



ISS ESG



NET ZERO


THEMATIC
ENGAGEMENT



2024 Annual Progress Report



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INTRODUCTION

This report presents the Net Zero Thematic Engagement activities that were carried out by ISS ESG on behalf of participating institutional investors in throughout 2024.

The report includes an overview of the ISS ESG Thematic Engagement approach as well as details on the Net Zero Thematic Engagement, including the methodology for target company selection and engagement objectives. The report includes a section providing key outcomes from 2024, both in terms of the Net Zero context as well as in terms of the progress of the engagement. It also includes key statistics for the year, a summary of the engagement stage, number of interactions and engagement success status for all target companies. The report includes a measurement of the progress against engagement objectives as well as the overall engagement success, based on the last six-monthly data check on the target companies' improvement in their alignment with the requirements for each engagement objective. Full details for each company are available in the 2024 Annual Activity Report.



ISS ESG THEMATIC ENGAGEMENT APPROACH

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

Through ISS ESG's Net Zero Thematic Engagement, clients aim to improve companies' commitments to reach Net Zero emissions by 2050 by calling for ambitious targets and decarbonisation strategies.

ENGAGEMENT PROCESS

ISS ESG's Thematic Engagement follows a structured process, with the first engagement cycle for Net Zero spanning two years and the second cycle extending over three years. The process starts by identifying target companies and setting objectives and key performance indicators in line with investor expectations. Both the company selection and the objective setting leverages ISS ESG proprietary data and research, as well as internal expertise.

The engagement dialogue is initiated through letters to companies, sent by ISS ESG on behalf of participating investors. Dialogue may be conducted in writing or through meetings, facilitated by ISS ESG. Some companies require repeated follow-ups to respond. Should the company remain unresponsive, enquiries are escalated to the CEO and the Board.

At the end of each engagement cycle, ISS ESG will assess the opportunity to extend or close engagements.

ENGAGEMENT OUTCOMES

ISS ESG's Thematic Engagement includes regular measurements of the outcome of the engagement dialogue, both at the level of each objective as well as at an aggregate level of each company engagement. The outcome measurements are based on improvements in each company's alignment with the requirements for each engagement objective, as evidenced by their public disclosures and assessed in the relevant ISS ESG data and research (checked twice a year); as well as ISS ESG's assessment of the quality of each company's participation in the engagement.

REPORTING

Participating investors are informed of the progress of engagements through quarterly and annual progress reports. The reports provide an overview of the engagement stage reached for each company, details of interactions as well as company responses.

In the quarter following the check of the ISS ESG data on the requirements for each objective, the reports also include measurements of progress against each engagement objective as well as the overall engagement success.



NET ZERO THEMATIC ENGAGEMENT

The far-reaching impacts of climate change on the environment, society, and financial assets are now widely recognised. 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.

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 GtCO₂ e), 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. 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.

FIRST CYCLE COMPANY SELECTION

The first engagement cycle ran from Q1 2022 until Q1 2024. Relevant companies for engagement were selected on the basis of the following factors:

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



FIRST CYCLE NET ZERO TARGET LIST

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

FIRST CYCLE ENGAGEMENT OBJECTIVES

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

1. 2050 Net Zero GHG emissions target

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

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

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

3. Decarbonisation strategy

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



SECOND CYCLE COMPANY SELECTION

The second engagement cycle will run from Q2 2024 until the end of Q1 2027. Relevant companies for engagement are selected on the basis of the following factors:

- High market capitalisation.
- Highest emitters in high impact sectors (absolute GHG emissions data for scope 1, 2 and 3).
- Excluded Oil & Gas Equipment & Services and Oil & Gas Storage & Transportation.
- Implied temperature rise $\geq 2^{\circ}\text{C}$ using ISS ESG's Scenario Alignment data.
- Excluded Climate Leaders according to ISS ESG's Carbon Risk Rating.
- Excluded 'Aligning' companies according to ISS ESG's Net Zero Alignment data.
- No or only partial fulfilment of the engagement objectives and KPIs, based on ISS ESG's Net Zero Alignment dataset.

Relevant companies included in the first engagement cycle were also considered for inclusion, resulting in two companies (EOG Resources, Inc. and FirstEnergy Corp.) being included in both engagement cycles.

SECOND CYCLE NET ZERO TARGET LIST

Aker BP ASA	Exelon Corporation
ArcelorMittal SA	FirstEnergy Corp.
Arkema SA	General Dynamics Corporation
Atlas Copco AB	Honda Motor Co., Ltd.
BAE Systems Plc	Ingersoll Rand Inc.
BASF SE	INPEX Corp.
BKW AG	JSW Steel Limited
Boliden AB	Linde Plc
Bouygues SA	LyondellBasell Industries NV
Caterpillar, Inc.	Mitsubishi Heavy Industries, Ltd.
Chevron Corporation	Nucor Corporation
CNH Industrial NV	OCI NV
ConocoPhillips	PACCAR Inc
Constellation Energy Corporation	Public Service Enterprise Group Incorporated
Coterra Energy Inc.	Rio Tinto plc



Covestro AG	RTX Corp.
Daimler Truck Holding AG	Samsung C&T Corp.
Deere & Company	Shin-Etsu Chemical Co., Ltd.
Dover Corporation	Stellantis NV
Dow Inc.	Suzuki Motor Corp.
Eaton Corporation plc	The Boeing Company
EMS-Chemie Holding AG	The Southern Company
ENGIE SA	Valero Energy Corporation
EOG Resources, Inc.	Valmet Corp.
Evonik Industries AG	Woodside Energy Group Ltd.

SECOND CYCLE ENGAGEMENT OBJECTIVES

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

1. 2050 Net Zero GHG emissions target

- The company should make a Net Zero GHG emissions ambition statement that explicitly includes a vast majority of scope 1 and 2 emissions.
- The company's Net Zero GHG emissions ambition should cover material scope 3 GHG emissions categories.

2. Medium-term greenhouse gas reduction target (2025 to 2035)

- The company should set a medium-term (2025 to 2035) target for reducing its GHG emissions on a clearly defined scope of emissions.
- The medium-term (2025 to 2035) GHG reduction target should cover the vast majority of scope 1 and 2 emissions and material scope 3 emissions.
- The target should be aligned with the goal of limiting global warming to 1.5°C.

3. Decarbonisation strategy

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



2024: A YEAR IN REVIEW

EVOLVING NET ZERO LANDSCAPE

Throughout 2024, there have been several key developments in climate-related reporting, Net Zero commitments, and the role of investors in driving change.

Since the International Sustainability Standards Board (ISSB) introduced IFRS S1 (*General Requirements for Disclosure of Sustainability-related Financial Information*) and IFRS S2 (*Climate-related Disclosures*) in June 2023, over [30 jurisdictions](#) have committed to using IFRS Sustainability Disclosure Standards as the foundation for national regulations. For example, [Australia's Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024](#) introduced mandatory climate-related disclosures in annual reports, implementing a phased approach starting from FY 2025. The Australian Accounting Standards Board has also developed disclosure rules based on the ISSB's baseline standards.

Meanwhile, large companies are preparing their first [Corporate Sustainability Reporting Disclosure](#) (CSRD) compliant reports, which include enhanced disclosure requirements designed to provide investors with more decision-useful information on companies' climate-related risks, mitigation strategies, and transition plans. In the U.S., the Securities and Exchange Commission finalised climate disclosure [rules](#) in 2024, mandating that companies report certain climate risks and environmental data. However, the final rules exclude scope 3 GHG emissions reporting and only require disclosure of scope 1 and/or scope 2 GHG emissions when they are deemed material.

On target setting, the OECD's [Climate Action Monitor 2024](#) highlights that as of August 2024, 110 Parties—representing 88% of global GHG emissions—had pledged Net Zero targets. However, the report warns that even if all commitments are met, total emissions would still significantly exceed the 8 GtCO₂e level estimated to be necessary to limit global warming to 1.5°C. At the corporate level, the [Net Zero Tracker's 2024 assessment](#) of the intent and integrity of global climate commitments shows some progress where the number of company Net Zero targets meeting all minimum integrity criteria has increased by 63% since June 2023. Additionally, the Science Based Targets initiative (SBTi) highlighted that the number of companies with science-based targets exceeded [6,000 in 2024](#). It noted that regionally, Europe leads with 3,123 companies having validated science-based targets, followed by Asia (1,886) and North America (709).

An increasing number of investors are committing to transition their investment portfolios to Net Zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial temperatures. The [Net Zero Asset Managers Target Disclosures Report 2024](#) emphasises the growth of the initiative since its inception in December 2020, where over 325 asset managers, representing over USD 57.5 trillion in assets under management, have made individual commitments. Additionally the Net Zero Asset Owner Alliance published its fourth [Progress Report](#), which highlights the growing commitment and leadership in the financial sector, where a total of 81 members have now set targets. For these investors, one of the main means of implementation of their Net Zero targets is through engagement with companies, [which a 2024 International Platform on Sustainable Finance report](#) noted is a crucial aspect of transition finance. As stated in the [commitment of the Net-Zero Asset Owner Alliance members](#), “*engagement is an obvious and necessary component to ensure that the global economy, individual sectors and ultimately companies set out on transition pathways which deliver the necessary emission reductions needed to keep global warming to 1.5°C. That is why the Alliance has a strong focus on ‘advocating and engaging on a low carbon transition’.*” In 2024, the Net



Zero Asset Owner Alliance disclosed a [call-to-action](#) to all asset managers, to focus on addressing the systemic risk of climate change, and highlighted the importance of moving to outcomes-focused corporate engagement.

ENGAGEMENT OBJECTIVE PROGRESS

Progress against the relevant engagement objectives for each company considers a combination of improvements in the company's alignment with the requirements for each objective, as well as the quality of participation in the engagement.

In the first engagement cycle (Q1 2022-Q1 2024), ISS ESG observed a positive trend in the progress towards all three engagement objectives since the engagement was initiated. For each of the engagement objectives, over 40% of the target companies which had not fulfilled these at the start of the engagement were assessed as either having 'Achieved' or 'Partly Achieved' the objectives by the end of Q1 2024. The engagement objective with the highest share of companies (58%) which were assessed as 'Achieved' was objective 3, related to decarbonisation strategies.

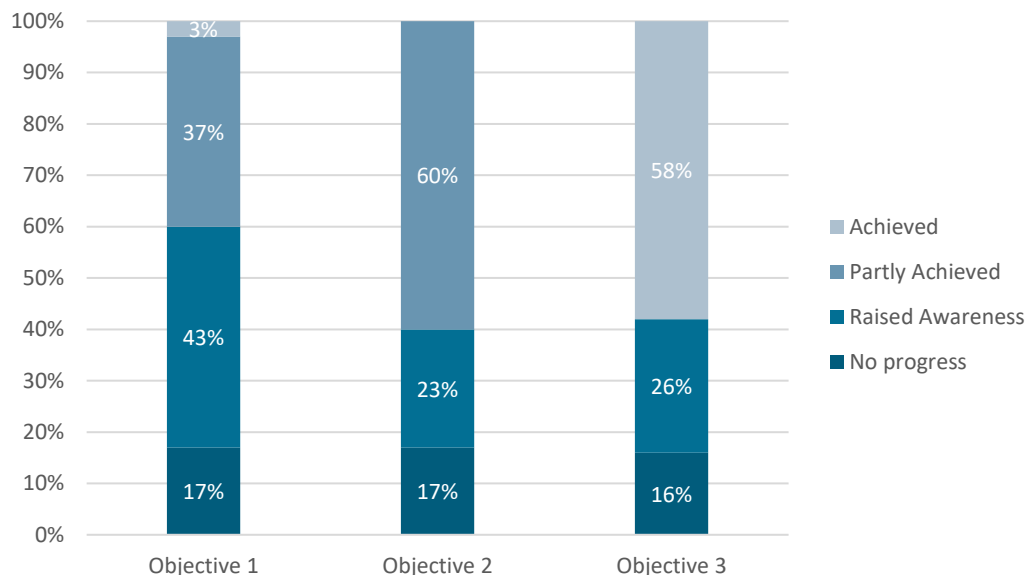
For engagement objectives 2 and 3, related to medium-term GHG reduction targets and decarbonisation strategies, around one quarter of the target companies did not make any progress in their alignment with the underlying indicators – however they demonstrated a positive quality of participation, and the respective objectives were therefore assessed as having reached the level of 'Raised Awareness'. This increased to 43% for engagement objective 1, related to a 2050 Net Zero GHG emissions target. For each engagement objective, the share of companies for which there is no progress noted – either in terms of their participation in the dialogue or in terms of their alignment with the underlying indicators – is around 17%.

Looking in more detail at each specific engagement objective and the underlying requirements, ISS ESG noted the following trends:

- **Objective 1 – 2050 Net Zero GHG emissions target:** there was a substantial increase noted both in the share of companies committing to achieving Net Zero emissions by 2050 (43%), as well as for 2050 Net Zero pledges that covered the majority (95%) of scope 1 and 2 emissions (37%). No improvements were noted in relation to targets covering the most relevant scope 3 emissions.
- **Objective 2 – Medium-term greenhouse gas reduction target (2025-2030):** Improvements were noted across most underlying requirements for this engagement objective, with the exception of the publication of the methodology used to define the scope 3 target. The greatest improvements noted were in relation to companies setting a medium-term target (57%), and for such targets to cover at least 95% of scope 1 and 2 emissions (35%). Improvements were also noted for a smaller number of companies (17%) in relation to targets covering the most relevant scope 3 emissions, and targets that were aligned to a 1.5°C scenario (10%).
- **Objective 3 – Decarbonisation strategy:** There was an increase noted both in the share of companies quantifying their decarbonisation efforts (58%) as well as the share of companies disclosing qualitative actions (60%).



Engagement Objective Progress at the end of Q1 2024 (first engagement cycle)



In relation to the second engagement cycle, ISS ESG has observed a positive trend in the progress towards all three engagement objectives since the engagement was initiated in Q2 2024. At the end of Q3 2024, the most progress had been noted on engagement objective 1 related to long-term GHG reduction targets, where 5 of the target companies which had not fulfilled the objective at the start of the engagement were assessed as either having ‘Achieved’ or ‘Partly Achieved’ the objective by the end of Q3 2024.

For engagement objective 2, related to medium-term GHG reduction targets, one company which had not fulfilled the objective at the start of the engagement was assessed as having ‘Partly Achieved’ the objective by the end of Q3 2024. However, 20 further companies had demonstrated a positive quality of participation (despite not improving on the underlying indicators), and the engagement was assessed to have ‘Raised Awareness’. In relation to engagement objective 3, related to decarbonisation strategies, none of the companies are yet to make progress in their alignment with the underlying indicators, however one company had demonstrated a positive quality of participation, and the engagement was assessed as ‘Raised Awareness’.

For the first two engagement objectives, the share of companies for which there was no progress noted – either in terms of their participation in the dialogue or in terms of their alignment with the underlying indicators – was around 50% each. For the third objective around decarbonisation strategies, the share of companies for which there is no progress noted was 89%.

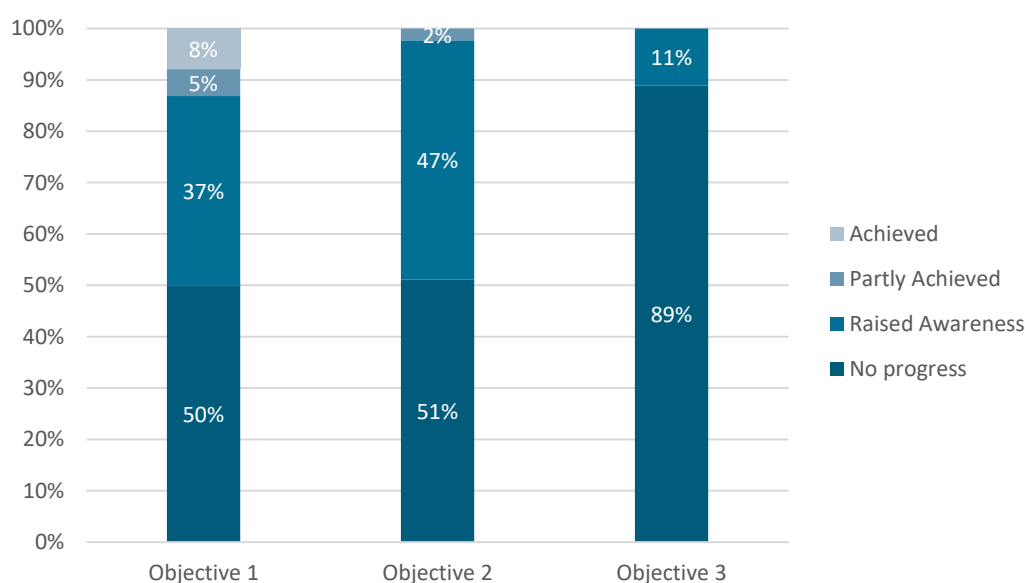
Looking in more detail at each specific engagement objective and the underlying requirements, ISS ESG noted the following trends:

- Objective 1 – 2050 Net Zero GHG emissions target:** Improvements were noted across all of the underlying requirements for this engagement objective. The greatest improvements noted were in relation to the share of companies committing to achieving Net Zero emissions by 2050, as well as the share of 2050 Net Zero pledges covering the majority (95%) of scope 1 and 2 emissions. The least improvements noted were regarding targets covering the most relevant scope 3 emissions.



- **Objective 2 – Medium-term greenhouse gas reduction target (2025-2035):** No improvements were noted in relation to companies setting a medium-term target or targets that are aligned to a 1.5°C scenario. The greatest improvements noted were in relation to companies setting a medium-term target to cover at least 95% of scope 1 and 2 emissions followed by targets which are covering the most relevant scope 3 emissions.
- **Objective 3 – Decarbonisation strategy:** No improvements were noted in the number of companies quantifying their decarbonisation efforts or disclosing qualitative actions to achieve their decarbonisation objectives.

Engagement Objective Progress at the end of Q3 2024 (second engagement cycle)



OVERALL ENGAGEMENT SUCCESS

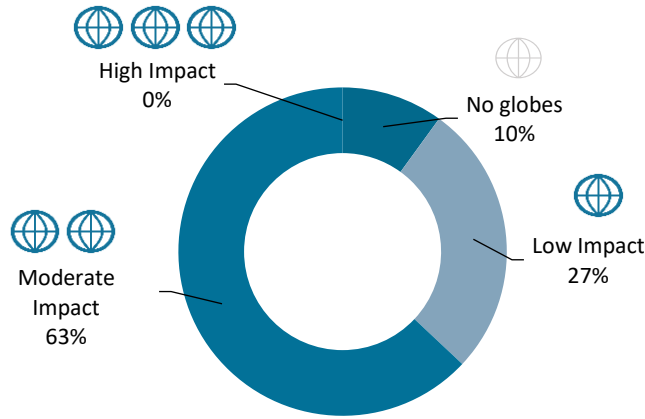
The overall success and impact of the engagement with each company is an aggregate measure of the progress towards all of the relevant engagement objectives. Each company engagement is categorised in one of four levels with an easy-to-follow illustration of zero to three globes, which takes into consideration both whether a dialogue has been established and awareness of the issues has been raised, and/or whether the company has improved its alignment with the objectives – as evidenced in its public disclosures. Given the approach of combining both the participation in the dialogue and the progress towards the objectives, there is a range of different scenarios for each globe level.

At the end of the first engagement cycle in Q1 2024, ISS ESG noted an impact with the large majority (90%) of target companies. For 63% of the companies, the engagement was assessed to have a ‘Moderate Impact’. This includes companies which made progress towards at least one objective and addressed the engagement questions, or which made progress towards two objectives or more. For another 27% of the companies, the impact was assessed to be ‘Low’. This includes companies which addressed the engagement questions but did not make any progress towards any of the engagement objectives. It also includes companies which made progress towards at least one engagement objective, even if they did not address the engagement questions. The share of companies which



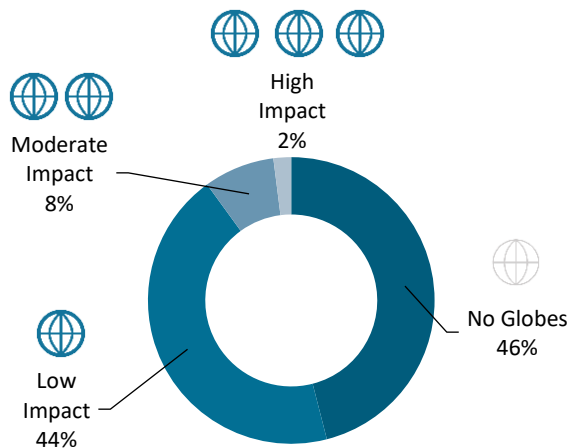
neither addressed the engagement questions nor demonstrated any progress towards any of the objectives, is 10%.

Engagement Success at the end of Q1 2024 (first engagement cycle)



For the second engagement cycle, as of the end of Q3 2024, ISS ESG noted an impact with 54% of target companies. For 2% of the companies, the engagement was assessed to have a ‘High Impact’. This includes companies which had been assessed as ‘Achieved’ for all three engagement objectives that were not fulfilled at the initiation, or for companies that had made significant progress towards them. For 8% of the companies, the engagement was assessed to have a ‘Moderate Impact’. This includes companies which had made progress towards at least one objective and addressed the engagement questions, or which had made progress towards two objectives or more. For another 44% of the companies, the impact was assessed to be ‘Low’. This includes companies which had addressed the engagement questions but had not yet made any progress towards any of the engagement objectives. It also includes companies which made progress towards at least one engagement objective, even if they had not addressed the engagement questions. The share of companies which had neither addressed the engagement questions nor demonstrated any progress towards any of the objectives, is 46%.

Engagement Success at the end of Q3 2024 (second engagement cycle)

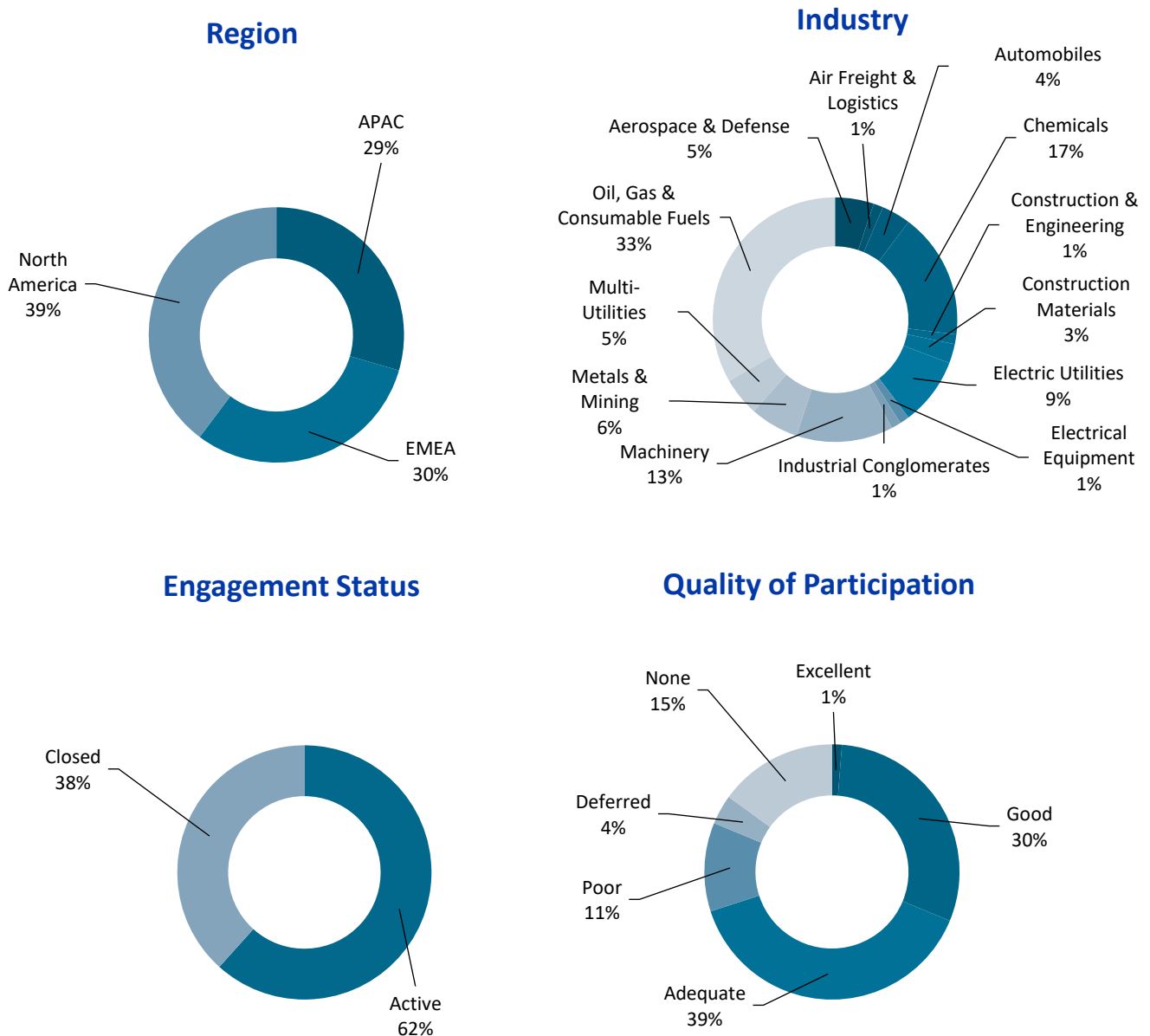




ENGAGEMENT STATISTICS

The following statistics provide an overview of the geographic and industry distribution of the Net Zero Thematic Engagement target companies from the first and second engagement cycles, as well as engagement status and quality of participation as of the end of Q4 2024.













Summary charts, as of 31 December 2024.

















NOTE: "Industry" refers to **Global Industry Classification Standard (GICS) Industry**. **Quality of Participation** definition: **Excellent:** The company has replied and substantially addressed all elements of the questions. **Good:** The company has replied and addressed most elements of the questions. **Adequate:** The company has replied, but only partially addressed the questions posed. **Poor:** The company has replied but not addressed the questions posed. **Deferred:** The company has replied, acknowledging the enquiry, but requested more time to respond, transferred the responsibility to another function in the company, and/or agreed to schedule a meeting in which it will provide more information. **None:** The company has not replied. Due to rounding, totals might not add up to 100%.












ENGAGEMENT SUMMARY TABLE

This table lists the number of interactions that took place throughout 2024, as well as the engagement stage and engagement success. During 2024, ISS ESG conducted 80 Net Zero Thematic Engagements on behalf of participating investors with 78 unique issuers.
















ISSUER NAME	DOMICILE	ENGAGEMENT CYCLE INITIATION	ENGAGEMENT STAGE	NUMBER OF OUTBOUND INTERACTIONS	NUMBER OF INBOUND INTERACTIONS	TOTAL NUMBER OF INTERACTIONS	ENGAGEMENT SUCCESS
Aker BP ASA	Norway	Q2 2024	Ongoing dialogue	6	2	8	
Ameren Corporation	USA	Q1 2022	Ongoing dialogue	2	1	3	 
Anhui Conch Cement Company Limited	China	Q1 2022	Escalation	1	0	1	 
ArcelorMittal SA	Luxembourg	Q2 2024	Ongoing dialogue	2	2	4	
Arkema SA	France	Q2 2024	Ongoing dialogue	2	1	3	  
Atlas Copco AB	Sweden	Q2 2024	Ongoing dialogue	3	2	5	
BAE Systems Plc	United Kingdom	Q2 2024	Ongoing dialogue	3	2	5	
BASF SE	Germany	Q2 2024	Ongoing dialogue	3	3	6	














BKW AG	Switzerland	Q2 2024	Ongoing dialogue	3	2	5	
Boliden AB	Sweden	Q2 2024	Ongoing dialogue	4	2	6	
Bouygues SA	France	Q2 2024	Ongoing dialogue	3	3	6	
Canadian Natural Resources Limited	Canada	Q1 2022	Ongoing dialogue	2	1	3	 
Caterpillar, Inc.	USA	Q2 2024	Ongoing dialogue	5	2	7	
Chevron Corporation	USA	Q2 2024	Ongoing dialogue	5	3	8	
China Petroleum & Chemical Corporation	China	Q1 2022	Escalation	1	0	1	 
China Shenhua Energy Company Limited	China	Q1 2022	Ongoing dialogue	1	0	1	 
CNH Industrial NV	Netherlands	Q2 2024	Ongoing dialogue	3	2	5	 
CNOOC Limited	Hong Kong	Q1 2022	Escalation	1	0	1	









ConocoPhillips	USA	Q2 2024	Escalation	4	0	4	
Constellation Energy Corporation	USA	Q2 2024	Ongoing dialogue	5	3	8	
Coterra Energy Inc.	USA	Q2 2024	Ongoing dialogue	6	4	10	
Covestro AG	Germany	Q2 2024	Ongoing dialogue	3	2	5	
Daimler Truck Holding AG	Germany	Q2 2024	Ongoing dialogue	2	2	4	
Deere & Company	USA	Q2 2024	Ongoing dialogue	4	2	6	
Dover Corporation	USA	Q2 2024	Ongoing dialogue	6	2	8	
Dow Inc.	USA	Q2 2024	Ongoing dialogue	2	2	4	
DTE Energy Company	USA	Q1 2022	Escalation	1	0	1	 
Eaton Corporation plc	Ireland	Q2 2024	Ongoing dialogue	3	2	5	
EMS-Chemie Holding AG	Switzerland	Q2 2024	Ongoing dialogue	5	2	7	
Energy Transfer LP	USA	Q1 2022	Ongoing dialogue	3	2	5	

ENGIE SA	France	Q2 2024	Ongoing dialogue	2	2	4	
EOG Resources, Inc.	USA	Q1 2022	Ongoing dialogue	1	0	1	
EOG Resources, Inc.	USA	Q2 2024	Ongoing dialogue	5	2	7	
Evonik Industries AG	Germany	Q2 2024	Ongoing dialogue	3	3	6	
Exelon Corporation	USA	Q2 2024	Ongoing dialogue	5	2	7	
FirstEnergy Corp.	USA	Q1 2022	Ongoing dialogue	1	0	1	
FirstEnergy Corp.	USA	Q2 2024	Ongoing dialogue	3	3	6	
Formosa Petrochemical Corp.	Taiwan	Q1 2022	Escalation	1	0	1	 
Formosa Plastics Corp.	Taiwan	Q1 2022	Ongoing dialogue	1	0	1	 
Fortis Inc.	Canada	Q1 2022	Ongoing dialogue	2	0	2	 
General Dynamics Corporation	USA	Q2 2024	Ongoing dialogue	3	2	5	

Hengli Petrochemical Co., Ltd.	China	Q1 2022	Escalation	1	0	1	
Honda Motor Co., Ltd.	Japan	Q2 2024	Ongoing dialogue	4	2	6	
Imperial Oil Limited	Canada	Q1 2022	Ongoing dialogue	1	0	1	 
Ingersoll Rand Inc.	USA	Q2 2024	Escalation	4	0	4	 
INPEX Corp.	Japan	Q2 2024	Ongoing dialogue	5	2	7	
JSW Steel Limited	India	Q2 2024	Ongoing dialogue	5	3	8	 
Kinder Morgan, Inc.	USA	Q1 2022	Ongoing dialogue	1	0	1	 
Linde Plc	Ireland	Q2 2024	Ongoing dialogue	4	2	6	
LyondellBasell Industries N.V.	Netherlands	Q2 2024	Ongoing dialogue	5	1	6	
Marathon Petroleum Corporation	USA	Q1 2022	Ongoing dialogue	1	0	1	 
Mitsubishi Heavy Industries, Ltd.	Japan	Q2 2024	Ongoing dialogue	3	1	4	

Nucor Corporation	USA	Q2 2024	Escalation	4	0	4	 
Occidental Petroleum Corporation	USA	Q1 2022	Ongoing dialogue	3	1	4	 
OCI NV	Netherlands	Q2 2024	Ongoing dialogue	6	2	8	
Oil & Natural Gas Corp. Ltd.	India	Q1 2022	Ongoing dialogue	3	1	4	
ONEOK, Inc.	USA	Q1 2022	Ongoing dialogue	1	0	1	
PACCAR Inc	USA	Q2 2024	Ongoing dialogue	7	3	10	
PetroChina Company Limited	China	Q1 2022	Ongoing dialogue	2	1	3	 
Phillips 66	USA	Q1 2022	Ongoing dialogue	1	0	1	 
PTT Public Co., Ltd.	Thailand	Q1 2022	Ongoing dialogue	1	0	1	 
Public Service Enterprise Group Incorporated	USA	Q2 2024	Ongoing dialogue	4	1	5	

Reliance Industries Ltd.	India	Q1 2022	Ongoing dialogue	3	0	3	
Rio Tinto plc	United Kingdom	Q2 2024	Ongoing dialogue	3	2	5	
Rongsheng Petrochemical Co., Ltd.	China	Q1 2022	Escalation	1	0	1	
RTX Corp.	USA	Q2 2024	Ongoing dialogue	6	1	7	
S.F. Holding Co., Ltd.	China	Q1 2022	Ongoing dialogue	2	1	3	 
Samsung C&T Corp	South Korea	Q2 2024	Ongoing dialogue	6	1	7	
Saudi Arabian Oil Co.	Saudi Arabia	Q1 2022	Ongoing dialogue	1	0	1	 
Saudi Electricity Co.	Saudi Arabia	Q1 2022	Escalation	1	0	1	
Shaanxi Coal Industry Co., Ltd.	China	Q1 2022	Escalation	1	0	1	
Shin-Etsu Chemical Co., Ltd.	Japan	Q2 2024	Ongoing dialogue	5	2	7	
Stellantis NV	Netherlands	Q2 2024	Ongoing dialogue	6	3	9	

Suzuki Motor Corp.	Japan	Q2 2024	Ongoing dialogue	4	3	7	
The Boeing Company	USA	Q2 2024	Ongoing dialogue	4	2	6	
The Southern Company	USA	Q2 2024	Ongoing dialogue	6	4	10	
UltraTech Cement Ltd.	India	Q1 2022	Escalation	0	0	0	 
Valero Energy Corporation	USA	Q2 2024	Ongoing dialogue	5	3	8	
Valmet Corp.	Finland	Q2 2024	Ongoing dialogue	4	2	6	
Woodside Energy Group Ltd.	Australia	Q2 2024	Ongoing dialogue	5	3	8	

Note: For the companies engaged during the first engagement cycle, the reported engagement stage corresponds to the last engagement stage before the closure of the cycle.



CASE STUDIES

The following section outlines case studies of positive dialogues noted in 2024. Further details on the dialogue with companies are available in each respective Quarterly Progress Report, as well as the Activity Reports.

Arkema SA		ISIN FR0010313833
THEME Net Zero	DOMICILE France	
SUMMARY	<p>Since the initiation of the engagement in Q2 2024, ISS ESG has facilitated dialogue with Arkema SA through written communication in Q3 2024.</p> <p>Through the dialogue, the company explained that it had set targets aligned with a 1.5°C trajectory and validated by the Science-Based Targets initiative (SBTi), which covers 90% of scope 1 and 2 and 90% of scope 3 emissions. The company mentioned that it aimed to achieve a 90% reduction in greenhouse gas emissions by 2050 compared to 2019 levels across all three scopes. Lastly, it shared that reaching Net Zero is an ambitious goal requiring detailed analysis and understanding of key drivers, and the company was currently in the early stages of this process.</p> <p>Following this communication, Arkema SA was assessed to have a quality of participation of 'Good'. The company improved on objective 1, in relation to setting a Net Zero target that covers the vast majority ($\geq 95\%$) of its combined scope 1 and 2 emissions and material scope 3 emissions. The company therefore achieved all requirements of the engagement objectives that were not fulfilled at the engagement initiation. ISS ESG closed the engagement with Arkema SA in Q3 2024.</p>	



<p>BKW AG</p>	<p>ISIN CH0130293662</p>
<p>THEME Net Zero</p>	<p>DOMICILE Switzerland</p>
<p>SUMMARY</p>	<p>Since the initiation of the engagement in Q2 2024, ISS ESG has facilitated dialogue with BKW AG through an engagement meeting in Q4 2024.</p> <p>During the meeting, the company highlighted its existing goals such as its Net Zero target for 2040 including scope 1 and 2 emissions. With regard to its medium-term target, the company shared that it has established a goal for a 50% reduction of scope 1 and 2 emissions by 2030 compared to 2022 levels. The company also noted that its upcoming sustainability report is due to be published in the next three months which is anticipated to detail its scope 3 plans. With regard to scope 3, the company stated that its targets are still being finalised but are intended to be in alignment with Net Zero by 2050. In addition, the company noted that it anticipates setting a medium-term target for scope 3. The company also outlined some challenges it faced with scope 3 data collection. The company specifically pointed to the services area of the organisation, highlighting the complexity of tracking its emissions across a multitude of projects. With regard to Science Based Targets Initiative (SBTi)-validated targets, the company acknowledged the sectoral guidance for the power sector but stated that it is not pursuing SBTi validation at present. The company highlighted that whilst it is committed to reassessing alignment with a 1.5°C target, the challenges it faces with data collection and the requirements of the SBTi made an SBTi commitment difficult. In addition, the company shared that it is planning to conduct readiness checks internally for compliance with the Corporate Sustainability Reporting Directive (CSRD) with an anticipated adoption of the CSRD framework for reporting in 2026.</p> <p>Following the engagement meeting, BKW AG was assessed to have a quality of participation of 'Good'. ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as setting a Net Zero target that covers the most material scope 3 emissions; a medium-term target that covers the vast majority of its combined scope 1 and 2 emissions as well as the most material scope 3 emissions; a target validated by the Science Based Targets initiative; and the public disclosure of a decarbonisation strategy in relation to ambitious targets.</p>



Eaton Corporation plc		ISIN IE00B8KQN827
THEME Net Zero	DOMICILE Ireland	
SUMMARY	<p>Since the initiation of the engagement in Q2 2024, ISS ESG has facilitated dialogue with Eaton Corporation plc through an engagement meeting in Q4 2024.</p> <p>During the meeting, which had the primary objective of discussing whether the company would consider setting a Net Zero target that covers the most material scope 3 emissions, the company stated that in 2020 it had set goals for carbon reductions. It explained that it used the 1.5°C requirement for scopes 1 and 2, and the 2°C requirement for scope 3 which was accepted by the Science Based Targets Initiative (SBTi) at the time. The company noted pursuant to this that the requirements for scope 3 were subsequently amended by the SBTi from a 2°C alignment to 1.5°C. The company shared that its existing goal to reduce scope 3 emissions by 15% by 2030 against a 2018 baseline, is expected to be updated. The company stated that it is in the process of submitting a 2050 Net Zero goal to the SBTi, which covers scopes 1, 2 and 3. The company highlighted that it is responding to the Corporate Sustainability Reporting Directive (CSRD) and will announce its Net Zero goal pursuant to SBTi approval, via the CSRD reporting mechanism. The company added that as a member of the SBTi's Business Ambition for 1.5°C Campaign, it is working towards a 1.5°C aligned future. The company shared examples of how it is engaging suppliers on emissions reductions and collecting suppliers' emissions data, noting that it tracks its top 500 suppliers and estimates a 90% engagement rate. The company emphasised that carbon offsets are not a priority in its Net Zero approach and explained that offsets and credits would only account for 10% of its overall investment if required.</p> <p>Following the engagement meeting, Eaton Corporation plc was assessed to have a quality of participation of 'Excellent'. ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as setting a Net Zero target that covers the most material scope 3 emissions.</p>	



<p>JSW Steel Limited</p>		<p>ISIN INE019A01038</p>
<p>THEME Net Zero</p>	<p>DOMICILE India</p>	
<p>SUMMARY</p>	<p>Since the initiation of the engagement in Q2 2024, ISS ESG has facilitated dialogue with JSW Steel Limited through written dialogue in Q2 2024, Q3 2024 and Q4 2024, as well as an engagement meeting in Q4 2024.</p> <p>During the engagement meeting, the company explained that after its 2030 target (to reduce scope 1 and 2 emissions by approximately 23%) was approved by the Board, it then considered the longer term and pledged to achieve carbon neutrality by 2050 (covering scopes 1 and 2). This pledge was subsequently disclosed in its Climate Action Report 2024 'Sustainable Steel for a Better Everyday', and the company therefore improved on objective 1, in relation to setting a Net Zero target that covers the vast majority (>=95%) of its combined scope 1 and 2 emissions. Additionally, through the dialogue, the company discussed having its targets validated by the Science Based Targets initiative (SBTi), and shared that it provided input to the SBTi Expert Advisory Group in developing guidance for the steel sector for 1.5°C. The company also explained that scope 3 emissions currently represent about 10-15% of its total emissions and are therefore not included in its targets. The company explained that its decarbonisation strategy, which is detailed in its 2024 Climate Action Report, includes Phase 1 (up to 2030) which is focused on adopting renewable energy sources, and Phase 2 (2030 and beyond), which aims to implement technological pathways like green hydrogen, carbon capture and storage, and electric arc furnaces. The company also noted that it is pursuing circular economy practices, increasing scrap input, and exploring recycled content, and highlighted its work with partners such as Boston Metals and Electra to enhance electrolysis in iron production and explained that it is closely monitoring global technological advances.</p> <p>ISS ESG will continue to monitor the company's progress against the objectives. The engagement dialogue going forward will focus on outstanding points such as setting a Net Zero and medium-term target that cover the most material scope 3 emissions; and a target validated by the Science Based Targets initiative.</p>	



CLOSED ENGAGEMENTS

The following engagement conducted on behalf of participating investors was closed during the second engagement cycle in 2024. The table below provides further information on the engagement closure.

Arkema SA	ISIN	DOMICILE
	FR0010313833	France
<p>ENGAGEMENT STATUS</p> <p>Closed</p>		
<p>MOTIVATION FOR ENGAGEMENT CLOSURE</p> <p>ISS ESG closed this engagement during the second engagement cycle in Q3 2024 as the company achieved all requirements of the engagement objectives that were not fulfilled at the engagement initiation, thus determining the engagement success as High Impact.</p> <p>ISS ESG's underlying data shows that since the beginning of the engagement cycle, the company improved on objective 1, in relation to setting a Net Zero target that covers the vast majority ($\geq 95\%$) of its combined scope 1 and 2 emissions and material scope 3 emissions.</p>		



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