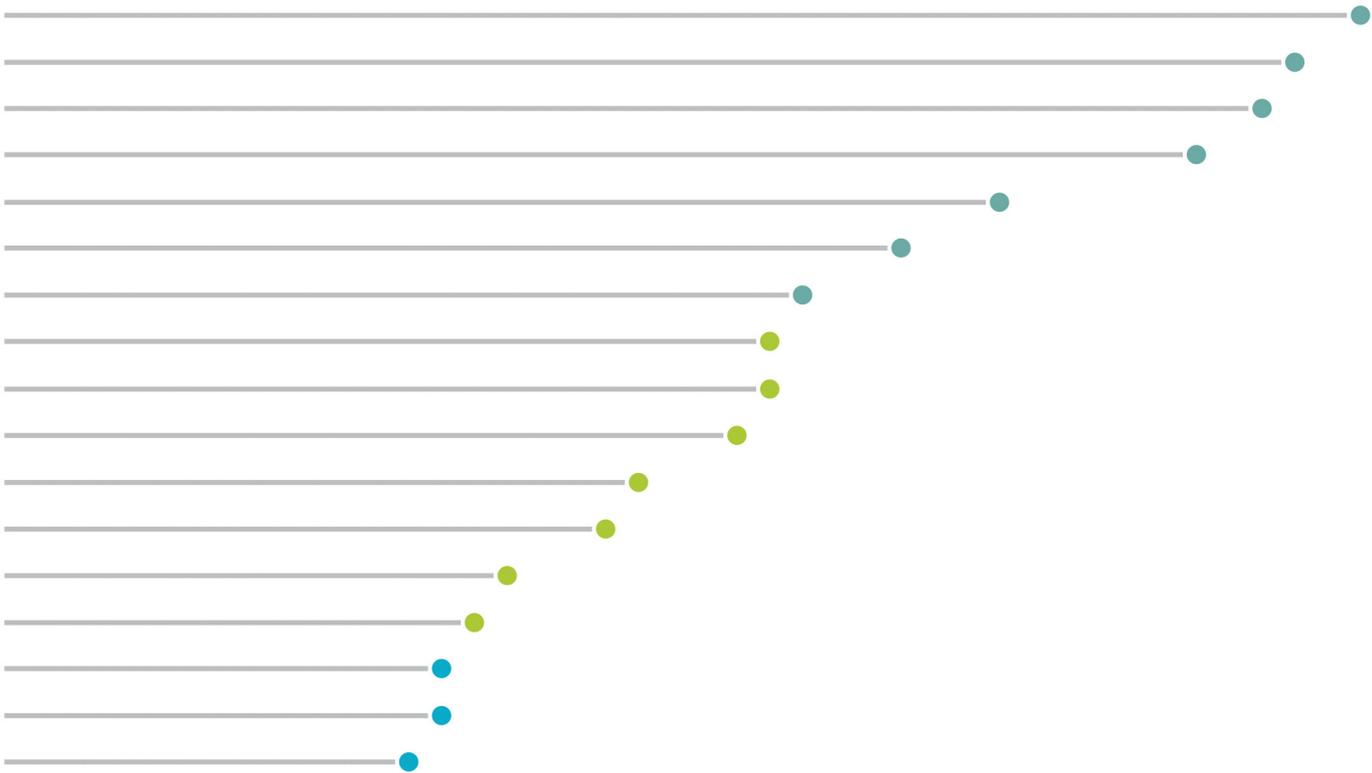


Material Risk Engagement

2025 Q1 Report



Material Risk Engagement promotes and protects long-term value by engaging with high-risk companies on financially-material ESG issues.

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This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed between January and March 2025. 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 April 2025 and uses data for the quarter ending 31 March 2025. Version 1 was disseminated on 21 April 2025. Use of and access to this information is limited to clients of Morningstar Sustainalytics and is subject to Morningstar Sustainalytics legal terms and conditions.

Engagement Approach

Morningstar Sustainalytics' Material Risk/Strategy & Risk Engagement engages with high-risk companies on the material ESG issues with the greatest levels of unmanaged risks. The purpose is to protect and develop long-term value in our clients' portfolio companies. Material Risk/Strategy & Risk is an engagement overlay of Sustainalytics' flagship product, ESG Risk Ratings.

The Stewardship team will engage with companies in Morningstar Sustainalytics' Ratings universe, consisting of more than 4,500 investable issuers in developed and emerging markets, which have an ESG Risk Ratings score of 30 or more. The ESG Risk Ratings score reflects the unmanaged ESG risk, so the higher the score, the more risk the company is exposed to.

The engagement is driven by constructive dialogue. The research from the ESG Risk Ratings and the Controversies research are leveraged to encourage companies to cover gaps in Material ESG Issues risk management. Engagement Response, Progress, Positive Developments, and Milestones are consistently tracked to measure commitment and capability to change in addition to the engagement activities conducted. When a company improves by bringing the ESG Risk Ratings score to below 28, the Material Risk/Strategy & Risk Engagement case will be considered resolved.



Executive Summary



Paulina Segreto

Director, Stewardship
Morningstar Sustainalytics

Highlights for the Quarter

The companies we engage with have shown rapid improvement, allowing us to resolve nine engagements in the first quarter of 2025. This occurs when companies achieve an ESG Risk Rating below 28, moving into the Medium ESG Risk Rating category and reducing overall unmanaged ESG risk. Additionally, several companies were removed from our target list and archived due to universe updates during the quarter.

During Q1, the team has:

- Conducted 38 meetings.
- Exchanged 408 emails/phone calls.
- Tracked 78 Positive Developments.
- Recorded 40 Milestones achieved.

Industrial-Scale Decarbonization in the EU

The EU is at a crucial point in its energy transition to meet global climate commitments, and the urgency has never been greater. Climate action today is not just about reducing carbon emissions; it is also about securing the EU's energy independence and resilience. The article "Industrial-Scale Decarbonization in the EU" highlights the structural barriers EU companies face in decarbonizing and the bold, coordinated action needed from policymakers, industry, and investors to achieve a sustainable and resilient energy system. Despite economic and commercial headwinds, leading companies we met in 2024 are still committed to net-zero goals by serving green premium markets, advancing low-carbon technologies, and engaging with policymakers and value chain partners.

Looking Ahead

With recent engagement closures and new engagements just opened, we anticipate several introductory calls in Q2 2025 and beyond. We also plan to set up content calls, which will include sending suggested actions to the companies involved. Concurrently, we are reviewing our target list by analyzing geographical distributions to identify new engagement opportunities in less represented regions.

Additionally, we will monitor our approximately 90 engagements with North American companies to assess the impacts of the current landscape in the US, which have already led some companies to remove their sustainability reports or statements from their websites.

Engagement Overview



307

engagements as of
31 March 2025

17

new engagements



615

companies engaged
since March 2020



SDG 13 Climate Action

(62%) linked to engagement objective

Asia / Pacific
region with the
largest number of
engagements.

**Oil & Gas
Producers and
Utilities**
industries with the
most engagements

**Disclosure and Net-
Zero/Decarbonization**
top material ESG topics
in engagement
dialogue



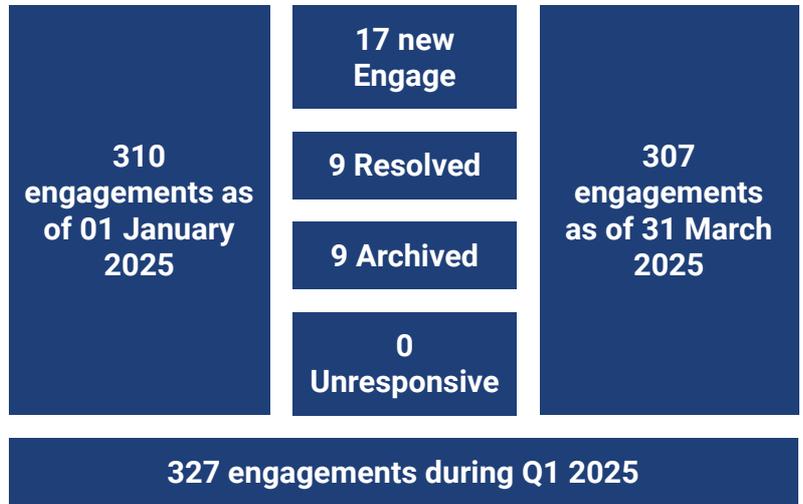
Engagement Status

When we open an engagement, the status is Engage. We will then pursue engagement until we change status to:

- Resolved** The company has achieved the engagement objective.

- Archived** Engagement is concluded, the engagement objective has not been achieved.

- Unresponsive** Unresponsive is the final step in the escalation for companies not responding to our engagement. At this final step, we have exhausted all other engagement tools.

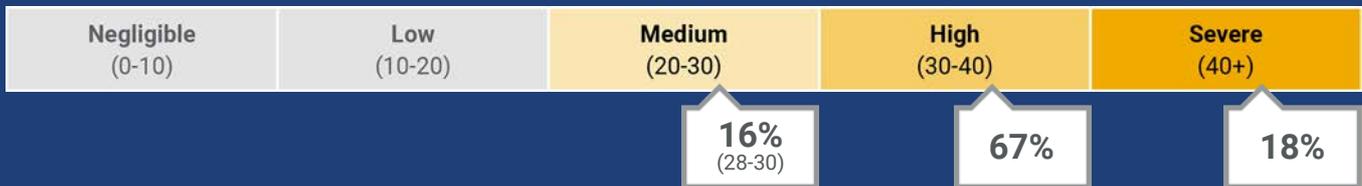


On a regular basis, universes are rebalanced and issuers might therefore be removed from our data set. Corporate changes can also affect case status. In such circumstances, opening and closing engagement counts will not match. Impacted companies may or may not overlap with investor holdings.

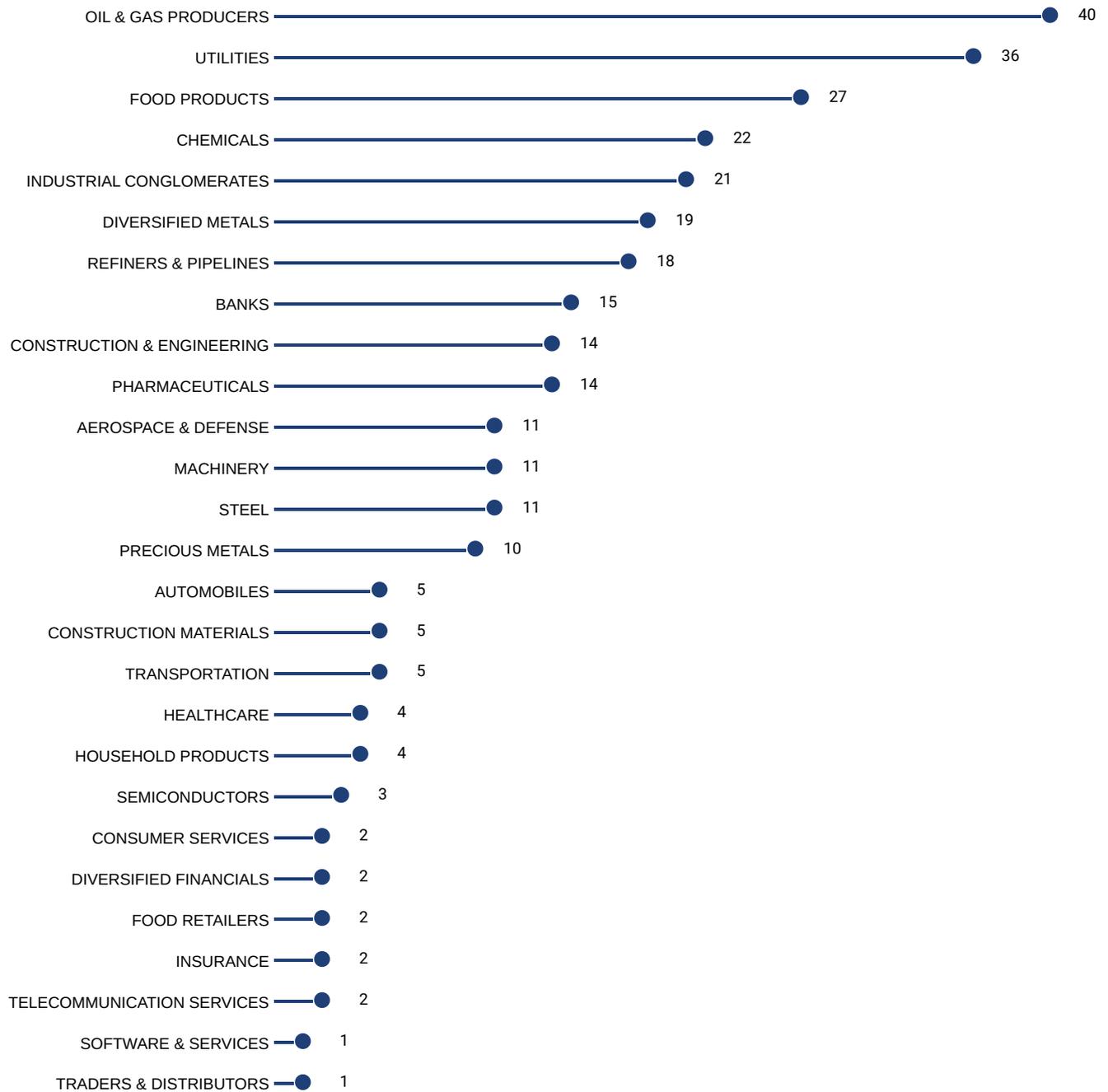
Active Engagements by ESG Risk Ratings Categories



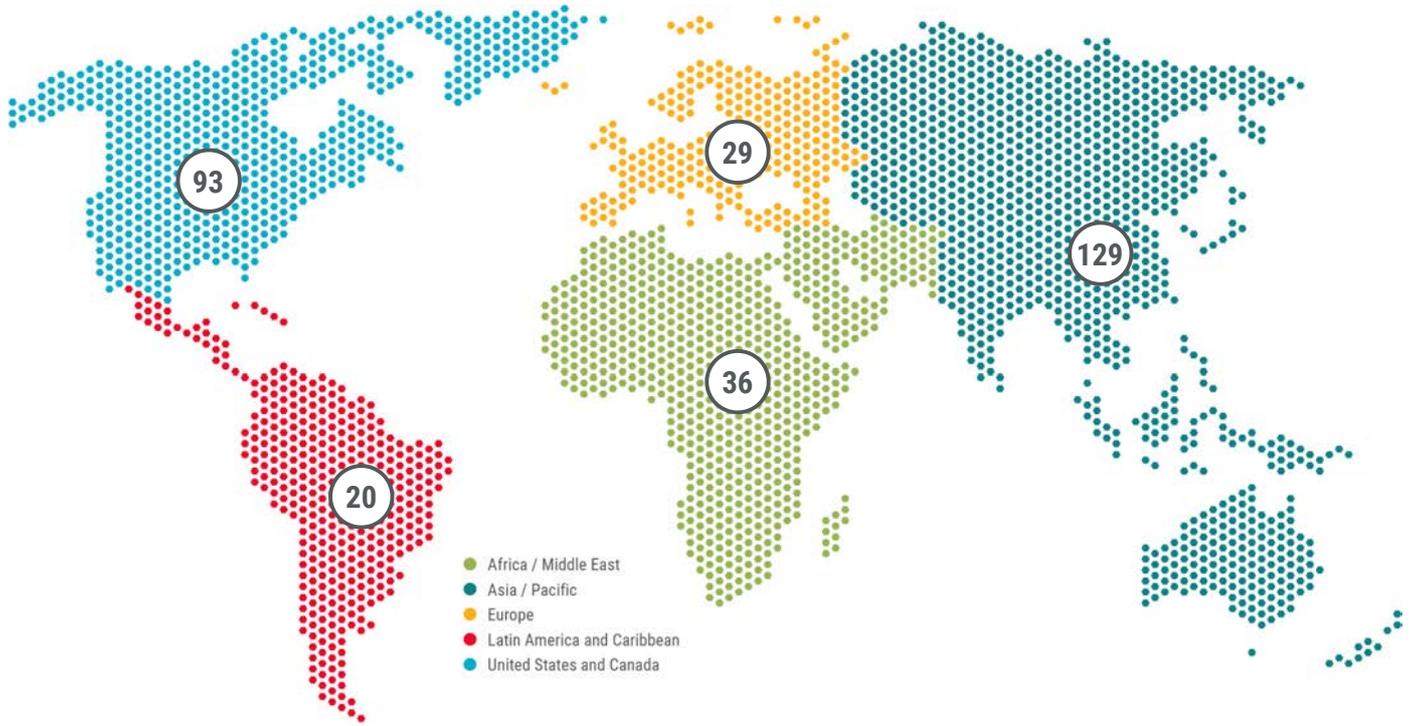
Active Engagements by ESG Risk Ratings Categories



Industry Distribution



Engagements by Headquarter Location

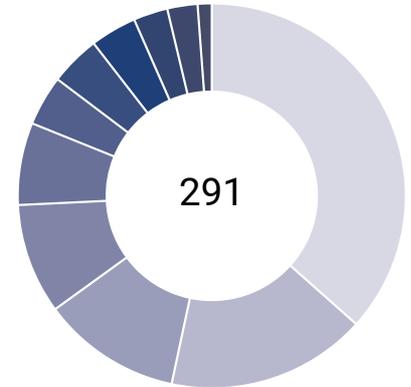


Engagement Topics

During the reporting period, our engagements addressed a number of topics across the environmental, social and governance pillars.

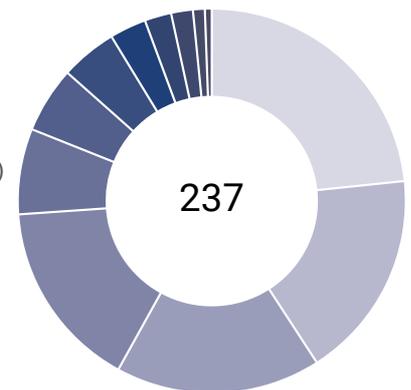
Environmental

- NET-ZERO/DECARBONIZATION (108)
- WATER SECURITY (34)
- WATER QUALITY (20)
- LAND POLLUTION AND SPILLS (12)
- NATURAL RESOURCE USE (8)
- CIRCULAR ECONOMY (3)
- CLIMATE CHANGE (49)
- WASTE MANAGEMENT (27)
- AIR POLLUTANT EMISSIONS (12)
- BIODIVERSITY (11)
- DEFORESTATION (7)



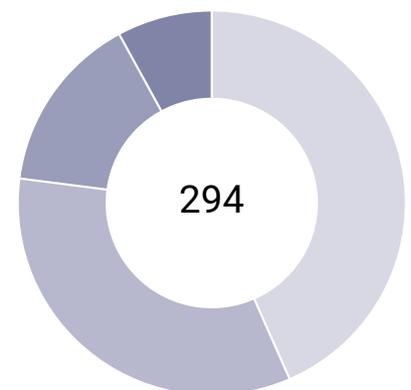
Social

- PRODUCT QUALITY AND SAFETY (56)
- HUMAN CAPITAL (41)
- HUMAN RIGHTS (17)
- DATA PRIVACY AND SECURITY (11)
- MARKETING PRACTICES (5)
- HIGH-RISK TERRITORIES (2)
- COMMUNITY RELATIONS (42)
- OCCUPATIONAL HEALTH AND SAFETY (38)
- DIVERSITY, EQUITY AND INCLUSION (DEI) (13)
- INDIGENOUS PEOPLE (7)
- LABOUR RIGHTS (4)
- JUST TRANSITION (1)



Governance

- DISCLOSURE (128)
- BUSINESS ETHICS, BRIBERY AND CORRUPTION (44)
- ESG GOVERNANCE (99)
- BOARD COMPOSITION (23)



Note: An engagement can cover one or more issues and objectives reflected in overlapping issue statistics.

Sustainable Development Goals - Mapping Engagements

All engagements are mapped to the 17 UN Sustainable Development Goals (SDGs). The mapping is done by Morningstar Sustainalytics and refers to the focus and objective(s) of the engagement.

1 No Poverty	0%	10 Reduced Inequality	2%
2 Zero Hunger	1%	11 Sustainable Cities and Communities	22%
3 Good Health and Well-Being	12%	12 Responsible Consumption and Production	50%
4 Quality Education	0%	13 Climate Action	62%
5 Gender Equality	3%	14 Life Below Water	1%
6 Clean Water and Sanitation	7%	15 Life on Land	5%
7 Affordable and Clean Energy	21%	16 Peace and Justice, Strong Institutions	55%
8 Decent Work and Economic Growth	23%	17 Partnerships to Achieve the Goal	3%
9 Industry, Innovation and Infrastructure	14%		

Case Study: Chevron Corp.

Material Risk/Strategy & Risk Engagement - Engagement Since: 03 September 2021



Industry: **Oil & Gas Producers**

Country: **United States**

ESG Risk Rating: **34.3**

Chevron is an integrated energy company with exploration, production, and refining operations worldwide, the second-largest oil company in the United States.

Production activities take place in North America, South America, Europe, Africa, Asia, and Australia and its refineries are located in the US and Asia.

Progress: **Standard** | Response: **Good** | Latest Milestone: **4**

Engagement Update

Four conference calls have taken place with Chevron since the engagement initiated in September 2021. In January 2025, a joint conference call with Sustainalytics Material Risk Engagement and Net Zero Transition engagement teams was held for the first time. This discussion focused on Chevron's decarbonization strategy. Suggested actions supported by both engagement programmes included recommendations to integrate quantitative GHG reduction metrics into executive compensation and clarifying how capex is aligned with decarbonization goals.

Focus Area

Topics discussed during the 2025 joint engagement meeting included climate-related governance, risk and impact assessment, as well as Chevron's low-carbon transition strategy. Following the engagement meeting, Chevron provided written responses to our discussion points regarding the company's board effectiveness and grievance reporting. At the request of Chevron, Morningstar Sustainalytics provided peer examples of best practice for GHG emission reduction strategies.

Engagement Outcomes

Chevron focuses on a portfolio-wide carbon intensity approach and believes its Scope 1 and 2 carbon intensity metrics remain the most effective approach to its decarbonization strategy. Chevron does not currently plan to set explicit scope 3 GHG emissions targets. Greater transparency around lobbying activities was also a topic of discussion, and Chevron committed to sharing available disclosures as per regulatory requirements.

Insights & Outlook

Chevron considers the IEA Net Zero scenario as remote and highly unlikely due to the immediate and unprecedented action required to transform the global energy system - but believes its processes for tracking leading indicators and adapting its business enables it to be flexible in response to potential changes in policy, supply, demand, and physical risk. Moving forward, discussions with Chevron for this engagement will refocus on Chevron's non-GHG air Emissions, Effluents and Waste, Governance, and Business Ethics, which are considered as the most material risks for the company.

Engagement Results



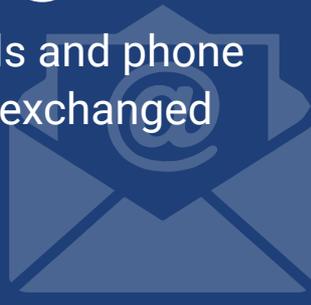
38

meetings



408

emails and phone calls exchanged



9

engagements Resolved



40

Milestones achieved

78

Positive Developments



49%

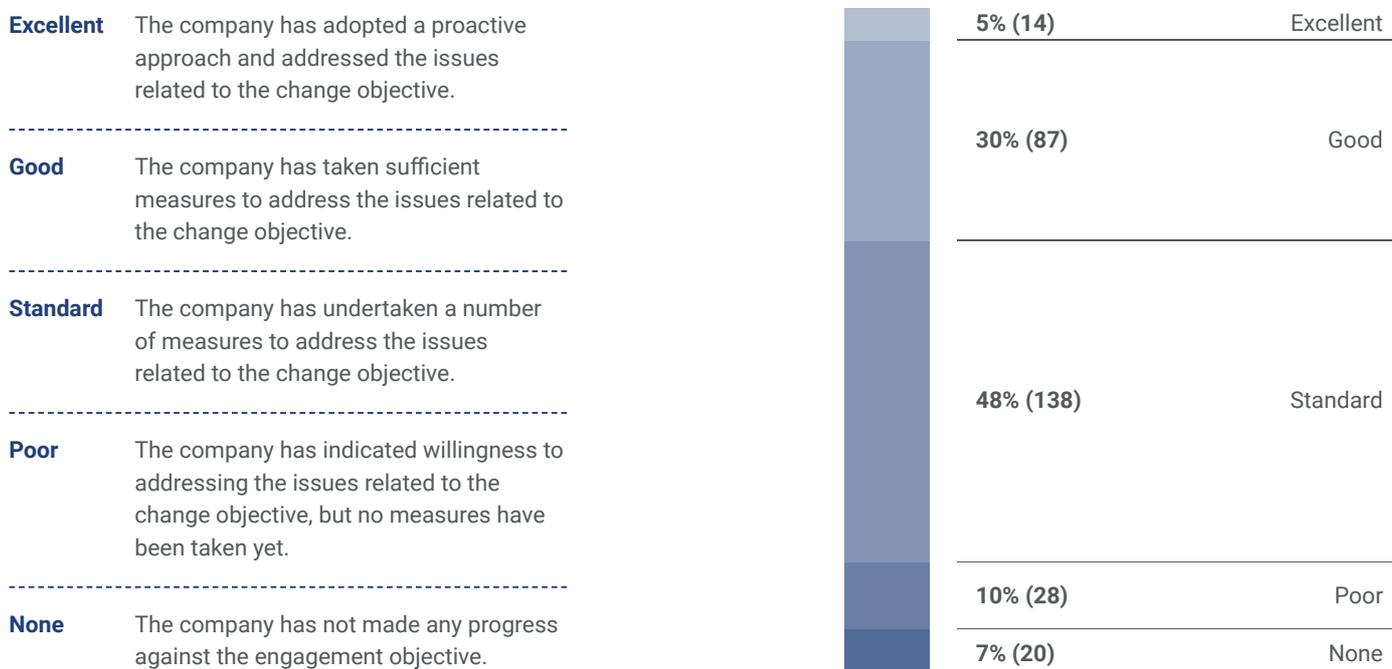
of engagements with Good or Excellent Response

48%

of engagements with Standard Progress

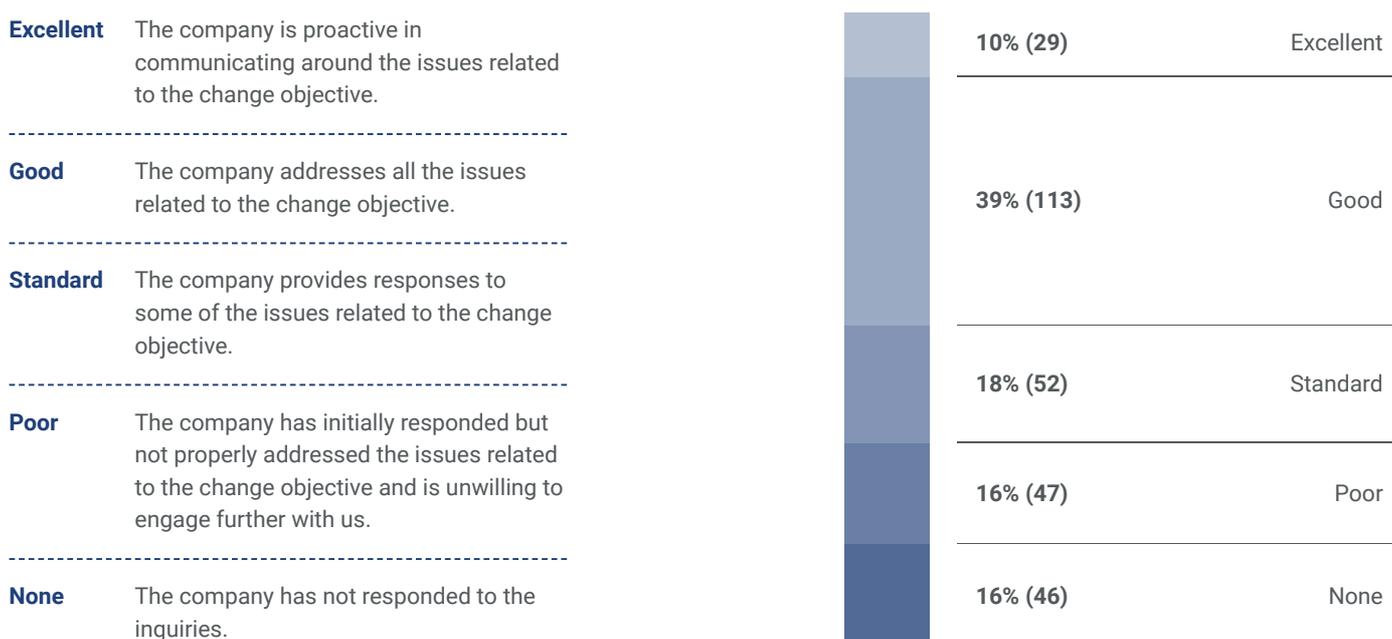
Engagement Progress

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



Engagement Response

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



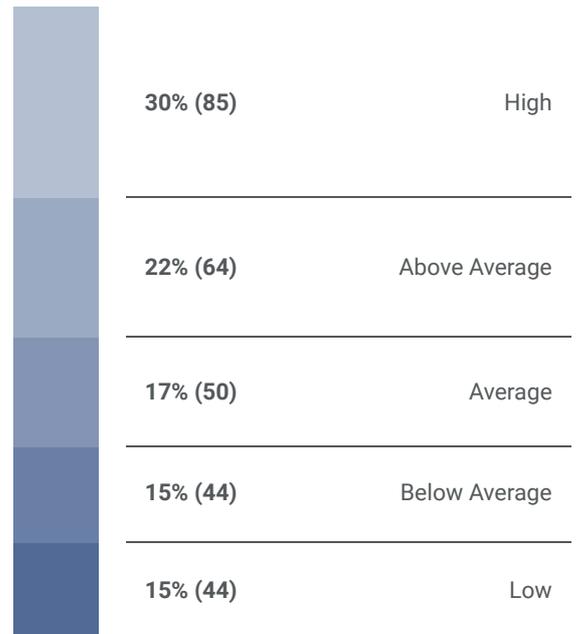
Engagement Performance

Performance describes the combined company Progress and Response.

Engagement Performance Assessment Update

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

		RESPONSE				
		EXCELLENT	GOOD	STANDARD	POOR	NONE
PROGRESS	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.

**40 Milestones
achieved in Q1 2025**

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.

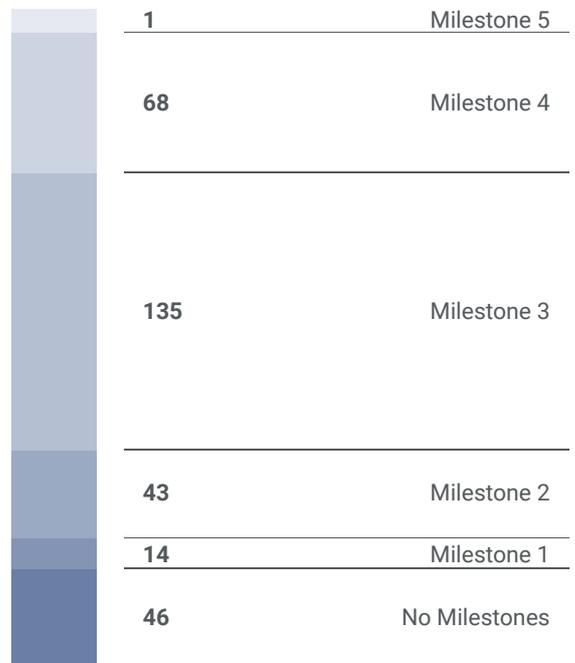
- Milestone 1** Acknowledge of issue(s) and commitment to mitigation.

YTD Highest Milestone Achieved (Resolved)



Note: Cumulative year to date resolved cases.

Highest Milestone Achieved (Engage)



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



Engagements Resolved

COMPANY	COUNTRY	INDUSTRY	ISSUE	QUARTER
Acerinox SA	Spain	Steel	Focus on Carbon and Community Relations	Q1
ANA HOLDINGS INC.	Japan	Transportation	Focus on Human Capital	Q1
BioArctic AB	Sweden	Pharmaceuticals	Focus on Product Governance and Access to Basic Services	Q1
Equatorial SA	Brazil	Utilities	Focus on Product Governance	Q1
Natura &Co Holding SA	Brazil	Household Products	Focus on Product Governance	Q1
NEL ASA	Norway	Machinery	Focus on Carbon and Product Governance	Q1
Northam Platinum Holdings Ltd.	South Africa	Precious Metals	Focus on Community Relations	Q1
Pilbara Minerals Ltd.	Australia	Diversified Metals	Focus on Carbon Products and Services	Q1
Toyota Motor Corp.	Japan	Automobiles	Focus on Carbon and E&S Impact of Products and Services	Q1

Acerinox SA

ESG Risk Ratings Score



INDUSTRY:
Steel

COUNTRY:
Spain

ENGAGEMENT FOCUS:
**Carbon—Own Operations
Community Relations
Business Ethics**

RATIONALE FOR RESOLVED STATUS:

Acerinox SA has improved its ESG Risk Rating score to 28.3.

Positive Development Highlights:

- Acerinox integrated climate risk management into its corporate risk management system. In addition, the company conducted a TCFD-aligned climate risk analysis, assessing physical and transition risks for each facility under two climate scenarios and time horizons (2030 and 2050).
- Acerinox expanded disclosure on its whistleblowing channel and Code of Conduct compliance, including number of reports, resolution rates, and business ethics training; also launched a 24/7 anonymous hotline for all stakeholders.
- Acerinox's 2022 disclosure marked the inaugural publication of its TCFD and SASB reports.

In the latest update of the ESG Risk Rating, Acerinox has improved its Risk Rating score by 1.3 points, bringing it into the medium risk category and to the 28-point threshold for engagement.

ANA HOLDINGS INC.

ESG Risk Ratings Score



INDUSTRY:
Transportation

COUNTRY:
Japan

ENGAGEMENT FOCUS:
Corporate Governance
Carbon—Own Operations
Product Governance

RATIONALE FOR RESOLVED STATUS:
ANA Holdings Inc. has improved its ESG Risk Rating score to 27.

Positive Development Highlights:

- ANA Holdings has disclosed the transition scenario for carbon neutrality by 2050.
- The company has built out a flow for the Board to provide advice to the Group ESG Promotion Management Committee.
- ANA Holdings disclosed that it implements external audits for service safety from IATA Operational Safety Audit (IOSA) every two years as well as disclosed the scope of the airlines (- three airlines) that have obtained the IOSA registration.

In the latest update of the ESG Risk Rating, ANA Holdings Inc.'s management score improved by 6.6, bringing the company into the medium risk category and to the 28-point threshold for engagement.

BioArctic AB

ESG Risk Ratings Score



INDUSTRY:
Pharmaceuticals

COUNTRY:
Sweden

ENGAGEMENT FOCUS:
Product Governance
Access to Basic Services
Business Ethics

RATIONALE FOR RESOLVED STATUS:
BioArctic AB has improved its ESG Risk Rating score to below 28.

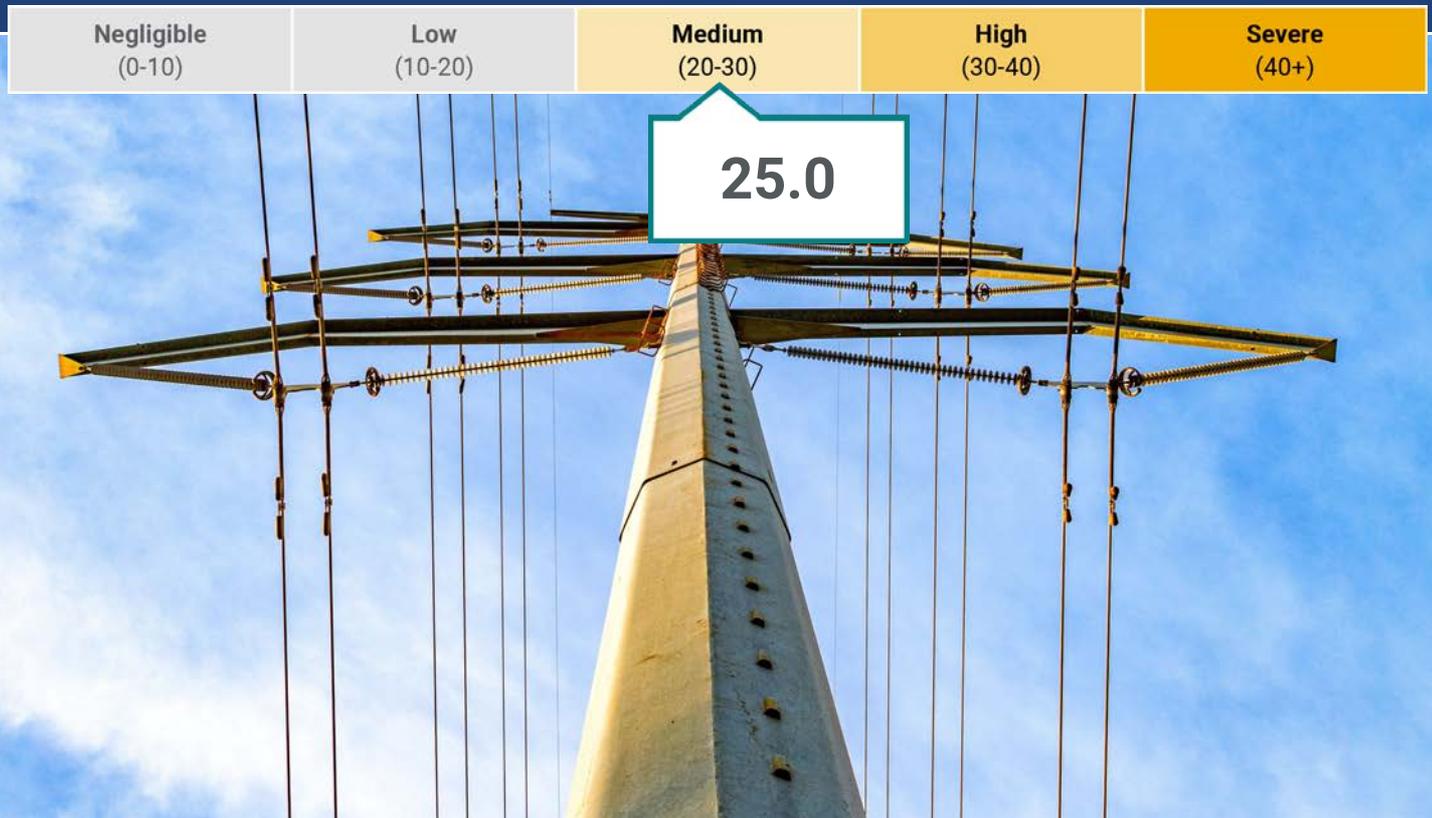
Positive Development Highlights:

- BioArctic has established a robust Quality Management System, governed by procedures, instructions, and key documents, including the Quality Policy and Quality Manual.
- At the 2024 AGM, it was decided to link ESG performance to executive pay. A 10% sustainability target is now part of the long-term incentive plan for all employees, while the short-term plan for senior management includes targets on ESG risk rating, CSRD compliance, and NPS score.

In the latest update of the ESG Risk Rating, BioArctic has improved its Risk Rating score by 5.1 points, bringing it into the medium risk category and below the 28-point threshold for engagement.

Equatorial SA

ESG Risk Ratings Score



INDUSTRY:
Utilities

COUNTRY:
Brazil

ENGAGEMENT FOCUS:
Risk Assessment and ESG Disclosure
Product Governance
Occupational Health and Safety

RATIONALE FOR RESOLVED STATUS:

Equatorial SA has improved its ESG Risk Rating score to below 28.

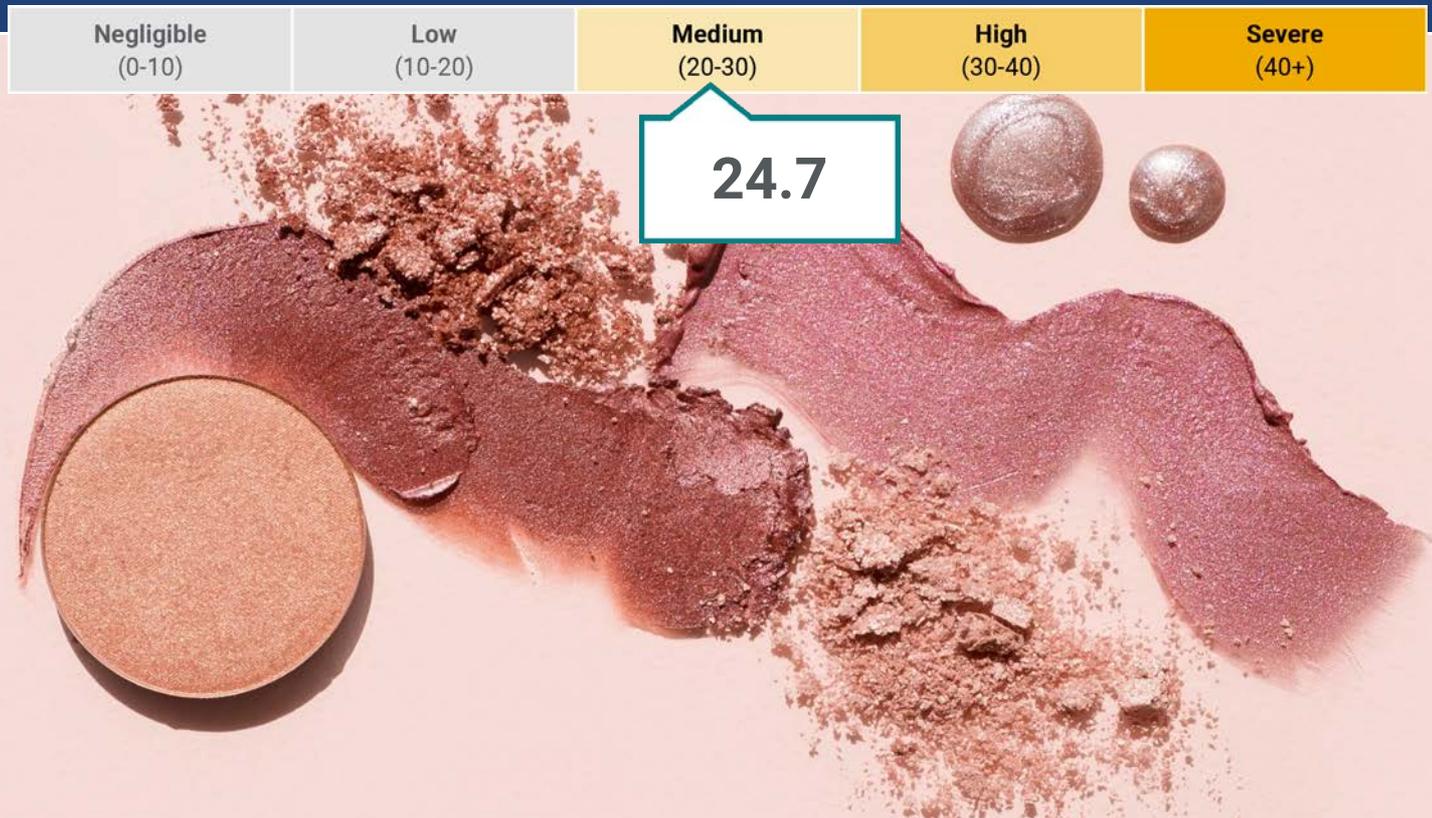
Positive Development Highlights:

- Equatorial SA does have strategies in all material areas, including safety for employees, contractors, and customers and climate change adaptation. The company’s latest Sustainability Report is much more comprehensive and detailed compared to earlier dates.
- The company has strengthened ESG oversight through structured performance tracking and ongoing discussions on climate and biodiversity risk management.
- Equatorial SA has consolidated its safety management approach, launching the Safety Journey programme with significant investments in communication and training with the purpose to develop a safety culture. The programme is for own employees as well as contractors.

In the latest update of the ESG Risk Rating, Equatorial SA has improved its Risk Rating score by 3.4 points, bringing it into the medium risk category and below the 28-point threshold for engagement.

Natura &Co Holding SA

ESG Risk Ratings Score



INDUSTRY:
Household Products

COUNTRY:
Brazil

ENGAGEMENT FOCUS:
Corporate Governance
Product Governance
Resource Use

RATIONALE FOR RESOLVED STATUS:

Natura &Co Holdings SA has improved its ESG Risk Rating score to below 28.

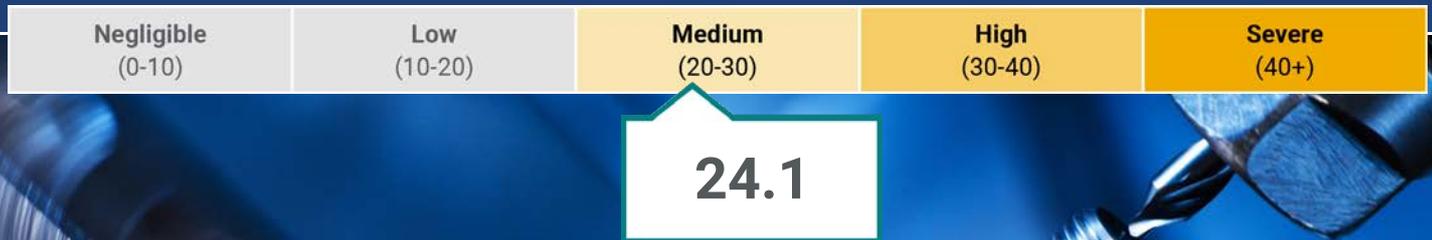
Positive Development Highlights:

- In 2023, Natura &Co strengthened its corporate governance by establishing a Sustainability Committee under the Board of Directors. The committee is responsible for overseeing sustainability strategies, monitoring progress on the "Commitment to Life" objectives, and advising the Board on ESG-related matters.
- In 2024, Natura &Co issued a sustainability-linked debenture to enhance the sustainable sourcing of bioingredients from the Amazon.
- In 2023, Natura &Co released the results of a double materiality assessment, conducted with internal and external stakeholder consultation, aligning well with Sustainalytics' view on material ESG issues.

In the latest update of the ESG Risk Rating, Natura &Co Holding SA has improved its Risk Rating score by 4.3 points, bringing it into the medium risk category and below the 28-point threshold for engagement.

NEL ASA

ESG Risk Ratings Score



INDUSTRY:
Machinery

COUNTRY:
Norway

ENGAGEMENT FOCUS:
Product Governance
Carbon—Products & Services
Raw Material Use

RATIONALE FOR RESOLVED STATUS:
NEL ASA has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- NEL strengthened its product governance framework, backed by key certifications and a robust product quality and safety programme.
- The company's products are designed with long lifespan and focus on high efficiency, reduced material use, and optimal land utilization, with take-back and recycling programmes.
- It established a human capital management programme built around talent retention, company-wide appraisals, feedback mechanisms, onboarding, and extensive training, achieving historically low turnover rates in 2023.
- In 2022, NEL released an ESG Policy outlining its ESG strategy and committed to reducing emissions per unit by 25%, 50%, and 100% by 2030, 2035, and 2050, respectively, against a 2020 baseline.

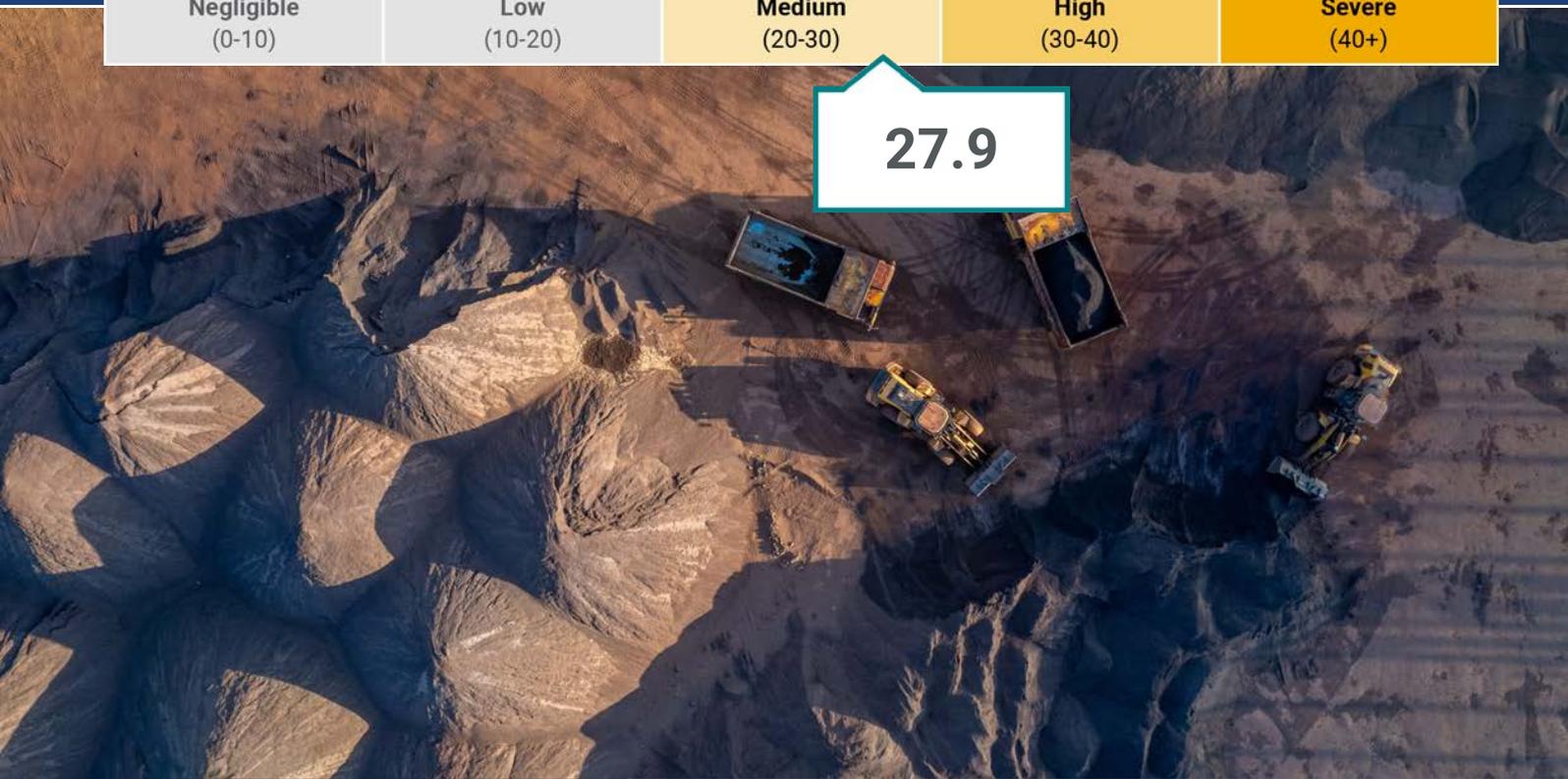
In the latest update of the ESG Risk Rating, NEL's management score improved by 16.5 points, bringing the company into the medium risk category and below the 28-point threshold for engagement.

Northam Platinum Holdings Ltd.

ESG Risk Ratings Score



27.9



INDUSTRY:
Precious Metals

COUNTRY:
South Africa

ENGAGEMENT FOCUS:
**Emissions, Effluents and Waste
Occupational Health and Safety
Carbon—Own Operations**

**RATIONALE FOR RESOLVED STATUS:
Northam Platinum has improved its ESG Risk Rating score to 28.**

Positive Development Highlights:

- Northam’s renewable energy roadmap is well under implementation, marked by two key milestones: the finalization of a PPA in October 2024 for an 80 MW solar plant at Zondereinde, and the conclusion of a PPA for a 140 MW wind farm near Sutherland, Western Cape, in February 2025.
- Northam expanded its executive remuneration programme to include performance metrics on gender balance, HDSA, water, and renewable energy, with a total weight of 20%.
- The company established Community Trusts and local Stakeholder Engagement Teams which over time reduced tensions and conflicts with local communities.

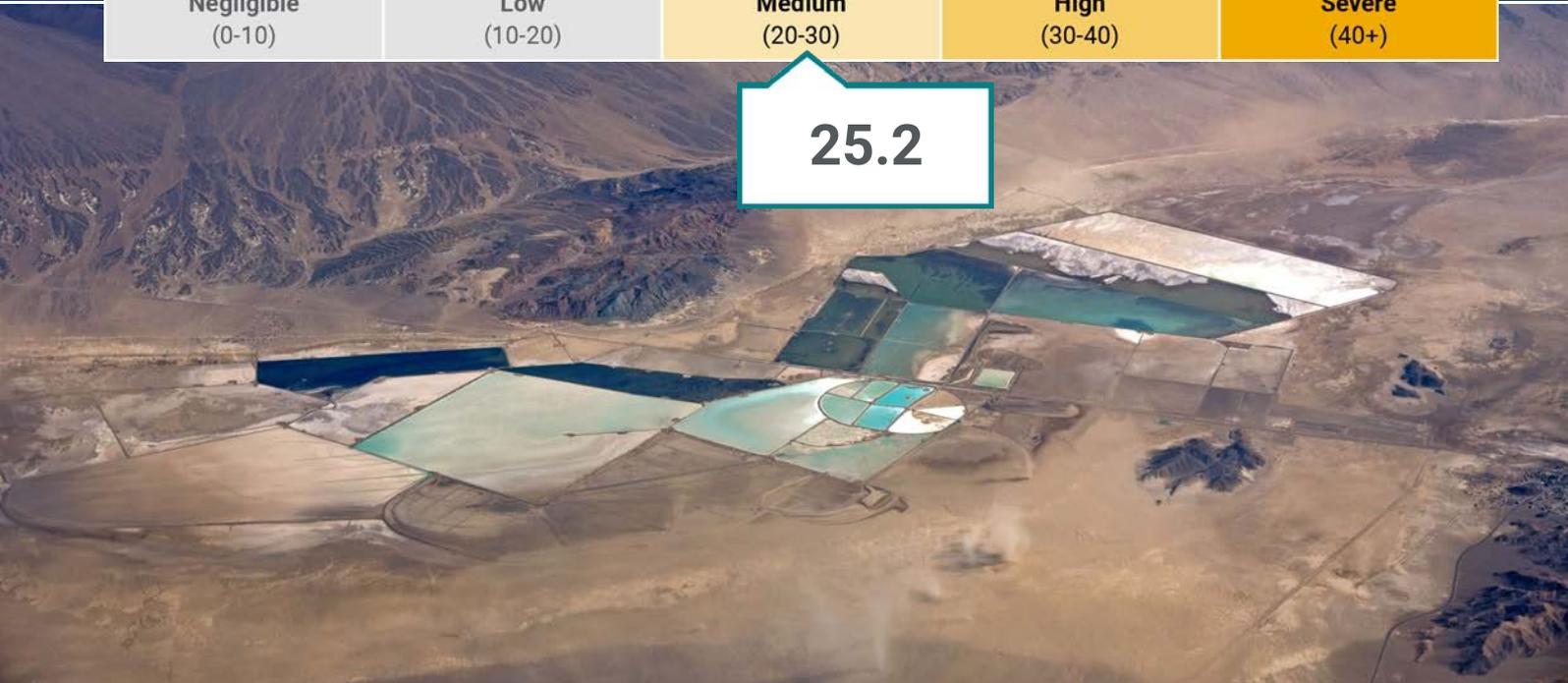
In the latest update of the ESG Risk Rating, Northam Platinum’s management score improved by 9.9 points, bringing the company into the medium risk category and below the 28-point threshold for engagement.

Pilbara Minerals Ltd.

ESG Risk Ratings Score



25.2



INDUSTRY:
Diversified Metals

COUNTRY:
Australia

ENGAGEMENT FOCUS:
Carbon – Own Operations

RATIONALE FOR RESOLVED STATUS:
Pilbara Minerals as has improved its ESG Risk Rating score to below 28.

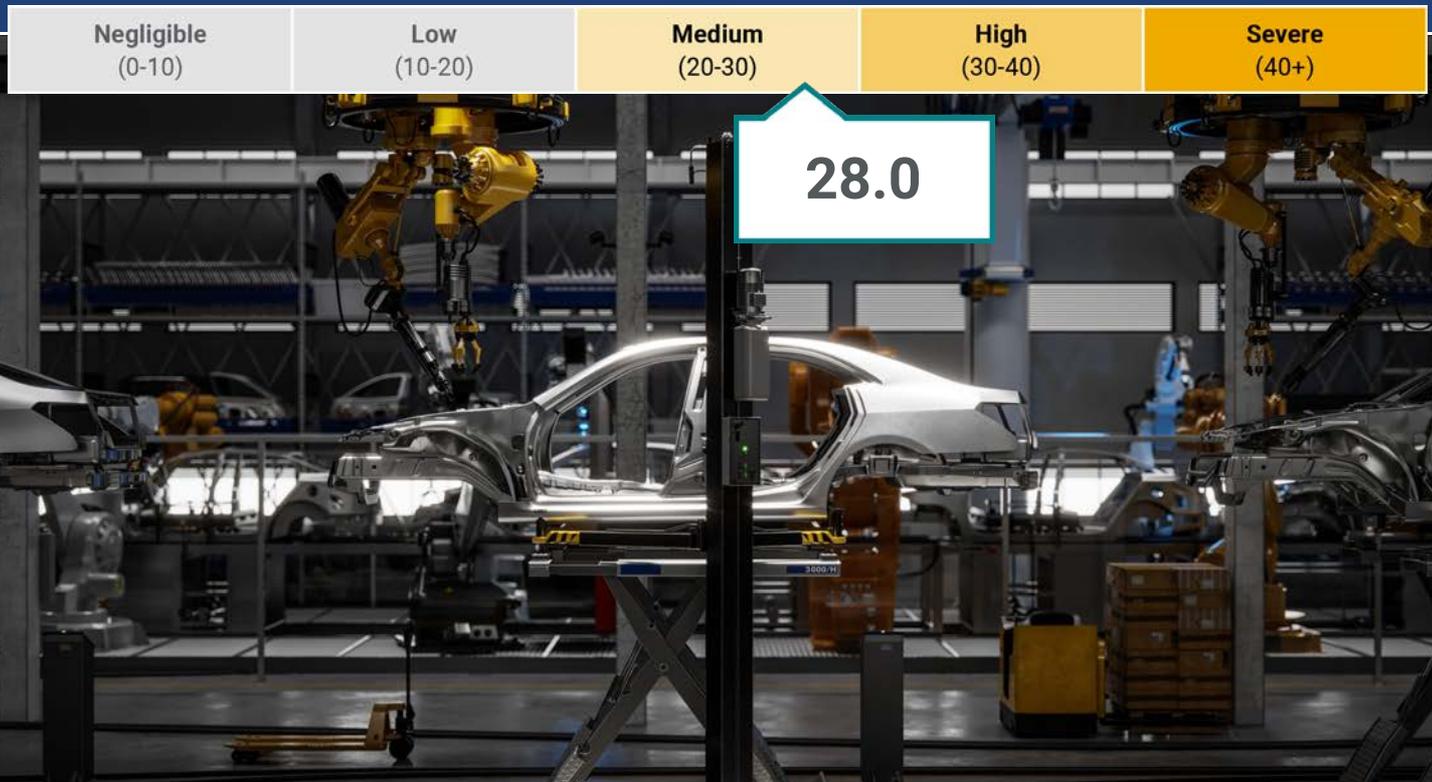
Positive Development Highlights:

- In its 2024 Annual Report, Pilbara discloses a comprehensive overview of its sustainability performance. Performance metrics disclosed by the company are aligned with its material topics and include detailed objectives and targets.
- Pilbara undertook a materiality refresh in line with the double materiality assessment process with reference to GRI and SASB in preparation for compliance with the Australian Sustainability Reporting Standards.
- Pilbara Minerals released its medium-term Power Strategy, at the end of 2023, which is expected to reduce power related emissions intensity but up to 80% by 2030, compared to FY23.
- In its 2024 Annual Report, Pilbara indicated that the company intends to complete a high-level screening to assess its Scope 3 emissions in FY2025.

Pilbara Minerals has improved its Risk Rating score by 14.8 points, bringing it into the medium risk category and below our 28-point threshold for engagement.

Toyota Motor Corp.

ESG Risk Ratings Score



INDUSTRY:
Automobiles

ENGAGEMENT FOCUS:
Corporate Governance

COUNTRY:
Japan

RATIONALE FOR RESOLVED STATUS:

Toyota Motor Corp. has improved its ESG Risk Rating score to 28.

Positive Development Highlights:

- Toyota Motors Corp. has disclosed the member of Sustainability Meeting where it consists of the Board of Directors.
- The company has conducted materiality assessment using a double materiality approach.
- It has increased the proportion of independent directors from 0.33% to 0.4%.
- Toyota Motors Corp. has incorporated ESG (sustainability) metrics into the Board’s remuneration.

In the latest update of the ESG Risk Rating, Toyota Motor Corp.’s management score improved by 8.1 points, bringing the company into the medium risk category.

Low Performance Engagements

The following list displays Low Performance companies with Poor or None Progress in combination with Poor or None Response.

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 a Disengagement 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	ISSUE	PROGRESS	RESPONSE	TIME TRACKER
Athabasca Oil Corp.	Canada	Focus on Carbon and Emissions, Effluents and Waste	None	None	0-3
Baytex Energy Corp.	Canada	Focus on Carbon Products and Services	Poor	None	0-3
Cenovus Energy, Inc.	Canada	Focus on Carbon and Emissions, Effluents and Waste	Poor	None	0-3
DraftKings, Inc.	United States of America	Focus on Business Ethics	None	None	0-3
HF Sinclair Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	Poor	None	0-3
ORION Corp.	South Korea	Focus on Product Governance	Poor	None	0-3
QL Resources Bhd.	Malaysia	Focus on Product Governance	Poor	None	0-3
Wanhua Chemical Group Co., Ltd.	China	Focus on ESG Disclosure	Poor	None	0-3
Yunnan Baiyao Group Co., Ltd.	China	Focus on Product Governance	Poor	None	0-3
Zhangzhou Pientzehuang Pharmaceutical Co., Ltd.	China	Focus on Risk Assessment and Corporate Governance	Poor	Poor	0-3

One piece equals three months.

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	TIME TRACKER
					One piece equals three months.
China State Construction Engineering Corp. Ltd.	China	Focus on Risk Assessment	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
DTE Energy Co.	United States of America	Focus on Emissions, Effluents and Waste	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
EOG Resources, Inc.	United States of America	Focus on Emissions, Effluents and Waste	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
General Dynamics Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
Kintetsu Group Holdings Co., Ltd.	Japan	New Case - Focus to be Determined	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
Marathon Oil Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
MasTec, Inc.	United States of America	Focus on Carbon and Community Relations	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
Saudi Industrial Investment Group	Saudi Arabia	Focus on Risk Assessment and ESG Disclosure	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
Saudi Kayan Petrochemical Co.	Saudi Arabia	Focus on Emissions, Effluents and Waste and Community Relations	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> None	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
Whitecap Resources, Inc.	Canada	Focus on Emissions, Effluents and Waste	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 3-6
Bausch Health Cos., Inc.	Canada	Focus on Product Governance	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 6-9
Targa Resources Corp.	United States of America	Focus on Emissions, Effluents and Waste and Community Relations	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #ccc;"></div> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #888;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> Poor	<div style="display: flex; gap: 5px;"> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> <div style="width: 20px; height: 20px; background-color: #f00;"></div> <div style="width: 20px; height: 20px; background-color: #fff;"></div> </div> 6-9

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	TIME TRACKER
Suncor Energy, Inc.	Canada	Focus on Carbon and Emissions, Effluents and Waste	Poor	Poor	9-12 <small>One piece equals three months.</small>
China Petroleum & Chemical Corp.	China	Focus on Carbon and Emissions, Effluents and Waste	Poor	Poor	12-15
Exxon Mobil Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	None	Poor	21-24
GS Holdings Corp.	South Korea	Focus on Carbon Own Operations	None	Poor	21-24
Bank of China Ltd.	China	Focus on ESG Integration Financials	None	Poor	Above 24
Bank of Shanghai Co., Ltd.	China	Focus on Risk Assessment and ESG Disclosure	None	None	Above 24
Coal India Ltd.	India	Focus on Occupational Health and Safety and Emissions, Effluents and Waste	None	None	Above 24
Eregli Demir ve Çelik Fabrikalari TAS	Turkey	Focus on Carbon Own Operations	Poor	None	Above 24
Foshan Haitian Flavouring & Food Co., Ltd.	China	Focus on ESG Disclosure	None	Poor	Above 24
Grupo Carso SAB de CV	Mexico	Focus on Risk Assessment and ESG Disclosure	Poor	Poor	Above 24
Grupo Financiero Inbursa SAB de CV	Mexico	Focus on Risk Assessment and ESG Disclosure	None	None	Above 24
Guangdong Haid Group Co., Ltd.	China	Focus on Risk Assessment and ESG Disclosure	Poor	None	Above 24

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	TIME TRACKER
HEICO Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	None	None	Above 24
Hindustan Petroleum Corp. Ltd.	India	Focus on Carbon and Community Relations	Poor	Poor	Above 24
Industrial & Commercial Bank of China Ltd.	China	Focus on ESG Integration Financials	None	Poor	Above 24
KOSÉ Corp.	Japan	Focus on Corporate Governance	None	Poor	Above 24
Masimo Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	None	None	Above 24
National Industrialization Co.	Saudi Arabia	Focus on Emissions, Effluents and Waste and Land Use and Biodiversity	None	None	Above 24
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	China	Focus on Product Governance	None	None	Above 24
Shanghai Pudong Development Bank Co., Ltd.	China	Focus on ESG Integration Financials	None	Poor	Above 24
Toyo Suisan Kaisha, Ltd.	Japan	Focus on Corporate Governance	None	Poor	Above 24
Zensho Holdings Co., Ltd.	Japan	Focus on Product Governance	None	Poor	Above 24

One piece equals three months.

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Engagement Status Updates

The following is an overview of all engagement status updates from 1 January to 31 March 2025.

Universe Change Impact

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES	QUARTER
Chesapeake Energy Corp.	United States of America	Oil & Gas Producers	Focus on Carbon and Emissions, Effluents and Waste	Entity no longer available in Morningstar Sustainalytics' universe.	Q1
Southwestern Energy Co.	United States of America	Oil & Gas Producers	New Case - Focus to be Determined	Entity no longer available in Morningstar Sustainalytics' universe.	Q1

Industrial-Scale Decarbonization in the EU: Stewardship Field Notes From Germany, France and Spain



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Key Insights:

- EU companies face structural barriers to their decarbonization efforts, including those related to EU subsidies, high interest rates, lack of customer commitment, and lack of manufacturing capacity.
- Despite these obstacles, the companies engaged with on this trip, such as **BASF**, **Iberdrola**, **Air Liquide**, and **Acerinox**, have remained committed to their net zero ambitions – investing in low-carbon technologies and projects, engaging with policymakers, and strategically positioning themselves within low-carbon value chains.
- Bold and coordinated action from policymakers, industry leaders, and investors is needed to address these challenges, if the goal of a sustainable and resilient energy system in the EU is to be achieved.

As the EU's energy transition continues, addressing climate change has evolved to become both an engineering and financial challenge, with energy security and geopolitical factors also in the mix. Coordinated action from EU policymakers, a long-term strategy, and investment from industry and investors will be needed to secure resilient supply chains and accelerate decarbonization.

Unfortunately, things have turned in the opposite direction. In 2024, many high-emitting companies across the EU scaled back or delayed deadlines for achieving carbon reduction targets through 2030. Many early-stage projects intended to scale low-carbon technologies commercially (e.g., green hydrogen, carbon capture, and biofuels) were scrapped, despite strong interest in these solutions. Morningstar Sustainalytics' Stewardship Team were keen to get to the bottom of what was going on in the region. So last November, we embarked on a field trip to learn how EU industry leaders were navigating the complex challenges of the energy transition.

Spanning Germany, France, and Spain, we engaged with utilities, chemicals, steel, industrial gases, and construction companies, to understand their decarbonization strategies and see the energy transition in action. Highlights included a tour of BASF's e-furnace technology at the Ludwigshafen chemical park in Germany and Iberdrola's industrial-scale green hydrogen plant in the Spanish city of Puertollano, which supports green ammonia production. Both facilities focus on replacing often imported fossil fuels in industrial-scale applications with domestically produced clean alternatives.

Staying Committed to Net Zero in Turbulent Times

- **EU Subsidies:** EU subsidies primarily aim to increase the availability of low-carbon technologies and products but fail to sufficiently lower prices or offer incentives that make them attractive for businesses. As a result, both commercial and individual customers remain reluctant to pay a premium for green products, limiting demand.
- **High Interest Rates:** Persistently high interest rates in major EU economies and inflation have increased borrowing and production costs, driving up prices of critical raw materials for the energy transition, such as lithium, cobalt, and nickel.
- **Lack of Customer Commitment:** Many low-carbon projects, particularly green hydrogen, lack customer commitment, which prevents industrial companies from making final investment decisions.
- **Manufacturing Capacity:** The EU's lack of manufacturing capacity for critical components, equipment, and machinery has been starkly exposed by China's near-total dominance in key low-carbon and renewable technology supply chains.

Despite these obstacles, the companies we engaged with, such as BASF, Iberdrola, Air Liquide, and Acerinox, have remained committed to their net zero ambitions. They are investing in low-carbon technologies and projects, engaging with policymakers, and strategically positioning themselves within low-carbon value chains as markets mature. For example, following the 2024 US election results, Iberdrola reaffirmed its commitment to expanding renewable energy projects in the US, demonstrating resilience amid global uncertainties.

The Road Ahead to Accelerate the Energy Transition in Europe

The EU is at a critical juncture in its energy transition to meet its global climate commitments. And the urgency is higher than ever. Today, climate action is not just about cutting carbon emissions, but also about ensuring the EU's energy security and resilience. The EU has long relied on energy imports, but now it is stepping up with policies and funding to accelerate the large-scale deployment of decarbonization technologies.¹

For example, renewable energy sources and energy storage systems strengthen energy security by reducing dependence on imports and are less affected by geopolitical disruptions. The Russia-Ukraine war and China's dominance in critical clean energy supply chains have exposed vulnerabilities in the EU's energy system, elevating the urgency of climate action from an energy security perspective even further.

Bold and coordinated action from policymakers, industry leaders, and investors is needed to address these challenges. We believe the following important step would be needed from each group.

1. Policymakers would need to implement additional incentives to stimulate demand for low-carbon technologies such as electric vehicles. Clear mandates and supportive policies, like putting a real price on carbon, will also drive adoption, encourage investments, and mature markets.
2. Despite current economic headwinds, industry leaders need to prioritize long-term investments in resilient supply chains and viable low-carbon technologies such as EU-wide green hydrogen infrastructure and biofuel hubs. Collaboration with policymakers and value chain partnerships can further unlock the full potential of decarbonization technologies.
3. Investors need to prioritize transition finance to accelerate decarbonization in high-emitting sectors, enabling systemic change and ensuring no industry is left behind on the path to net zero.

Each group has a critical role to play if the goal of a sustainable and resilient energy system in the EU is to be achieved.



Figure 1: Iberdrola visit.

Endnotes

- 1 Anderon, B. "The EU Renewable Energy Sector: Leveraging ESG Factors to Assess Coming Legislation." Morningstar Sustainalytics. Posted 16 January 2025. <https://www.sustainalytics.com/esg-research/resource/investors-esg-blog/the-eu-renewable-energy-sector--leveraging-esg-factors-to-assess-coming-legislation>

About Morningstar Sustainalytics and Contacts

Morningstar Sustainalytics is a leading ESG data, research, and ratings firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Morningstar Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider material sustainability factors in policies, practices, and capital projects. Morningstar Sustainalytics has analysts around the world with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.



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