

Q4 2023

## CORPORATE ENGAGEMENT PROGRESS REPORT: BALL

### Sector

Materials

### Focus theme; sub-theme(s)

Nature; impact and dependency assessment | Net-zero alignment; circularity, mitigating supply chain impacts

### Related UN Sustainable Development Goal(s)



### Engagement activity

Collaborative meeting (first time) + follow-up email

### Responsiveness

Highly responsive

### Holding status (subject to change without notice)

NEI Environmental Leaders Fund;  
NEI Global Sustainable Balanced Fund

**Objective:** To seek and share information about Ball’s management of nature-related risks, especially in relation to their supply chain, and to encourage greater disclosure.

We met with Ball Corporation alongside Impax Asset Management, sub-advisor to NEI Environmental Leaders Fund and NEI Global Sustainable Balanced Fund.<sup>1</sup> Ball is a U.S.-based aluminum packaging company specializing in “creative can and bottle designs based on sustainable manufacturing principles.”<sup>2</sup> We are pleased with how the company is progressing on its environmental goals as it pursues low-carbon transition strategies as well as nature-related objectives, all in the context of supporting a circular economy. Earlier this year we completed an assessment of our holdings aimed at determining which companies are aligned to a credible net-zero pathway, and Ball ranked highly.<sup>3</sup>

The number one agenda item for our meeting was risk management of biodiversity factors, but as we spoke, the conversation evolved to focus on circularity. Most of Ball’s environmental impacts and risks are connected to its supply chain, which consists primarily of miners. (Ball does not own mines.) They told us they are taking the same approach with their nature strategy as they are with their climate strategy, because the solution set is similar. As natural resources become more scarce, and as mine operations become increasingly challenging in the context of greater community and social responsibility, as well as environmental impact, Ball must absorb the knock-on risks faced by the miners themselves. This could entail higher commodity prices, tighter supply, mine shutdowns, change in ownership, reputational risk in cases of mining controversies, or some combination. Ball notes in a regulatory filing that “a hypothetical 10 percent adverse change


in the company's aluminum prices would result in an estimated \$3 million after-tax reduction in net earnings over a one-year period."<sup>4</sup> The way to mitigate these risks is by establishing circularity, the key to which is recycling.

The Aluminum Association refers to the metal as "infinitely" recyclable, noting that 75% of all aluminum ever produced is still in use today. What's more, according to the group, recycling aluminum takes only 5% of the energy required to produce new material,<sup>5</sup> making it a winning proposition for the energy transition *and* for reducing the serious impact of mining on nature.

Ball has a target of using 85% recycled content by 2030, up from 62% as of 2023. They also have a goal of sourcing aluminum only from sites certified by the Aluminum Stewardship Initiative (ASI), which aims

to "promote sustainability throughout the aluminum value chain."<sup>6</sup> And, they have targets around water use, another major input into their business. They told us they are engaging with different levels of government in the U.S. regarding extended producer responsibility, which is "an approach to recycling that requires producers, such as manufacturers, distributors, and retailers to take responsibility for the life cycle of the products they sell."<sup>7</sup>

**Next steps:** We followed up our virtual meeting with an email in early December. We requested additional disclosure about supply chain management and about the ASI and biodiversity risk. We also suggested the company explore combining their TCFD and TNFD<sup>8</sup> reporting, since that relationship is so intertwined for Ball and would appear to be a good fit. Combined climate and biodiversity reporting is a relatively new frontier pursued by only a few leading companies.



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<sup>1</sup> NEI and Impax are partnering on a series of engagements with companies held in those two mandates; we will share more in the new year. <sup>2</sup> [www.ball.com](http://www.ball.com). <sup>3</sup> For an explanation of our net-zero alignment framework, refer to: <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/Whitepaper%20-%20A%20portfolio%20in%20transition%20EN.pdf>. <sup>4</sup> [https://s1.q4cdn.com/288660599/files/doc\\_financials/2023/ball-corporation-2023-10k.pdf](https://s1.q4cdn.com/288660599/files/doc_financials/2023/ball-corporation-2023-10k.pdf). <sup>5</sup> Data points in this paragraph sourced from [www.aluminum.org/Recycling](http://www.aluminum.org/Recycling). <sup>6</sup> <https://www.dqsglobal.com/en-us/certify/asi-aluminium-stewardship-initiative-certification>. <sup>7</sup> <https://www2.gov.bc.ca/gov/content/environment/waste-management/recycling/extended-producer-responsibility>. <sup>8</sup> <https://www2.gov.bc.ca/gov/content/environment/waste-management/recycling/extended-producer-responsibility>

This report is based on NEI records, research and impressions gathered during company engagements. Unless otherwise indicated, no company identified in this report reviewed its contents before publication. We acknowledge that company progress on environmental, social and governance issues is due to multiple factors and not attributable solely to NEI's influence.

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