



NORDIC
ENGAGEMENT
COOPERATION

Annual Report 2023

A collaborative engagement
network between

PFA Folksam

ILMARINEN

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ABOUT THE NORDIC ENGAGEMENT COOPERATION

Launched in 2009, the Nordic Engagement Cooperation (NEC) consists of three Nordic institutional investors as regular members: The Folksam Group from Sweden, Ilmarinen Mutual Pension Insurance Company from Finland, and PFA Pension from Denmark.

PFA is an independent pension company that was founded in 1917 by the labour market operators to create mobility in the Danish labour market and ensure pensions for those no longer able to work. Today, we have more than 1.3 million individual and 6,000 corporate and organisational customers and around EUR 83 billion in customer funds making us the largest commercial pension company in Denmark. To preserve the trust our customers have placed in us we invest with a view towards managing our customers' interests as best as possible. PFA manages the vast majority of its total investment funds internally and with knowledge-sharing, we regard these as good prerequisites for wielding influence via ownership dialogues. Fundamentally, we would rather be invested in a transition than waiting for it to have already taken place. PFA thus prioritizes being an active owner that influences companies to choose a sustainable direction and thus ensure long-term value creation via a reduction of the sustainability risks associated with PFA's investments. For more on PFA and responsible investments, please see pfa.dk.

Founded in 1908, **Folksam** is one of the largest insurance and pension providers in Sweden. Folksam insures every second family home and person in Sweden and the company is also one of the largest asset owners in the country with more than 50 billion EUR in assets under management at the end of 2023. As a pioneer within responsible investments, Folksam has spent more than two decades engaging with its portfolio companies on issues related to climate change and the environment, human rights and anti-corruption. Folksam is one of the co-founders of the UN convened Net Zero Asset Owner Alliance, which means that the company has committed to transitioning its investment portfolios to net zero by 2050. Folksam is headquartered in Stockholm, Sweden. For more details, please visit www.folksam.se.

Ilmarinen is the largest private earnings-related pension insurance company in Finland with around EUR 59 billion assets under management. As a mutual pension insurance company, Ilmarinen is wholly owned by our customers. Ilmarinen offers statutory employee and entrepreneur pension insurance for employers and entrepreneurs operating in Finland. Ilmarinen also promotes a better working life and thus help customers succeed. In total, Ilmarinen is responsible for the pension security of almost 1,2 million people. Ilmarinen's mission is to invest pension assets in a profitable, secure, and responsible manner. Ilmarinen is a long-term investor, and it is its duty to act in the best interests of its clients and pensioners. Responsibility is an integral part of Ilmarinen's investment activities. Ilmarinen was the first Finnish investor to sign the UN's Principles for Responsible Investment (UNPRI) in 2006 and one of the co-founders of Finsif – Finland's Sustainable Investment Forum in 2010. For more details, please see [Ilmarinen.fi](https://ilmarinen.fi).

We have made the strategic decision to cooperate by knowledge sharing and coordinating engagement activities, to complement our individual engagement strategies on environmental, social and governance (ESG) issues.

Our purpose is to drive positive change and results in our selected engagements' goals, and to provide knowledge sharing that supports our engagement strategies.

Collectively we have approximately EUR 192 billion in assets under management as of the end of 2023.

SHARED FOUNDATIONS AND BELIEF

The NEC partnership is built on the belief in constructive dialogue as the most efficient tool to achieve change. Our cooperation flows from shared foundations in the members' values and principles as responsible investors, material ESG-risks and opportunities to our investment strategies and / or commonly held companies. While not necessarily universal for all regular members of NEC, as Nordic institutional investors we share a common background and understanding as:

- 1) Pension companies with long-term investment horizons
- 2) Customer-owned or profit-sharing business models
- 3) Holistic and ambitious approach to sustainability, striving to be leading investors in terms of managing ESG issues through
 - a. collaborative engagement (proactive and reactive)
 - b. active knowledge sharing to deepen our understanding of complex ESG-issues
- 4) Emphasis on human rights and workers' rights as core principles
- 5) Acknowledgement of our societal role and potential positive and negative impacts from our investments
- 6) Signatories / integration of well-established, international conventions and standards, including UN Global Compact, UN PRI, OECD Guidelines for Multinational Enterprises, the Paris-agreement and responsible tax practices with regards to tax evasion and avoidance.

OUR APPROACH

NEC is an integrated part of the members' regular engagement work. We engage with companies in assistance with our service provider Sustainalytics. If the engagement goals are not achieved, other tools are also available, such as investor letters and filing resolutions.

The engagement process is based on the identification of at least one of the following:

- a) **Proactive thematic engagements:** proactive themes with material or principal value to NEC, and considered to be positive ESG opportunities
- b) **Conflict areas:** areas of conflict, its central dynamics and risks – and how they materialise on a company level

- c) **Incidents:** systematic screening of companies regarding their compliance with well-established international conventions and guidelines within the framework of the UN Global Compact and OECD Guidelines for Multinational Enterprises.

NEC engages with companies that are, have been, or are at risk of being involved in systematic or isolated incidents. Further than risk mitigation, proactive engagement activities aim to influence companies, with an opportunity to realise positive ESG contributions to the environment, stakeholders or communities through their actions and operations.

The NEC structure includes quarterly meetings, a clear delegation of responsibilities and a secretariat who is responsible for the operational work. In addition, the NEC members also meet sporadically between quarterly meetings to discuss particular issues. NEC is not a closed cooperation and it has from time to time collaborated with other investors. As determined on a case-by-case basis, the NEC members welcome the addition of like-minded Nordic investors as regular members.

NEC 2023: HIGHLIGHTS FROM THE YEAR

A cornerstone of the NEC partnership is members joining forces to increase the ability to influence, as well as knowledge sharing. As part of NEC 2.0 launched in 2022, the collaboration began to increase its focus on engagement activities within human rights issues, seeking to prioritise an area that often receives less attention from investors compared to environmental topics, and even more so from a proactive approach.

As part of NEC 2.0, NEC also decided to narrow the scope of its dialogues to fewer and deeper engagements. Beyond influencing via company dialogues, NEC aims to contribute to increased awareness about these topics in the investor community.

From a practical aspect, three of the four quarterly meetings were hosted in person. In its role as the collaboration's facilitator, Sustainalytics coordinated the quarterly meetings and delivered tailored content sessions drawing on the knowledge of in-house and external experts.

Below is a summary of the external speakers and guests who were invited to share expertise and join discussions during the NEC meetings in 2023:

Q1 NEC meeting

External speaker: Danish Ørsted on its biodiversity work.

A representative from Ørsted's Strategic Environment Programmes joined the meeting to share about Ørsted's sustainability strategy and ambition. She gave examples of how they work with impact and biodiversity, addressing both the challenges and solutions.

Deep dive: Interconnectedness of biodiversity and human rights. Following COP15 and the new post-2020 framework, the topic of biodiversity from a human rights perspective was explored, as well as the interconnectedness between these two key areas. Examples of aspects explored (not limited to) include:

- How human rights is incorporated into the post 2020 framework
- How biodiversity loss disproportionately harms human rights of certain groups
- Protecting the rights of indigenous people

Presentation: Human Rights Engagement and China

To increase its regional understanding for engagement, NEC requested a session on engagement with Chinese companies. The speaker, a mandarin speaking engagement manager, covered challenges and learnings from her experience as an engagement manager within norm-based engagement.

Q2 NEC meeting

Extended deep dive: Engagement in conflict areas – Xinjiang and Myanmar

At NEC's Q2 meeting, a Sustainalytics's Associate Director within Material Risk Engagement, and Eurasia expert, held an extended deep dive session on context and supply chains in conflict and high-risk areas. Through his experience gained at the UN and on the ground, the speaker drew connections between history, global trends, country contexts, local perspectives, as well as business and the current ESG

landscape in Myanmar and China (Xinjiang). He also presented three corporate case studies on how Sustainalytics engages with these companies.

Q3 NEC meeting

External speaker: Fairtrade Finland on human rights due diligence.

Fairtrade Finland presented its take on human rights related due diligence requirements, and through its latest report, showed how companies in Finland and Europe work with these issues.

Deep dive: Human rights in the apparel sector

Sustainalytics lead engagement manager for its Modern Slavery engagement programme shared an overview of supply chain human rights in the apparel sector. The presentation explored how the sector presents opportunities for positive impact yet continues to be high-risk and a persistent challenge. It was concluded with a focus on future trends and how the sector can move forward.

Q4 NEC meeting

Western Sahara and responsible exits

A presentation on the screening criteria, presented by engagement managers within Global Standards Screening, used to assess a company's involvement in conflict or high-risk territories was made, with a particular focus on Western Sahara. This was complemented with a discussion presented by the Global Standards Engagement team on what represents responsible entry and exit for those businesses who wish to conduct business in such settings, or leave these settings. A view was presented on what the expectations were for investors as well as for the company. Case studies were presented on 3 companies operating in conflict settings.

There are several positive engagement outcomes from 2023 where NEC successfully contributed to relevant improvements, and these are further described in the coming sections.

ENGAGEMENT BRIEF

ENGAGEMENT THEMES AND CASES

PROACTIVE ENGAGEMENT: HUMAN RIGHTS ACCELERATOR

NEC joined Sustainalytics’ three-year Human Rights Accelerator (**HRA**) thematic engagement in 2022 as part of our efforts to uphold our responsibility for ensuring that portfolio companies respect human rights.

The HRA engages with companies to help accelerate the establishment and implementation of effective human rights due diligence (HRDD) as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs). As per the UNGPs, companies have a responsibility to respect human rights, and to do so they must put in place management systems that prevent, mitigate and/or remediate these impacts. The HRA aims to contribute to improvements in the livelihood of workers, farmers and local communities directly involved in three focus sectors: electronics, mining, and cocoa. To that end, companies need to implement robust HRDD that considers the operating context and root causes of their salient human rights risks.

The HRA is engaging with twenty companies across the three sectors mentioned above, focusing on the following KPI categories:

- Human Rights Due Diligence, Livelihood and Living income, and Joint engagement (common to all three sectors); and
- Fair Remuneration and Living wages (Electronics), Community Engagement and rights (Mining), Child Labour (Electronics and Cocoa).

NEC identified two companies of particular interest to its membership: BHP Group Limited and Freeport-McMoRan Inc. The engagement with both companies is led by Sustainalytics in its role as “collaborating investor” through the [UNPRI Advance Initiative](#), a stewardship initiative where institutional investors work together to take action on human rights and social issues. The initiative was officially launched in December 2022 and dialogue with both companies started in 2023, with one conference call being held with each company prior to the end of the year. An update on the engagement with these companies is provided below. The HRA also aims to contribute to the following UN Sustainable Development Goal(s):



OVERALL HRA ENGAGEMENT UPDATE

In 2023, the HRA's engagement effort has fostered meaningful connections with all participating companies. To effectively engage with companies, the HRA seeks to establish a comprehensive understanding of the legal, societal, and cultural contexts within which these companies operate. This involved a multifaceted approach, encompassing desktop research, information exchange with fellow investors, and consultations with expert organizations and civil society groups.

On the legislative front, a key focal point has been the Directive on Corporate Sustainability Due Diligence (CSDDD). Notably, there is considerable enthusiasm among companies, investors, and stakeholders regarding the compliance requirements and the transformative implications for business practices. While the CSDDD is anticipated to impact EU legislations, its ripple effects are expected to extend beyond the EU, influencing non-EU companies due to the interconnected nature of the global supply chain. Furthermore, the HRA proactively sought insights by consulting with the International Labour Organization and various civil society organizations operating in relevant sectors. Through collaborative efforts with organizations such as the Rainforest Alliance, Oxfam Novib, and the Business and Human Rights Resource Centre, we tapped into their expertise to gain valuable insights, enriching the contextual understanding of our engagement initiatives. These insights also provided rich data to triangulate our evaluations of company performances.

HRA DEVELOPMENTS IN 2023

Alignment with human rights due diligence

Companies within the HRA have shown significant progress in committing to respecting human rights, with the majority having developed human rights policies. These policies are frequently integrated into their Codes of Conduct and extend to cover their supply chains. Moreover, the companies have established formal systems and structures at the board or executive level to monitor human rights risks across all operations.

Despite these advancements, notable gaps persist. For instance, many companies do not disclose how they incorporate human rights performance into executive compensation. While a few companies explicitly communicate on salient human risks and their engagement with relevant stakeholders in identifying these risks, the majority still heavily rely on third-party audits and supplier surveys for human rights violations identification. When asked about the scope of their assessments, companies frequently cite the criteria established by their auditors, prompting concerns regarding the companies' genuine comprehension of these assessments.

While traditional assessment methods like supplier surveys and social audits often provide credibility to company claims, they frequently fall short in identifying hidden but severe issues, such as forced labour, child labour, and sexual harassment. This underscores the need for a more comprehensive and nuanced approach to supplier assessment within these companies. In the HRA, we have also identified companies that take a risk-based approach, which leverages various data on risks and actively takes measures to prevent them. For example, rather than relying solely on audits to uncover instances of sexual harassment, these companies acknowledge the nature of the hidden issue, identify risk factors and root causes, conduct awareness training, establish grievance channels, and foster a safe company culture.

Livelihood and living income

Living wage and living income remain to be a major challenge for companies. While many companies state that they offer competitive compensation to their employees, there is often limited disclosure regarding living wages within their supply chains. In the electronics and mining sectors, several companies emphasize the unionization of a significant portion of their workforce in annual reports. They consider labour unions as negotiation partners for wages, yet there is little disclosure on collective bargaining agreements and ensuring living wages.

In the cocoa sector, companies prioritize the living income, recognizing its crucial role in addressing issues like child labour and deforestation. These companies extensively report on their respective programmes to enhance farmers' incomes. However, there is still a gap in meeting stakeholders' expectations, as companies often do not disclose the amount they contribute to increasing living income and do not provide insights into the impacts of their programmes.

Joint collaboration and policy dialogue

Many companies identify key stakeholders such as investors, employees, customers, suppliers, and industrial initiatives. However, only a limited number of them provide substantial information on how they engage with these stakeholders. In fact, several companies, especially in the mining sector, face criticism from local communities due to their perceived lack of engagement and communication. The UNGPs emphasize the importance of stakeholder relationships and meaningful consultation processes. This ensures that companies remain informed about any concealed human rights risks and are better equipped to address them proactively.

UNPRI ADVANCE UPDATE

One important collaboration within the HRA is the active participation in the UNPRI Advance programme. Advance is a collaborative stewardship initiative bringing institutional investors together to work on human rights and social issues. The collective influence brought by the participants is leveraged to drive positive outcomes for workers, communities, consumers, and society.

Five of the mining companies being engaged as part of HRA are also included as part of the Advance initiative. Throughout the year, discussions with collaborating investors and the UNPRI took place in stakeholder meetings. The focus of these gatherings was on formulating engagement strategies and analyzing risks associated with the companies. Ten stakeholder meetings occurred in 2023.

BHP GROUP LIMITED

BHP was resistant to joining the theme after initial calls with Morningstar Sustainalytics but agreed to engagement within the PRI Advance initiative. Morningstar Sustainalytics was selected as a Collaborating

Investor for the engagement with BHP Group Limited as part of Advance. The Lead Investor is the Australian Council of Superannuation Investors. During the course of 2023, the engagement strategy and objectives were drafted via collaboration with the Advance participants – a process that will continue towards finalization in early 2024. The engagement strategy includes focus on human rights in the supply chain, workforce disclosures, just transition, community engagement, political lobbying, sexual harassment, and racism.

There was also one engagement call held with BHP – in December 2023. The call primarily served as an introduction for BHP to the PRI Advance programme and the Advance participants. Some questions were also discussed concerning human rights due diligence, Samarco, and modern slavery, topics which will continue to figure within the engagement.

FREEPORT-MCMORAN INC.

Freeport-McMoRan (FCX) indicated willingness to engage as part of the PRI Advance initiative. Under this initiative, Morningstar Sustainalytics was selected as a Collaborating Investor for the engagement with FCX. Three coordination calls with the participating investors occurred in 2023 to work on the engagement strategy and objectives. These aspects are essentially finalized but will be confirmed in 2024. The engagement strategy focuses on stakeholder/rightsholder engagement, grievance mechanism and remediation, environmental issues and local communities, and local socioeconomic development.

During 2023, one engagement call was held with FCX. The call, in November 2023, was used to introduce the company to the Advance initiative and the investors collaborating on the engagement. The initial call with the company presented aspects of the engagement strategy — riverine tailings, community/stakeholder engagement, and Grasberg security personnel — and spent some time beginning the discussion of these issues with FCX.

PROACTIVE ENGAGEMENT: LOCALIZED WATER MANAGEMENT

Sustainable management of water resources and securing water supply is increasingly an important commercial issue for companies. Reputational risks are mounting related to local tensions over water access and rights. Regulatory scrutiny is intensifying as governments grapple with funding ageing infrastructure and ensuring safe and reliable access to water. However, while water risks are global, water impacts vary by location.

NEC joined Morningstar Sustainalytics' three-year 'Localized Water Management' (LWM) thematic engagement in 2020. The LWM engagement has a geographic focus, targeting companies that are dependent on water from the Tiete River basin in Brazil and/or the Vaal basin in South Africa (please see the 'Watershed Overviews' below for further details). The engagement focus-areas listed below aim to reduce company risks, enhance operational stability and water security:

- improve companies' awareness of the importance and benefits of adapting their water management to the local context
- provide opportunities for inter-basin collaboration
- encourage tangible on-the-ground impacts
- strengthen the role of investors as a stakeholder in integrated responses to water crises.

The engagement aims to contribute to the UN Sustainable Development Goal(s):

6,9,12,13

While this program targeted up to twenty companies in total, NEC focused its attention on three companies operating in water-scarce regions, Anheuser-Busch InBev (AB InBev), AkzoNobel and Crown Holdings. We concluded the thematic engagement in March 2023, with a collective engagement call for some companies to discuss how collaborative projects could be effective solutions to water security challenges. We also shared with each company a summary of the main findings from the engagement. Providing feedback, one of the companies described the engagement as ‘value-add’ and observed that they enjoyed both engagement calls and discussions ‘between investors and fellow corporations working in this sphere.’

In this report, we summarize our observations on each of our focus dialogues over the three-year term of the engagement. We also consider the potential engagement outlook for each company.

WATERSHED OVERVIEWS

Vaal River

The Integrated Vaal River System (IVRS or Vaal) is the most important bulk water supply system in the South Africa, supplying water to 46% of the country’s economy and 33% of the population.¹ The system covers the whole of the economic hub of Gauteng, including Johannesburg a city of eight million people. The water systems also supports important mining and industrial areas including Sasol’s coal to liquid facilities and the bulk of Eskom’s coal fired power stations, in addition to a large downstream agricultural area with massive irrigation schemes.

Municipal water and wastewater systems are in poor condition in many areas from both a financial and physical asset perspective. In the 2022 Green Drop National Report, a comprehensive annual survey of the state of wastewater management across South Africa, a total of 334 (39%) of municipal wastewater systems were identified as being in a ‘critical state’ in 2021, compared to 248 (29%) in 2013.² The Minister for Water and Sanitation acknowledged the ‘dismal state of wastewater management’ was a major issue. The report was to be used as the baseline for a Water Services Improvement Programme, including a ‘10-point plan towards informing sustainable intervention with the objective of ensuring a turnaround in the Municipal Water Services sector’. Consistent with this assessment, several companies have mentioned initiatives to reduce reliance on municipal water supply as a major driver of their water security programs. As a result, several companies operating in the Vaal River basin support the municipal system via financial and/or technical support. For example, companies fund, build and run pumping stations which serve a corporate need while at the same time providing water access to a new community.

Tietê River

The São Paulo metropolitan area is home to 22 million people who rely on the Tietê River basin for their water supply. Moreover, the State of São Paulo generates a third of Brazil’s national GDP. The Tietê River also receives inter basin transfers from the headwaters of the Piracicaba-Capivari-Jundiaí (PCJ) river basin. Despite the transfers from the water stressed PCJ River, the total demand on the river is about 70% of its availability.³ The basin is increasingly industrialized with water dependant industries such as energy, chemicals, beverages, paper, and intensive agriculture downstream. Insufficient sewage collection and

¹ <https://www.dws.gov.za/iwrrp/Vaal/>

² <https://wisa.org.za/2022/04/01/green-drop-2022-report-release/>

³ https://2030wrg.org/wp-content/uploads/2019/11/WRG-Annual-Report_Web_1_16_2020.pdf

treatment services and the improper disposal of solid waste during rapid and ongoing unplanned urban expansion resulted in widespread water pollution.

In early April 2023, São Paulo state announced programs to invest USD 1.1 bn to clean up the Tietê River through expanding the basic sanitation network, removing silting from the watercourse, removing flood control structures as well as improvements in monitoring and biodiversity.⁴ The national government is also set sign a new sanitation decree to encourage USD 19.8 bn in water and sewage throughout the country, including attracting private sector investment.⁵

ENGAGEMENT UPDATE

Engagement efforts in the final three months of the thematic engagement focused further on highlighting gaps in the companies' approaches and pushing for appropriate strategies and solutions. Supply chain risk assessment was the most common focus area along with wastewater quality although crisis management was also on our agenda.

Beyond the engagement arena, NEC was represented at the UN 2023 Conference on Water and New York Water Week in March 2023. Twelve Heads of State, 80 Ministers and 6,500 non-state actors attended these gatherings. Urgency, alignment, scalability, and impact were common themes. Inclusivity and diversity were in focus, with many sessions on gendered impacts, indigenous world views, and young people's perspectives. The conference's main output was the Water Action Agenda comprised of over 700 voluntary water management commitments from governments, cities, businesses, NGOs and others.⁶ These included the [Business Leaders' Open Call to Accelerate Water Action](#), where companies committed to build water resilience across operations and supply chains, and accelerate collective positive water impact in at least 100 water-stressed basins by 2030.

AB INBEV

AB InBev is the largest brewer in the world and one of the world's top five consumer product companies by EBITDA. The company has a presence in both target basins. We have participated in three conference calls and one in person meeting with the company over the course of the engagement. Our main contact has been the Global Director of Water Sustainability, now the Global Vice President Sustainability. We last met with the company at COP 15 in Montreal in December 2022, when we discussed the nexus between climate and nature. Since our engagement the company has grown, with new hires joining the water portfolio recently.

AB InBev has strong disclosure, long-term goals focused on impact and company staff is active in external initiatives and public policy. The company demonstrates continuous improvement showing a 14.3% increase in water efficiency since 2017 driven by 2025 goals at both the corporate and water stressed site level. The company exemplifies localized water management approaches with tailored solutions to each of its 36 communities facing water stress. The company actively collaborates with NGOs such as The Nature Conservancy and WWF on water stewardship programs as well on publicly shared practical application documents, including one called [Measuring and Evaluating the Impact of Corporate Watershed Projects](#), which guides other issuers through this measurement and evaluation process to provide benefits to communities and ecosystems.^[1] The company also plays a leadership role in both the Water Resilience Coalition, and the Task Force for Nature Related Financial Disclosures (TNFD). The leadership roles in major

⁴ <https://www.bnamericas.com/en/news/sao-paulo-state-to-invest-us1bn-to-clean-up-Tietê-river>

⁵ <https://www.bnamericas.com/en/news/brazil-seeks-to-attract-us20bn-sanitation-investments-via-regulatory-update>

⁶ <https://sdgs.un.org/partnerships/action-networks/water>

global sustainability initiatives and publicly available guides demonstrate AB InBev's commitment to collective efforts and growing positive corporate watershed impact by sharing its knowledge, expertise and experience.

Looking ahead, we would encourage the company to share commentary around effluent risk and publish additional information on effluent quality improvement programs and goals, at the level of both corporate and high-risk sites. Given the recent water crisis facing AB InBev's peer companies in Monterrey, Mexico, we would encourage the company to share additional information on its crisis management response plans and governance structure.

AKZO NOBEL

AkzoNobel produces paints and performance coatings for both industry and consumers. The company has around 120 production sites worldwide and is present in both the Tietê River and the Vaal River basins. We first engaged the company in August 2020 and it has been a fairly co-operative engagement partner since then, with the company's sustainability programme manager (now Director of Sustainability) and investor relations participating in four conference calls. Akzo Nobel now prefers to limit engagement calls on this topic to once a year in line with the cadence of its sustainability reporting.

In our view, the company displays a modest commitment to water stewardship and continues to perform moderately in the areas of governance, risk and opportunity management, water quantity and water quality. In its 2021 materiality assessment, Akzo Nobel assigned to water and wastewater a low importance for both the company and stakeholders, compared to a high importance in both respects for issues such as emissions and energy and responsible procurement. In its 2023 double materiality assessment the company does not mention water stewardship at all. This appears paradoxical when, according to the company's 2022 Annual Report, it recognizes water scarcity as a physical risk associated with climate change and 34% of its sites (42) meet the definition of a water intensive site, representing 76% of total freshwater consumption. However, we are encouraged to note that Akzo Nobel has set a general water intensity target of less than 250 litres of 'relative' freshwater consumption per ton of product. Water as a topic for the company is a part of the company's zero-waste goal, which along with four other goals forms its 'planet' sustainability pillar. These goals inform ESG-related KPIs that partially determine executive compensation.

However, Akzo Nobel remains mostly focused on its own operational water performance, and the company displays limited consideration of taking on a broader water stewardship role in water-scarce basins where it operates. We will be interested to track how Akzo Nobel's progresses on its general water intensity targets in the future. We would also invite the company to assign a higher level of importance to water in its materiality assessment and consider opportunities to engage with other local stakeholders on water stewardship.

CROWN HOLDINGS

Crown Holdings (Crown) is one of the world's largest producers of metal packaging. The company manufactures metal beverage and food cans, metal aerosol containers, metal closures, and speciality packaging. It has 200 facilities in 40 countries including six in Brazil. The company has been a responsive engagement partner since 2021 and we have subsequently held five conference calls. The company also participated in a collective engagement call in March 2023 to discuss how collaborative projects could be effective solutions to water security challenges.

The company has recognized water as an essential resource and identified ‘Water management & risks’ as one of its top priority topics in its 2022 sustainability report. It advised investors during dialogue that it would be switching to annual sustainability disclosures and had a goal to have current, past, and trends data on its website once redesigned. Crown has improved its disclosure by supporting the TCFD. Furthermore, as it considers water management of high importance, the company is on track to reach its 2025 goal of a 20% reduction in water use compared to 2019. Crown has also installed effluent wastewater meters on at least 96% of its aluminum beverage can lines. While Crown’s goal is to remain within wastewater discharge regulations, it confirmed that its discharged water is of higher quality than extracted. Crown has also disclosed to investors that it has started work on its first water replenishment project at the Cabreúva site, in the Tietê basin, and the company is to share progress updates publicly. The company would also like to extend collaborations further and sign up to the [CEO Water Mandate](#), an initiative established in 2007 by the UN to mobilize business leaders to address global water challenges.^[1]

Crown is working on the whole spectrum of sustainability issues at the same time and we are optimistic of further progress on water issues in the future. We will be interested to follow the progress of the company’ water replenishment project and would encourage continued and increased interaction with basin-level stakeholders and engagement with the public water management system.





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