoured approach is currently to combine individual and collective engagement. During the reporting year, SYQUANT Capital engaged 20 companies on an individual basis and another 110 through a collective engagement platform, bringing the reach of our engagement to 130 companies in total.

II. Our approach to engagement

As a responsible investor and UN PRI signatory, SYQUANT Capital is aware of its duty to make targeted engagement efforts with companies on ESG issues and believes that a positive impact can be achieved both through our investment choices and by engaging in constructive dialogue with companies.

1. Individual engagement

We can engage with companies on a case-by-case basis. Since the different strategies run by SYQUANT Capital are mostly “Event-Driven”, the portfolio managers regularly conduct individual engagement with many companies in which the funds invest, whether by conducting meetings with company management and/or attending investor relations events/conferences. In the merger arbitrage strategy, for example, the investment team engages with the companies involved to obtain assurances on their governance practices.

During these interactions, our investment professionals may engage with company management on a variety of issues, which may include ESG-related matters that present a potential material risk to a company’s financial performance. The decision to engage is primarily based on what we believe will maximize shareholder value as long-term investors, helps to improve corporate behaviour, and reduce adverse sustainability impact.

Through a dialogue with their Management, our investment teams seek to gain a better understanding of companies and their ESG strategies in order to identify the associated risks and opportunities. This engagement therefore helps to optimise the risk/return profile of our portfolios. The information that our investment teams obtain in relation to any norm-based controversies in which companies may be involved or negative E, S, and/or G scores also guides decisions to uphold or lift our automatic ESG exclusions.

We believe that “case by case” individual engagement offers a much greater understanding of the companies in which we invest or intend to invest. However, we are also aware that individual engagement is not enough, in most cases, to influence companies' long-term behaviour. This is partly due to the strategies run by SYQUANT Capital, which have a relatively short time horizon. To have a longer-term impact on companies, we supplement our individual engagement practices with participation in collective engagement.

2. Collective engagement

SYQUANT appreciates that the ability to change companies' long-term behaviour through individual engagement may be limited, partly due to the relatively short-term nature of the strategies employed and the typically limited scale of individual company investments/ownership.

As a result, in order to optimise the potential impact of engagement, we participate in collaborative initiatives involving a large number of asset managers and owners. Through these initiatives, we work with other investors to leverage our collective say on the ESG practices of investee companies. Such cooperation, by linking with fellow concerned stakeholders, lends the group of involved investors greater access and influence through privileged, result-oriented conversations with companies around selected ESG issues.

A global approach to ensure that issuers abide by widely recognised ESG standards is to direct our engagement on the basis of alleged international norms violations. In our case, the norms referred to are the UN Global Compact and the OECD Guidelines for multinational enterprises. To benefit from the long-term perspective of experts regarding potential breaches of these norms, we subscribe to the Norm-Based Engagement services of ISS ESG, which cover global norms in:

- Human Rights
- Labour Rights
- Environment
- Corruption

ISS Norm-Based Engagement focuses on companies that ISS ESG's Norm-Based Research identifies as involved in alleged or verified, severe, systematic, or systemic failures to respect international norms. Annually, 100 companies are proposed for engagement. On a quarterly basis, ISS ESG selects approximately 25 companies with "Amber" or "Red" assessments within their scoring scheme to engage with during that quarter.

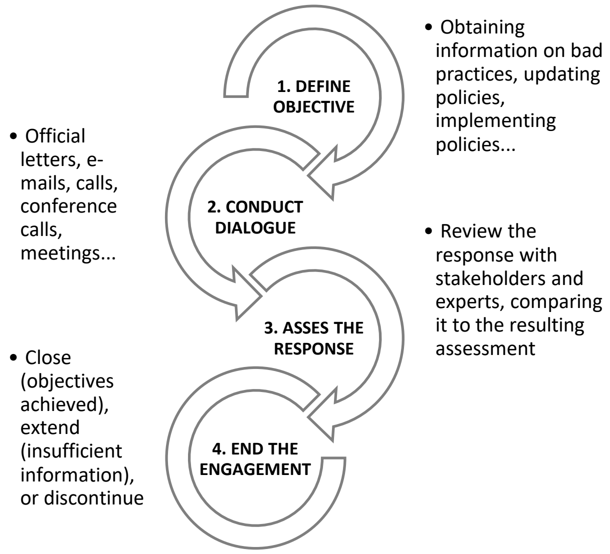
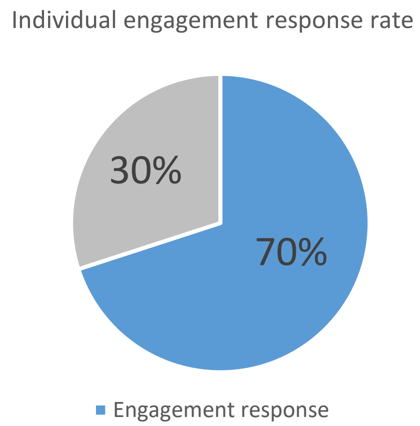


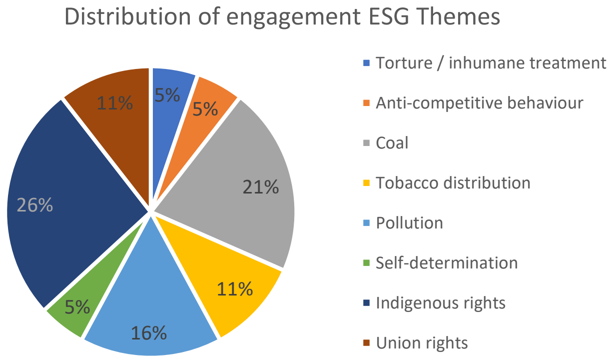
Figure 2: Our collective engagement process through ISS ESG

III. Individual Engagement

1. In figures

The response rate of our individual engagement was satisfactory this year, with over 70% of targeted issuers responding to our engagement letters. As shown by pie chart below representing the distribution of ESG themes across our engagements, 26% of our individual engagements concerned indigenous rights. Several issuers were engaged over a controversy concerning a pipeline owned by a joint venture in the United States, the Dakota Access Pipeline (DAPL). Litigation is still ongoing regarding the future of the pipeline, which has been of much concern to the Sioux Tribe whose reservation in North Dakota is located within a few miles of the path taken by the pipeline, and who claims that the pipeline represents a risk of contamination to water sources whose preservation is of great importance to them.



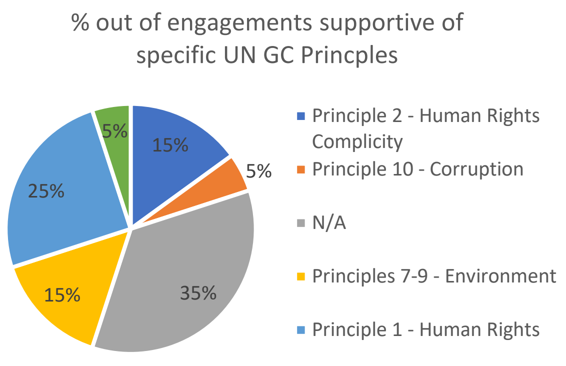


The second most represented engagement theme was coal. As explained in the previous section, our collective engagement covers controversies, which is to say international norms breaches, which means that our convictions and ESG risk management relating to the emission of greenhouse gases and climate change is not typically reflected by this engagement. As a result, much of our individual engagement focuses on the engagement component of our Coal Exit Policy.

The same applies to our exclusion strategy generally. As tobacco distribution, for example, does not represent a violation of international norms, it would never be covered by our collective engagement. As an central exclusion in the social pillar of our exclusion strategy however, it represented 11% of our individual engagement during the reporting year.

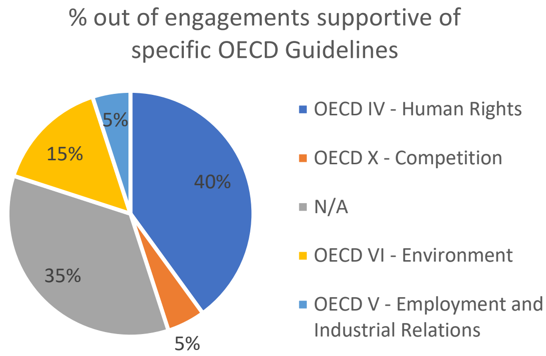
i. Potential international norms breaches

The remarks above concerning the roles carried out by our individual engagement also explain why for 35% of issuers engaged by Syquant Capital alone, the matter broached by Syquant Capital with the target company was neither related to a specific UN Global Compact (UN GC) Principles nor an OECD Guideline for multinational enterprises.



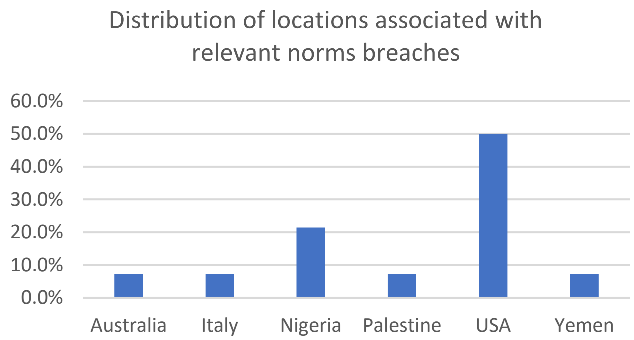
As shown in the pie charts below, 40% of topics related to a violation of Principles 1 or 2 of the UN GC, which respectively concern human rights violations (here ex Union Rights violations) and complicity in such violations.

This is reflected in the distribution of OECD Guidelines supported by engagement with each target company, of which 40% related to OECD Guideline IV – Human Rights.



The bar chart below shows that 50% of norms breaches are associated with the United States. In large part, this is due to the engagement led concerning the Dakota Access Pipeline mentioned in the previous section given the number of companies involved in the joint venture behind the project.

Similarly, the engagement associated with Nigeria targeted the remediation of oil spills in Ogoniland, Nigeria for which a joint venture involving Eni SpA, TotalEnergies SE, and especially Shell Plc, have been held accountable. The remediation efforts are now led by the Nigerian government, Shell Petroleum Development Company of Nigeria (Ltd), an NGO and the United Nations Environmental Programme. Eni SpA and TotalEnergies due to their limited ownership stake are not convened to participate in this initiative yet cannot bypass it to implement significant cleanup and other remediation efforts.



The engagement associated with Australia concerned Serco Group Plc, that associated with Yemen targeted RTX Corp.'s distribution of weapons to Saudi Arabia that were improperly used in Yemen without regard for civilian populations. It is our engagement with Amazon (see Section III.2.iii) that concerned alleged anticompetitive practices in Italy.

i. UN Sustainable development goals

(UN SDGs)

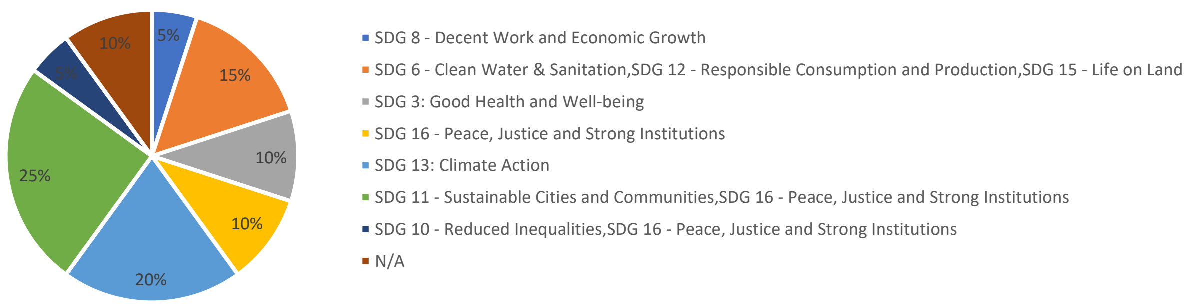
The United Nations Sustainable Development Goals (UN SDGs) are a set of 17 interlinked goals introduced by the United Nations and adopted by all United Nations Member States in 2015 as a part of its 2030 Agenda for Sustainable Development. The SDGs built on decades of work by countries and the UN, including the Millennium Development Goals (MDGs) which spanned from 2000-2015, and were often criticized for being too narrow. In contrast, the UN SDGs addresses a wide range of issues and call for action by all countries, regardless of their income level, serving as a shared blueprint for peaceful and prosperous development for people and the planet.

The 17 UN Sustainable Development Goals:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation, and Infrastructure
10. Reduced Inequality
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace and Justice Strong Institutions
17. Partnerships to achieve the Goals

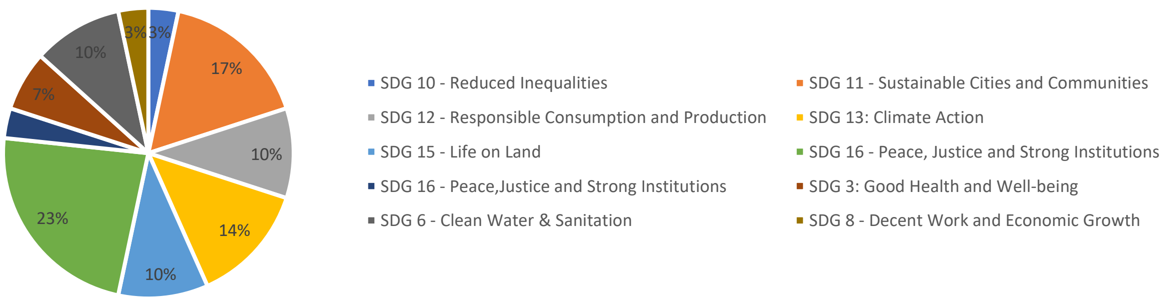
The initiative behind the SDGs is to address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace, and justice. Each goal has specific targets to achieve, with a total of 169 targets spanning the 17 goals. The objective of the SDGs is to stimulate action over the current decade in areas of critical importance for humanity and the environment.

Distribution of sets of SDGs supported by engagements



Note that the categories in the above chart may refer to more than one UN SDG. By comparison, the graph below provides the share of the support each UN SDG has received out of our individual engagement supporting SDGs.[1]

% out of all cases of SDGs supported by individual engagements



[1] i.e., if an engagement supports SDGs 1 and 2, and another supports SDGs 2 and 3, SDG 2 will represent 50% of all SDGs supported.

2. Individual engagement cases

i. Environmental

Coal Production and coal-based power generation.

Coal production and combustion have long been at the centre of discussions about climate change and environmental degradation. There are compelling reasons why investment should be redirected away from coal and towards less harmful means of producing energy:

a) Greenhouse Gas Emissions: The combustion of coal is a major source of carbon dioxide (CO_2) emissions, a potent greenhouse gas responsible for trapping heat in the Earth's atmosphere. This contributes significantly to global warming and the associated impacts such as rising temperatures, melting ice caps, and extreme weather events.
b) Air Pollution: Coal combustion releases various pollutants, including sulfur dioxide (SO_2), nitrogen oxides (NO_x), and particulate matter. These pollutants have adverse effects on air quality, leading to smog formation, respiratory illnesses, and premature deaths among humans. Additionally, they harm ecosystems and can lead to acid rain.
c) Water Pollution: Coal mining and coal ash disposal can contaminate water sources with heavy metals and toxins, posing severe risks to aquatic life and human communities. Coal ash, the waste generated from burning coal, contains hazardous substances like arsenic, mercury, and lead, which can leach into groundwater and surface water.
d) Habitat Destruction: Surface and mountaintop removal mining practices associated with coal extraction can lead to habitat destruction and loss of biodiversity. This can harm ecosystems, disrupt wildlife habitats, and negatively impact local flora and fauna.
e) Resource Depletion: Coal is a finite resource, and its extraction often involves the removal of vast amounts of earth, leading to soil erosion and landscape alteration. As coal reserves are depleted, the environmental and social costs of mining can increase.
f) Alternative Energy Sources: Investing in cleaner and more sustainable energy sources, such as wind, solar, hydroelectric, and geothermal power, offers numerous advantages. These sources produce little to no greenhouse gas emissions, have lower environmental impacts, and are often more economically viable in the long term.
g) Economic Opportunities: Transitioning away from coal can stimulate economic growth through the development of renewable energy industries, job creation in clean energy sectors, and reduced healthcare costs associated with air pollution-related illnesses.
h) International Agreements: Many countries have committed to reducing their greenhouse gas emissions under international agreements like the Paris Agreement. Investing in coal undermines these efforts and may result in penalties or trade restrictions.

The environmental and climate impacts of coal production and combustion are well-documented and pose significant threats to our planet and human health. Directing engagement for cleaner and more sustainable energy sources is not only necessary for mitigating climate change but also for safeguarding our environment and ensuring a healthier and more prosperous future for generations to come.

Example: RWE AG, Uniper SE, Fortum Oyj

Motive: Coal-based power generation

In 2022, RWE AG ("RWE"), Uniper SE ("Uniper"), and Fortum Oyj ("Fortum"), which bought Uniper in 2021, all in the utilities sector, were targets for individual engagements as part of our Coal Exit Policy. In 2021, their involvement in coal-based power generation exceeded our exclusion thresholds. Their planned reductions in coal-based capacity were sufficiently ambitious for this involvement, measured by their share of revenue derived from this activity. When the conflict in Ukraine began in early 2022 and brought a considerable reduction in the supply of Russian gas to Europe, it was believed that utilities companies could set aside these plans until European countries previously reliant on flows of gas from Russia had transitioned to alternative sources of gas.

Our engagement with RWE, Uniper, and Fortum clearly expressed our expectation that all utilities companies exit coal by 2030 as per our Coal Exit Policy. Our engagement letters made clear that they would be excluded from all our investments were they to decide not to reduce their coal-based capacity and revenue from coal-based power. Moreover, our engagement letters also communicated that these figures would have to continue to drop in line with our exclusion thresholds, which are decreased every two years. With 2023 calling for a reduction according to our policy, the reductions expected concerned a significant proportion of RWE, Uniper, and Fortum's 2021 capacity and coal-based revenue.

Discussions with each company clarified their commitments concerning the retirement or disposal of coal plants. Multiple letters during the year provided sufficient evidence that they intended to abide by these commitments. The sale or retirement of identified coal plants was monitored to guarantee that they were following the trajectory presented in their communication with Syquant Capital. These instances of engagement were successful. All our engagement letters received a prompt reply to provide any additional information requested, and at the time of writing, RWE, Uniper, and Fortum are all below our Coal Exit Policy's thresholds for 2023.

RWE had in fact already shown to be responsive to engagement relating to its exit from coal. A collective engagement enabled by ISS ESG had already addressed this topic with RWE over the company's failure to mitigate climate change in Germany. This engagement initiative was closed given that RWE had adopted credible remediation measures verified in 2020.

ii. Social

Labour Rights

Labour rights are of great importance for both employees and the broader economy. Syquant Capital believes that companies do not respect labour rights should be engaged with for the following reasons:

a) Dignity and Well-being of Workers: Labour rights ensure that employees are treated with respect, fairness, and dignity. This includes the right to fair wages, safe working conditions, reasonable working hours, and protection from discrimination and harassment. When these rights are upheld, workers experience improved well-being and job satisfaction.
b) Improved Productivity: When employees are treated fairly and have a voice in their workplace, they are more likely to be motivated and engaged. High morale and job satisfaction translate into higher productivity, which benefits both the company and the economy as a whole.
c) Health and Safety: Protecting the health and safety of workers is not only a moral imperative but also an economic necessity. Unsafe working conditions can lead to injuries, illnesses, and absenteeism, all of which can disrupt production and increase costs.
d) Talent Attraction and Retention: Companies that respect labour rights are more likely to attract and retain top talent. Skilled and motivated employees are a valuable asset, contributing to a company's long-term success.
e) Legal and Reputational Risks: Companies that disregard labour rights face legal consequences, including fines and legal battles. Their reputation can also suffer, which can deter customers, partners, and investors.
f) Social Stability: Respect for labour rights contributes to social stability. Protected labour rights may lead to fewer labour disputes, strikes, and reduce social unrest, which can disrupt business operations and negatively impact the economy.
g) Compliance with International Standards: Many international agreements and conventions advocate for labour rights, and non-compliance can lead to trade restrictions and reputational damage on a global scale. Investing in companies that respect labour rights helps ensure compliance with these standards.
h) Long-Term Sustainability: Companies that prioritize labour rights are often more sustainable in the long run. They are better equipped to adapt to changing social and environmental conditions and are less likely to face labour-related disruptions.
i) Ethical and Responsible Investment: Many investors today consider ethical and responsible factors in their investment decisions. Supporting companies that uphold labour rights aligns with these values and helps create a more just and equitable society.

In conclusion, labour rights are not only a matter of respect but also crucial for the economic health and prosperity both of companies and countries. Directing engagement towards companies that do not respect labour rights is a responsible step toward fostering a more equitable and sustainable economy that benefits workers, businesses, and society as a whole.

Example: Red Rock Resorts, Inc.

Motive: Potential breach of norms relating to labour rights

Relevant norms:

- UN Global Compact, Principle 3
- OECD Guideline for Multinational Enterprises V – Employment and Industrial Relations

Red Rock Resorts, Inc. ("Red Rock Resorts") develops and operates casino and other entertainment venues in the USA. Station Casinos', owned by Red Rock Resorts, was found to be in breach of established international norms relating to labour rights by our data provider's analysts. Station Casinos had been found by the National Labor Relations Board (NLRB) to have failed to respect its employee's rights to freedom of association and collective bargaining at several of its properties in Las Vegas, Nevada.

According to the NLRB, the company had retaliated against union supporters and refused to negotiate with elected unions on more than one occasion. In October 2019, the US Court of Appeals rejected the company's appeal. The court ordered the company to enter into negotiations with elected unions more than once.

Previously, the company had also refused to negotiate with the union (IUOE) representing the company's utility technicians. The Court of Appeal also rejected the company's arguments in this case, and in February 2020, ordered the company to negotiate with the elected union.

In October 2022, SYQUANT Capital contacted Red Rock Resorts, Inc. ("Red Rock Resorts") to express its expectation that employees' rights to freedom of association and collective bargaining be respected. Our engagement letter requested additional information regarding:

- Any initiatives Red Rock Resorts or Station Casinos may be undertaking to ensure compliance with international labour norms and local legislation wherever it operates, especially in relation to the right of its employees to associate and join labour unions,
- Any remediation measures it may have taken in response to the National Labor Relations Board (NLRB)'s decisions, or which may improve Station Casinos' ability to abide by such norms and laws wherever it operates in the future.

Our communication with the Executive Vice President and Chief Legal Officer of Red Rock Resorts and the information provided by the company was deemed insufficient and not directly relevant to an assessment of the breach or its remediation. The engagement was therefore deemed unsuccessful and suspended. The exclusion of Red Rock Resorts from all our investments was maintained.

iii. Governance

Anticompetitive practices

Anticompetitive practices by companies can have detrimental effects on both consumers and the overall economy. Here are key reasons why Syquant Capital believes that engagement should be directed towards companies engaging in anticompetitive practices:

a) Higher Prices for Consumers: Companies engaging in anticompetitive behaviour often have the power to set higher prices for their products or services without fear of losing customers to competitors. This leads to increased costs for consumers, reducing their purchasing power and impacting their standard of living.
b) Reduced Innovation: Competition is a driving force for innovation. When companies face competitive pressure, they are incentivized to develop new and improved products, services, and technologies to stay ahead. Anticompetitive practices stifle this innovation, leading to stagnant markets and fewer choices for consumers.
c) Lower Quality and Service: In the absence of competition, companies may have little motivation to maintain high-quality products or provide excellent customer service. Consumers are left with limited options and may have to accept subpar goods or services.
d) Inefficient Resource Allocation: Competitive markets efficiently allocate resources by directing investments toward the most productive and innovative companies. Anticompetitive practices distort this allocation, as resources are diverted to companies that maintain their market dominance through unfair means rather than merit.
e) Reduced Economic Growth: A lack of competition can hinder economic growth by suppressing entrepreneurship and stifling the growth of small and medium-sized businesses, which are often engines of innovation and job creation.
f) Weakened Consumer Protections: Anticompetitive companies may exert undue influence over regulatory bodies, making it difficult for consumers to seek protection and redress when harmed by unethical business practices.
g) Legal and Reputational Risks: Companies engaged in anticompetitive practices may face legal actions, fines, and damage to their reputation, which can negatively affect their financial performance and shareholder value.
h) Global Economic Competitiveness: In a globalized economy, countries with competitive markets are often more attractive for investment and business growth. Companies engaging in anticompetitive practices risk isolating themselves from international markets and partnerships.

Anticompetitive practices therefore harm consumers by limiting choices, increasing prices, and reducing product quality and innovation. They also undermine the efficiency and growth potential of the economy as a whole. Conducting engagement targeting companies that engage in such practices is not only a responsible financial decision but also a means of promoting fair competition, which ultimately benefits consumers and contributes to a healthier, more vibrant economy.

Example: Amazon.com, Inc.

Motive: Potential norms breach

Relevant norms:

- UN Global Compact, Principle 10
- OECD Guidelines for Multinational Enterprises, X. Competition

In December 2021, Amazon.com, Inc.'s (“Amazon”) subsidiaries faced a fine of €1.1 billion imposed by the Italian Competition Authority (AGCM). The company was accused of abusing its dominant market position by promoting its own logistics service, Fulfilment by Amazon (FBA), and granting preferential treatment to sellers using FBA.

More specifically, the AGCM asserted that Amazon's exclusive bundling of FBA with benefits, including the Prime label, amounted to an anticompetitive practice. Furthermore, sellers not utilizing FBA were subjected to stricter performance standards. The AGCM's order mandated Amazon to grant equal sales privileges to external sellers and issued other directives subject to scrutiny by a monitoring trustee.

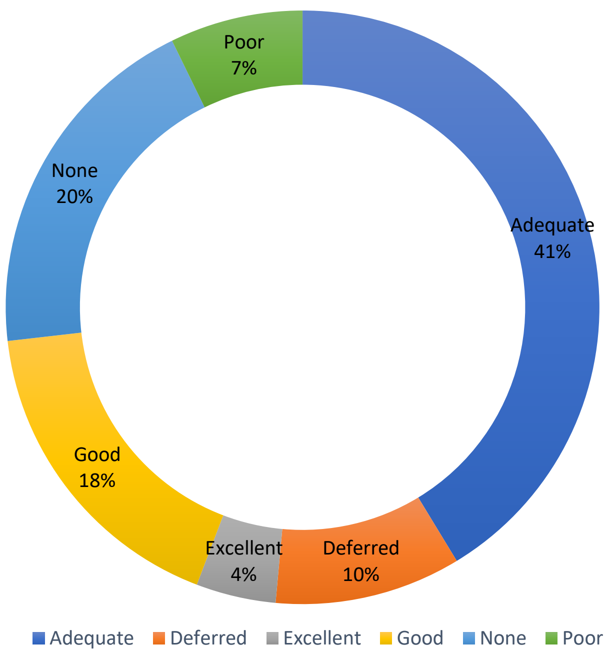
Amazon promptly filed an appeal, and in March 2022, a regional administrative court in Italy granted Amazon's request to temporarily suspend the implementation of AGCM's decision. The final verdict on the appeal was scheduled to be deliberated starting October 2022.

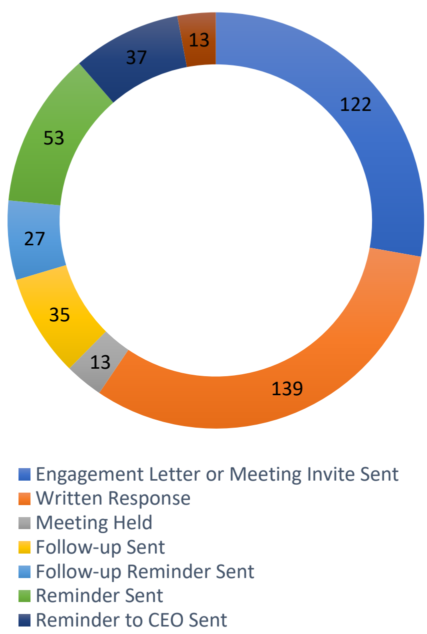
An engagement letter was sent to Amazon on 10/08/2022 and a form submitted remained without reply. The engagement was therefore deemed unsuccessful. However, in light of Amazon’s appeal and more recent events in Amazon’s anticompetitive court cases in Europe, the norms breach initially brought to our attention by our data provider was found not to be verified following a thorough analysis of the evidence at hand.

IV. Collective Engagement

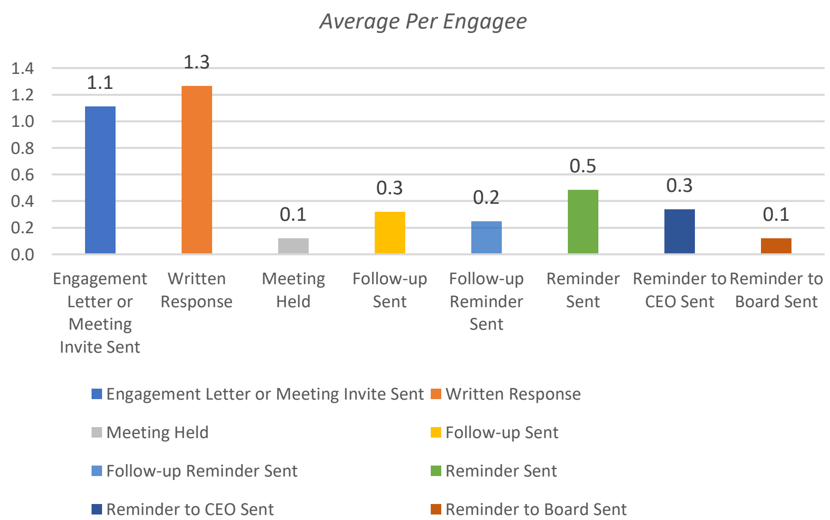
1. Analysis

In 2022, SYQUANT Capital engaged with **110 issuers** through ISS Governance's collective engagement platform. Overall, the quality of engagement was satisfactory, with 63% of all engagements of adequate, good or excellent quality. It should be noted that the "None" category of engagement quality mostly contains satisfactory engagement, with issues aiming to be addressed again in the course of 2022 resolved prior to engagement, often due to engagement led during the previous year.

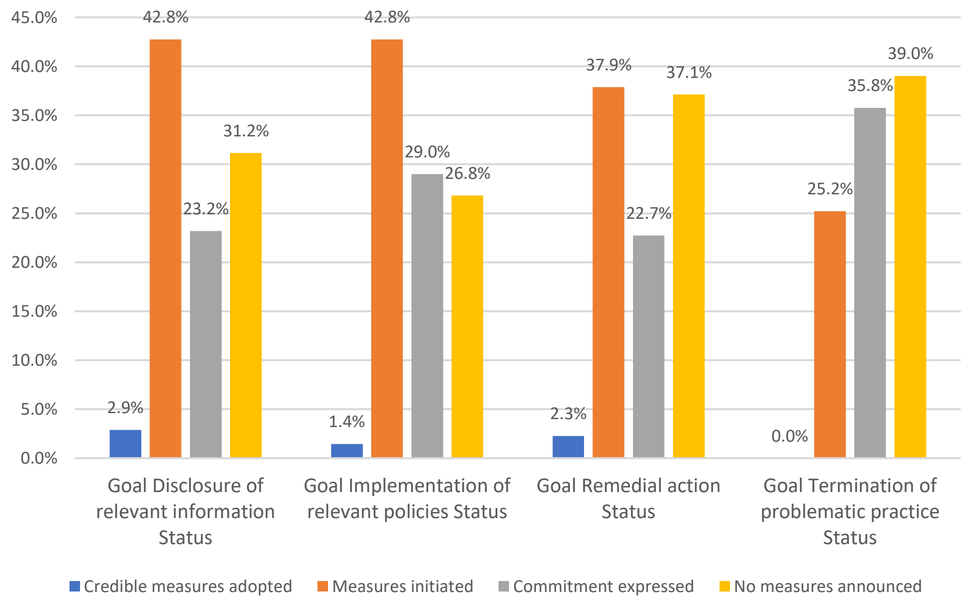




Regarding the actions carried out as part of our engagement, 122 engagement letters or meeting invitations were sent. 139 written responses from the issuers engaged were received, 13 meetings held, and 35 follow-ups sent. In total, 140 reminders were sent.



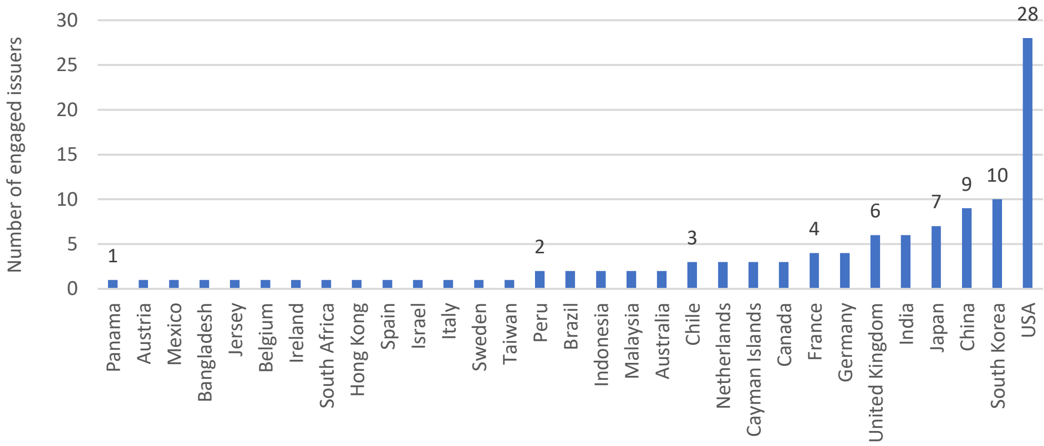
The collective engagement led during the previous year was effective. Most notably, 25.2% of issuers engaged initiated measures to terminate their problematic practices, and 35.8% expressed their commitment to do so.



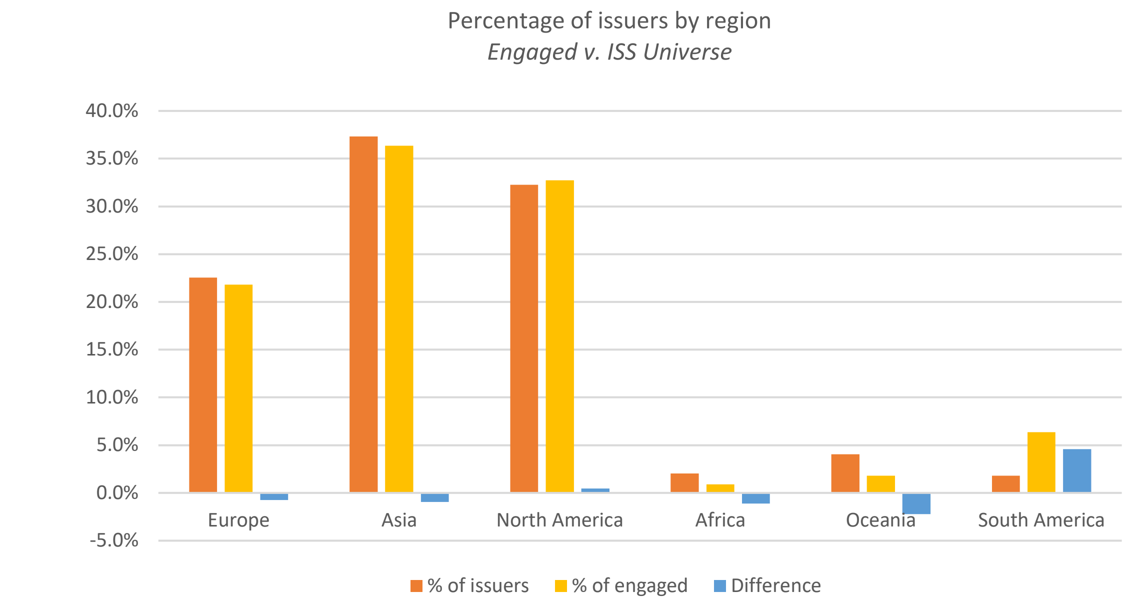
i. Country of incorporation and sectoral focus

The country of engaged issuers

Over a quarter of all companies engaged were incorporated in the USA, with the next countries with the most issuers engaged being South Korea (10%), closely followed by China (9%), Japan (7%), and India and the United Kingdom, both on 6%

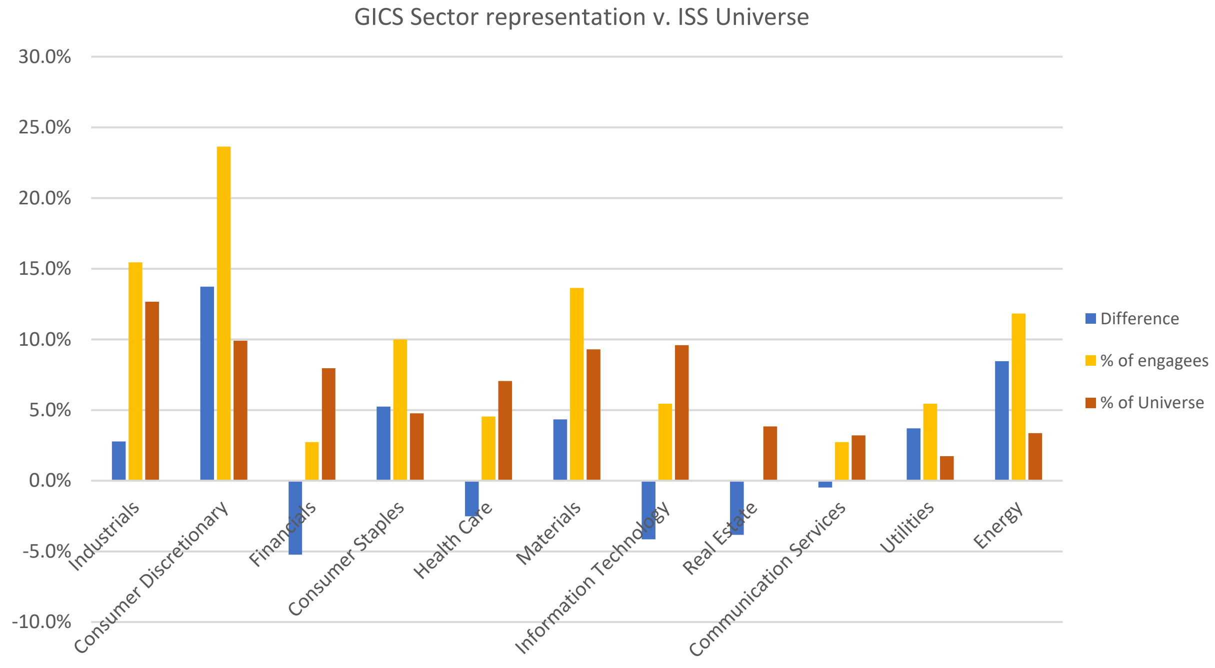


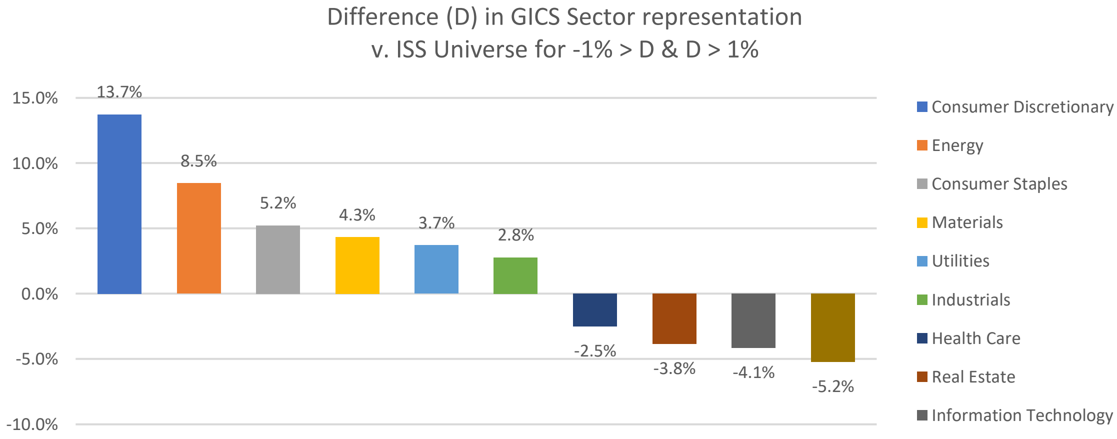
A comparison of the issuers engaged and ISS ESG's universe points to an overrepresentation of South America especially, but also of North America and Europe in the set of engaged issuers. Concerning North America, the United States are overrepresented, while Canada and Mexico are underrepresented.



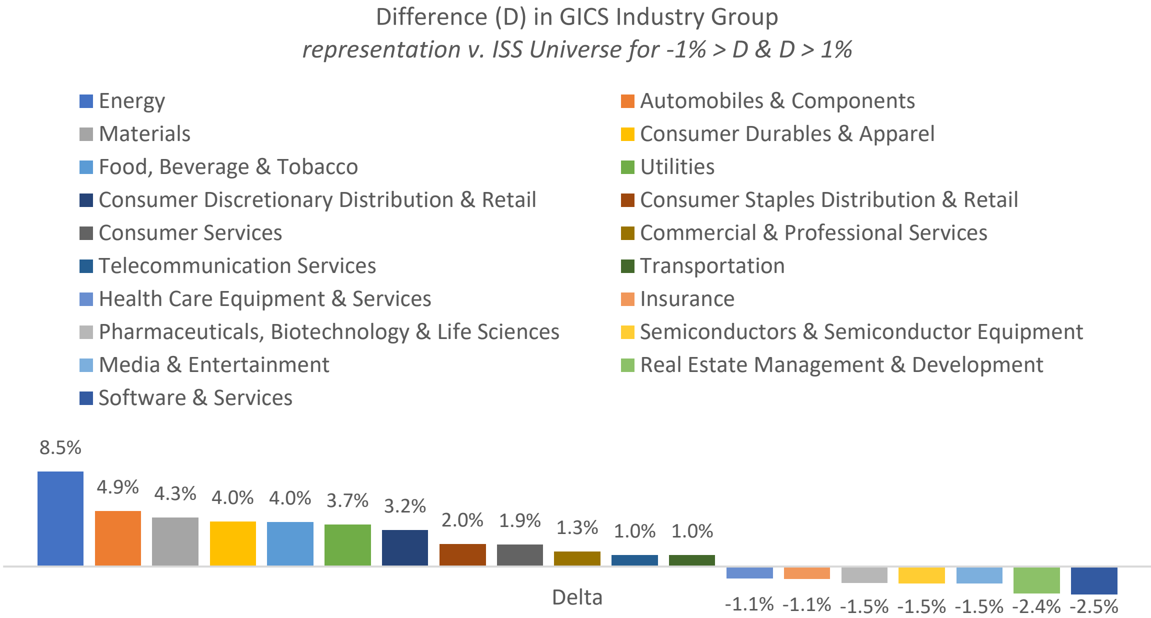
The sector and industry of engaged issuers

Some sectors are notably underrepresented among the issuers engaged. These include Financials (5% fewer issuers compared to the ISS Universe), followed by IT, Real Estate, and Health Care. In contrast, Consumer Discretionary is significantly overrepresented, being 14% more present among engaged issuers as in ISS ESG's universe. Energy is also overrepresented in our collective engagement by comparison to its presence in the ISS ESG's universe (+9%).





Turning to finer distinctions between the activities of engaged companies by examining GICS Industry Groups, we notice that Energy especially is strongly overrepresented (+8.5%), as are Automobiles & Components and Materials (+4.9% and 4.3% respectively). At the other end of this comparison, the most underrepresented GICS Industry Groups are Real Estate Management & Development and Software & Services (-2.4% and -2.5%). The graph below displays GICS Industry Groups with a difference in representation greater than 1% compares to ISS ESG's universe.



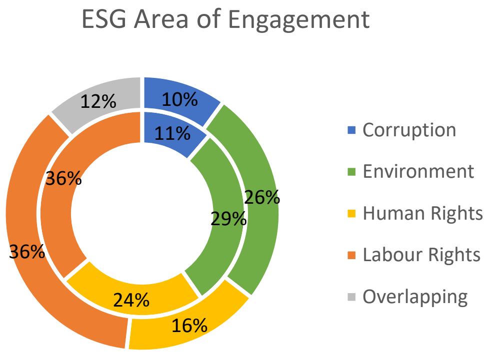
ii. ESG Area focus

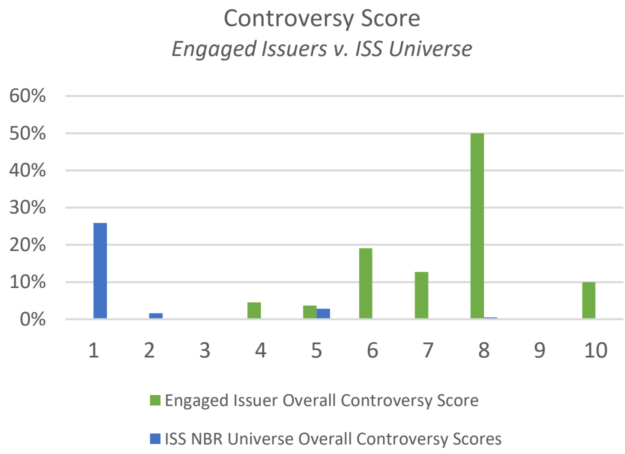
An examination of the ESG areas regarding which issues were engaged reveals that the topic of labour rights was overrepresented. Only a minority of engagements concerned exclusively governance areas, with 11% addressing corruption issues. 12% of engagements concerned issues overlapping one or more of corruption, the environment, human rights, and labour rights (see outer ring of diagram below). Note that for the sake of the present analysis, labour rights were taken to be distinct from human rights, which are typically taken to encompass the former.[2] Once issues straddling more than one area are split into non-overlapping domains (see

[2] *International labour standards and human rights* (2022) *Webpage: International labour standards and human rights*. Available at:

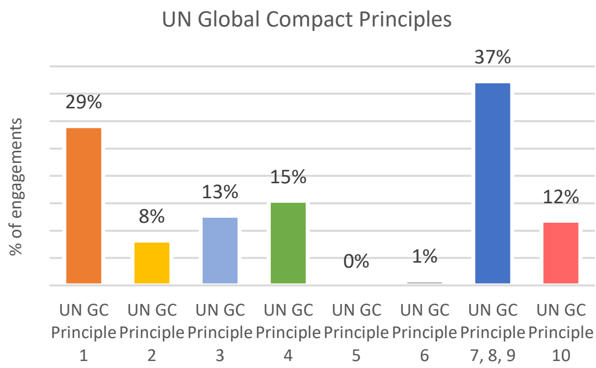
inner ring of the diagram below), human rights represented a greater proportion of the issues discussed, going from only 16% to 24%, while labour rights remain stable at 36%.

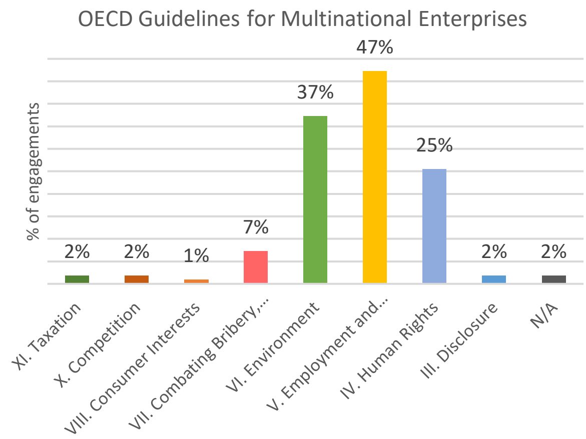
As expected, an inspection of the overall controversy scores of the issuers engaged reveals that they lean heavily towards higher scores, while ISS ESG's global universe is strongly skewed towards the lowest score of 1, where a controversy exists at all.





The two graphs below present the distribution of UN Global Compact Principles and OECD Guidelines for Multinational Enterprises breached by the companies engaged through ISS ESG's collective platform.





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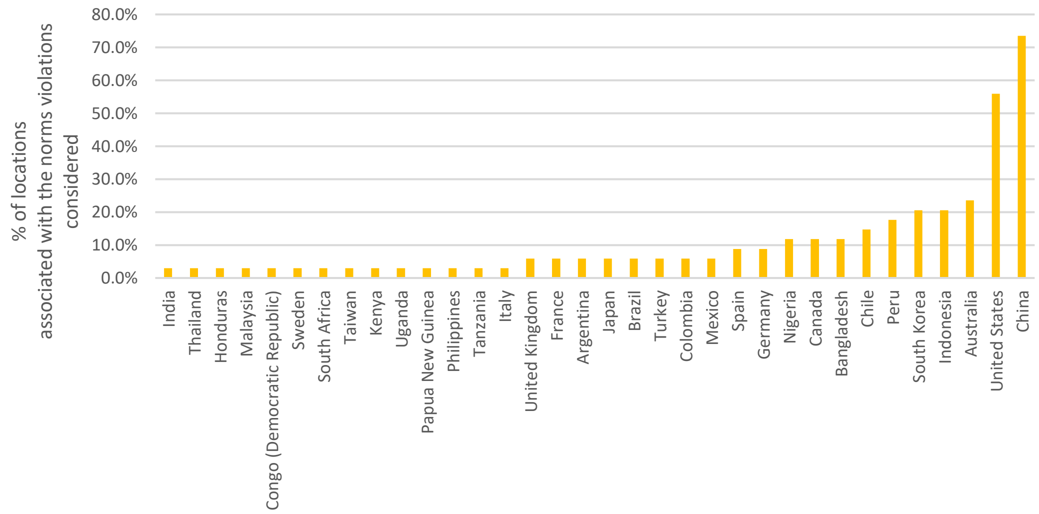
https://www.ilo.org/global/standards/WCMS_839267/lang--en/index.htm#:~:text=Labour%20rights%20are%20human%20rights.&text=Today%2C%20international%20labour%20standards%20give,economic%2C%20social%20and%20cultural%20sphere. (Accessed: 10 June 2023).

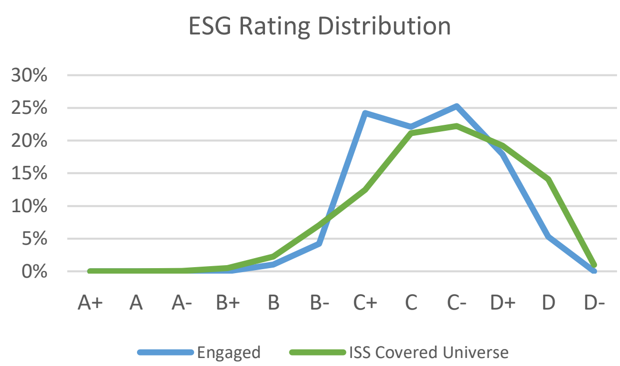
The countries associated with the potential norms breaches

An analysis of the countries associated with the potential norms breaches at the root of our collective engagement shows that the USA and China are associated with most – over 70% for China and 55% for the USA. Far behind come Australia (13%), Indonesia and Korea (both 10%).



ESG Rating distribution of engaged issuers

Engaged issuers tend to have a greater overall ESG rating than those of the issuers in ISS ESG's universe covered by such synthetic scores, while a greater proportion excel (B- ≤ ESG Rating ≤ A+) in the latter than in the former. Interestingly, this suggests that companies engaged with on the ground of one or more potential violations of international norms may not coincide with the companies with such controversies that are the worst performers from an ESG standpoint.



2. Engagement cases

i. Environmental engagement

Glencore Plc

Motive: Alleged failure to prevent pollution at Cerrejón mine in Colombia

Relevant norms:

- UN Global Compact, Principles 7, 8, 9
- OECD Guidelines for Multinational Enterprises, VI. Environment

Goal: Ensure the adequate implementation of environmental policies to prevent and minimize the risk of pollution.

Engagement started: 17/10/2022, Company response: 19/12/2022

Locations: Switzerland, Colombia

In 2022, the Swiss National Contact Point (NCP) linked to the OECD Guidelines for Multinational Enterprises officially accepted a grievance submitted by the Global Legal Action Network (GLAN), an NGO, a year earlier. GLAN's complaint alleged that Glencore's Cerrejón coal mine in Colombia, was responsible for air and water pollution. The claim echoed a 2019 court decision ordering the mine to implement pollution-reduction measures, prompted by findings that particulate matter around the mine exceeded limits set by the World Health Organization. What is more, the mine faced allegations of discharging 578 million litres of liquid waste in 2019, reportedly containing dangerous levels of metals including mercury and lead.

In 2020, UN experts had called for a suspension of the mine's operations, arguing that despite the court order, the efforts to enhance air and water quality had fallen short, and the mine's impact on the environment persisted. Cerrejón, in response, expressed its commitment to complying with the court's ruling by strengthening its environmental management system and maintaining vigilance over the water quality of nearby rivers. Following the complaints filed by various NGOs, Cerrejón maintained that it had been implementing environmental practices aligned with international standards. However, the company had yet to demonstrate convincingly that it had taken sufficient actions to address the ongoing pollution concerns raised by these NGOs.

Although Glencore was open to engagement and initiated measures to remedy the pollution problems identified by the NGOs' complaints, whether this engagement may be considered successful is yet unclear at this stage pending a reassessment of the anti-pollution measures at the Cerrejón mine.

ii. Social engagement

Clariane SE (Korian)

Motive: Alleged failure to respect consumer health and safety in France

Relevant norms :

- UN Global Compact, Principle 1
- OECD Guidelines for Multinational Enterprises, VIII. Consumer Interests

Engagement started: 2022-04-15
Measures initiated: 20/10/2022

Locations: France

At the time of the engagement, Clariane SE ("Clariane") was still known as Korian. The name of the company was changed in June 2023.

Since April 2020, Clariane, a nursing care company, has been confronted with complaints regarding a decline in the care provided to elderly residents of its facilities in France during the COVID-19 pandemic. In 2020, Clariane was investigated by French authorities in response to allegations that it had failed to inform families concerning the declining health of its residents and had not supplied adequate protective gear to combat COVID-19. In 2022, media reports emerged citing other issues such as staffing shortages, limited food availability, and the employment of unqualified nursing personnel.

Clariane has consistently denied any mistreatment at its facilities and has emphasized its proactive response to COVID-19. During the collective engagement process, Clariane stated in September 2022 that no formal accusations had been made against the company or its employees and that it was cooperating with ongoing preliminary investigations into its handling of COVID-19.

Despite the absence of any progress concerning a potential investigation by the relevant French authorities, Clariane communicated on 20/10/2022, at a meeting held on behalf of the collective of investors of which SYQUANT Capital was a member, that it had commissioned Bureau Veritas to independently evaluate its facilities' compliance with its new hygiene programs and is seeking ISO quality certification for its facilities. In light of further allegations of inadequate care management at Clariane's facilities, however, the experts at our data provider note that they remain vigilant of the developments regarding other ongoing complaints and of the efficacy of the measures implemented by the company.

iii. Governance engagement

Samsung Electronics Co., Ltd.

Goal: That the measures initiated and implemented by the company to improve its anti-corruption policy are reported and that it demonstrated measurable improvements.

Relevant norms:

- UN Global Compact, Principle 10
- OECD Guidelines for Multinational Enterprises, VII. Combating Bribery, Bribe Solicitation and Extortion

Engagement started: 17/10/2022, Company response: 14/12/2022
Measures initiated 20/10/2020

Samsung Electronics Co., Ltd. ("Samsung") has taken significant steps to combat bribery following the legal actions involving Samsung Vice Chairman Jay Y. Lee. In 2021, Lee was sentenced to 2.5 years in prison for bribing an associate of former South Korean President Park Geun-hye between 2015 and 2016, with the aim of consolidating his control over the company. During multiple discussions with investors facilitated by ISS ESG in 2020, Samsung disclosed that Lee had resigned from Samsung's Board of Directors.

During this engagement process, Samsung also highlighted several initiatives outlined in its Corporate Governance and Sustainability Reports to reinforce the independence of its Corporate Compliance Team. It established an independent Compliance Committee in early 2020, tasked with supervising the compliance and control functions of the main Samsung entities. Samsung also modified its donation process in 2017 and improved its anti-corruption policy in April 2020.

Although the effectiveness of Samsung's compliance regarding anti-bribery norms must continue to be monitored, this engagement can be considered successful given the policies implemented by Samsung during and following the process.

Appendix I – 2022 Engagements

1. Individual engagements

ISSUER	ESG AREA
Alimentation Couche-Tard Inc.	Tobacco
Altice	Human Rights
Amazon.com, Inc.	Anticompetitive practices
Contour Global	Environment (Coal)
Dufry AG	Tobacco
Enbridge Energy Partners LP	Human Rights
Energy Transfer LP	Human Rights
Energy Transfer Operating LP	Human Rights
Eni SpA	Environment
Fortum Oyj	Environment (Coal)
Marathon Petroleum Corporation	Human Rights
Phillips 66	Human Rights
Raytheon Co.	Human Rights
Red Rock Resorts	Labour Rights
RWE AG	Environment (Coal)
Serco Group	Human Rights
Shell Plc	Environment
Tesla, Inc.	Labour Rights
TotalEnergies SE	Environment
Uniper SE	Environment (Coal)

2. Collective engagements

ISSUER	ESG AREA
Accenture Plc	Labour rights
Adani Enterprises Limited	Overlapping (Environment, Human rights)
Adani Ports & Special Economic Zone Ltd.	Human rights
Aegea Saneamento e Participacoes SA	Corruption
AES Andes SA	Human rights
Amazon.com, Inc.	Overlapping (Corruption, Labour rights)
Anheuser-Busch InBev SA/NV	Labour rights
AntarChile SA	Human rights
Barclays PLC	Human rights
Barrick Gold Corporation	Overlapping (Environment, Human rights)
Bayer AG	Environment
Beowulf Mining Plc	Human rights
Bharat Heavy Electricals Limited	Environment
Biora Therapeutics, Inc.	Corruption
Carnival Corporation	Environment
Carnival Plc	Environment

Carrefour SA	Labour rights
Clariane SE	Human rights
CMOC Group Ltd.	Labour rights
CNOOC Limited	Environment
Coca-Cola Europacific Partners plc	Labour rights
COFCO Sugar Holding Co. Ltd.	Labour rights
CoreCivic, Inc.	Overlapping (Human rights, Labour rights)
Delta Air Lines, Inc.	Labour rights
Empresas Copec SA	Human rights
Eni SpA	Environment
Exelon Corporation	Corruption
Export-Import Bank of India	Environment
Exxon Mobil Corporation	Overlapping (Environment, Human rights)
FAST RETAILING CO., LTD.	Labour rights
FCA US LLC	Environment
FGV Holdings Berhad	Environment
Formosa Petrochemical Corp.	Environment
Freeport-McMoRan, Inc.	Overlapping (Environment, Human rights)
G-III Apparel Group, Ltd.	Labour rights
Glencore Plc	Overlapping (Corruption, Environment, Human rights)
Grupo Mexico S.A.B. de C.V.	Overlapping (Environment, Human rights)
Hangzhou Hikvision Digital Technology Co., Ltd.	Human rights
Hankook & Company Co., Ltd.	Labour rights
HANKOOK TIRE & TECHNOLOGY Co., Ltd.	Labour rights
HD HYUNDAI Co., Ltd.	Labour rights
HD Hyundai Heavy Industries Co., Ltd.	Labour rights
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	Labour rights
HUGO BOSS AG	Labour rights
HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD.	Corruption
Iflytek Co., Ltd.	Human rights
Imperial Oil Limited	Environment
ING Bank NV	Corruption
ING Groep NV	Corruption
JBS SA	Labour rights
Kangmei Pharmaceutical Co., Ltd.	Corruption
Kobe Steel, Ltd.	Environment
Kohls Corporation	Labour rights
KT Corp.	Corruption
Lands' End, Inc.	Labour rights
Levi Strauss & Co.	Labour rights
LG Chem Ltd.	Human rights
LG Electronics, Inc.	Labour rights
Loomis AB	Labour rights
Luckin Coffee Inc.	Corruption
Lyft, Inc.	Labour rights
Macy's, Inc.	Labour rights
Meituan	Corruption
Mitsubishi Electric Corp.	Labour rights
NTPC Limited	Environment
Paramount Global	Labour rights
Petroleos Del Peru - Petroperu SA	Environment
PG&E Corporation	Human rights
Porsche Automobil Holding SE	Environment

PT Pertamina (Persero)	Environment
PT Sampoerna Agro Tbk	Environment
PVH Corp.	Labour rights
Renault SA	Environment
Repsol SA	Overlapping (Environment, Human rights)
Rio Tinto Limited	Human rights
Rio Tinto Plc	Human rights
Samsung Electronics Co., Ltd.	Overlapping (Corruption, Labour rights)
Samvardhana Motherson International Limited	Labour rights
Shandong Gold Mining Co., Ltd.	Environment
Shell Plc	Environment
Shikun & Binui Ltd.	Corruption
Sibanye Stillwater Ltd.	Overlapping (Human rights, Labour rights)
Sony Group Corp.	Labour rights
Starbucks Corporation	Labour rights
Stellantis NV	Environment
STRABAG SE	Human rights
Sumitomo Chemical Co., Ltd.	Environment
Sumitomo Corp.	Labour rights
Suncor Energy Inc.	Environment
Target Corporation	Labour rights
Texhong International Group Limited	Labour rights
The AES Corporation	Human rights
The Brinks Company	Labour rights
The Coca-Cola Company	Labour rights
The GEO Group, Inc.	Overlapping (Human rights, Labour rights)
Titas Gas Transmission & Distribution Co. Ltd.	Human rights
Tokyo Electric Power Co. Holdings, Inc.	Environment
Tongling Nonferrous Metals Group Co., Ltd.	Environment
Top Glove Corp. Bhd.	Labour rights
TotalEnergies SE	Overlapping (Environment, Human rights)
Tyson Foods, Inc.	Labour rights
Universal Electronics Inc.	Labour rights
Urban Outfitters, Inc.	Labour rights
Verizon Communications Inc.	Labour rights
Volcan Compania Minera S.A.A.	Environment
Volkswagen AG	Environment
Walmart Inc.	Labour rights
Woodside Energy Group Ltd.	Environment
Xiamen Meiya Pico Information Co., Ltd.	Human rights
Zhejiang Dahua Technology Co. Ltd.	Human rights

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