GLASS LEWIS

Active Stewardship Engagement

Quarterly Report

Q1 2025

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Charts throughout this report reflect ongoing or successfully resolved engagements. Closed engagements, e.g., where companies did not respond to our outreach but independently addressed the issues or where engagement was no longer applicable, are excluded.

About ASE and the Quarterly Report

Investment stewardship is evolving and deepening globally, as asset owners and managers need to manage risks, meet their clients' demands, and comply with expanding regulatory requirements and voluntary frameworks. Glass Lewis has developed and introduced a comprehensive suite of Stewardship Solutions, including our Active Stewardship Engagement (ASE) program, to better meet the needs of today's investors. The Stewardship team, representing institutional investor clients subscribed to the ASE program, is dedicated to engaging with public companies to discuss the identified ESG issues and track performance toward addressing those issues. The team sets measurable objectives, shares them with a company it wants to engage, and diligently tracks progress. The team engages with companies through written communication and engagement meetings, ensuring accountability and transparency.

These ASE meetings are separate and distinct from meetings with the Glass Lewis Research team, the group responsible for producing Glass Lewis' Proxy Paper research reports. The company-specific issues discussed in ASE meetings with companies are based on the needs and priorities of subscribing ASE clients. They may not necessarily overlap with Glass Lewis' Research policies and guidelines, and Stewardship does not disclose ASE issues, meetings, or progress with the Research Team.

The Stewardship team issues a report to ASE subscribers following the conclusion of each quarter to communicate its activities and progress achieved during the period. The report following the fourth quarter serves as the annual report. Each publication includes an overview of the methodology applied, data visualisations, summaries of progress by pillar and theme, case studies, and a spotlight exploring one of our engagement themes, such as human rights, and its importance for investors. The Stewardship team also publishes an anonymised version of the quarterly report for public consumption.

1. Active Stewardship Engagement

Glass Lewis' Active Stewardship Engagement allows institutional investors seeking to expand their stewardship activities to leverage our extensive global engagement activities. The Glass Lewis Stewardship team engages publicly-listed companies in dialogue on a range of material environmental, social, and governance (ESG) issues to encourage best practices and to promote greater transparency.

1.1 Focus List Selection Process

The Active Stewardship Engagement focus list comprises the companies for which we track issues based on our foundational engagement themes. While some focus lists address market-specific issues, others covering broader ESG themes are established on the same basis for multiple markets.

Focus List Company Selection

The focus list is created through a comprehensive and structured screening process carried out by our Glass Lewis Stewardship team, which also benefits from the insights of our 175-member Proxy Research team. This process begins with the Glass Lewis coverage universe, encompassing over 23,000 companies worldwide. Our Proxy Research team gathers a broad spectrum of ESG data for each company and conducts a thorough governance analysis.

The screening process depends on extensive analysis of ESG data in our database, Glass Lewis Controversy Alerts, Glass Lewis Proxy Reports and an AGM vote result analysis. Utilising our ESG database, the Glass Lewis Stewardship team identifies outlier companies based on market practices in their home markets, reviewing data including board characteristics, remuneration practices, and E&S metrics included in our ESG profile. In addition, the team reviews the issues highlighted by the over 500 Glass Lewis Controversy Alerts (GLCAs) issued between 2021 and the start of the program to identify a potential list of companies suitable for focus list inclusion. The screening process also entails analysing AGM vote results to pinpoint companies that have consistently shown unresponsiveness to significant shareholder opposition to AGM proposals over several years.

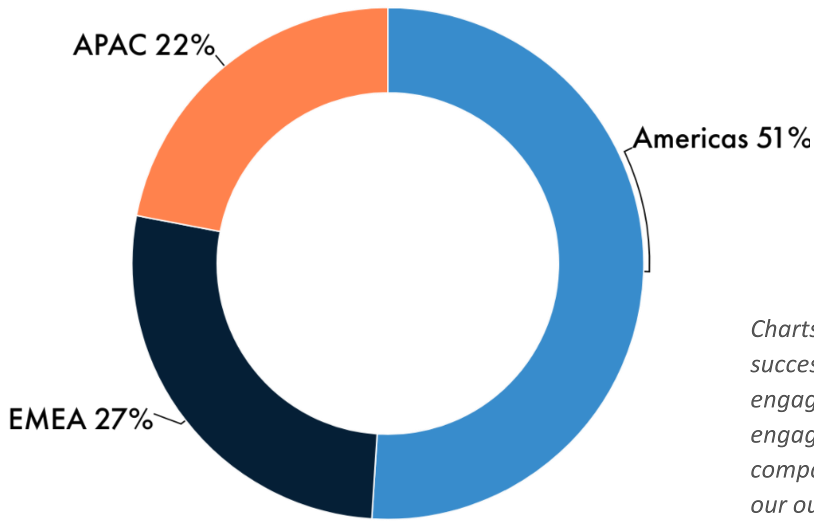
The team further filters the potential focus list of companies by considering the feasibility and effectiveness of engaging with them and their alignment with our clients' investment portfolios. As a last step, the Glass Lewis Stewardship team refines the provisional focus list through further in-depth research on each company by incorporating external sources and specific sector and thematic research to identify companies where engagement can result in meaningful improvements.

Focus List Issues

Each company on our focus list is assigned at least one issue to be monitored. An issue represents an area where disclosure is lacking or company practices fall short of market best practices. We engage with companies to encourage them to address these shortcomings and measure specific, publicly disclosed progress by the company in addressing these issues. All assigned issues are linked to one of our engagement pillars or themes.

A company may be assigned multiple issues. We regularly review progress against issues until they are resolved, generally over the course of up to three years, or until the issue is no longer relevant. Since our engagement program was launched, we have initiated engagement with 191 companies, assigning 238 issues. Our review of the focus list has led to the closure of a number of engagements where companies did not respond to our outreach but independently addressed the issues, or engagement was no longer applicable, such as in cases of company delisting. In addition, we decided to pause engagement activity on diversity matters at U.S. companies in light of recent developments in the United States. As of the end of first quarter of 2025, our focus list comprises 219 issues, either ongoing or resolved after successful engagement efforts, across 180 companies.

Focus List Companies by Region



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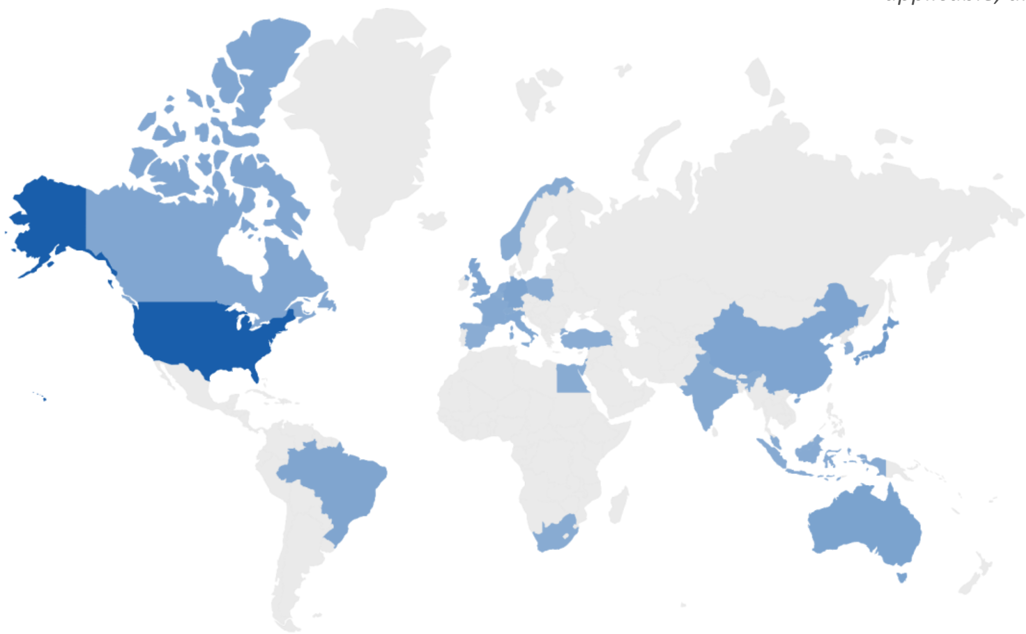
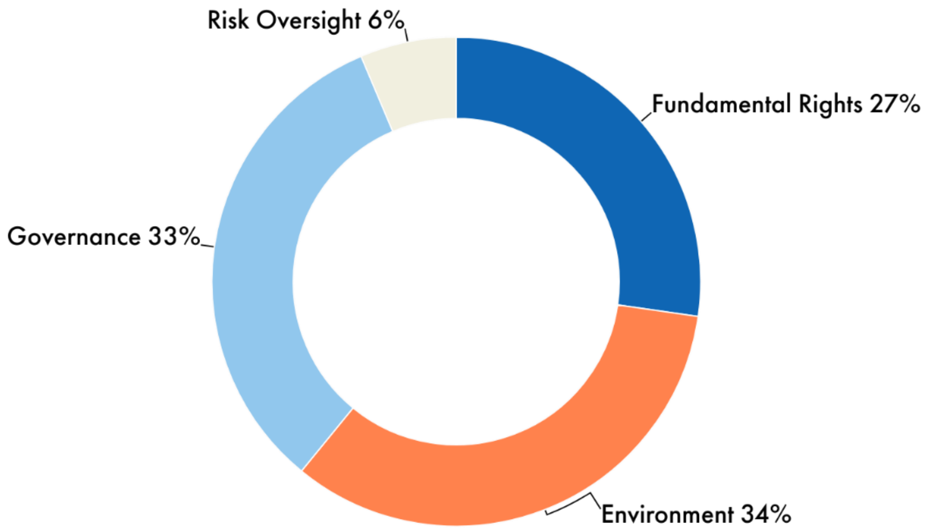
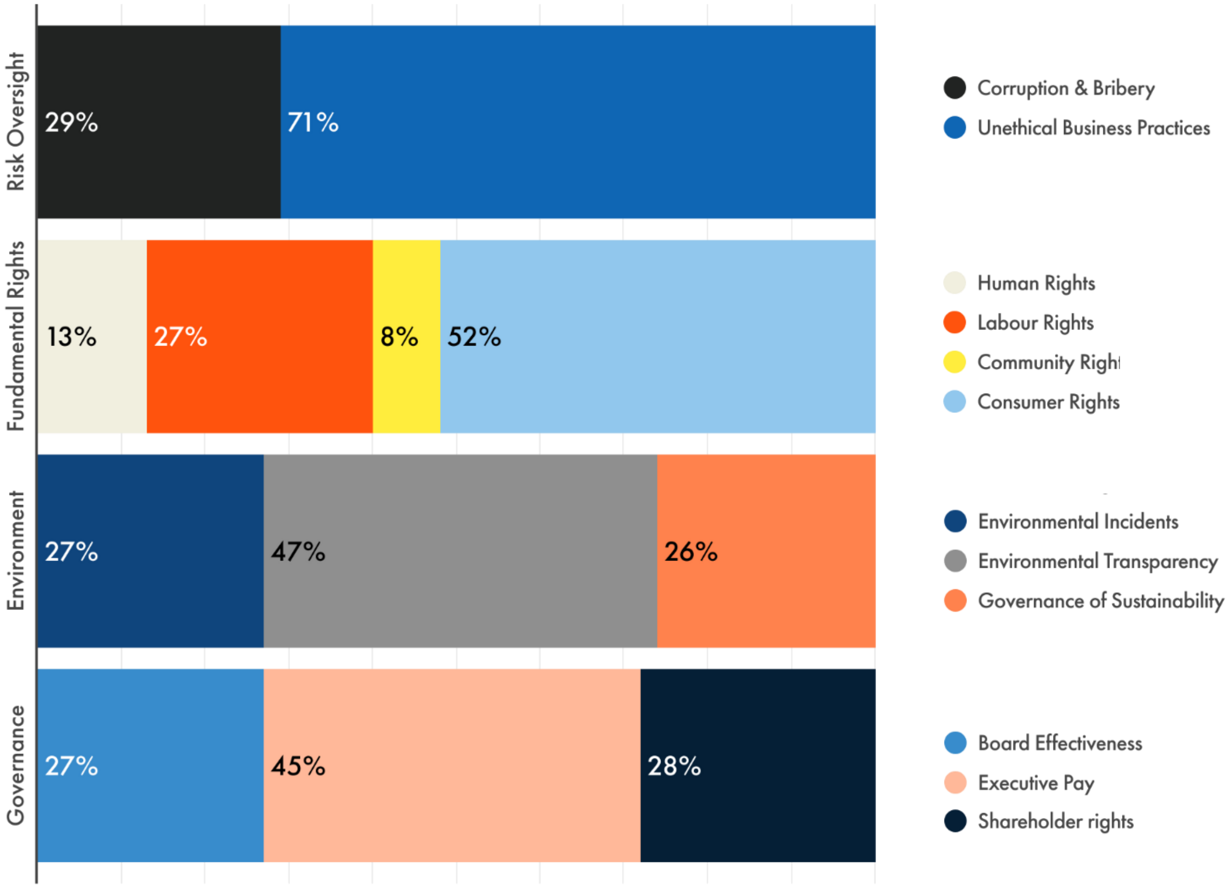


Focus List Issues by Pillar



Focus List Issues by Theme



1.2 How and Why the Stewardship Team Engages

Our Active Stewardship Engagement solution is dedicated to helping our clients identify and address ESG issues that can potentially affect long-term shareholder value at companies whose shares they own. Engagement on these issues is essential in fostering constructive dialogue and positive change.

The Glass Lewis Stewardship team, representing institutional investor clients who subscribe to this solution, engages with public companies to discuss the identified ESG issues and track progress towards addressing them. The meetings between the Stewardship team and companies are separate and distinct from meetings with Glass Lewis' Proxy Research team, the team responsible for producing Glass Lewis' Proxy Paper research reports. The company-specific issues discussed in Active Stewardship Engagement meetings with companies are based on the needs and priorities of our subscribing clients. They may not necessarily overlap with Glass Lewis' Proxy Research policies and guidelines.

Updates related to these engagement efforts are delivered via the Engagement Management Platform, a software tool that gives clients visibility into engagement progress with full written summaries of each engagement meeting, details of written communications with companies, and a record of outcomes when engagements are resolved.

Engagement Process

1. Initial outreach
    - The Stewardship team sends an email to notify the company of the engagement issue(s) identified
2. Engagement meeting scheduled to discuss issues, where necessary
    - The Stewardship team seeks to schedule a meeting with the appropriate company representatives to discuss the issues detailed in the initial outreach
3. Recurring follow-ups, at least twice per year
    - Additional communications, via email or meeting, are conducted at least twice per year until resolution of the issue(s)

1.3 Monitoring Progress

Once our team notifies a company regarding the assigned focus list issue(s), we start tracking its progress on four consecutive milestones (*"Engagement", "Understanding", "Action taken"* and *"Action completed"*), as well as three statuses (*"Progress", "Neutral"* and *"Insufficient progress"*). This approach allows us to monitor each company's direction of progress on the engagement milestones compared to their previous evaluation. Each milestone (i.e. stage of progression) and status that can be assigned to the companies are detailed below.

Milestones

Engagement	*The company has been contacted by the Stewardship team*
Understanding	*The company has expressed its intention to consider the concern*
Action taken	*The company has at least partially addressed the issue through enhanced disclosure or practices*
Action completed	*The company has satisfactorily addressed the issue*

Status

Progress	*The company made progress on engagement milestones in the last twelve months*
Neutral	*The company's progress on engagement milestones remained the same in the last twelve months*
Insufficient progress	*The company regressed on engagement milestones, did not take sufficient action, or did not act within the last twelve months*

Q1 2025 Company Progress Report

As of the first quarter of 2025, we contacted 191 companies about 238 focus list issues. Our review of the focus list has led to the closure of a number of engagements where companies did not respond to our outreach but independently addressed the issues, or engagement was no longer applicable, such as in cases of company delisting. In addition, we paused engagement activity on diversity matters at U.S. companies in light of recent developments in the U.S..

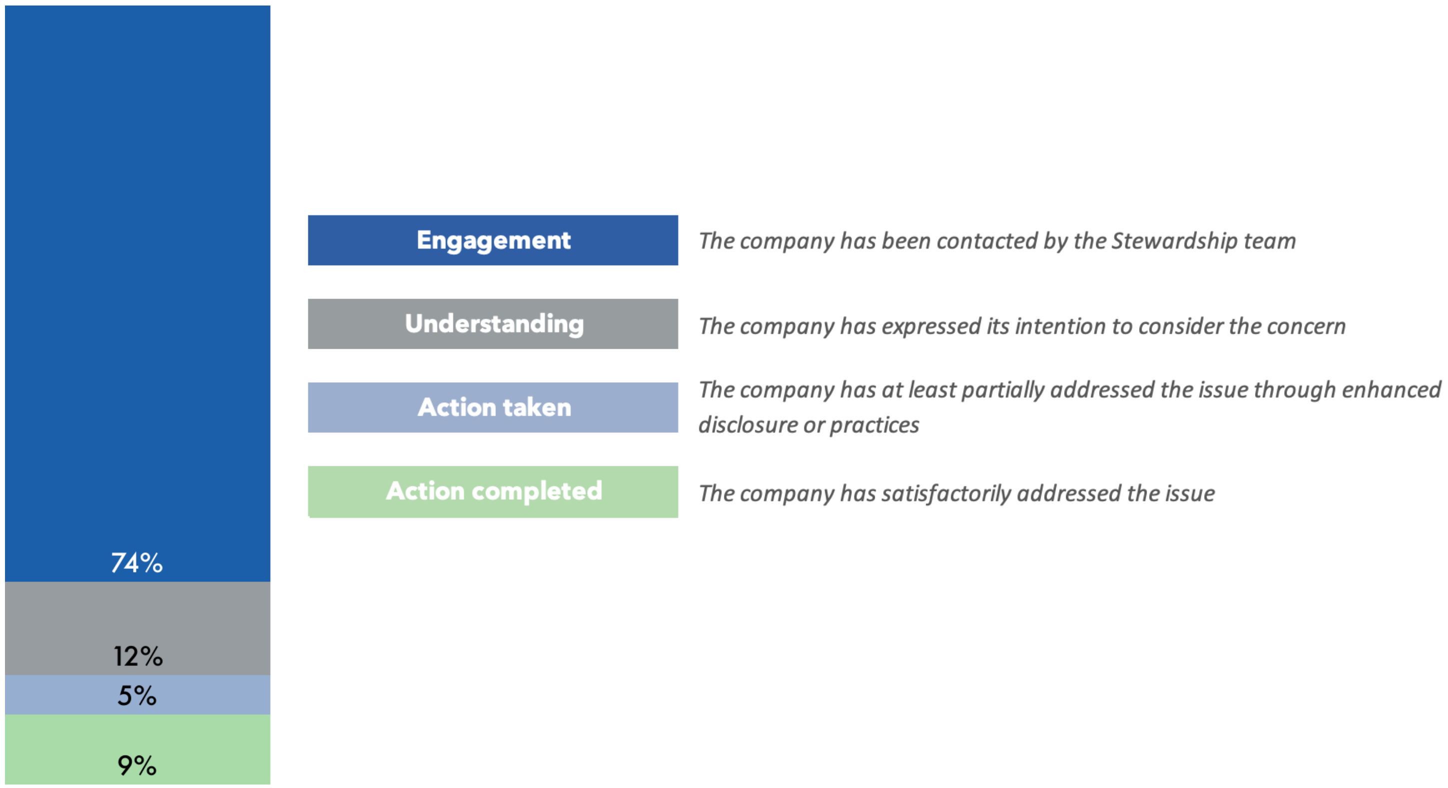
As such, our focus list currently comprises 219 issue across 180 companies. Of these 180 companies, approximately half (53%, 95 companies and 121 issues) were responsive to our engagement outreach.

The milestones of most of these 219 issues (74%) were set at "engagement". These include instances where companies were unresponsive or responded only to acknowledge receipt or express interest in arranging a call without commenting on the concerns raised in our outreach. These may also include instances where companies do not express any intention to consider our concerns. On the other hand, in the cases where companies indicated their intention to consider the concerns raised in our outreach, their engagement milestone was set at "understanding" (12%). Additionally, 5% of the issues were classified as "action taken," where public disclosures reveal concrete steps towards addressing the issue, and 9% as "action completed," where the companies satisfactorily addressed our concerns through enhanced disclosure or practices.

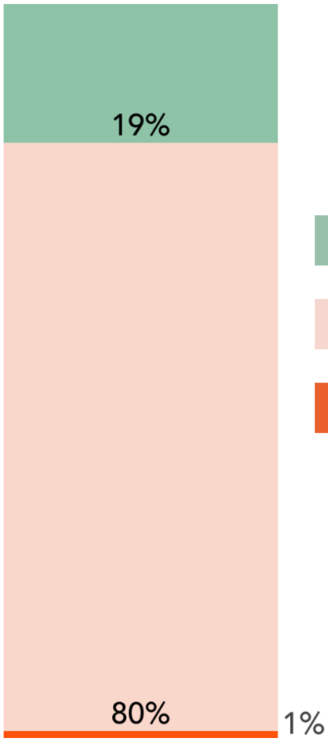
In examples where the direction of travel was positive (e.g. moving up from "engagement" to "understanding"), the status of the engagements was categorised as "progress" (19%, excluding the completed engagements). Conversely, the status of 1% of the issues was set at "insufficient progress" in instances where we observed deteriorating performance. The status of the remaining issues was classified as "neutral" (i.e. their progress on engagement milestones remained the same).

Over the period between January 1, 2025 and March 31, 2025, we have tracked progress at 180 companies and against 219 issues:

Milestones



Status



Progress	*The company made progress on engagement milestones in the last twelve months*
Neutral	*The company's progress on engagement milestones remained the same in last twelve months*
Insufficient progress	*The company regressed on engagement milestones, did not take sufficient action, or did not act within the last twelve months*

Charts reflect ongoing or successfully resolved engagements. Closed engagements, e.g., where companies did not respond to our outreach but independently addressed the issues or where engagement was no longer applicable, are excluded.

2. Foundational Engagement Themes

We track and report the relevant engagement topics discussed across all the companies we engage with. Each pillar we identified in our engagement plan is broken into a number of themes, which allow us to report more granularly on the status and results of our engagement plan.

Governance

- Board Effectiveness
- Executive Pay
- Shareholder Rights

Environment

- Environmental Incidents
- Environmental Transparency
- Governance of Sustainability

Fundamental Rights

- Human Rights
- Labour Rights
- Community Rights
- Consumer Rights

Risk Oversight

- Board Oversight of Policies and Procedures
- Corruption & Bribery
- Unethical Business Practices

2.1 Governance

Governance is a key focus area for the Active Stewardship Engagement program, forming one of the four pillars of our focus list. We cover issues related to board effectiveness, executive pay and shareholder rights, all of which are integral to a company's long-term success.

Executive Pay

In addition to having an effective board, a robust executive pay structure is integral to ensuring alignment with the long-term interests and performance of both the company and its shareholders. This involves tying executive pay to performance metrics assessed over the short and long term. A balanced mix of incentives should incentivise prudent risk-taking while discouraging behaviours favouring short-term gains over sustainable growth and shareholder value. In addition, transparency is essential, allowing shareholders to evaluate the structure's efficiency. Companies should provide clear disclosure of the rationale behind compensation decisions. Finally, in cases where say-on-pay votes receive significant shareholder dissent, it is vital for companies to take steps to address shareholders' concerns and explicitly address the dissent.

Case Study: German Software Co.

German Software Co. provides software solutions for architecture, engineering, construction, media, and entertainment markets in Germany, rest of Europe, the Americas, the Asia Pacific, and internationally.

Issue(s): *Executive Pay* – The engagement was initiated in Q2 2024 due to our concerns regarding the limited transparency of the company's executive remuneration framework. While the company's incentive structure appeared to link compensation to both financial and non-financial performance, the level of disclosure did not enable shareholders to assess the alignment between pay outcomes and long-term value creation.

Specifically, our concerns included the lack of disclosure of the relative weighting of performance metrics under the short-term incentive plan (STIP) or the long-term incentive plan (LTIP), and the related performance targets. Details regarding the mechanisms used to determine payouts, particularly in relation to fixed and dynamic components under the LTIP, were also limited.

While EBITDA and related financial metrics appear to be key components of the incentive structure, the limited disclosure makes it difficult to assess the overall balance of performance measures. Greater clarity on the design and implementation of incentive plans, such as disclosing performance weightings and target-setting approaches, would support investor understanding and help ensure that executive pay is structures to reflect long-term strategic objectives and stakeholder interests.

Objective(s): *For the company to substantially improve disclosure of its variable pay incentives*

Progress: In our October 2024 engagement meeting, the company representatives acknowledged stakeholder concerns regarding transparency and confirmed that the feedback would be communicated to the supervisory board. While no definitive commitments were made at the time, the company indicated that potential revisions to the remuneration report were under consideration.

The company's Remuneration Report 2024, published in March 2025, reflects some progress towards addressing our concerns. The report notes that investor feedback was considered in the inclusion of ESG performance criteria in the STIP for the 2024 financial year, along with the provision of clearer definitions for clawback provisions. Notably, the company enhanced disclosure around the performance targets used for non-financial metrics under the STIP. Additionally, there has been improved transparency regarding fixed and dynamic factors under the LTIP, including a discussion of the calculation methodology for the dynamic pool and confirmation that adjusted EBITA was used for the 2022–2024 LTIP. Nevertheless, the company continues not to disclose the relative weightings of performance metrics under either the STIP or LTIP, and the specific target values for the LTIP are not publicly available.

Next Steps: In light of the recent disclosure improvements, the milestone for this engagement has been updated to “Action taken.” The company has been open to dialogue and shows willingness to reflect investor input. Nevertheless, we will continue our dialogue, particularly to address the remaining areas of concern around the disclosure of performance metrics’ weightings and targets. We will seek a follow-up discussion with the newly appointed Head of HR, as suggested during the October 2024 meeting, as well as other relevant company representatives.

Milestone & Status: *ACTION TAKEN (PROGRESS)*

Shareholder Rights

Alongside board effectiveness and executive pay, shareholder rights form a foundational engagement theme under the governance pillar of the Active Stewardship Engagement program. The safeguarding of shareholder rights is a fundamental part of stewardship. As such, our engagement plan targets issuers that maintain questionable practices relating to shareholder rights, such as anti-takeover devices, cross-shareholdings, unequal voting rights and inadequate responses to shareholder proposals. Shareholder rights can be jeopardised by corporate decisions that diminish voting power, hindering shareholders’ capacity to voice their opinions effectively. The institution of anti-takeover defences may impede shareholder rights to evaluate and accept buyout offers. Similarly, significant cross-shareholding relationships can further exacerbate transparency and corporate governance issues, leading to artificially inflated stock prices, conflicts of interest, and reduced shareholder stewardship.

Case Study: American IT Solutions Company

American IT Solutions Company, together with its subsidiaries, provides integrated solutions and services worldwide. The company operates through Software, Consulting, Infrastructure, and Financing segments.

Issue(s): *Shareholder Rights* – Effective disclosure and board oversight of corporate political expenditures are vital for corporate accountability. Informative disclosure and robust board oversight can mitigate legal, reputational and financial risks, ensuring donations comply with laws, align with the company's values and support long-term shareholder value. Providing sufficient information about political spending, including grants made to politically active trade associations, helps shareholders evaluate the use and oversight of such funds, balancing the benefits of transparency against the potential burden on the company.

In this case, the company has been encouraged to enhance its disclosure of payments to trade associations or grassroots organisations for lobbying purposes, providing shareholders with a better basis to assess the potential risks associated to its political activities. The company received shareholder proposals requesting it produce an annually updated report on its lobbying activities and expenditures at its 2023 and 2024 annual meetings, which received 48.1% and 37.8% support (excluding abstentions and broker non-votes), respectively.

We note that the company currently prohibits using corporate assets to influence elections and prohibits using trade associations and non-profits from using company contributions for election-related purposes. The company discloses its total lobbying expenditures in the U.S. and Europe, excluding state-level lobbying expenditures and certain payments to trade associations or non-profits. It is unclear if these figures include any payments (outside the portion of dues used for lobbying purposes) to trade associations or non-profit groups to lobby or influence public policy. Further, it does not include state-level lobbying expenditures. Although the company has enhanced its disclosure by identifying trade organisations engaged in U.S. lobbying through annual payments of $50,000 or more since the 2023 annual meeting, further disclosure is needed to align with shareholder requests.

Objective(s): *For the company to disclose a report detailing its lobbying activity and political contributions*

Progress: The company was open to discussing the issue in an engagement meeting held in January 2025. In relation to the lobbying-related shareholder proposals received, the company highlighted its strong shareholder engagement program and noted a decline in support for this proposal in 2024. The company representatives believe that this decline reflects the improvements made after the 2023 resolution and subsequent shareholder engagement. They emphasised positive investor feedback on the content of its relevant disclosures, including from the proponent of the 2024 resolution. The company representatives explained that they remain open to future improvements based on continued dialogue with shareholders. The discussion also covered our feedback on the company's lobbying disclosures, such as providing clearer timestamps, regularly updating data on its lobbying webpage and clarifying what is covered as part of the total lobbying expenditures disclosure.

Next Steps: The milestone is set at "*Understanding"* based on the discussion that took place during our engagement meeting, where the company representatives stated they will consider our feedback and emphasised their engagements with shareholders on the issue. As for the next steps, we will continue monitoring the company's disclosures and seek a follow-up meeting.

Milestone & Status: *UNDERSTANDING (PROGRESS)*

2.2 Environment

Environmental sustainability is a crucial area of investor stewardship, covering a range of issues related to environmental incidents, environmental transparency and sustainability governance. It constitutes one of the core pillars of our engagement program. Shareholders have recognised the importance of environmental sustainability in protecting their investments and safeguarding ecosystems. As such, there is a greater demand for transparency, accountability, and action from companies regarding their environmental practices and efforts to mitigate environmental risks. Proactively addressing environmental challenges, particularly rampant deforestation, climate change and loss of biodiversity, is imperative for ensuring the longevity and resilience of businesses and the ecosystems they depend upon. As a baseline, we encourage companies to comply with applicable environmental protection and safety standards, laws and regulations. Additionally, companies should follow best practices regarding environmental transparency and environmental issues oversight at the board level.

Spotlight: Water Stewardship

Water is an indispensable shared resource for ecosystems, societies and economies worldwide. The escalating pressures of climate change, population growth and industrial activities have intensified concerns over water availability and quality. For investors, understanding and promoting effective water stewardship is critical to ensuring long-term corporate value and resilience.

Water stewardship refers to responsible planning and managing water resources, ensuring that water use is socially equitable, environmentally sustainable and economically beneficial. It encompasses a comprehensive approach where businesses assess water usage, mitigate associated risks and collaborate with stakeholders to protect shared water resources. According to the Alliance for Water Stewardship (AWS), water stewardship involves actions that benefit both the company and the broader community by addressing water challenges collectively.

The State of Play: Data, Frameworks and Financial Impact

Statistics and projections point to a potential global water crisis and underscore its implications for long-term value creation. By 2030, global freshwater demand is projected to exceed supply by 40%, signalling a significant shortfall that could destabilise economies and ecosystems. The CDP Global Water Report 2023 reveals that companies are increasingly aware of their exposure to water-related risks, with 3,163 companies disclosing through CDP that year. While growing recognition is positive, water-related supply chain risks continue to threaten at least $77 billion in business value, and half of large corporates have yet to engage their suppliers on critical issues such as water scarcity.

Several frameworks support corporate water stewardship. For instance, the CDP Water Security Questionnaire helps companies assess and improve water risk management. SASB highlights water as a material issue in sectors like chemicals, semiconductors, and food and beverage. The AWS Standard provides a global framework for sustainable, catchment-based water management.

For companies, inadequate water stewardship can lead to several financial repercussions. For instance, droughts, floods, or water contamination can halt production, leading to revenue losses. A 2021 study, The Value of Water—Estimating Water-Disruption Impacts on Businesses, demonstrated that 36% of Swedish companies had experienced unplanned water disruptions over five years, with sector-specific incidences ranging from 11% to 62%. Additionally, investments in water-intensive operations in water-scarce regions risk becoming obsolete or non-performing. A joint Planet Tracker and CDP 2022 study focused on the oil and gas, electric utilities, coal, and metals and mining sectors found that $13.5 billion in assets are considered stranded on water grounds, with a further $2 billion at risk.

Supply chains, especially in the agriculture-dependent and fashion sectors, are also vulnerable to water scarcity, which may cause delays and increased costs. For instance, a 2024 study by Planet Tracker modelled that a brand operating with a typical 55% gross margin and 15% EBIT margin would see a -3% fall in operating profit from a +1% increase in COGS. Furthermore, it projected that pushing a +1% increase in COGS back onto suppliers would require the supplier to accept a -1% reduction in their revenues and reduce profits by -20%.

On the regulatory risk side, governments, particularly in regions that face water stress, are tightening regulations by implementing measures such as mandatory water use reduction targets, higher water tariffs and penalties for non-compliance. As such, companies may face fines, increased water prices or mandatory investments in water-saving technologies. For instance, in 2024, India introduced the Liquid Waste Management Rules, which require bulk consumers, including certain industrial entities, to recycle at least 50% of their wastewater by 2031.

Investor Engagement on Water Stewardship

Responsible investors may choose to take an active role in engaging with companies on their water risk management strategies, given that water-related risks can materially affect a company's performance and valuation. Companies with robust water stewardship practices are better positioned to manage these risks. Moreover, proactive water management can uncover opportunities for innovation, efficiency gains and market differentiation.

For investors, transparency remains key for evaluating portfolio companies' exposure to water risks, readiness to address them and their potential to leverage relevant opportunities. Investor engagement on water stewardship often focuses on the following areas:

- Risk assessments: Has the company conducted comprehensive water risk assessments across its operations and supply chain?
- Framework alignment: Does the company adhere to recognised water stewardship frameworks like the AWS Standard or report through CDP's Water Security Questionnaire?
- Performance data disclosure: Does the company disclose data on metrics such as water use, efficiency, discharge and progress over time?
- Target setting: Are there clear, time-bound targets for reducing water withdrawal, consumption and pollution?
- Transparency in water risks: Does the company disclose location-specific water risks and dependencies, as well as impacts?
- Governance: Is there board-level oversight of water-related risks and strategies?

Conclusion

Water stewardship is critical to a company's long-term viability and success. As water scarcity and quality issues intensify, investors must prioritise engagement with companies on their water management practices. By doing so, they safeguard their investments and contribute to the sustainable management of one of the planet's most vital resources.

Case Study: Canadian Mining Co.

Canadian Mining Co. engages in the exploration, mine development, production, and sale of gold and copper properties.

Issue(s): *Environmental Incidents* – Canadian Mining has faced numerous environmental controversies, including significant opposition to the project in the Andes mountains in Chile due to its environmental impact, e.g., damage to native flora and fauna, inadequate monitoring of glacier melting, and contamination of local water sources. In 2020, a Chilean court upheld the closure of the mining project for environmental violations, a decision confirmed by the Supreme Court in 2022, with an imposed fine exceeding $6.7 billion.

In Argentina, the company's failure to complete improvements to its Mineria mine resulted in spills of cyanide solutions and other heavy metals, contaminating five rivers in 2015. In Dominican Republic, the company faced criticism for the proposed expansion of the Old Town mine, primarily due to environmental and social risks, particularly in relation to the chosen site for the new Orange Tree tailings storage facility.

The company states that its environmental policy ensures all tailings storage facilities are located, designed, constructed, operated and closed in compliance with applicable laws, regulations and international best practices. In addition, the company also states that it strives for continual improvement in environmental performance and conducts periodic reviews to meet the needs of its host countries, operations and communities. According to its 2024 Information Circular, the company has introduced community participatory monitoring, where a committee of community representatives and local stakeholders samples and tracks water sources throughout the process, from filed collection to laboratory analysis.

The company reports that it discloses independently assured water data, performance, targets and goals by site. The company also disclosed that 55% of its discharged water in 2023 was suitable for potable use, a notable decrease from 78% in 2020. Additionally, its 2023 disclosure includes a breakdown of environmental incidents and non-compliances, including 3 Class II incidents, 13 involving cyanide, 31 air non-compliances, 5 water non-compliances, 68 waste non-compliances, 103 land non-compliances, and 141 other non-compliances.

Objective(s):

- *Environmental Performance Review – For the company to disclose its periodic reviews of environmental performance against policy for all sites*
- *Water Sampling Reports – For the company to disclose the laboratory reports and analysis results of the additional water sampling undertaken through its community participatory monitoring*
- *Independent Third-Party Assurance – For the company to disclose independently assured water data, performance, targets, and goals, by site including water abstracted by water source and quality; water consumed by consumption source; water diverted; water to task; water reused and recycled; and water discharged by water source and quality*
- *Targets for Potable Water Discharge – For the company to disclose targets and actions planned for its continuous improvement of the percentage of potable water discharged*
- *Root Cause Analysis and Remediation Plan – For the company to regularly disclose its root cause analysis and remediation plan for environmental incidents class I and class II, incidents involving cyanide, as well as air, water, waste, land, wildlife and other non-compliances*

Progress: Following our outreach in June and September 2024, an engagement meeting was held in November 2024 to discuss the company's progress towards our objectives. The company representatives shared that the company has disclosed its periodic review of environmental performance against policy for all sites, in line with industry standards and supported by third-party oversight of Tier I operations, along with comprehensive site-specific data. They also noted the company has sought reasonable assurance for its significant water data by site. These developments addressed two of our objectives.

Regarding our concerns about disclosure of water sampling reports, the company emphasised its community participatory monitoring program as a critical tool for water quality transparency and engagement with local stakeholders. However, the company has not disclosed laboratory reports or analysis results from this initiative. On the topic of potable water discharge, the company acknowledged the decline in the percentage of discharged water suitable for potable use and highlighted its increased focus on water reuse. While this was noted, no actionable plans or quantitative targets were shared. The company did, however, acknowledge our feedback on the matter.

With respect to environmental incidents, the company representatives underlined that Canadian Mining has implemented robust internal processes and compliance with regulatory standards. They noted there were no Class I incidents in 2023 and only three Class II incidents. Nevertheless, while internal root cause analyses and remediation plans have been developed, the company does not disclose these publicly and has not committed to doing so.

Next Steps: The company has been responsive to our engagement and has successfully completed two objectives regarding the disclosure of environmental performance reviews and independently assured water data. For the remaining objectives, we will continue to monitor the company's progress, and any further developments related to these issues.

Milestone & Status: *Environmental Performance Review – ACTION COMPLETED (FINISHED)*

Milestone & Status: *Water Sampling Reports – UNDERSTANDING (PROGRESS)*

Milestone & Status: *Independent Third-Party Assurance – ACTION COMPLETED (FINISHED)*

Milestone & Status: *Targets for Potable Water Discharge – UNDERSTANDING (PROGRESS)*

Milestone & Status: *Root Cause Analysis and Remediation Plan – ENGAGEMENT (NEUTRAL)*

2.3 Fundamental Rights

Fundamental rights, including adherence to best practices and international standards, represent another focus of investor stewardship. To this end, we monitor and engage with companies with poor performance in managing risks and impacts associated with fundamental rights, including human rights, labour rights, community rights and consumer rights.

Community Rights

Community rights refer to the collective rights of communities to participate in decision-making processes, access resources, preserve cultural heritage, and ensure sustainable development within their local environments. Companies may interfere with these rights by polluting the environment, displacing local communities, not consulting with affected communities, or failing to provide fair economic benefits for local residents. Examples also include cultural insensitivity and disruption of traditional livelihoods. Failure to respect these rights may result in conflicts with local communities, negative media coverage, legal disputes and operational disruptions. We expect companies to follow best practices in this area, starting from the pre-screening stage. For instance, they can benefit from conducting stakeholder engagements and community impact assessments to mitigate adverse impacts on local communities. Concerning protecting local resources, companies should implement local resource monitoring systems, robust waste management systems and emergency delivery procedures for relevant local resources.

Case Study: U.S. Energy Services Ltd.

U.S. Energy Services Ltd., headquartered in the United States, engages in the provision of technology for the energy industry worldwide. The company operates through four divisions: Digital & Integration, Reservoir Performance, Well Construction, and Production Systems.

Issue(s): *Community Rights* – U.S. Energy Services Ltd. has continued operations in Russia despite the ongoing conflict. A January 2023 Reuters investigation asserted that the company had “boosted its business in Russia by cherry-picking service and equipment contracts from rivals who left.” In March 2022, the company announced the suspension of new investments and technology deployments to its Russia operations. In July 2023, the company further stated that it was halting shipments of products and technology into Russia from all its global facilities in response to the continued expansion of international sanctions, over a year after the war began. The company stated that it will continue to actively monitor the situation, and that it plans to fulfil any existing activity in full compliance with applicable international laws and sanctions.

Companies operating in Russia in the current political environment may face increased shareholder scrutiny of their approach, which could escalate to material reputational damage that may affect shareholder value. Our engagement with the company was initiated due to the limited disclosure regarding its activities in Russia, particularly in light of potential financial risks. In 2021, U.S. Energy Services' subsidiary was fined approximately $1.4 million by the U.S. Department of The Treasury’s Office of Foreign Assets Control over sanctions violations related to its Russia operations following the invasion of Crimea. This highlights the potential financial implications of the situation, which could influence the company's operations and profitability.

Objective(s): *For the company to provide updates and a more extensive disclosure of its strategy, operations, and risk associated with maintaining its activities in Russia*

Progress: A virtual engagement meeting was held with the company in November 2024. The company emphasised that U.S. Energy Services has robust processes to manage the complexities of sanctions compliance. The company representatives highlighted the proactive response to the war in Ukraine, noting that U.S. Energy Services had implemented voluntary measures that exceeded existing sanctions at the time. We acknowledged that in August 2024, the company published an FAQ document including key disclosures regarding its Russian operations. According to the company representatives, their Russia-related disclosure updates have been event-driven so far, including updates from its March 2022 and July 2023 announcements, as well as the August 2024 FAQ, which was prompted by a Financial Times article and the anticipated October 2024 letter from U.S. Congress members advocating stricter sanctions on oilfield services providers. It was also mentioned that future disclosures will build on the information in the FAQs and may be expanded before the 2025 AGM. Further, the company representatives acknowledged the interest in understanding the rationale for the company’s continued presence in Russia and recognised the importance of this issue to many shareholders.

Since our engagement meeting, the company has provided further updates and disclosure on its strategy and operations in Russia, including the continued reduction of its presence and operations. In response to the new sanctions issued by the U.S. Treasury Department on January 10, 2025, the company's CEO confirmed that the company’s voluntary measures, including halting shipments to Russia, align with these sanctions. In addition, on January 21, 2025, the company published an FAQ update on the company's resources page addressing its operations in Russia, building on the August 2024 release. The latest FAQ update confirmed that the company’s

Russian operations have declined since 2022, with Russia representing 4% of global revenue in 2024, down from 5% in 2023.

Next Steps: The engagement is now considered successfully completed, as the company has provided more robust disclosure of its strategy, operations, and risk associated with maintaining its activities in Russia. The FAQ documents published in August 2024 and January 2025 confirm the continued reduction of its presence and operations in Russia and outline the company's measures for complying with sanctions.

Milestone & Status: *ACTION COMPLETED (FINISHED)*

Consumer Rights

Community rights refer to the collective rights of communities to participate in decision-making processes, access resources, preserve cultural heritage, and ensure sustainable development within their local environments. Companies may interfere with these rights by polluting the environment, displacing local communities, not consulting with affected communities, or failing to provide fair economic benefits for local residents. Examples also include cultural insensitivity and disruption of traditional livelihoods. Failure to respect these rights may result in conflicts with local communities, negative media coverage, legal disputes and operational disruptions. We expect companies to follow best practices in this area, starting from the pre-screening stage. For instance, they can benefit from conducting stakeholder engagements and community impact assessments to mitigate adverse impacts on local communities. In relation to protecting local resources, companies can take action by implementing local resource monitoring systems, robust waste management systems and emergency delivery procedures for relevant local resources.

Case Study: U.S. Healthy Solutions Ltd.

U.S. Healthy Solutions Ltd. provides health solutions in the United States. It operates through Health Care Benefits, Health Services, and Pharmacy & Consumer Wellness segments.

Issue(s): *Consumer Rights* – U.S. Healthy Solutions has been named in lawsuits court brought by various counties, cities, Native American tribes, hospitals, third-party payers and others against opioid manufacturers and distributors. Accused in 2017 of ignoring red flags regarding illegal prescription diversion, the company agreed in 2022 to a $5 billion settlement over 10 years with state Attorneys General and plaintiffs' representatives. The settlement includes 45 states, D.C., and U.S. territories. As the company has determined that the settlement of opioid claims by governmental entities and tribes is probable, the related loss could be reasonably estimated. The company recorded pre-tax charges of $5.2 billion and $99 million during the three months ended September 30, 2022, and the three months ended December 31, 2022, respectively. It is also cooperating with a DOJ subpoena from 2020. The company's response to the opioid lawsuits includes active board oversight and refinement of responsibilities for the board's committees.

In relation to executive compensation, the accrual tied to the settlement was excluded from the adjusted operating income metric used under the STIP in 2022 and the 2022 adjusted EPS metric used under the 2020 PSU grant. However, due to the settlement's significance, the board took two compensation related actions: it applied a one-time negative adjustment to the CEO's STI payout by 33%, from 149.5% to 100% of target, and cut non-employee board member compensation by 10% for 2023. At the 2023 AGM, 20% of shareholders voted against the remuneration report, reflecting concerns that the board's application of negative discretion on CEO pay did not sufficiently account for the impact the controversy had on the company.

Objective(s): *For the company to link remuneration to health and safety to incentivise management and avoid recurrence of lawsuits related to unethical business practices*

Progress: We held an engagement meeting with the company in January 2025, attended by senior executives overseeing corporate governance, sustainability and compensation, to discuss our concerns around the lack of link between the company's executive pay and health and safety outcomes or regulatory compliance. The company representatives outlined that health and safety are basic requirements rather than an area that necessitates additional incentives, and that the company's remuneration framework currently includes certain accountability mechanisms, such as the STIP's belonging modifier introduced in 2024 and the use of negative discretion in executive payouts. They highlighted that the company has applied this discretion in the past to reflect stakeholder experience in relation to the opioid crisis and resulting legal issues. Nevertheless, currently, regulatory and legal risk mitigation is not directly reflected in the incentives, and the workforce modifier focuses on inclusion and engagement rather than compliance or safety. The company aims for further transparency on certain aspects of its remuneration framework, such as the belonging modifier, in the upcoming 2025 proxy statement.

Next Steps: Currently, there is no explicit linkage between the company's executive remuneration framework and health and safety outcomes or regulatory compliance to prevent future potential risks. Based on the discussion during our engagement meeting, the milestone is set at "Understanding." We will continue to monitor company disclosure for changes discussed in the meeting and seek to organise a follow-up meeting.

Milestone & Status: *UNDERSTANDING (PROGRESS)*

Case Study: American Aerospace Inc.

American Aerospace Inc, together with its subsidiaries, designs, develops, manufactures, sells, services, and supports commercial jetliners, military aircraft, satellites, missile defense, human space flight and launch systems, and services worldwide.

Issue(s): *Consumer Rights* – The engagement with American Aerospace Inc was launched due to our concerns regarding the sufficiency of its product safety measures. In recent years, the company faced significant scrutiny and legal challenges due to critical aviation safety incidents, including the 2018-2019 Model X crashes, which killed 346 people and exposed flaws in the company's safety culture and oversight. While steps were taken to address these issues, a 2024 accident involving a Model Y raised new concerns about product quality and safety. A subsequent FAA audit highlighted systemic quality control failures, and the DOJ launched a new investigation, further questioning the effectiveness of the company's corrective actions. While the company has made efforts to overhaul and implement a positive safety culture since the 2018-2019 crashes, clear shortcomings in the company's safety culture remain.

Objective: *For the company to publicly disclose the company's plan to address systemic quality-control issues incorporating the FAA's audit findings and recommendations issued by the Experts Review Panel once agreed with the FAA*

Progress: In May 2024, the company issued an executive summary of its Safety and Quality Plan in response to findings from the FAA's Expert Review Panel and stated it would submit the full plan by July 2024. The company’s 2024 Sustainability and Social Impact Report outlined efforts to enhance safety and quality, including incorporating feedback from employees, customers and stakeholders under FAA oversight. In Q4 2024, the FAA launched a new oversight review into the company’s safety practices, citing criticisms from the U.S. Transportation Department's Office of Inspector General of its inadequate oversight over the company. The review is expected to conclude in early 2025.

In January 2025, we met with senior company representatives, including the independent chair of the board, corporate secretary and chief counsel, to discuss our concerns. We noted that American Aerospace has yet to fully disclose the detailed narrative of its July 2024 Safety and Quality Plan to the public. Instead, the company has shared only the overarching elements, noting challenges in balancing transparency demands with internal and regulatory sensitivities. The company representatives recognised investors’ demand for better tracking mechanisms and detailed public disclosures on safety and quality initiatives. They shared that in a January 2025 safety update published on its website, the company outlined its actions showing progress in workforce training, streamlining plans, eliminating defects and enhancing safety and quality culture.

They highlighted American Aerospace's progress in integrating safety into its operations and mentioned the focus on supplier management to address systemic quality-control issues within the supply chain. Furthermore, the representatives also emphasised the improved whistleblower mechanisms, as indicated by the increased size of reports through the Speak Up portal. In terms of oversight, the company underlined that it has incorporated quality management systems and reinforced the board’s role in safety oversight through regular reporting on safety metrics and direct engagement with operational teams. Feedback on the current CEO was reported as positive, with his leadership regarded as instrumental in aligning governance with the company’s safety and quality objectives.

Next Steps: The company has been responsive to our engagement efforts and indicated it is considering enhanced transparency around its plans to address safety and quality issues, while trying to balance transparency with competitive and regulatory constraints. We will continue monitoring company disclosure for the publication of its complete Safety and Quality plan.

Milestone & Status: *UNDERSTANDING (PROGRESS)*

2.4 Risk Oversight

Playing a pivotal role in ensuring transparency, accountability and responsible corporate behaviour, risk oversight is critical for promoting companies’ long-term success and protecting shareholders’ interests. Effective risk oversight helps companies identify, assess and manage various risks that they may face, including financial, operational, legal and reputational risks. Our engagement program aims to help shareholders understand how investee companies oversee, manage and mitigate these risks. The Active Stewardship Engagement solution covers critical themes of corruption and bribery, cybersecurity risk, unethical business practices and board oversight of relevant policies and procedures.

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