MORNINGSTAR®

Biodiversity and Natural Capital Stewardship Programme

2026 Final Report (1 January - 31 October)



Thematic Stewardship Programmes protect and promote long-term enterprise value by proactively engaging with companies up and down the value chain as well as industry stakeholders to mitigate systemic risks and maximize opportunities.

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This report summarizes the shareholder engagement activities that Stewardship Services performed between January and October 2026. If there is no specific reference to date in graphs and tables, the data is presented as per end of the reporting period. The report has been produced in November 2026 and uses data for the period 1 January 2026 through 31 October 2026. Version 1 was disseminated on 16 November 2026. Use of and access to this information is limited to Stewardship clients and is subject to Morningstar legal terms and conditions.

Engagement Approach

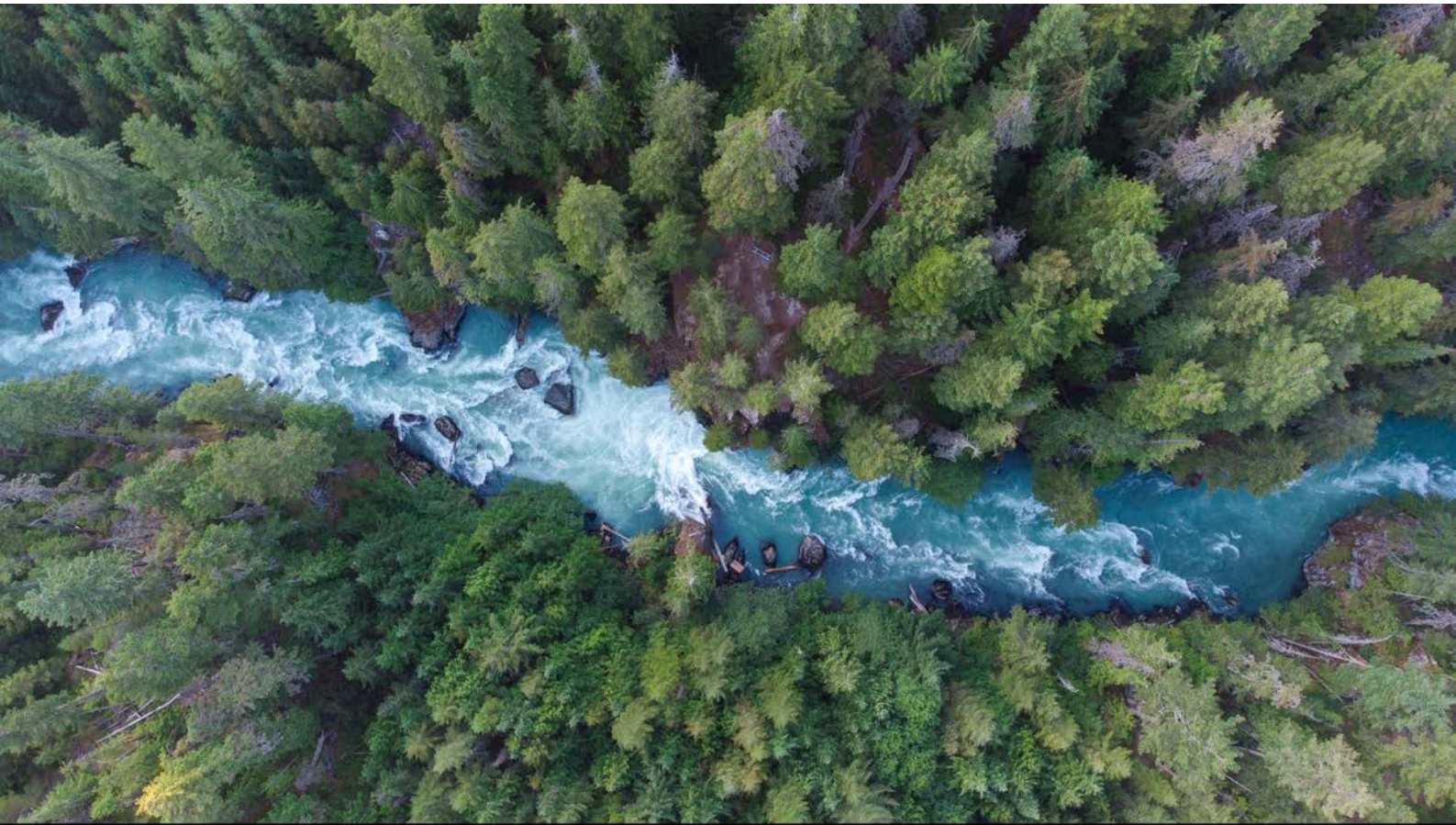
The Biodiversity and Natural Capital Stewardship Programme seeks to support investors in aligning their portfolios towards a nature-positive economy and with the Kunming-Montreal Global Biodiversity Framework. Stewardship remains key for institutional investors to not only manage risks but also to explore and seek opportunities for alignment between capital flows and nature-positive outcomes. Our honest and constructive dialogues benefit companies by providing a trusted partnership for input on capital market expectations and serving as a sounding board for management to enhance current practices. For investors, successful engagements may reduce risk or improve financial performance while providing an essential opportunity to learn about specific issues and challenges industries are facing. The intended outcome of our engagements is to support companies in strengthening their management of biodiversity-related impacts, dependencies, risks and opportunities. By not limiting the objectives to solely focus on risk, the programme takes a double-materiality approach.

The programme targets 50 national and multinational companies in the agricultural value chain – from financiers and retailers to traders, agrochemicals and producers. In our commitment to aligning with best practices and emerging trends, we aim to actively collaborate with a diverse range of stakeholders, including policymakers, intergovernmental organizations, and NGOs.

We believe a sustained, diplomatic and probing dialogue can achieve meaningful outcomes that mutually benefit companies and investors. Trust-building forms the cornerstone of our approach, acknowledging the intricate challenges and competing interests faced by companies. We explore potential and actual gaps, test company positions and pose difficult questions.

Where there are gaps and insufficiently managed risks, we make suggestions to companies based on investor expectations. Our engagement efforts leverage standards, frameworks, regulatory trends, leading practices, and evidence of risks. A unique Outcome Assessment guides our goal-oriented approach, offering a clear roadmap toward achieving our change objectives. Engagement Performance, Positive Developments, and Milestones are consistently tracked to measure commitment and capability to change, in addition to the engagement activities conducted.

A key benefit of the programme is that it will not have a defined end date. Instead, the programme will develop in accordance with investor expectations, societal changes, and global trends. This approach underscores our commitment to empowering investors to proactively address biodiversity loss by elevating sector and systemic standards through constructive dialogue.



Programme in Review



Gayaneh Shahbazian
Manager, Stewardship
Biodiversity and Natural Capital
Morningstar



Ruby Jeng
Manager, Stewardship
Biodiversity and Natural Capital
Morningstar



Maxime Rétif
Analyst, Stewardship
Biodiversity and Natural Capital
Morningstar

Launched in May 2022, the programme began at a pivotal moment when biodiversity loss was increasingly recognized as a material risk to businesses, investors, and the global economy. Since then, the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF), the publication of the TNFD recommendations, the emergence of initiatives such as PRI Spring and Nature Action 100, and the continued development of SBTN guidance have significantly strengthened expectations for corporate action, disclosure, and accountability on nature-related issues. Against this backdrop, the programme supported investors in engaging companies to better understand, manage, and disclose nature-related risks, dependencies, impacts, and opportunities.

Stewardship proved to be a valuable mechanism for helping companies navigate this rapidly evolving landscape. Over the course of the programme, a clear evolution in company practices became evident. Early discussions often focused on issue-specific topics such as deforestation commitments and certification schemes. However, as market expectations matured, engagement expanded to broader themes including governance, risk assessment, geospatial analysis, nature-related dependencies and impacts, stakeholder engagement, and TNFD-aligned disclosure. Many companies strengthened board-level oversight, enhanced governance structures, expanded nature-related risk assessments, and improved disclosure practices. Several also began progressing from qualitative commitments towards measurable objectives and more structured approaches to managing nature-related risks.

One of the programme's most important observations is that nature loss is increasingly viewed as a financial issue rather than solely an environmental concern. Investors now recognize that nature-related dependencies and impacts can create physical, transition, liability, and systemic risks with tangible implications for long-term portfolio performance. This shift is reflected in the rapid growth of TNFD-aligned assessments and disclosures, as well as increasing investor expectations around governance, strategy, risk management, and transparency.

At the same time, significant challenges remain. While many companies have improved their understanding of nature-related risks, translating assessments into strategic decision-making and operational action remains difficult. Common barriers include data limitations, methodological uncertainty, fragmented ownership across business functions, and a lack of location-specific information. Investors face similar challenges, particularly in integrating nature-related analysis into portfolio construction and capital allocation decisions. The need for more decision-useful metrics, greater comparability, and improved methods for quantifying risks and opportunities remains a recurring theme.

These broader trends were reflected in engagement with a major Australian food retailer, where discussions evolved from responsible sourcing and deforestation commitments towards more comprehensive nature-related risk assessment and disclosure. The company published its first standalone Nature Report, illustrating how companies are moving beyond issue-specific commitments toward more structured management of nature-related risks. At the same time, ongoing traceability challenges within agricultural supply chains highlighted the practical barriers many companies continue to face when translating commitments into implementation.

Looking Ahead

As the global community approaches COP17 in Yerevan and enters the final years of the 2030 GBF, the focus shifts from assessment and disclosure to implementation. Nature transition plans, science-based targets, and measurable outcomes will be critical to turning commitments into real-world impact.

Investors have an important role to play in encouraging companies to move beyond disclosure and embed nature into governance, strategy, and risk management. Companies that effectively address nature-related risks are likely to strengthen supply chain resilience, reduce operational disruption, and enhance long-term competitiveness.

However, stewardship alone cannot deliver the transformation required. Achieving global biodiversity goals will depend on supportive policy frameworks, credible national biodiversity strategies, improved public-private collaboration, and greater alignment across governments, financial institutions, and businesses. At the same time, scaling nature-positive investment will require stronger financial architecture, including investment-ready project pipelines, transparent risk-sharing mechanisms, and equitable engagement with Indigenous peoples and local communities.

Improving data quality and transparency also remains a priority. More accessible, comparable, and location-specific information will help investors and companies better assess nature-related risks and opportunities and make more informed decisions. Ultimately, progress towards a nature-positive economy will depend not on new commitments, but on the successful implementation of existing ambitions through coordinated action, investment, and accountability.

Case Study: Woolworths Group Ltd.

Biodiversity and Natural Capital Stewardship Programme | Engagement Since: October 2022



Industry: **Food Retailers**

Base Location: **Australia**

Woolworths is Australia's largest retailer with operations in Australia and New Zealand. It is also the largest in Australia by revenue and number of employees. Woolworths is exposed to biodiversity and natural capital risks through its complicated global supply chains.

Progress: **Standard** | Response: **Good** | Latest Milestone: **2**

Engagement Update

In September 2026, we held a final engagement meeting with Woolworths to review progress on deforestation-related commitments and discuss ongoing traceability challenges in the Australian beef supply chain. The discussion covered recent developments in nature reporting, practical barriers to supply chain visibility, and opportunities to strengthen transparency and accountability. The meeting also provided an opportunity to reflect on key outcomes from the multi-year dialogue and identify future priorities to work on.

Focus Area

Over the past years, dialogue with Woolworths focused on strengthening the company's approach to nature-related risk management, responsible sourcing, and deforestation-free supply chains. Key areas of discussion included the implementation of its no-deforestation commitments, TNFD-aligned nature risk assessments, SBTi FLAG targets, biodiversity-related disclosures, and traceability challenges. We also encouraged the company to enhance transparency around its nature risk assessment outcomes, including location-specific biodiversity risks, material dependencies and impacts, and associated metrics.

Engagement Outcomes

The engagement has contributed to several positive developments in Woolworths's approach to nature-related risk management and disclosure. In 2025, Woolworths disclosed insights from its TNFD pilot assessments, highlighting opportunities to improve nature outcomes while enhancing productivity and supply chain resilience, with these learnings informing its next-phase strategy. In August 2026, Woolworths published its first standalone Nature Report, providing greater transparency on its nature-related risks, dependencies, impacts, and management approach. These developments represent meaningful progress towards several suggested actions, including enhanced nature-related disclosure, TNFD-aligned reporting, and improved understanding of biodiversity and deforestation risks across key commodity supply chains.

Insights & Outlook

While Woolworths has strengthened its approach to deforestation risk, responsible sourcing and nature-related disclosures, challenges remain in achieving full traceability across Australian beef supply chains. The company highlighted structural barriers, including limited visibility beyond direct suppliers, multiple cattle movements between properties, data-sharing constraints, and the absence of a nationally recognized deforestation-free certification system. Investors may continue encouraging Australian food retailers to improve traceability and geolocation, set timebound targets towards whole-of-life traceability, strengthen supplier accountability mechanisms, and collaborate with industry and government to advance scalable, sector-wide solutions.

Engagement Results



77
meetings, including 4 in-person meetings

918
emails and phone calls exchanged

26
Markers achieved

2
Milestones achieved

40
Positive Developments

51%
of engagements with Excellent or Good Response

67%
of engagements with Standard Progress

Engagement Progress

Progress reflects the pace and scope of changes towards the engagement objective that the company is making, assessed on a five-point scale.

Excellent	The company has adopted a proactive approach and addressed the issues related to the change objective.
Good	The company has taken sufficient measures to address the issues related to the change objective.
Standard	The company has undertaken a number of measures to address the issues related to the change objective.
Poor	The company has indicated willingness to addressing the issues related to the change objective, but no measures have been taken yet.
None	The company has not made any progress against the engagement objective.



2% (1)	Excellent
25% (13)	Good
67% (34)	Standard
6% (3)	Poor
0% (0)	None

Engagement Response

Response reflects the company's willingness to engagement dialogue with investors, assessed on a five-point scale.

Excellent	The company is proactive in communicating around the issues related to the change objective.
Good	The company addresses all the issues related to the change objective.
Standard	The company provides responses to some of the issues related to the change objective.
Poor	The company has initially responded but not properly addressed the issues related to the change objective and is unwilling to engage further with us.
None	The company has not responded to the inquiries.



2% (1)	Excellent
49% (25)	Good
39% (20)	Standard
10% (5)	Poor
0% (0)	None

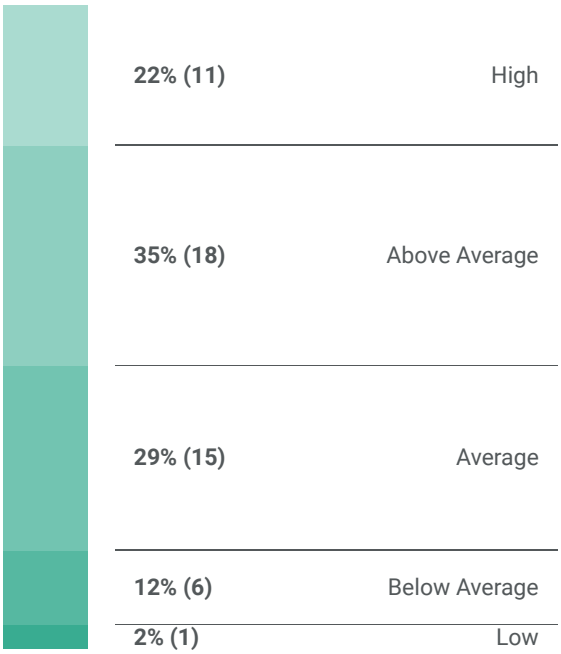
Engagement Performance

Performance describes the combined company Progress and Response.

Engagement Performance Assessment

We have five tiers to offer a nuanced understanding, the tiers are: Low, Below Average, Average, Above Average, and High.

The Progress and Response matrix below is used to determine performance.



Progress and Response Matrix

PROGRESS	RESPONSE: EXCELLENT	GOOD	STANDARD	POOR	NONE
EXCELLENT	High	High	Above Average	Average	Average
GOOD	High	High	Above Average	Average	Average
STANDARD	Above Average	Above Average	Average	Below Average	Below Average
POOR	Average	Average	Below Average	Low	Low
NONE	Average	Average	Below Average	Low	Low

Engagement Milestones

Milestones are our five-stage tracking system used in achieving the engagement objective.

2 Milestones achieved in 2026

Milestones Framework

Resolved	Case successfully closed.
Milestone 5	Change objective is considered fulfilled.
Milestone 4	Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing.
Milestone 3	Strategy is well formed and has moved into early stages of implementation.
Milestone 2	Issuer establishes a strategy to address the issue.
Milestone 1	Acknowledge of issue(s) and commitment to mitigation.

YTD Highest Milestone Achieved (Resolved)

0	Milestone 5
0	Milestone 4

Note: Cumulative year to date resolved cases.

Highest Milestone Achieved (Engage)



0	Milestone 5
0	Milestone 4
2	Milestone 3
25	Milestone 2
18	Milestone 1
6	No Milestones

Note: Milestone distribution of ongoing Engage cases at the end of the reporting period.



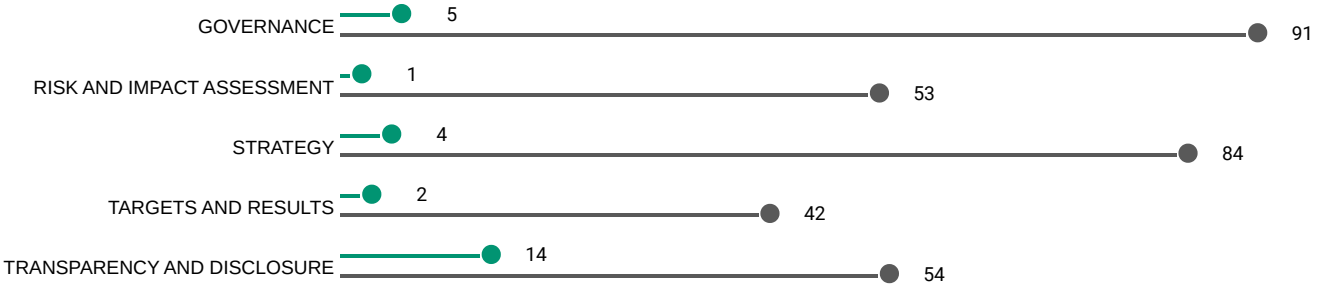
Markers Overview

We use Markers to track progress in achieving targeted Outcomes across each engagement, with up to five Markers for each, across five Outcomes within our Outcome Assessment framework.

The achievement of individual Markers not only signals progress in the engagement but also contributes to the achievement of our Engagement Milestones. For more detail on the programme's Outcome Assessment, please refer to the strategy document (available through Global Access).

The below graph outlines the number of Markers achieved across each of the Outcomes this year (in green) as well as total number of Markers achieved (in black).

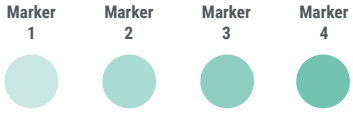
Total Markers Achieved by Outcome





The Markers reflect the pace and scope of changes towards each Outcome that the company is making. Each Outcome has up to five Markers. Below you will find a breakdown of the highest Marker achieved across our assessed companies including the best practice definition for each Outcome, which stipulates the ultimate objectives to be met.

Governance

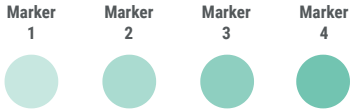


*8% achieved no markers

Best Practice Definition

The board oversees the company's management of nature-related risks and opportunities. Performance is reviewed annually, and the board ensures sufficient expertise and resources are allocated to the issue. There are clear reporting lines from operations to the board level, and the remuneration of senior executives is linked to performance on relevant targets.

Risk and Impact Assessment

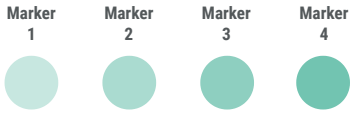


*22% achieved no markers

Best Practice Definition

The company has assessed its impacts and dependencies on nature in its own operations and supply chain. Impacts have been evaluated from a perspective of double materiality, including indirect pressures, and referencing specific locations/ecosystems. Stakeholders potentially impacted have been consulted. The financial risks and opportunities associated with impact and dependencies, given a variety of scenarios, have been quantified. Assessments should identify estimated timeframes for reassessments.

Strategy

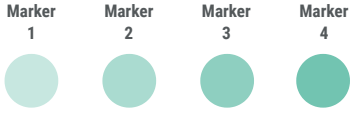


*8% achieved no markers

Best Practice Definition

The company has implemented a strategy to address its nature-related impacts, risks, and opportunities, covering its operations and value chain while promoting nature-positive outcomes. The effectiveness of mitigation efforts is evaluated using empirical evidence and the best available science, including the mitigation hierarchy. The strategy is linked to relevant targets and metrics and aligned with global conventions and agreements such as the Kunming-Montreal Global Biodiversity Framework. Companies that interface with nature in their operations have location-specific management plans that follow the mitigation hierarchy (first avoid and reduce then regenerate and restore) and a monitoring plan that tracks progress towards targets. Companies that interface with nature in their supply chain have implemented monitoring and traceability systems which sufficiently track progress towards targets.

Targets and Results

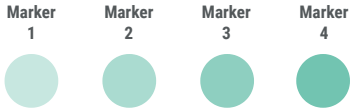


*27% achieved no markers

Best Practice Definition

The company has developed relevant performance targets and metrics for its material nature related impacts, risk and opportunities while demonstrating positive progress towards these. Targets must be Specific, Measurable, Achievable, Relevant and Time-bound (SMART) and, when possible, follow recognized methodologies such as those developed by the Science Based Targets Network (SBTN).

Transparency and Accountability



*29% achieved no markers

Best Practice Definition

The company discloses on biodiversity in line with best practice, following international standards and frameworks, including the Taskforce for Nature-related Financial Disclosures (TNFD). The company's annual report includes biodiversity-related targets and progress towards these

Low Performance Engagements

When a case is added to the Low Performance list, a 24-month process of specific engagement using a wide range of engagement tools e.g. collaborative investors letters or letters to the company's board, will take place. After two years, the case will be reviewed and an Unresponsive status can be selected to reflect all other engagement options have been ineffective.

For each Low Performance case, there is a Low Performance Time Tracker which illustrates the time elapsed.

COMPANY	COUNTRY	ESCALATION ACTIVITIES	TIME TRACKER
			One piece equals three months.
Starbucks Corp.	United States	Director Letter, Investor Letter	+ Above 24

Stewardship Services does not provide investment advice; the decision of investment or exclusion lies solely with investors. Stewardship Services provides insights, information, and services, and it remains the client's sole responsibility and decision to manage their portfolio. Stewardship Services' clients benefit from engagement activities, such as participating in company meetings, webinars, and roundtable events. Investor clients are also provided with insights and data stemming from those activities.



Engagement Status Updates

The following is an overview of all engagement status updates from 1 January to 31 October 2026

New Engage

COMPANY	COUNTRY	QUARTER
Fuji Oil Co., Ltd.	Japan	Q3

Events and Industry Initiatives

Key Insights from Nordic Investor Roundtables with a Major Palm Oil Company

In October, we hosted two in-person investor roundtables in Copenhagen and Stockholm with senior executives from a leading Malaysian palm oil company – SD Guthrie. The sessions provided investors with an opportunity to engage directly with C-Suite and senior management on the sector's most pressing environmental and social challenges. Discussions were highly interactive and reflected a growing investor focus on how sustainability commitments are being implemented in practice rather than on policies alone.

Key discussion points included:

- EUDR implementation, traceability, and the implications for smallholder inclusion.
- Nature-related risks and climate resilience, including flooding, fire prevention, peatland management, and adaptation to extreme weather events.
- Regenerative agriculture and its potential contribution to productivity, biodiversity, and long-term business resilience.
- Labour rights, worker welfare, grievance mechanisms, and remediation processes.
- The financial implications of sustainability initiatives and their role in supporting long-term value creation.

A key takeaway from both sessions was that investors are moving beyond policy commitments and seeking evidence of implementation, measurable outcomes, and long-term business resilience. Investors showed particular interest in how companies are managing nature-related risks, supporting smallholders through evolving regulatory requirements, strengthening labour rights oversight and remediation processes, and demonstrating the commercial value of sustainability investments. Looking ahead, engagement dialogues with palm oil companies are likely to place greater emphasis on operational delivery, quantified nature-related impacts and dependencies, climate resilience strategies, robust human rights governance and remedy mechanisms, and the integration of sustainability considerations into long-term business performance and value creation.



About Stewardship Services and Contacts

Stewardship Services provides an integrated solution that combines engagement and voting recommendations within a single framework designed to help investors incorporate ESG and sustainable investment considerations throughout the investment lifecycle.

Our stewardship offering builds on more than 30 years of experience in sustainable investing and responsible investment practice. Our stewardship heritage has strong Nordic roots through GES International, a Stockholm-founded engagement, screening, and fiduciary voting specialist with more than 25 years of experience as an owner advocate prior to joining Morningstar.

Today, we support a global +€6.5 trillion investor footprint, serving more than 100 asset owners and managers worldwide through a stewardship model designed to connect research-informed engagement, voting alignment, progress measurement, and stakeholder reporting in a consistent and operationally structured way.

Our stewardship team is based in Toronto, Copenhagen, Stockholm, Amsterdam, Tokyo, London, and Madrid.



Do you have any questions regarding our Stewardship Services?
Contact us today at engagement.support@morningstar.com to connect with our team of experts.

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