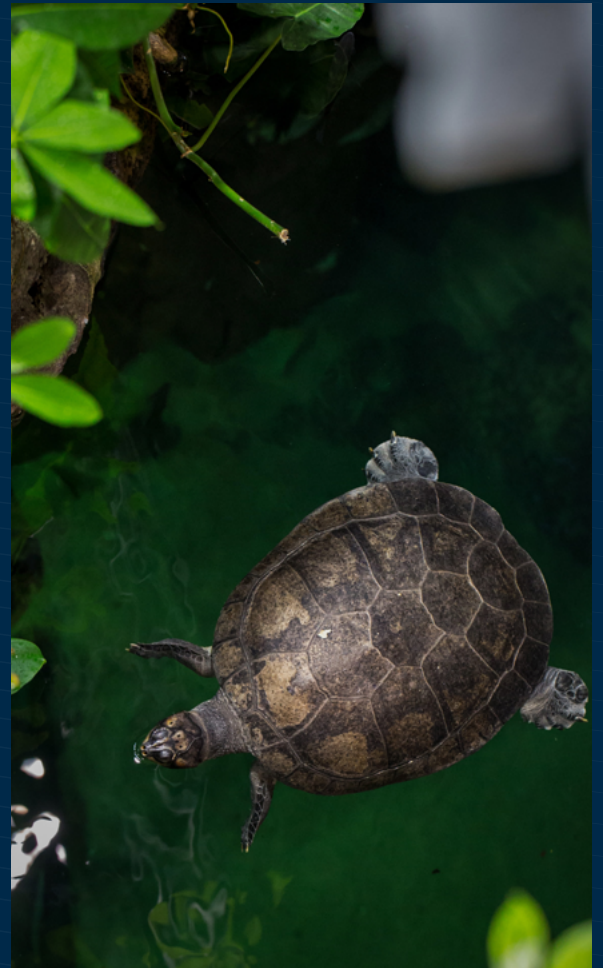


Thematic Engagement Solution

Engage with companies on top-priority sustainability themes to improve transparency and performance.



Overview

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

Investor clients rely on our expertise to measure their engagement progress over the engagement life-cycle, to evaluate their engagement success and to track and report the status of their engagements on a quarterly and annual basis.

The Thematic Engagement Solution covers four themes and leverages our proprietary products and datasets:

COVERAGE OF THEMES

NET ZERO

Aims to improve companies' commitments to reaching Net Zero emissions by 2050, by calling for ambitious targets and decarbonization strategies.

Resources

- Carbon Risk Rating
- Scenario Alignment Data
- Net Zero Alignment Data

50 companies targeted

BIODIVERSITY

Seeks to improve transparency around biodiversity impact and strategies to manage nature-related risks in key industries of Food Products, Integrated Oil & Gas, Mining & Integrated Production, and Oil & Gas Exploration & Production.

Resources

- Biodiversity Impact Assessment Tool
- Corporate Rating

30 companies targeted

WATER

Intends to improve corporate disclosure of water-related risk and impact focusing on two high impact industries: Beverages and Chemicals.

Resources

- Water Risk Rating
- Corporate Rating

30 companies targeted

GENDER EQUALITY

Aims to increase female representation at Board level and improve disclosure of efforts to promote gender equality in the workforce and of the average (unadjusted) gender pay gap.

Resources

- Environmental and Social Raw Data
- Governance QualityScore

40 companies targeted

The Engagement Process

Detailed and outcomes-based reporting in line with pre-defined investor engagement expectations on a quarterly and annual basis

Facilitation of engagement dialogue between companies and investors through planning, moderating and the provision of meeting reports

In case companies are unresponsive, reminder letters are sent, each time addressed to a higher level of seniority within the company



Identification of engagement target companies based on proprietary research and data

Definition of objectives and key performance indicators to closely track the engagement progress

Engagement letter writing and outreach to the companies on behalf of the investor clients



At the end of the engagement cycle, we will assess the opportunity to extend or close engagements, with the possibility of including additional target companies for a new engagement cycle.

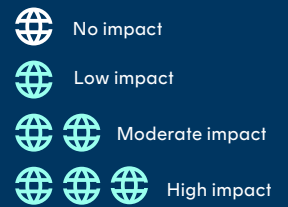
Our Thematic Engagement includes regular measurements of the outcome of the engagement dialogue, both at the level of each objective as well as at an aggregate level of each thematic engagement with a specific company.

Engagement Outcomes

Engagement Objective Progress



Overall Engagement Success



ENGAGEMENT LETTER

Reporting

- Quarterly Reports
- Annual Reports

We will facilitate engagement with 50 companies during the engagement cycle.

Net Zero Thematic Engagement

Aims to improve companies' commitments to reaching Net Zero emissions by 2050, by calling for ambitious targets and decarbonization strategies.

Alignments

- SDG* 13: Climate action
- SFDR PAI** 1-6: Greenhouse gas emissions

Note:

*[Sustainable Development Goals](#)

**European Sustainable Finance Disclosure Regulation's mandatory Principal Adverse Impact indicators

Thematic Engagement Materiality and Scope

The far-reaching impacts of climate change on the environment, society, and financial assets are now widely recognized. [Research](#) shows that since 2000, climate-related disasters have inflicted \$3.6 trillion in economic damages, and without urgent action, global GDP could decline by 16% to 22% by the end of the century. Global efforts to address these challenges were solidified in the [2015 Paris Agreement](#), where world governments committed to limiting the global temperature rise to well below 2°C above pre-industrial levels, with an ambition to limit warming to 1.5°C. In [2018](#) and [2021](#), the Intergovernmental Panel on Climate Change (IPCC) warned that global warming must not exceed 1.5°C to avoid the catastrophic impacts of climate change. To achieve this, greenhouse gas (GHG) emissions must halve by 2030 – and drop to Net Zero by 2050.

Companies have a crucial role to play in decreasing GHG emissions and fostering the transition to a resilient, zero-emissions economy. Research [shows](#) that from 2016 to 2022, 80% of global industrial carbon dioxide emissions were produced by just 57 companies. Energy consumption remains the largest source of human-induced GHG emissions, accounting for [76%](#) of direct global emissions (equivalent to 37.2 GtCO_{2e}), stemming from activities such as transportation, electricity and heat generation, building operations, manufacturing and construction, fugitive emissions, and other fuel combustion. Beyond direct emissions, companies also contribute significantly to supply chain emissions, which are, on average, [11.4](#) times greater than operational emissions. By taking decisive climate action, companies stand to unlock significant [benefits](#) including enhanced brand reputation, increased investor confidence, regulatory preparedness, opportunities for innovation, a stronger competitive position, and, ultimately, improved financial performance. The financial upside is substantial, with the world's largest companies identifying nearly [\\$5 trillion](#) in climate-related opportunities.

For investors, the low-carbon transition is a critical [investment factor](#). Understanding the financial implications of climate change on companies is essential, not only in terms of the risks and opportunities they face but also in assessing how effectively companies are managing these challenges. Investors committing to [Net Zero](#) are looking for ways to align their portfolio with a 1.5°C scenario, but beyond a focus on data points and portfolio construction, it is crucial that these efforts align with active ownership strategies.

Stewardship, including voting and engagement, is a [key strategy](#) for investors to employ to mitigate both their physical and transitional climate-related risks, advance climate action, and achieve Net Zero targets in their portfolios, benefiting long-term investment returns and helping reach Net Zero. Moreover, multiple investor initiatives gathered under the [Glasgow Financial Alliance for Net Zero](#), including the [Net Zero Asset Managers initiative](#) and the [Net Zero Asset Owner Alliance](#) require the implementation of active ownership efforts. Based on the [Paris Aligned Investment Initiative's Net Zero Investment Framework](#), funds will need an engagement goal ensuring that at least 70% of financed emissions in material sectors are either Net Zero, aligned to a Net Zero pathway, or the subject of direct or collective engagement and stewardship actions, with the aim of increasing the threshold to at least 90% by 2030.



In 2018 and 2021, the Intergovernmental Panel on Climate Change (IPCC) warned that global warming must not exceed 1.5°C if we are to avoid catastrophic climate change impacts.



Thematic Engagement Objective

This engagement aims to generate significant real-world outcomes by selecting companies based on market capitalization and targeting high emitting companies where climate-related risks are financially material. Relevant target companies are selected using key indicators from the [Net Zero Alignment Data](#), [Scenario Alignment Data](#) and the [Carbon Risk Rating](#). Through this thematic engagement, we will focus on a company’s ambition to reach Net Zero emissions by 2050. For each company, detailed expectations will be defined ahead of the engagement cycle. Target companies will be asked to accelerate their climate action by setting the following Net Zero targets and strategy:



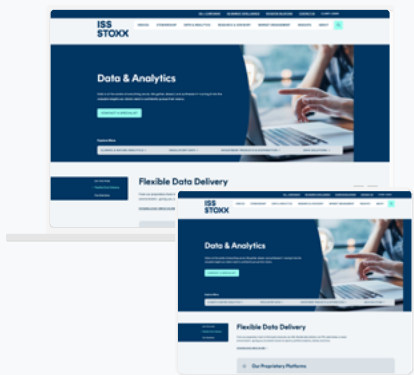
**2050 Net Zero
GHG emissions
ambition**



**Medium-term GHG
emissions reduction
target (2025 to 2035)**



**Decarbonization
strategy**



Our Resources

NET ZERO ALIGNMENT DATA

Our Net Zero Alignment Data is based on companies’ substantiated commitments to achieving Net Zero by 2050, as well as whether they have established interim targets, and have a decarbonization strategy.

CARBON RISK RATING

The Carbon Risk Rating assesses the climate-related performance of companies, taking into account not only industry-specific challenges and risk profiles, but also positive company impact. It provides investors with a central instrument for the future-oriented analysis of CO₂ related risks, both at issuer and portfolio level.

SCENARIO ALIGNMENT DATA

Our Scenario Alignment Data assesses a portfolio’s alignment with up to 22 climate scenarios provided by leading models. The analysis includes implied temperature rise, cumulative alignment metrics, cross-point year, and transparency indicators.

We will facilitate engagement with 30 companies during the engagement cycle.

Water Thematic Engagement

Intends to improve corporate disclosure of water-related risk and impact focusing on two high impact industries: Beverages and Chemicals

Alignments

- SDG* 6: Clean water and sanitation
- SFDR PAI** 8: Emissions to water

Note:

*Sustainable Development Goals

**European Sustainable Finance

Disclosure Regulation's mandatory Principal Adverse Impact indicators

Thematic Engagement Materiality and Scope

Water is a vital resource that has significant social, economic and environmental value. It is essential for attaining sustainable development, supporting ecosystems, food security, and human and wildlife health. Water consumption is not equally distributed, with irrigated agriculture accounting for 70% of water use worldwide. Water pollution is also a significant issue, particularly in the industrial and agricultural sectors, yet only 59% of companies monitor the quality of their wastewater discharge.

Global population growth has increased water demand throughout the 21st century, a situation exacerbated by the impacts of climate change on water availability. This increasing demand is likely to result in a 40% shortfall in freshwater supply within 10 years, signaling a water crisis. With growing global water stress, companies face increased scrutiny over their water stewardship, and are expected to demonstrate to their stakeholders how they integrate water-related risk into their overall business strategies, how they price and value water, and how they build long-term resilience to water-related challenges.

Water presents a range of financially-material business risks which can be categorized into three types: physical risks, regulatory risks, and reputational risks. These risks affect not only water-intensive companies but also businesses across sectors, potentially leading to higher water procurement costs or loss of revenue through operational disruptions. Water is often undervalued, and therefore existing calculations on its materiality may not always be accurate. That said, water-related issues are often indirectly prioritized in many companies' physical climate risk assessments, impacting companies across all regions.

Water is essential across the beverage industry's value chain, from agricultural sourcing to manufacturing and bottling. As global beverage production grew by 9% from 2017 to 2022—equating to 25 billion additional liters produced worldwide—water demand has risen accordingly. For companies operating in water-stressed regions, failure to manage local water resources effectively can threaten their social license to operate. Implementing effective water management practices, including recycling, proper disposal, and wastewater treatment, is essential to minimize operational risks, reduce costs, and strengthen the industry's commitment to environmental sustainability.

For Chemicals companies, water is vital across the value chain. In production processes, water is primarily used for cooling, steam generation, and feedstock processing. Chemicals companies' operations can also be at high risk of disruption where they are water intensive, thus increasing water procurement costs and capital expenditures. In manufacturing processes, chemicals can generate process wastewater that requires treatment prior to disposal, and non-compliance with water quality regulation may result in financial risks and other regulatory implications.

Irrigated agriculture accounts for **70%** of water use worldwide.

Increasing demand is likely to result in a **40%** shortfall in freshwater supply within 10 years.



Thematic Engagement Objective

Our Water Thematic Engagement aims to encourage companies to improve their transparency around water-related strategy and risk management through the disclosure of key metrics and targets.

By increasing and improving water-related disclosure, companies can better understand water risks and opportunities, in turn facilitating informed financial decision-making and improving long-term resilience. Disclosure also helps accelerate the development of standard water metrics and performance benchmarks.

Our Water Thematic Engagement focuses on two key industries with high water risk exposure in both their supply chains and direct operations: Beverages and Chemicals.

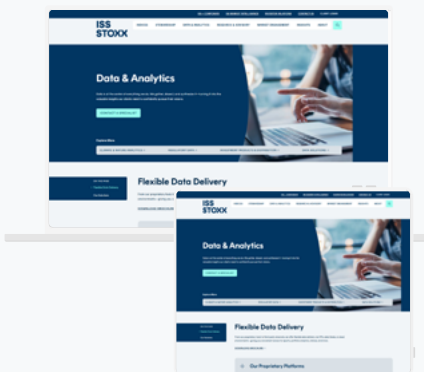
This engagement selects companies based on market capitalization and leverages our proprietary [Water Risk Rating](#) data to identify laggards.

Beverages

- Disclosure of water management strategy
- Promote water conservation in the supply chain
- Reduction of water-related impacts

Chemicals

- Disclosure of water management strategy
- Mitigating impacts on freshwater
- Disclosure of water use reduction targets



Our Resources

CORPORATE RATING

The Corporate Rating analyzes company management of sustainability issues on the basis of up to 100 rating criteria. Our Corporate Rating provides investors with highly relevant, material and forward-looking sustainability data and performance assessments.

WATER RISK RATING

The Water Risk Rating enables investors to address water risks in their portfolios by providing a holistic and granular assessment of a company's exposure to freshwater-related risk comprised of 11 distinct data points per company.

We will facilitate engagement with 30 companies during the engagement cycle.

Biodiversity Thematic Engagement

Seeks to improve transparency around biodiversity impact and strategies to manage nature-related risks in key industries of Food Products, Integrated Oil & Gas, Mining & Integrated Production, and Oil & Gas Exploration and Production.

Alignments

- SDG* 14: Life below water
- SDG* 15: Life on land
- SFDR PAI** 7: Activities negatively affecting biodiversity-sensitive area

Note:

*Sustainable Development Goals

**European Sustainable Finance Disclosure Regulation's mandatory Principal Adverse Impact indicators

Thematic Engagement Materiality and Scope

Biodiversity, which encompasses the variety of plant and animal life on earth, is currently in crisis. All companies are dependent on ecosystem services, yet they significantly contribute to the degradation of nature through land use change, pollution, the overexploitation of resources and greenhouse gas emissions. The resulting biodiversity loss and ecosystem collapse have been listed as one of the top global risks in the World Economic Forum's [Global Risks Report 2025](#).

The [Kunming-Montreal Global Biodiversity Framework](#) contains ambitious goals and targets with the goal of halting or slowing nature loss by 2030, and highlights that both companies and financial institutions must monitor, assess and disclose their risks, dependencies and impacts on biodiversity.

Demand for food has [increased significantly](#) alongside global population growth, driving extensive agricultural expansion and transforming habitats and ecosystems worldwide. The industry has a multitude of [nature-related dependencies](#) such as land and soil, water, animals, and climate regulation for their operations, with some of the [highest levels of Amazon deforestation](#) in recent years attributable to agricultural commodities production. Further, the consumer sector more broadly is particularly vulnerable to nature loss due to their [connection to soft commodities in the supply chain](#). Water and soil pollution in the industry is significant and [studies show](#) that food production creates ~32% of global terrestrial acidification and ~78% of eutrophication, affecting species composition and reducing ecological resilience. Additionally, the use of fertilizers, pesticides and monoculture farming further [exacerbate biodiversity loss](#), degrading water, soil, air quality, and natural ecosystems. The Food Products industry is particularly vulnerable to environmental change, making biodiversity loss a material business risk. With over half of the world's GDP moderately or highly dependent on nature-related services, these challenges also present opportunities. Financial institutions are increasingly shifting capital toward regenerative agricultural approaches, which promise [value creation, regulatory alignment](#), and potential solutions to [climate change and food insecurity](#). The emergence of regenerative agriculture in the investor discourse, and also in corporate value chains, presents an alternative route forward, yet [transparency and ambitions in this area are still lacking](#), presenting a need for engagement.

Companies with business activities in mining and oil & gas also have a high impact on biodiversity due to their extractive use of land and water, air pollution and other environmental disruptions, such as the alteration of migratory pathways and oil spills. Impacts can include soil and water contamination, solid waste production, and habitat disturbances, such as for instance seismic activity affecting marine species. The UN has called for [protected areas to be expanded to at least 30%](#) of terrestrial and inland water areas, and marine and coastal areas, as well as the restoration of at least 30% of degraded ecosystems. Mining activities are forecast to [grow significantly over the next 30 years](#). It is estimated that currently [over 3,300 large-scale mines exist in forests](#), a figure that is likely to increase, especially in biodiversity hotspot areas.

More than half of the world's GDP is moderately or highly dependent on nature-related services.



Thematic Engagement Objective

Our Biodiversity Thematic Engagement aims to encourage companies to improve their transparency around biodiversity-related risk, their impact on nature, and their strategy to manage nature-related risks, including through the disclosure of metrics and targets.

By prioritizing biodiversity-related disclosures, companies can better understand their impacts and dependencies on nature, identify relevant business opportunities and mitigate a range of possible risks associated with biodiversity loss. Stakeholders seek insights into business risk around biodiversity-related impacts and dependencies throughout the value chain, management narratives, and the financial implications of identified risks. Biodiversity disclosures also aid financial decision-makers with capital allocation and help them to develop a better understanding of how they can support companies, both to reduce risk in their portfolio, and to contribute to a nature-positive future.

Our Biodiversity Thematic Engagement focuses on two industries with a high impact and/or dependency on nature: Food Products, Integrated Oil & Gas, Mining & Integrated Production, and Oil & Gas Exploration and Production.

This engagement selects companies based on market capitalization and leverages our proprietary [Biodiversity Impact Assessment Tool](#) to identify laggards.

Food Products

- Define strategy on sustainable sourcing
- Promote regenerative agricultural practices along the value chain
- Prevent and reduce the negative impacts of commodity-driven deforestation

Integrated Production, and Oil & Gas Exploration & Production

- Development of biodiversity action plans for high biodiversity risk sites
- Transparency of position on operating, exploring and/or developing sites located in protected areas
- Disclosure of relevant rehabilitation, restoration and reclamation activities

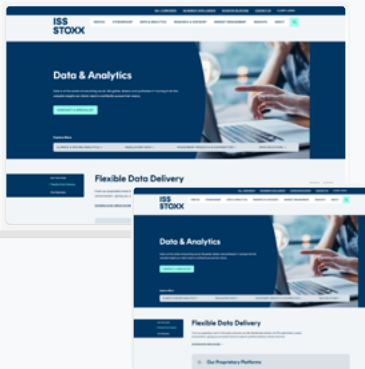
Our Resources

BIODIVERSITY IMPACT ASSESSMENT TOOL

Our Biodiversity Impact Assessment Tool help investors assess the impact of companies' business and supply chain activities on biodiversity.

CORPORATE RATING

The Corporate Rating analyze company management of sustainability issues on the basis of up to 100 rating criteria. Our Corporate Rating provides investors with highly relevant, material and forward-looking sustainability data and performance assessments.



We will facilitate engagement with 40 companies during the engagement cycle.

Gender Equality Thematic Engagement

Aims to increase female representation at Board level, improve gender equality in the workforce and disclosure of the average (unadjusted) gender pay gap.

Alignments

- SDG* 5: Gender equality
- SFDR PAI** 12-13:
Unadjusted gender pay gap;
Board gender diversity

Note:

*Sustainable Development Goals

**European Sustainable Finance Disclosure Regulation's mandatory Principal Adverse Impact indicators

Thematic Engagement Materiality and Scope

As the World Economic Forum's (WEF) [Global Gender Gap Report 2024](#) illustrates, disparities between men and women in companies persist in the form of pay gaps, uneven opportunities for career advancement, and unbalanced representation in key decision-making roles. Despite notable progress in the number of women taking leadership positions and on corporate boards during the last decade, the glass ceiling continues to impede half of the population from reaching top roles in their respective fields.


Furthermore, data from ISS STOXX, covering over 1,000 publicly-listed large cap companies, reveals major geographic disparities in female board representation. In Europe, women accounted for an average of 41.2% of boards members. Similarly, North America and Oceania reported averages of 33.9% and 45.4%, respectively. In contrast, female board representation stood at 21.2% for South American companies and 19.7% for Asian companies. Notably, 33 companies had less than 10% female representation on their boards, with an average of just 4.2%.

[Goal 5](#) of the United Nations Sustainable Development Goals is focused on achieving gender equality and women's empowerment, objectives that represent fundamental human rights. The [2024 United Nations Sustainable Development Goals Progress Report](#) highlights that data remains a challenge across different geographies as progress toward gender parity in public life and managerial roles has been slow. Providing more opportunities for women could also drive greater economic prosperity, with studies from [McKinsey](#) and [International Monetary Fund](#) showing a positive correlation between gender equality and financial performance. [Closing the gender pay gap](#) could further enhance business performance.

In the pursuit of women's empowerment, representation in corporate leadership positions plays a crucial role. It helps in setting the right tone on gender equality issues, in attracting and retaining female talent, and in providing role models and potential mentors to younger women starting their careers.

Aside from the ethical and business rationale for improved gender equality, legislative pressure has mounted in recent years with [India](#), [Norway](#), the [European Union](#) and the [UK](#) being examples of legally mandated female representation in board or executive management levels. Similarly, some countries have introduced non-legally binding requirements for gender diversity on publicly listed company boards. For example, the [Tokyo Stock Exchange](#) (TSE), which revised its "Intensive Policy for Gender Equality and the Empowerment of Women 2023" to stipulate a target to achieve 30% diversity on TSE listed companies by 2030. [The International Labour Organisation](#) highlighted that increased female representation at the executive and management levels in the private sector can help overcome barriers to women's economic empowerment and address cultural stereotypes and biases.

As such, promoting gender equality through greater female representation in the boardroom, along with setting measures to promote opportunities and close gender pay gaps, should arguably be on every company's agenda and a priority for investor engagement.



Data based on more than 1,000 publicly-held large cap companies globally shows major geographic differences in female board representation.



Thematic Engagement Objective

With a view of achieving the highest possible societal impact, this engagement selects companies based on market capitalization and targets gender equality laggards. Relevant target companies will be selected using [Environmental & Social Raw Data](#) on gender and equal opportunities as well as [Governance QualityScore](#) data. Given the topic’s large geographical disparities, a regional perspective will be included in the identification of target companies.

Through this thematic engagement, we will focus on improving female representation at Board and executive management levels, and on concrete action to support equal opportunities.

Target companies will be assessed on how they promote gender equality by increasing senior female representation, and their strategy and policies regarding gender equality and equal opportunities:



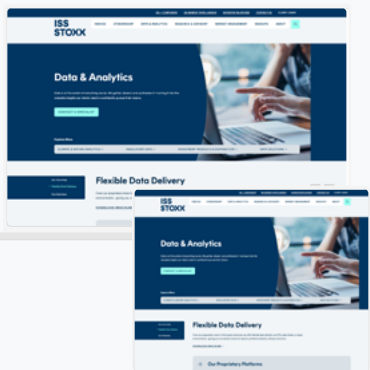
Women on the Board



Promote gender equality and diversity in the workforce



Gender pay gap transparency



Our Resources

GOVERNANCE QUALITYSCORE

Governance QualityScore supports investors as they consider governance in their quality analyses, incorporating unique compensation, board, and shareholder responsiveness data into management assessments.

ENVIRONMENTAL AND SOCIAL RAW DATA

Environmental & Social Raw Data offers a comprehensive set of environmental and social datapoints with no additional assessment or scoring overlay, enabling you to extract and act on the insights most relevant to you.

Collaborative Engagement Services

Thematic Engagement Solution


Net Zero


Water


Biodiversity


Gender Equality

Norm-Based Engagement Solution


Human Rights


Labor Rights


Environment


Corruption

The [Thematic Engagement Solution](#) sits alongside the [Norm-Based Engagement Solution](#), together comprising our [Collaborative Engagement Services](#).

Achieve More with ISS STOXX

- **Industry Leader**

Pioneered sustainability ratings, Norm-Based Research and portfolio climate risk assessments.

- **Global Team of Experts**

Analysts with in-depth thematic and sector-specific experience spread across EMEA, the Americas and APAC.

- **Quality First**

Strict data verification processes to ensure accuracy and objectivity.

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Extensive company and stakeholder dialogues.

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ISS STOXX delivers world-class research, data, and technology solutions that empower capital market participants to pursue their visions with confidence. Our expertise spans indices, corporate governance, sustainability, cyber risk, and fund intelligence, giving clients the tools they need to uncover opportunities, manage risks, and navigate evolving regulations. We are made up of 4,000 professionals operating across 20 countries and serving approximately 5,000 clients, including many of the world's leading institutional investors. Our scale and reach give us deep market knowledge, while our innovative methodologies allow us to offer our clients tailored insights that drive impact and success.

ISS STOXX Sustainability enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. It also provides climate data, analytics, and advisory services to help financial market participants understand, measure, and act on climate-related risks across all asset classes. In addition, our Sustainability solutions cover corporate and country research and ratings enabling its clients to identify material social and environmental risks and opportunities. Sustainability solutions are provided by Institutional Shareholder Services Inc., an investment adviser registered under the U.S. Investment Advisers Act of 1940.

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