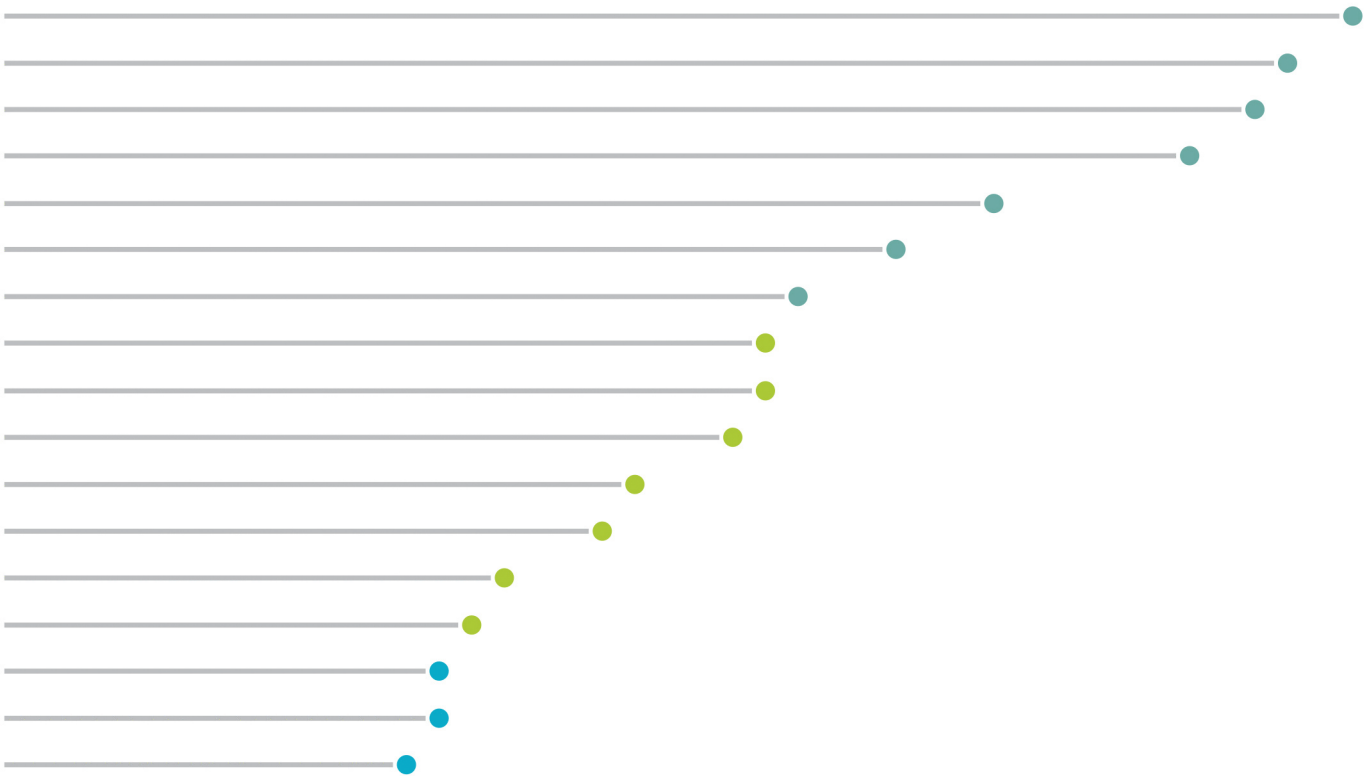


Material Risk Engagement

2025 Q3 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 July and September 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 October 2025 and uses data for the quarter ending 30 September 2025. Version 1 was disseminated on 20 October 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.



Quarter in Review



Paulina Segreto

Director, Stewardship
Morningstar Sustainalytics

During the third quarter of 2025 we successfully resolved seven engagements as companies improved their ESG Risk Ratings – crossing the 28-point threshold and entering the Medium Risk category. Additionally, several companies were archived due to universe updates, while eight new engagements were initiated, expanding our active coverage and reinforcing our commitment to driving ESG improvements across markets. We conducted 49 meetings, exchanged 526 emails and calls, tracked 58 positive developments, and recorded 33 key milestones.

Our Strategy and Risk engagements continued to evolve in response to shifting geopolitical, regulatory, environmental, and social dynamics. Engagements remained active across multiple jurisdictions, including the US, where the political and legal climate continue to present challenges for ESG-related dialogue. Since the beginning of the year, we have held 133 calls globally, including with 25 US-based companies, representing approximately 40% of our US Strategy and Risk engagement portfolio with over a dozen additional engagements expected by year-end.

Rapidly changing regulations around the world are confronting multi-jurisdictional corporations with diverse compliance requirements. In Q3, we explored the theme of managing multi-jurisdictional corporate risk, emphasizing the importance of aligning global operations with the most stringent regulatory standards. This includes clear policy commitments, senior-level accountability, and strong internal compliance culture. It also underscores the reputational and legal risks associated with weak oversight and emphasizes the need for companies to proactively address regulatory divergence across jurisdictions.

Sector-level developments have also influenced engagement priorities. Several energy sector companies have begun to scale back their investments in low-carbon alternatives. Notably, Shell's decision to cancel its flagship biofuels project in Rotterdam, citing cost and competitiveness concerns, reflects a broader shift toward traditional oil and gas assets. This raises questions about the durability of corporate climate commitments and the long-term viability of transition strategies.

Environmental and social risk remains a central theme to our engagement dialogues. New research has linked Canada's 2023 wildfire season to over 87,000 premature deaths globally, highlighting the far-reaching human health impacts of climate-related events. This data reinforces the importance of proactive risk assessment and disclosure, particularly for companies with exposure to risk associated with harmful non-GHG air emissions, such as particulate matter (PM). Sources of PM include natural events like wildfires as well as industrial processes and everyday activities such as cooking and burning wood.

Furthermore, Canada's federal government recently announced its first tranche of fast-tracked "nation-building" energy and infrastructure projects, including LNG expansion and new mining initiatives. These projects offer insights into national priorities and signal a strategic positioning for Canada to become a leading global energy supplier, which includes implications for investor engagement on climate change issues, Indigenous rights and community relations, as well as geopolitical risk. Accelerated permitting and development timelines may raise concerns around the environmental and social impacts of these projects, including potential adjustments to decarbonization goals and adequate time spent on stakeholder engagement with community consultation and involvement activities.

Our engagements this quarter also included dialogue with Archer-Daniels-Midland Co., a US-based agricultural company, which has shown progress in strengthening ESG governance, deforestation-free sourcing, and biodiversity mapping. The company's openness to external input and cross-programme collaboration reflects a constructive approach to managing its material ESG issues and aligning with global best practice.

Several engagements were resolved this quarter following improvements in ESG Risk Ratings and company disclosure practices. These companies: Evergy, Banque Saudi Fransi, Mitsubishi Motors, Riyad Bank, SBI Holdings, Sekisui Chemical, and Vistra, have demonstrated enhanced governance, climate actions, and ESG integration. These developments reflect continued and growing responsiveness to investor expectations and mark meaningful progress resulting from our engagement activities.

Looking Ahead

Engagements in Q4 will continue to focus on regulatory adaptation, climate resilience, and the integrity of corporate transitions plans. Companies operating across multiple jurisdictions will be expected to demonstrate credible governance and compliance structures in an increasingly complex operating environment.

Furthermore, particular attention will be given to developments in Norway where government announcements signal a renewed push into Arctic oil and gas exploration. The upcoming licensing rounds are expected to foster further engagement with companies such as Equinor ASA and Aker BP ASA, as Arctic regions are widely recognized for their environmental sensitivity, where operational challenges may carry heightened risks for biodiversity and climate resilience.

Engagement Overview



307

engagements as of 30
September 2025

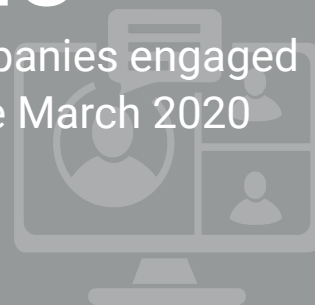
8

new engagements



643

companies engaged
since March 2020



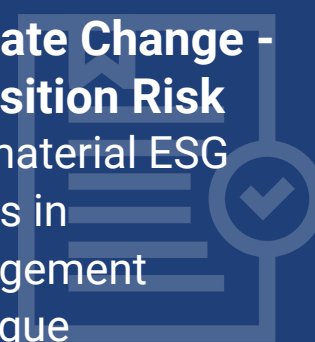
SDG 13 Climate Action

(59%) linked to engagement objective

Asia / Pacific
region with the largest
number of
engagements

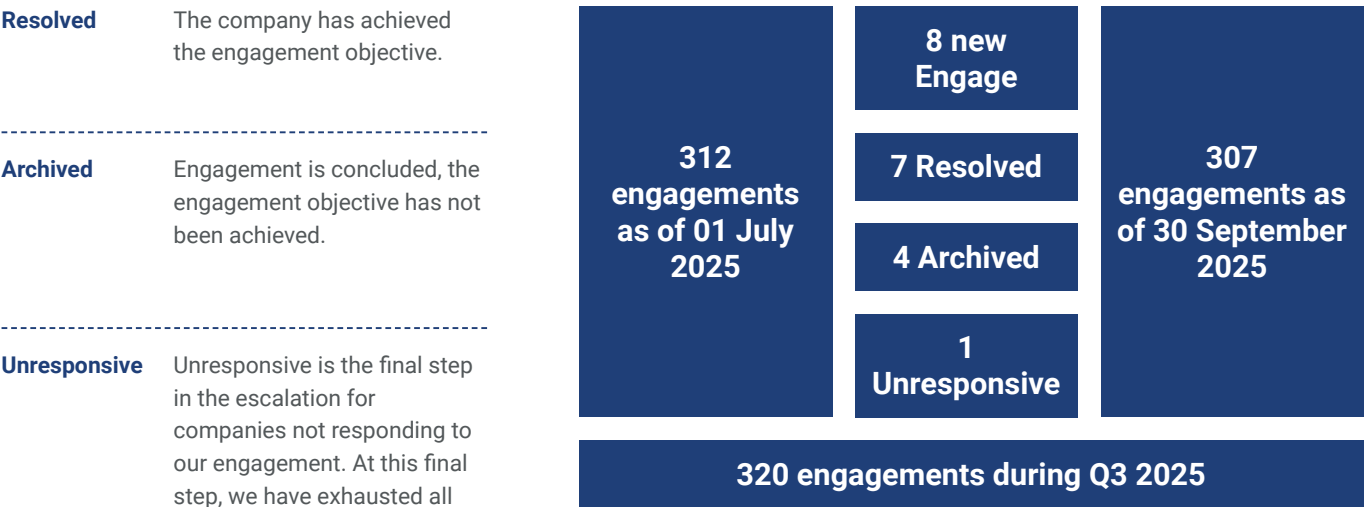
**Oil & Gas Producers
and Utilities**
industries with the
most engagements

**Disclosure and
Climate Change -
Transition Risk**
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:



312 engagements as of 01 July 2025

8 new Engage

7 Resolved

4 Archived

1 Unresponsive

307 engagements as of 30 September 2025

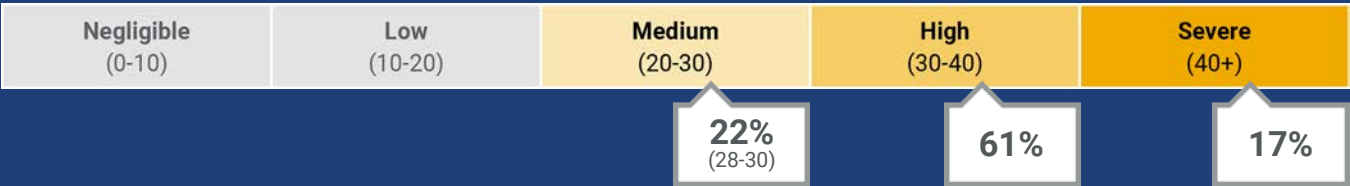
320 engagements during Q3 2025

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.

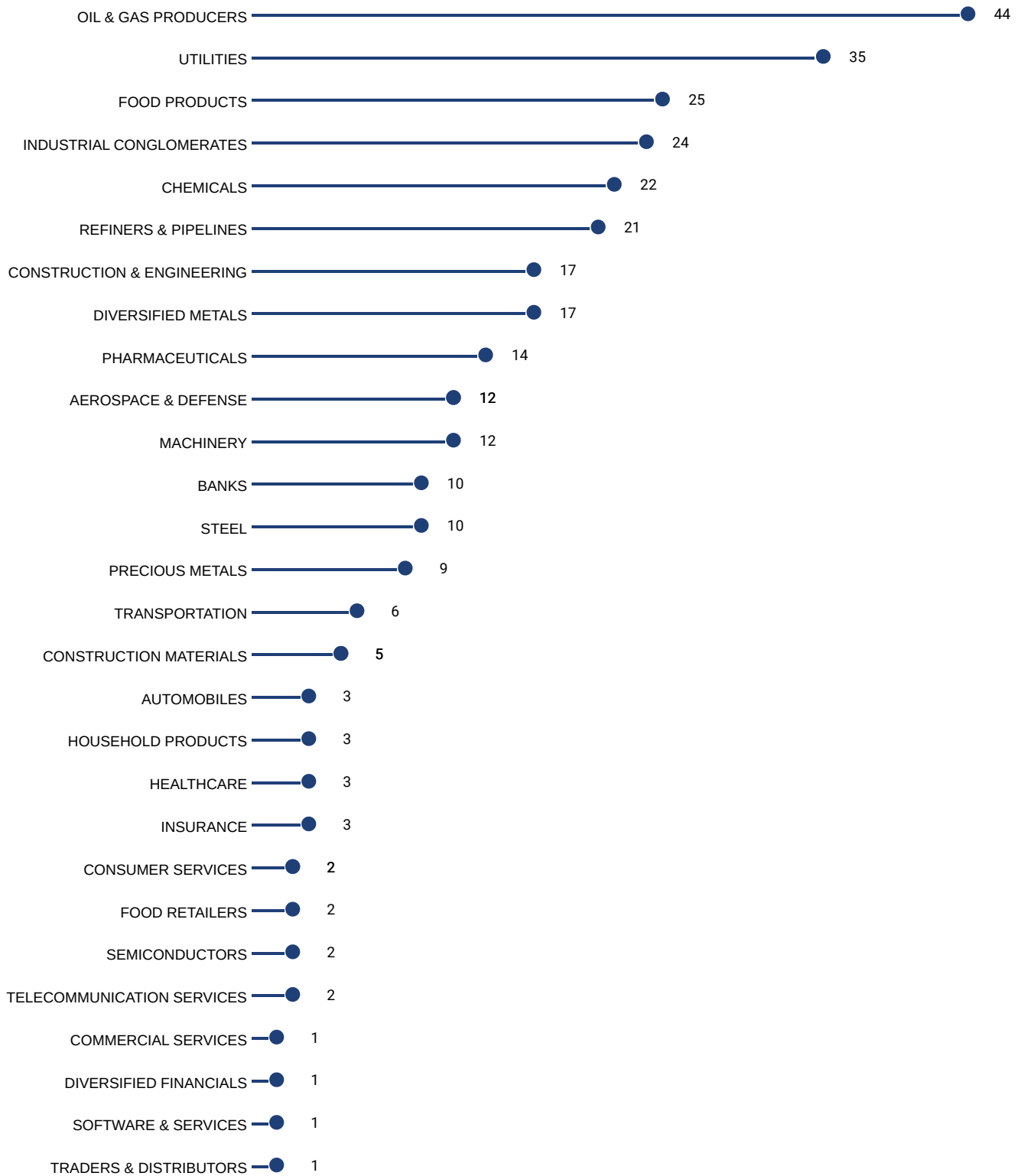
Active Engagements by ESG Risk Ratings Categories



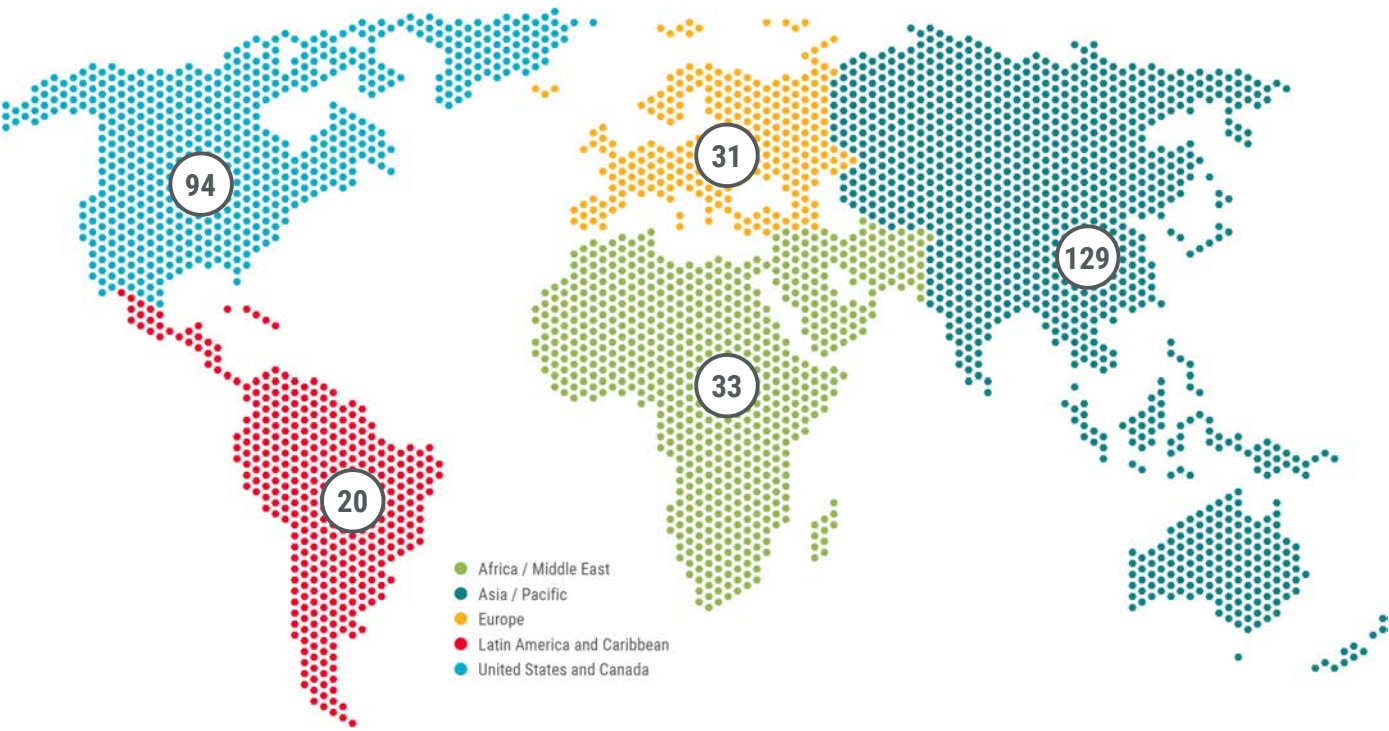
Active Engagements by ESG Risk Ratings Categories



Industry Distribution



Engagements by Headquarter Location

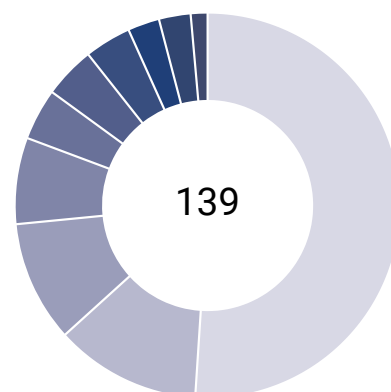


Engagement Topics

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

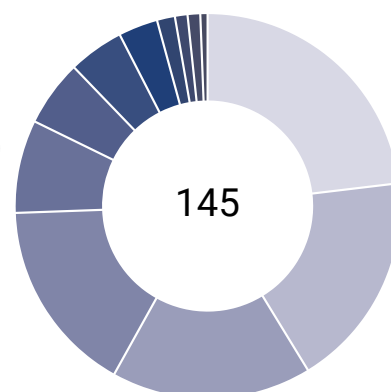
Environmental

- CLIMATE CHANGE - TRANSITION RISK (122)
- WASTE MANAGEMENT (24)
- AIR POLLUTANT EMISSIONS (10)
- BIODIVERSITY (9)
- NATURAL RESOURCE USE (6)
- WATER SECURITY (29)
- WATER QUALITY (17)
- LAND POLLUTION AND SPILLS (10)
- DEFORESTATION (6)
- CIRCULAR ECONOMY (3)



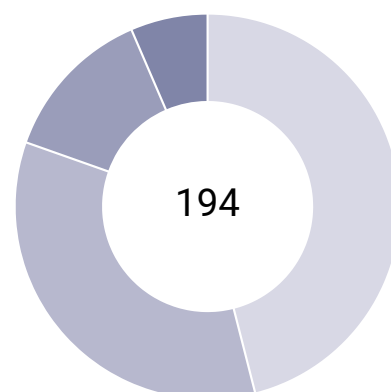
Social

- PRODUCT QUALITY AND SAFETY (51)
- OCCUPATIONAL HEALTH AND SAFETY (37)
- HUMAN RIGHTS (17)
- DATA PRIVACY AND SECURITY (10)
- MARKETING PRACTICES (3)
- LABOUR RIGHTS (2)
- COMMUNITY RELATIONS (40)
- HUMAN CAPITAL (36)
- DIVERSITY, EQUITY AND INCLUSION (DEI) (12)
- INDIGENOUS PEOPLE (7)
- HIGH-RISK TERRITORIES (2)
- JUST TRANSITION (1)



Governance

- DISCLOSURE (138)
- BUSINESS ETHICS, BRIBERY AND CORRUPTION (39)
- ESG GOVERNANCE (103)
- BOARD COMPOSITION (19)



Note: Each engagement case may address multiple ESG topics. The numbers in parentheses indicate how many engagements include that specific topic. The total in the chart reflects the count of engagements with an Environmental, Social, or Governance focus. While a single engagement may span multiple ESG pillars, it is counted only once in the total. However, there is no limit to the number of topics an engagement can cover, so the topic counts will not sum to the total per pillar.

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	47%
4 Quality Education	0%	13 Climate Action	59%
5 Gender Equality	2%	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	50%
8 Decent Work and Economic Growth	21%	17 Partnerships to Achieve the Goal	2%
9 Industry, Innovation and Infrastructure	14%		

Case Study: Archer-Daniels-Midland Co.

Material Risk/Strategy & Risk Engagement - Engagement Since: 21 March 2022



Industry: Agriculture

Country: United States of America

ESG Risk Rating: 30.3

Archer-Daniels-Midland (ADM) is a global leader in processing oilseeds, corn, wheat, and other crops. It operates one of the largest grain merchandising networks, supported by extensive storage and transportation assets.

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

Engagement Update

Since March 2022, ADM has engaged in five calls and one in-person meeting as part of our ongoing stewardship dialogue. During a June 2025 call with Sustainalytics we addressed key governance and sustainability matters. Topics included internal accounting investigations, strengthened internal controls, and leadership changes. ADM also discussed regulatory engagement, challenges with its SBTi submission, progress on regenerative agriculture, measures for EU deforestation compliance, and the launch of a biodiversity mapping initiative.

Focus Area

Our dialogue seeks stronger ESG risk management at ADM, focusing on governance, climate, biodiversity, and supply chains. Objectives include ensuring robust governance through improved controls and leadership, advancing deforestation-free sourcing.

Engagement Outcomes

Since 2023, ADM has advanced its ESG efforts in supply chain transparency, climate action, and biodiversity. In 2025, it disclosed soy and palm supply chains verified as deforestation-free, adopted a global Standard Operating Procedure for due diligence that includes human rights reviews and audits, submitted scope 1-3 targets to SBTi with early reductions, and launched a global biodiversity mapping project with Restore and the E.O. Wilson Foundation.

Insights & Outlook

Engagement shows ADM strengthening its ESG leadership through regenerative agriculture, biodiversity mapping, and low-carbon solutions. Next steps include broadening deforestation-free verification, aligning decarbonization goals with SBTi, and embedding nature-related risk in supply chain decisions. Openness to external input suggests ADM will refine governance and reporting, moving toward a more strategic, resilient ESG agenda.

Engagement Results



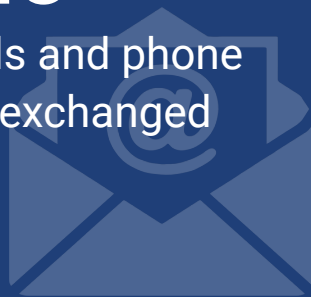
49

meetings



526

emails and phone
calls exchanged



7

engagements
Resolved



33

Milestones achieved

58

Positive Developments



47%

of engagements with
Good or Excellent
Response

49%

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.		4% (12)	Excellent
Good	The company has taken sufficient measures to address the issues related to the change objective.		30% (82)	Good
Standard	The company has undertaken a number of measures to address the issues related to the change objective.		49% (132)	Standard
Poor	The company has indicated willingness to addressing the issues related to the change objective, but no measures have been taken yet.		12% (33)	Poor
None	The company has not made any progress against the engagement objective.		5% (13)	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.		10% (28)	Excellent
Good	The company addresses all the issues related to the change objective.		37% (100)	Good
Standard	The company provides responses to some of the issues related to the change objective.		26% (71)	Standard
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.		12% (32)	Poor
None	The company has not responded to the inquiries.		15% (41)	None

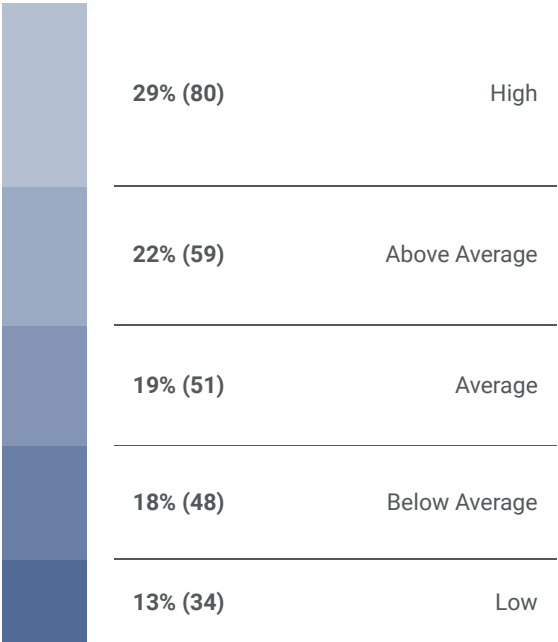
Engagement Performance

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.

33 Milestones
achieved in Q3 2025

Milestones Framework

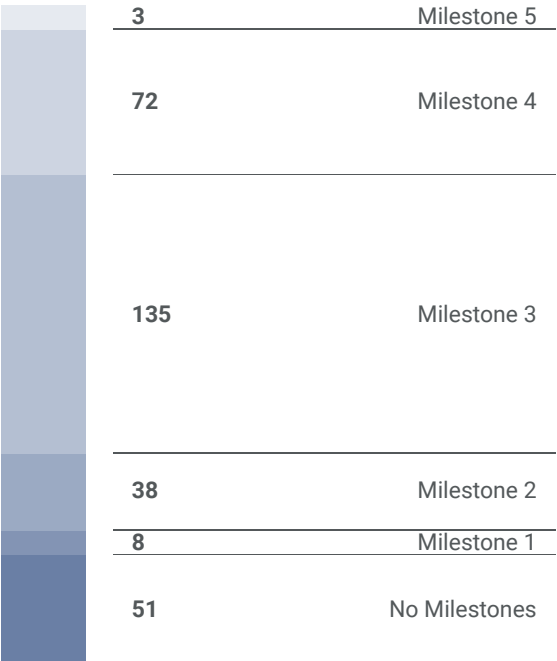
Resolved	Case successfully closed.
Milestone 5	Change objective is considered fulfilled.
Milestone 4	Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing.
Milestone 3	Strategy is well formed and has moved into early stages of implementation.
Milestone 2	Issuer 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
Banque Saudi Fransi	Saudi Arabia	Banks	Focus on Risk Assessment and Corporate Governance
Evergy, Inc.	United States of America	Utilities	Focus on Carbon and Community Relations
Mitsubishi Motors Corp.	Japan	Automobiles	Focus on Carbon Own Operations
Riyad Bank	Saudi Arabia	Banks	Focus on ESG Integration Financials
SBI Holdings, Inc.	Japan	Diversified Financials	Focus on ESG Disclosure
Sekisui Chemical Co., Ltd.	Japan	Industrial Conglomerates	Focus on Human Capital
Vistra Corp.	United States of America	Utilities	Focus on Carbon Own Operations

Resolved - Banque Saudi Fransi

ESG Risk Ratings Score

Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)
----------------------	----------------	-------------------	-----------------	-----------------

21.2

INDUSTRY:
Regional Banks

COUNTRY:
Saudi Arabia

ENGAGEMENT FOCUS:
Risk Assessment
ESG Integration Financials
Product Governance

RATIONALE FOR RESOLVED STATUS:

Banque Saudi Fransi has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Banque Saudi Fransi established 21 ESG KPIs aligned with its strategic corporate pillars. These KPIs are being operationalized across all business units throughout 2025, with full rollout expected by year-end. Each unit is supported by designated Sustainability Champions responsible for implementation and accountability.
- The company launched a Sustainable Financing Framework for ESG-linked lending, validated by a second-party provider and aligned with Saudi Vision 2030 and Net Zero 2060 goals.
- Banque Saudi Fransi enhanced climate disclosures by piloting scope 3 emissions (2022-2024), confirming scope 1 and 2 targets for its 2024 ESG Report, and embedding climate risk into credit assessments. ESG KPIs are partially linked to employee performance incentives, reinforcing internal accountability.

In the latest update of the ESG Risk Rating, Banque Saudi Fransi management score improved, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Evergy, Inc.

ESG Risk Ratings Score



INDUSTRY:
Electric Utilities

COUNTRY:
United States of America

ENGAGEMENT FOCUS:
Carbon - Own Operations
Community Relations
Emissions, Effluents and Waste

RATIONALE FOR RESOLVED STATUS:
Evergy, Inc. has improved its ESG Risk Rating score to below 28.

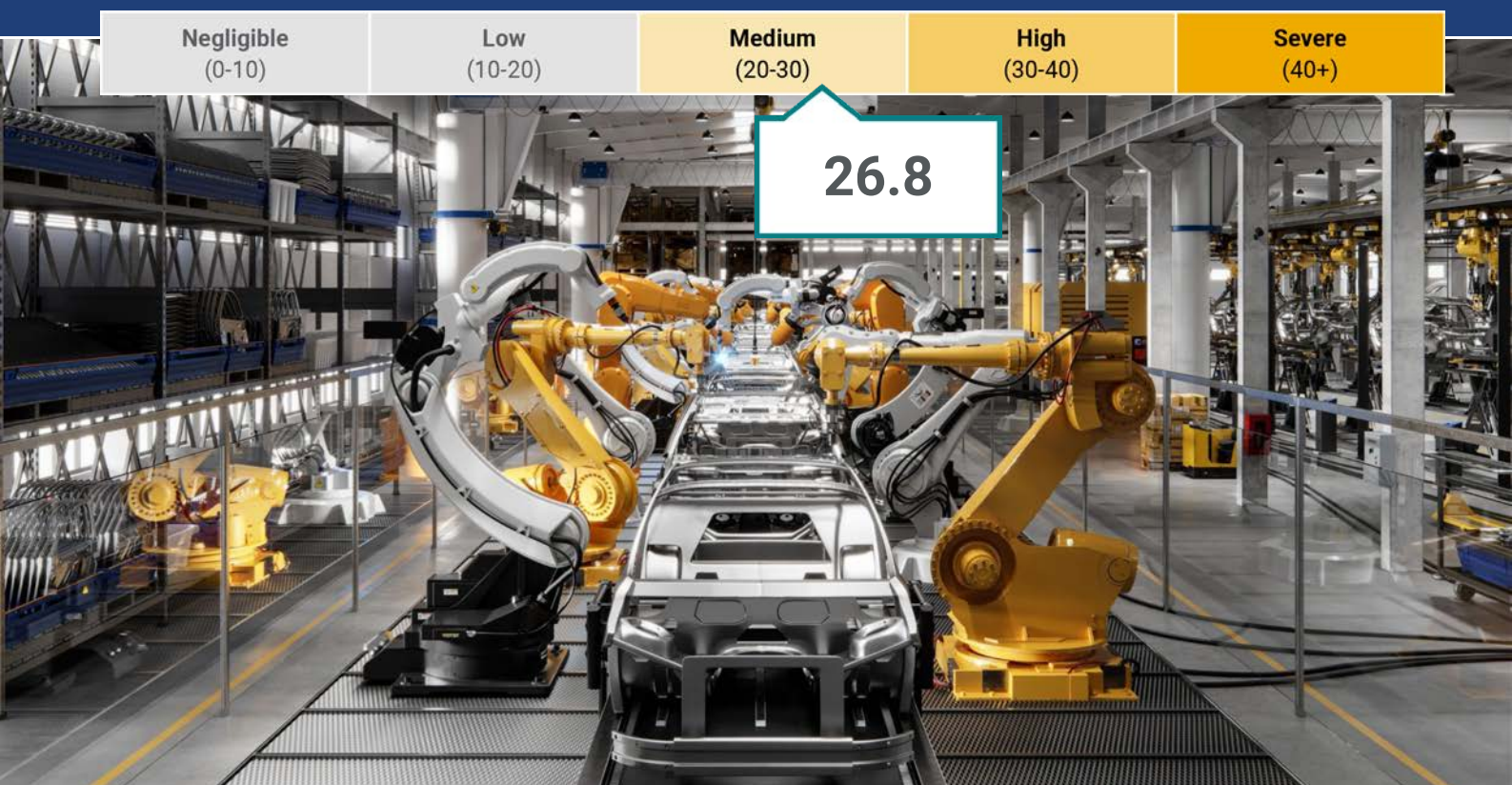
Positive Development Highlights:

- Evergy disclosed community and economic development initiatives in its 2024 Sustainability Report, including projects representing 11 GW of incremental demand and nearly USD 1.5 billion in new capital investments across 12 projects.
- The company enhanced its disclosure to include identification of potential risks requiring emergency response (electrical safety and extreme weather) in a section of its report dedicated to emergency response and public safety.
- Evergy also offers an Electrical Safety Certification programme with aim to training first responders to help them safely respond to emergency situations that involve Evergy assets. More than 300 Professional and Volunteer First Responders successfully completed the series of courses in 2023 and 2024.
- As part of its workforce planning, Evergy implements a succession planning process. In partnership with company operations, Evergy’s human capital team identifies and anticipates workforce gaps and creates the employee experience they need to serve customers and communities.

In the latest update of the ESG Risk Rating, Evergy’s management score improved by 8.5 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Mitsubishi Motors Corp.

ESG Risk Ratings Score



INDUSTRY:
Automobiles

COUNTRY:
Japan

ENGAGEMENT FOCUS:
Carbon – Own Operations
Product Governance
Business Ethics

RATIONALE FOR RESOLVED STATUS:

Mitsubishi Motors Corp. has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Mitsubishi Motors Corp. developed the Board skills matrix, which will help provide greater transparency regarding the board's collective expertise.
- The company is committed to achieving carbon neutrality by 2050. This long-term commitment reflects the company's dedication to environmental responsibility, sustainable growth, and contributing to a low-carbon future.
- Mitsubishi Motors clarified the scope of its sites certified under ISO 9001 to provide greater transparency into its quality management system.
- The company ensures that its hotline system is proactively communicated to employees.

In the latest update of the ESG Risk Rating, Mitsubishi Motor Corp.'s management score improved by 8.2 points, bringing the company into the Medium Risk category and at the 28-point threshold for engagement.

Resolved - Riyadh Bank

ESG Risk Ratings Score

Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)
----------------------	----------------	-------------------	-----------------	-----------------

23.0

INDUSTRY:
Regional Banks

COUNTRY:
Saudi Arabia

ENGAGEMENT FOCUS:
ESG Integration Financials
Corporate Governance
Data Privacy

RATIONALE FOR RESOLVED STATUS:

Riyad Bank has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- ESG risk is structurally managed through board-level oversight, KPI-linked executive remuneration, and embedded financial practices.
- Climate risk is embedded in credit approvals via the Climate Risk Project; the bank has cut scope 1 & 2 emissions by 28%, set a 2035 net-zero target with interim benchmarks, and launched a structured scope 3 roadmap under NZBA/SBTi.
- Green finance is aligned with International Capital Market Association's Green Bond Principles and supports Saudi Vision 2030.
- Riyadh Bank is actively developing a Transition Sukuk and expanding its sustainable finance offering across wholesale and retail segments – including EV loans, sustainability-linked credit cards, and green bond underwriting.

In the latest update of the ESG Risk Rating, Riyadh Bank management score improved, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - SBI Holdings, Inc.

ESG Risk Ratings Score

Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)
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27.6

INDUSTRY:
**Investment Banking and
Brokerage**

COUNTRY:
Japan

ENGAGEMENT FOCUS:
**Business Ethics
Human Capital**

RATIONALE FOR RESOLVED STATUS:

SBI Holdings, Inc. has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- SBI Holdings established quantitative and qualitative targets for material issues, reflecting a more strategic and proactive approach to managing key ESG risks.
- The company stated in its annual securities report that responsibility for diversity lies with the Executive Officer in charge of human resources.
- SBI Holdings implemented risk assessments related to business ethics and compliance.
- The company expanded the scope of disclosed whistle-blowing reports to include not only those from the parent company but also from certain consolidated subsidiaries.

In the latest update of the ESG Risk Rating, SBI Holdings, Inc.'s ESG Risk Rating score improved by 5.4, bringing the company into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Sekisui Chemical Co., Ltd.

ESG Risk Ratings Score

Negligible (0-10)	Low (10-20)	Medium (20-30)	High (30-40)	Severe (40+)
----------------------	----------------	-------------------	-----------------	-----------------



28.1

INDUSTRY:
Conglomerates

COUNTRY:
Japan

ENGAGEMENT FOCUS:
Carbon – Own Operations
Product Governance
Corporate Governance
Human Capital

RATIONALE FOR RESOLVED STATUS:

Sekisui Chemical Co., Ltd. has improved its ESG Risk Rating score to 28.

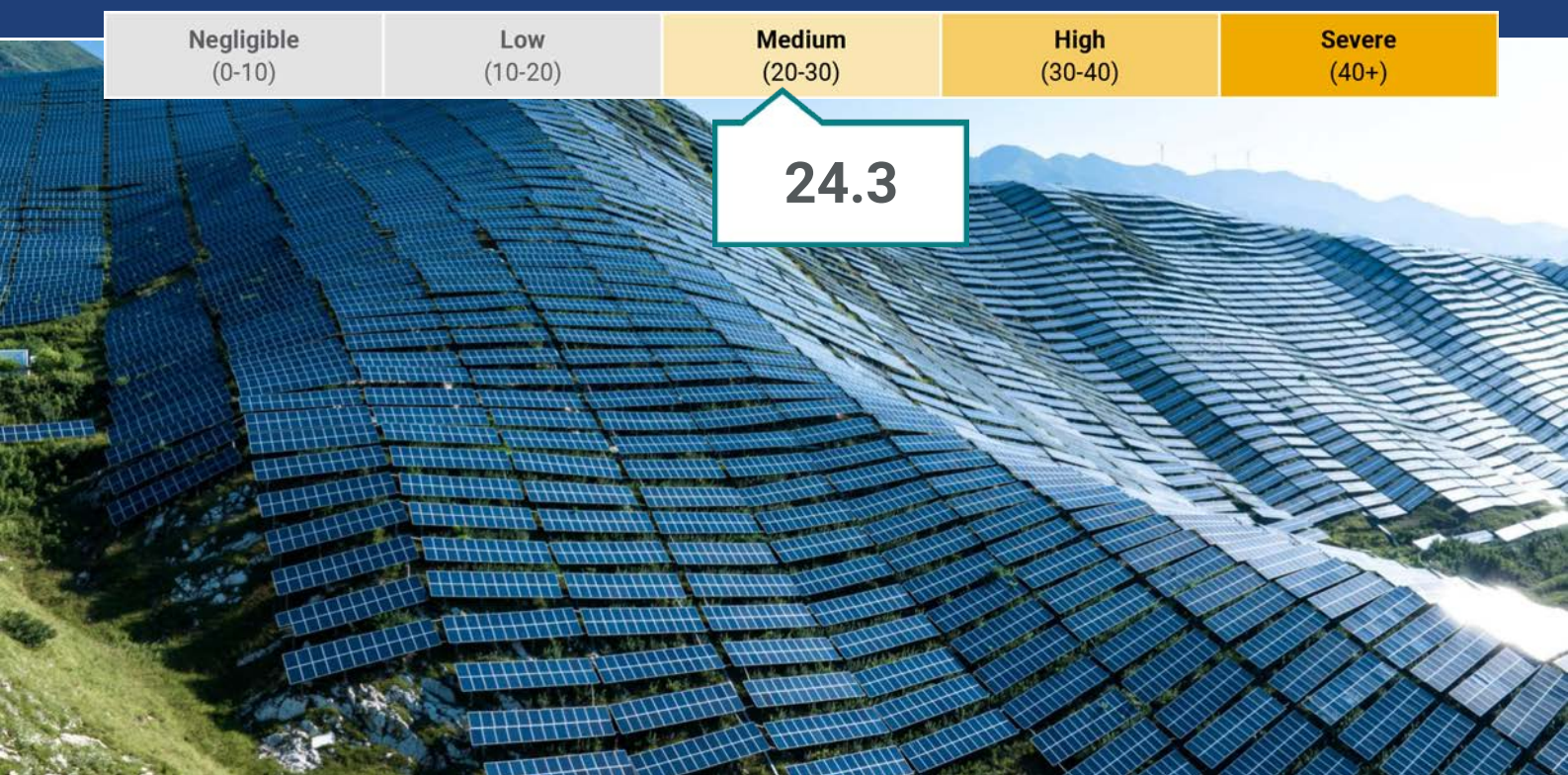
Positive Development Highlights:

- Sekisui Chemical developed and clarified in its disclosure that the scope of targets for material ESG issues is on a consolidated basis, covering its global operations.
- The company conducted and clarified in its disclosure that a risk assessment for compliance has been carried out.
- Sekisui Chemical increased the proportion of independent directors from 22.2% to 41.7%. It has also developed a target to increase the proportion of female executives to 30% by FY2030.
- The company established a target to increase the proportion of women in recruitment.
- Sekisui Chemical built up a system to monitor product/service safety performance and has disclosed the percentage of its sites certified under ISO 9001.
- The company has developed and disclosed a roadmap to achieve net-zero emissions by 2050.

In the latest update of the ESG Risk Rating, Sekisui Chemical Co., Ltd.'s ESG Risk Rating score improved by 7 points, bringing the company into the Medium Risk category and at the 28-point threshold for engagement.

Resolved - Vistra Corp.

ESG Risk Ratings Score



INDUSTRY:
Independent Power Production
and Traders

COUNTRY:
United States of America

ENGAGEMENT FOCUS:
Carbon – Own Operations
Emissions, Effluents and Waste
ESG Disclosure

RATIONALE FOR RESOLVED STATUS:

Vistra Corp. has improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Vistra disclosed it had received validation of its decarbonization targets by the SBTi. In conjunction with its validated SBTi targets, the company has disclosed a commitment to reduce absolute scope 3 GHG emissions from use of sold products by 42% by 2028.
- The company disclosed forecasts for zero-carbon and coal generation, solar output, and carbon intensity through 2029 in its 2024 Sustainability Report.
- Vistra has identified five natural gas-fueled power plants in areas of high or extremely high-water stress and disclosed water reduction initiatives for these areas including site-specific conservation measures, including: operating as a zero-discharge facility, using reclaimed water as a primary source, and utilizing low-quality water with significant treatment to recycle extensively.

In the latest update of the ESG Risk Rating, Vistra Corp.'s management score improved by 6.1 points, bringing the company further into the Medium Risk category and below the 28-point threshold for engagement.

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 Disengage 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
One piece equals three months.					
Ayala Corp.	Philippines	New Case - Focus to be Determined	 None	 None	 0-3
DraftKings, Inc.	United States of America	Focus on Business Ethics	 Poor	 None	 0-3
ARC Resources Ltd.	Canada	Focus on Emissions, Effluents and Waste	 Poor	 None	 3-6
Blue Owl Capital, Inc.	United States of America	Focus on Product Governance	 Poor	 None	 3-6
Encompass Health Corp.	United States of America	Focus on Product Governance and Emissions, Effluents and Waste	 Poor	 None	 3-6
Hess Corp.	United States of America	Focus on Carbon Products and Services	 Poor	 None	 3-6
Athabasca Oil Corp.	Canada	Focus on Carbon and Emissions, Effluents and Waste	 None	 None	 6-9
Baytex Energy Corp.	Canada	Focus on Risk Assessment and ESG Disclosure	 Poor	 Poor	 6-9
HF Sinclair Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	 Poor	 None	 6-9
ORION Corp.	South Korea	Focus on Product Governance	 Poor	 None	 6-9
QL Resources Bhd.	Malaysia	Focus on Product Governance	 Poor	 None	 6-9

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	TIME TRACKER
One piece equals three months.					
Yunnan Baiyao Group Co., Ltd.	China	Focus on Product Governance	 Poor	 None	 6-9
Zhangzhou Pientzhuang Pharmaceutical Co., Ltd.	China	Focus on Risk Assessment and Corporate Governance	 Poor	 Poor	 6-9
EOG Resources, Inc.	United States of America	Focus on Emissions, Effluents and Waste	 Poor	 None	 9-12
Saudi Industrial Investment Group	Saudi Arabia	Focus on Risk Assessment and ESG Disclosure	 Poor	 None	 9-12
Whitecap Resources, Inc.	Canada	Focus on ESG Disclosure	 Poor	 Poor	 9-12
Bausch Health Cos., Inc.	Canada	Focus on Product Governance	 Poor	 Poor	 12-15
China State Construction Engineering Corp. Ltd.	China	Focus on Risk Assessment	 Poor	 None	 12-15
General Dynamics Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	 Poor	 Poor	 12-15
MasTec, Inc.	United States of America	Focus on Carbon and Community Relations	 Poor	 None	 12-15
Saudi Kayan Petrochemical Co.	Saudi Arabia	Focus on Emissions, Effluents and Waste and Community Relations	 Poor	 None	 12-15
Targa Resources Corp.	United States of America	Focus on Emissions, Effluents and Waste and Community Relations	 Poor	 Poor	 12-15
Suncor Energy, Inc.	Canada	Focus on ESG Disclosure	 Poor	 Poor	 15-18

COMPANY	COUNTRY	ISSUE	PROGRESS	RESPONSE	TIME TRACKER
One piece equals three months.					
China Petroleum & Chemical Corp.	China	Focus on Carbon and Emissions, Effluents and Waste	 Poor	 Poor	 18-21
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
Exxon Mobil Corp.	United States of America	Focus on Carbon and Emissions, Effluents and Waste	 Poor	 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
GS Holdings Corp.	South Korea	Focus on Carbon Own Operations	 None	 Poor	 Above 24
Hindustan Petroleum Corp. Ltd.	India	Focus on Carbon and Community Relations	 Poor	 Poor	 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

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Engagement Status Updates

The following is an overview of all engagement status updates from 1 July to 30 September 2025.

New Engage

COMPANY	COUNTRY	ISSUE
BWX Technologies, Inc.	United States of America	New Case - Focus to be Determined
DT Midstream, Inc.	United States of America	New Case - Focus to be Determined
EMCOR Group, Inc.	United States of America	New Case - Focus to be Determined
EQT Corp.	United States of America	New Case - Focus to be Determined
Kellanova	United States of America	New Case - Focus to be Determined
ORLEN SA	Poland	New Case - Focus to be Determined
PACCAR, Inc.	United States of America	New Case - Focus to be Determined
The Sherwin-Williams Co.	United States of America	New Case - Focus to be Determined

New Archived

COMPANY	COUNTRY	ISSUE	PREVIOUS STATUS
Masimo Corp.	United States of America	Focus on Risk Assessment and ESG Disclosure	Engage
Rivian Automotive, Inc.	United States of America	Focus on Product Governance	Engage
Teledyne Technologies, Inc.	United States of America	Focus on Risk Assessment	Engage
The Kraft Heinz Co.	United States of America	Focus on Risk Assessment	Engage

New Unresponsive

COMPANY	COUNTRY	ISSUE
Guangdong Haid Group Co., Ltd.	China	Focus on Risk Assessment and ESG Disclosure

Universe Change Impact

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES
Gulf Energy Development Public Co. Ltd.	Thailand	Utilities	Focus on Carbon Own Operations	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Engage



Beyond Compliance: Managing Multi-Jurisdictional Corporate Risk Across Dynamic Regulatory Environments



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Quickly changing regulations around the world are confronting multi-jurisdictional corporations with diverse compliance requirements. The dynamic nature of these regulations, particularly in areas of environmental, social, and governance mandates, can pose significant challenges to developing and managing effective corporate compliance strategies. This article examines best practices for companies to effectively navigate multi-jurisdictional and dynamic regulatory environments while providing investors with key takeaways to consider as part of their responsible investment strategies.

Article Highlights:

- **Strategic Alignment with Stringent Standards:** Companies operating across multiple jurisdictions should proactively align their global compliance strategies with the most rigorous regulatory environments. This approach simplifies compliance efforts and reduces risk, even if it means some operations exceed local requirements.
- **Building Robust Policy Frameworks:** Effective corporate policies are characterized by clear positions, forward-looking commitments, and endorsement from senior leadership. Regional compliance teams and skilled management are essential to embedding a strong compliance culture across borders.
- **Investor Expectations and Accountability:** Investors should expect companies to go beyond aspirational statements and demonstrate accountability through well-defined ESG policies. These policies must address material issues and reflect genuine commitments, not just marketing language.

Regulatory Turnarounds and Retreats

2025 has seen significant shifts in regulatory landscapes, particularly in the United States and with the European Union. Under the US Administration, there are notable retreats from ESG and climate-related issues management as well as disclosure mandates.^{1,2} Furthermore, the EU has introduced regulatory refinements via its Omnibus measures, with the objective of strengthening European competitiveness.³ Changes in regulations and associated funding and benefits for social and environmental improvement programmes can impact corporate strategies and compliance efforts. These changes could have acute implications, especially for companies operating across multiple regulatory jurisdictions.⁴

Companies must stay vigilant and adaptable to shifts in regulations – at the local, regional, and multi-national levels – to ensure compliance and mitigate associated risks. Therefore, robust corporate policy and compliance frameworks should address multi-national and multi-level governmental requirements, which can sometimes be conflicting. For example, under the 2025 US Administration, conflicts between state and federal regulations have emerged in several areas. Notably, the administration's executive orders have targeted state climate laws and vehicle emissions standards, particularly those in California, New York, and Vermont, aiming to reduce regulatory burdens on domestic energy production.⁵ Moreover, the Protecting American Energy from State Overreach order seeks to prevent states from delaying fossil energy projects.⁶ These actions reflect ongoing tensions between state autonomy and federal oversight in the US, especially regarding environmental protection and energy policy.

Effective corporate navigation of dynamic regulatory environments requires a strategic approach that incorporates best practices in policy development and regulatory adaptation to meet compliance obligations. To simplify efforts and mitigate regulatory risk, companies should align their global policy and compliance strategies with the most stringent regulatory environments applicable to their operations, even when it means some company assets may operate beyond compliance.

Compliance Failures and Legal Risk

There are multiple examples of where controversies have developed as a result of the mismanagement of corporate responses necessary to align with local regulatory jurisdictions. Local violations can have global consequences due to media, investor scrutiny, and cross-border regulatory cooperation.

For example, Boeing faces intense legal and public backlash following multiple safety incidents. The company is accused of failing to uphold promised safety reforms, highlighting how regulatory non-compliance can evolve into systemic corporate crises.⁷ The cases of Volkswagen and Toyota falsifying emissions test data to seek regulatory approval present an interesting perspective of where non-compliance is not necessarily a result of negligence or poor management, but an active company decision to disregard the regulations across not only their own country of manufacture, but also those to which they export.^{8,9} Furthermore, recent investigations have revealed that Nestlé breached regulations in France, related to mineral water treatment, using methods that violate French and European Union regulations. Although the company has since discontinued use of these methods, Nestlé has experienced financial and reputational impacts as a result and continues to face associated controversies and lawsuits.¹⁰ In this case, the company's adoption of the most stringent jurisdictional regulations in Europe could have mitigated regulatory risks associated with its water treatment methods.

Third-party risks from suppliers or contractors present some of the more challenging aspects of non-compliance for companies. Identification of "failures" is reliant upon effective audit mechanisms that remain criticized as being ineffective, particularly in the apparel and agricultural sectors with cases of modern slavery, poor working conditions, and child labour still presenting themselves as systemic risks (and controversies). In relation to third-party risk, data privacy breaches also present a high-risk area for companies operating in multiple jurisdictions. While a company itself may be compliant, its oversight of contractors and third-party vendors may be less vigilant, therefore resulting in issues of non-compliance particularly as it relates to the EU General Data Protection Regulation (GDPR).¹¹

In the absence of predictably aligned regulatory environments, corporate policy becomes crucial. A well-implemented corporate policy serves as a signpost for the company's future direction, regardless of regulatory changes, and represents forward-looking commitments by the company endorsed by its management and directors.¹² To simplify compliance efforts, companies should align their policy and compliance strategies with the most stringent regulatory environments applicable to current and future operations. This approach ensures consistency and reduces the risk of non-compliance. In addition, companies should develop policies for specific material issues, such as human rights, environmental performance, or corporate lobbying and political expenditure. Tailored policies ensure that the company's commitments are relevant, actionable and aligned with related standards set by organizations such as the United Nations Global Compact (UNGC) and the Organisation for Economic Co-operation and Development (OECD).^{13,14}

Establishing a Culture of Compliance

Many controversies originate from a weak compliance culture. Compliance is essential to maintain the delivery of values, principles, commitments, and ethics. To be effective, compliance should be embedded in the day-to-day delivery functions of all employees, from setting the tone with the board to implementation across company operations. If the board is perceived as non-compliant, it could be expected that employees will follow suit.

The International Standards Organization (ISO), states that "An effective, organization-wide compliance management system enables an organization to demonstrate its commitment to comply with relevant laws, regulatory requirements, industry codes and organizational standards, as well as standards of good governance, especially accepted best practices, ethics and community expectations." ISO offers guidance to help companies build these systems and foster a strong compliance culture.^{15,16}

Key aspects that contribute to an effective compliance culture includes commitment from leadership, clear policies and procedures, focused training and a strong awareness, clear and robust systems and controls with third party oversight and perhaps, most importantly, full accountability and compliance alongside a rich culture of continuous improvement.

By aligning corporate policy and compliance strategies with the most stringent global standards and regulations, establishing regional centers of expertise, and leveraging digital tools, companies can mitigate compliance risks and maintain operational integrity.

Investors should expect companies to develop and maintain effective policy and compliance strategies while also holding these companies accountable to their policy commitments. Generalized or marketing-driven statements can be misleading and should be supported by corporate policies addressing specific material ESG issues.

Operating to Higher Standards: Corporate Responsibility Beyond Legal Compliance

Morningstar Sustainalytics' norms-based engagement is grounded in internationally recognized standards, such as the expectation that business enterprises respect human rights. According to the Guiding Principles on Business and Human Rights (UNGPs), this responsibility is a global standard of expected conduct for all business enterprises – regardless of their size, sector, or location – and exists independently of a state's ability or willingness to protect human rights. Importantly, when national laws impose requirements that directly conflict with internationally recognized human rights, companies should seek ways to honour those principles to the fullest extent possible.¹⁷

This dual responsibility is also emphasized in the OECD Guidelines for Multinational Enterprises (OECD Guidelines).¹⁸ Companies are expected to comply with the laws and regulations of the countries in which they operate, ensuring their activities do not violate domestic legal frameworks. At the same time, they are encouraged to adhere to internationally recognized standards of responsible business conduct, even when these go beyond local legal requirements. This reinforces the expectation that enterprises act ethically and sustainably, particularly in contexts where local regulations may fall short of global best practices.

For example, a multinational mining company operating in a country with minimal environmental regulations may legally discharge certain waste materials into local waterways. However, under the OECD Guidelines, the company is expected to follow international environmental standards, which may prohibit such practices. In this case, the enterprise must go beyond local legal compliance and implement waste management systems aligned with global best practices.

Companies such as Tesla, Amazon, and Starbucks have faced repeated allegations of violating workers' rights to freedom of association and collective bargaining. While some actions may comply with US labour laws, they fall short of internationally recognized standards such as those outlined by the International Labour Organization (ILO) and the OECD Guidelines.¹⁹ This dual responsibility underscores the need for companies to proactively assess where local regulations may diverge from global expectations – and to act in accordance with the higher standard.

Investors can encourage companies to develop and disclose a robust compliance strategy which includes formal policy commitments with accountability from the Board Chair or CEO, therefore providing a baseline to assess the potential future actions of a company operating across multiple, and sometimes conflicting, regulatory environments.

As global regulatory landscapes continue to evolve, companies that commit to higher standards not only mitigate risk but also position themselves as leaders in responsible business conduct – an increasingly critical factor for investor confidence and long-term value creation.

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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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