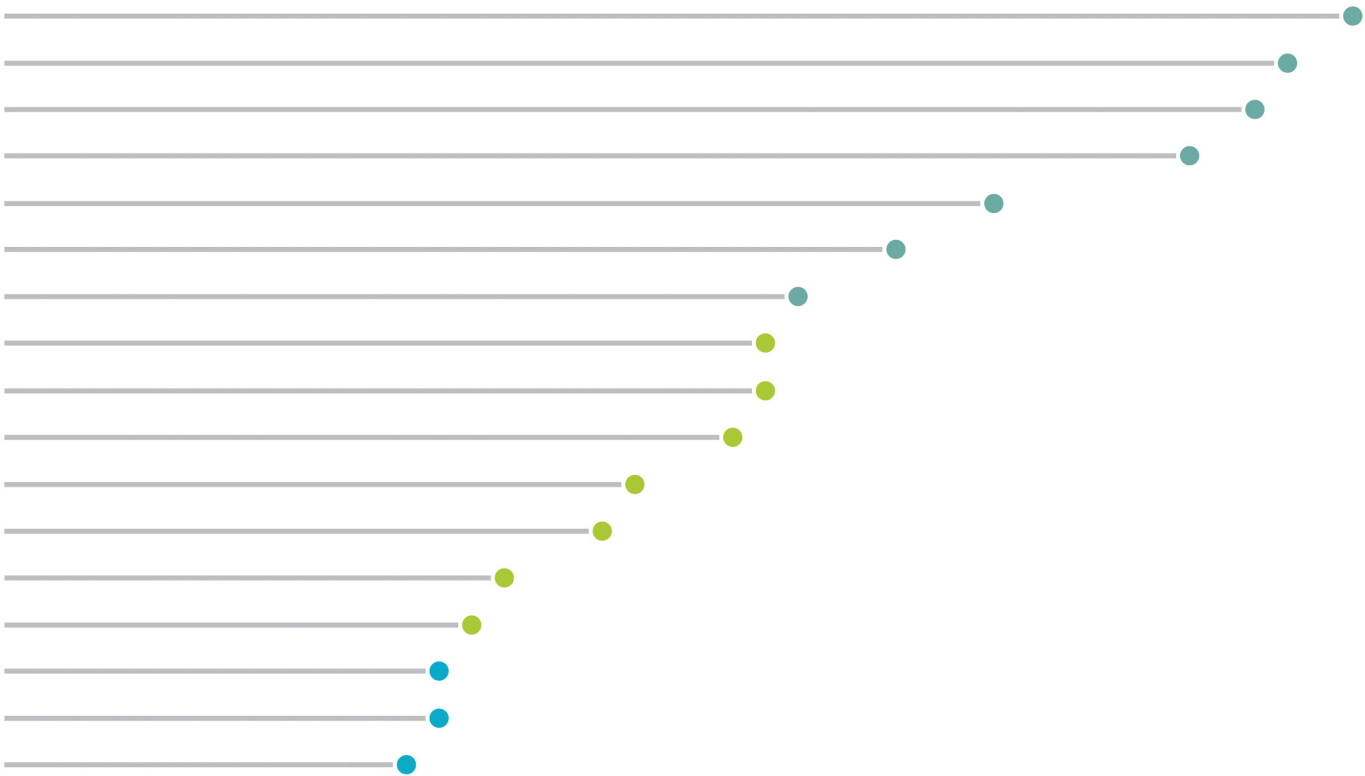


Material Risk Engagement

2025 Q4 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 October and December 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 January 2026 and uses data for the quarter ending 31 December 2025. Version 1 was disseminated on 19 January 2026. 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 covered by the analyst driven component of Morningstar Sustainalytics' ESG Risk Ratings universe, powered by three Morningstar Indexes, 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 Sustainability

Highlights for the Quarter

During Q4 2025, we resolved 12 engagements and assigned Unresponsive status to 4 cases due to more than 24 months without meaningful progress and response. Several additional engagements were archived following changes in ESG Risk Ratings or updates to the universe. We initiated 21 new engagements, ending the quarter with 304 active engagements. We held 64 meetings, exchanged 552 emails and calls, tracked 117 positive developments, and recorded 49 milestones.

Engagements which were successfully resolved in Q4 2025 brought improvements in ESG Risk Ratings, disclosure and risk management practices, across sectors including automotive, mining, consumer goods, industrial machinery, airlines, steel, electronics, banking, and chemicals. Progress in climate strategy, governance, human rights, and resource efficiency reflects growing responsiveness to investor expectations and meaningful steps toward long-term risk mitigation.

Our engagement activities reflected challenges experienced by companies in balancing energy transition, environmental, and social objectives with evolving geopolitical and regulatory dynamics. Companies in high-impact sectors, particularly oil and gas, continued adjusting risk management strategies to meet market conditions and investor expectations. For example, a leading European oil and gas producer revised its transition plan to prioritize value creation and selective low-carbon initiatives while maintaining its 2050 net-zero ambition.

Throughout the quarter, we monitored developments in Norway's Arctic region, where the government expanded licensing under APA 2025, adding 76 blocks in the Barents and Norwegian Seas. These developments elevate considerations related to environmental governance, Indigenous rights, and operational safety, informing future engagement priorities on biodiversity safeguards, FPIC-aligned consultation, and Arctic-specific risk management.

COP30, held in Belém, Brazil (10-21 November 2025), delivered the Belém Package, committing to triple adaptation finance by 2035 and introduced initiatives such as the Global Implementation Accelerator and Belém Mission to 1.5°C. These outcomes reinforce our engagement focus on climate resilience and nature-based solutions.

Regulatory developments also shaped company practices this quarter. In Canada, the November 2025 Federal Budget announcement included plans to amend Bill C-59's greenwashing provisions by removing the requirement for claims to follow "internationally recognized methodology" and eliminating the private right of action before the Competition Tribunal, which had raised litigation concerns among engaged companies. In the US, federal SEC climate-disclosure rules remain stalled under the increasing ESG politicization and tighter SEC guidance, with companies turning toward state-level climate mandates and voluntary ESG reporting instead.

Looking Ahead

Engagement priorities for 2026 will include monitoring Arctic licensing outcomes and evaluating governance approaches in sensitive regions. Companies operating across multiple jurisdictions will be expected to demonstrate effective governance practices, scenario analysis and planning, and alignment with investor expectations in an increasingly complex operating environment.

Engagement Overview



304

engagements as of 31
December 2025

21

new engagements



663

companies engaged
since March 2020



SDG 13 Climate Action

(56%) linked to engagement objective



Asia / Pacific
region with the largest
number of
engagements

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

**Climate Change -
Transition Risk
and Disclosure**
top material ESG
topics in
engagement
dialogue



Engagement Status

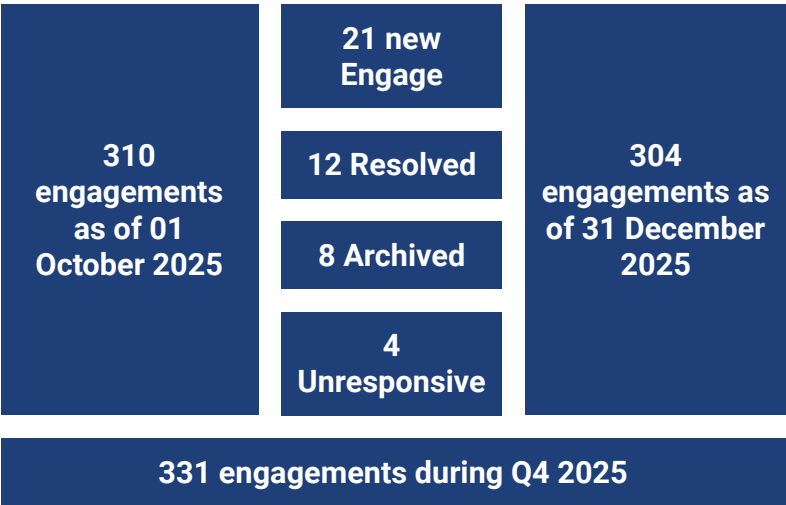
When we open an engagement, the status is Engage. We will then pursue engagement until we change status to:

- 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.

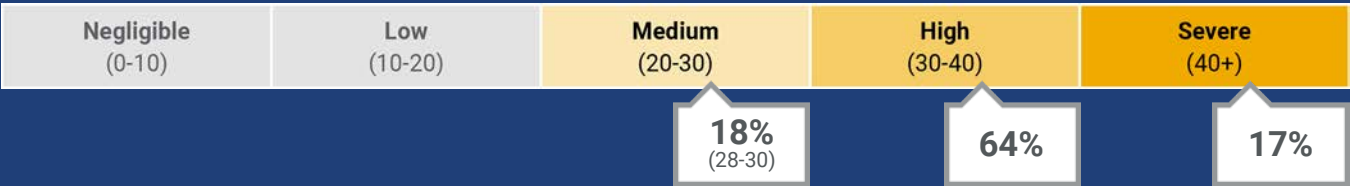


On a regular basis, universes are rebalanced and issuers might therefore be removed from our data set. Corporate changes can also affect case status. In such circumstances, opening and closing engagement counts will not match. Impacted companies may or may not overlap with investor holdings.

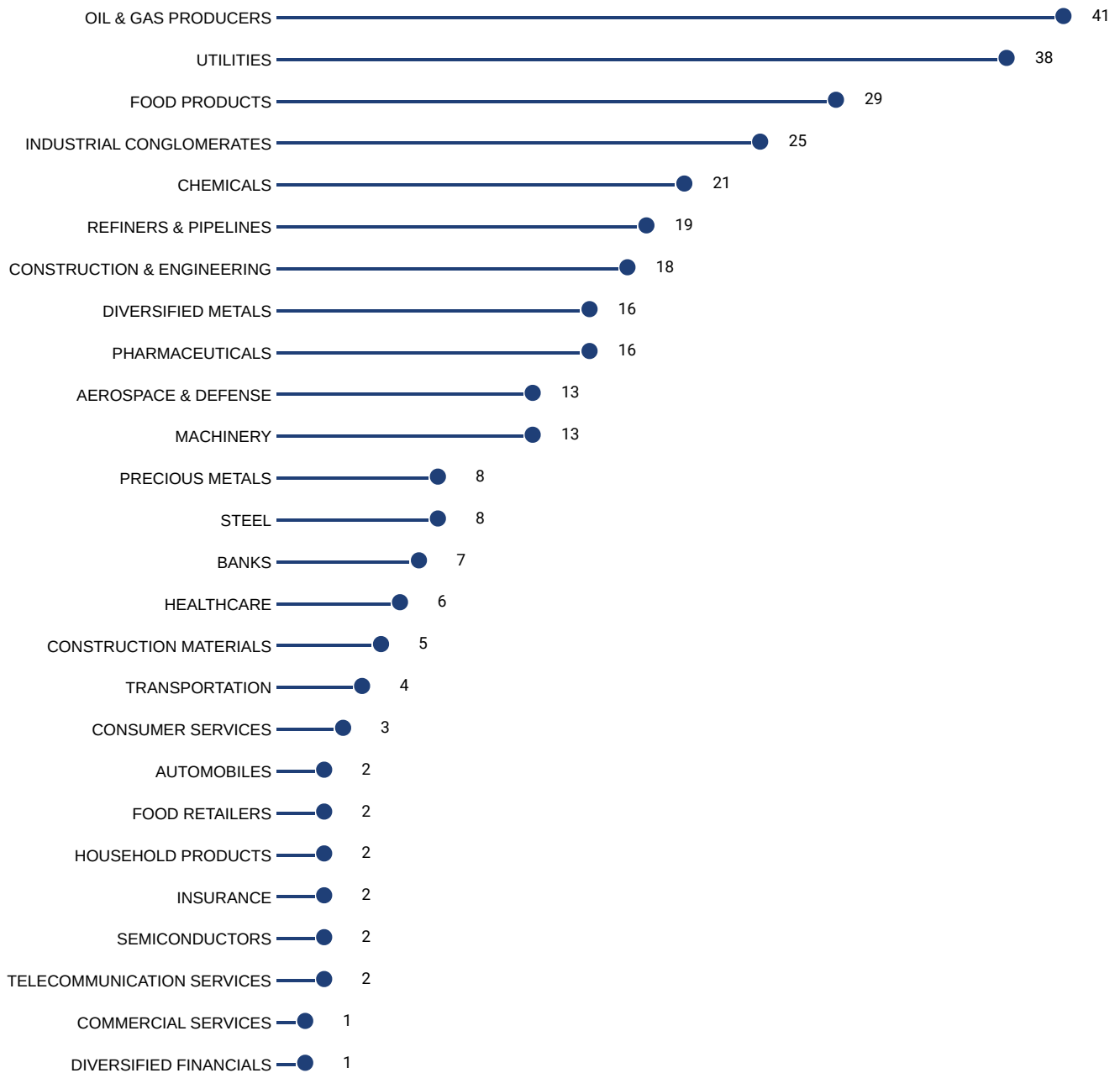
Active Engagements by ESG Risk Ratings Categories



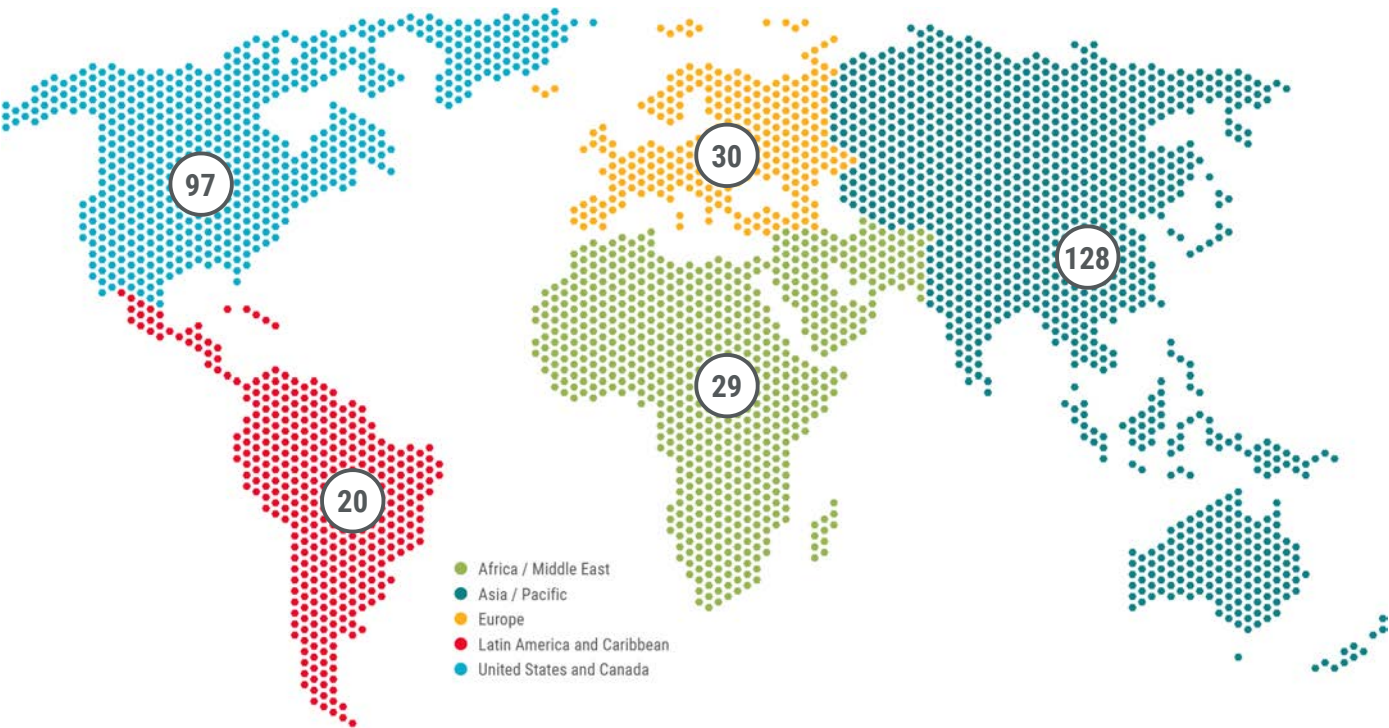
Active Engagements by ESG Risk Ratings Categories



Industry Distribution



Engagements by Headquarter Location

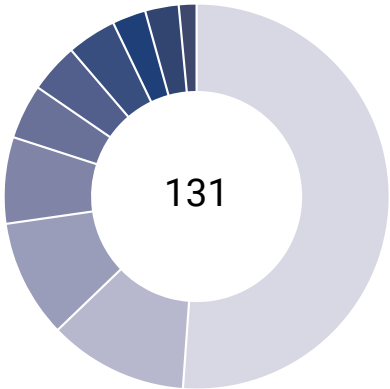


Engagement Topics

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

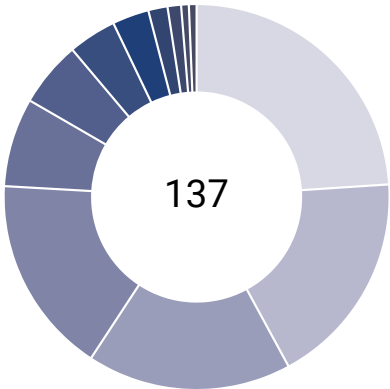
Environmental

- CLIMATE CHANGE - TRANSITION RISK (115)
 - WASTE MANAGEMENT (22)
 - LAND POLLUTION AND SPILLS (10)
 - BIODIVERSITY (9)
 - NATURAL RESOURCE USE (6)
- WATER SECURITY (26)
 - WATER QUALITY (16)
 - AIR POLLUTANT EMISSIONS (9)
 - DEFORESTATION (6)
 - CIRCULAR ECONOMY (3)



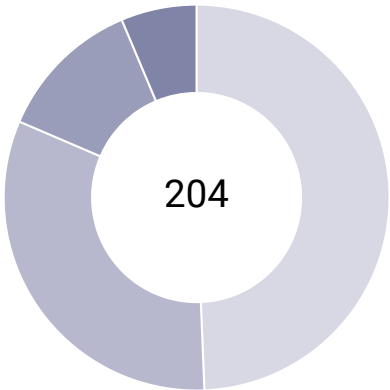
Social

- PRODUCT QUALITY AND SAFETY (49)
 - OCCUPATIONAL HEALTH AND SAFETY (35)
 - HUMAN RIGHTS (15)
 - DATA PRIVACY AND SECURITY (8)
 - MARKETING PRACTICES (3)
 - HIGH-RISK TERRITORIES (1)
- COMMUNITY RELATIONS (37)
 - HUMAN CAPITAL (34)
 - DIVERSITY, EQUITY AND INCLUSION (DEI) (11)
 - INDIGENOUS PEOPLE (6)
 - LABOUR RIGHTS (2)
 - JUST TRANSITION (1)



Governance

- DISCLOSURE (151)
 - BUSINESS ETHICS, BRIBERY AND CORRUPTION (37)
- ESG GOVERNANCE (98)
 - 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 Sustainability 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 | 20% |
| 3 Good Health and Well-Being | 12% | 12 Responsible Consumption & Production | 44% |
| 4 Quality Education | 0% | 13 Climate Action | 56% |
| 5 Gender Equality | 2% | 14 Life Below Water | 1% |
| 6 Clean Water and Sanitation | 6% | 15 Life on Land | 5% |
| 7 Affordable and Clean Energy | 19% | 16 Peace & Justice, Strong Institutions | 47% |
| 8 Decent Work and Economic Growth | 21% | 17 Partnerships to Achieve the Goal | 1% |
| 9 Industry, Innovation & Infrastructure | 12% | | |

Case Study: Equinor ASA (Equinor)

Material Risk/Strategy & Risk Engagement - Engagement Since: 24 August 2021



Industry: **Integrated Oil & Gas**

Country: **Norway**

ESG Risk Rating: **27.4**

Equinor is a Norway-based integrated energy company focused on oil, gas, and renewables. Operating mainly on the Norwegian Continental Shelf, it produced 2.1 million barrels of oil equivalent per day in 2024 and holds 6.1 billion barrels of proven reserves. Equinor targets net-zero emissions by 2050.

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

Engagement Update

Morningstar Sustainalytics initiated engagement with Equinor in August 2021 and has maintained regular dialogue since. The company has consistently shown a willingness to engage and remains responsive to investor feedback.

In our latest call in October 2025, Equinor highlighted adjustments to its energy transition plan. It outlined changes in its investment approach toward renewable projects and offshore electrification, emphasizing that current priorities focus on value creation. The company noted that further expansion of low-carbon initiatives will depend on economic viability.

Focus Area

Our engagement will continue to prioritize Equinor's transition strategy, with particular attention to the pace and scope of low-carbon investments. Additional focus areas include strengthening risk management practices related to effluent control, occupational health and safety, and community relations.

Engagement Outcomes

Equinor advanced its climate strategy by detailing contributions of decarbonization levers to net-zero goals and joining the 2023 CDP Supply Chain Program, requiring suppliers to set emissions targets. It also released its first human rights report, outlining risk-based due diligence, community engagement, and grievance mechanisms, showing progress in sustainability governance and transparency.

Insights & Outlook

Equinor's sustainability strategy remains tied to its core business, balancing energy security with transition goals. Oil and gas anchor near-term value, while renewables and low-carbon solutions advance selectively where returns are strong. We will also touch on recent developments in Norway's Arctic region where relevant, given their emerging implications for long-term operational risks.

Engagement Results



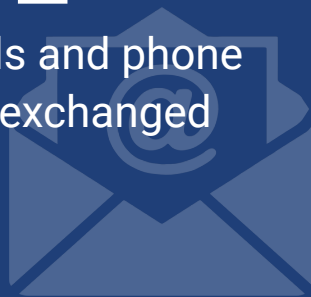
64

meetings



552

emails and phone
calls exchanged



12

engagements
Resolved



49

Milestones achieved

117

Positive Developments



43%

of engagements with
Excellent or Good
Response

54%

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. | | 28% (76) | Good |
| Standard | The company has undertaken a number of measures to address the issues related to the change objective. | | 54% (148) | Standard |
| Poor | The company has indicated willingness to addressing the issues related to the change objective, but no measures have been taken yet. | | 12% (32) | Poor |
| None | The company has not made any progress against the engagement objective. | | 3% (8) | 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. | | 9% (25) | Excellent |
| Good | The company addresses all the issues related to the change objective. | | 34% (93) | Good |
| Standard | The company provides responses to some of the issues related to the change objective. | | 27% (75) | 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% (33) | Poor |
| None | The company has not responded to the inquiries. | | 18% (50) | None |

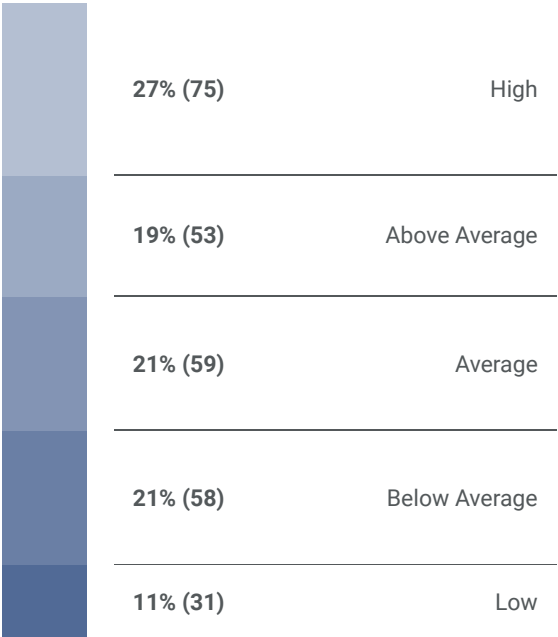
Engagement Performance

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.

49 Milestones
achieved in Q4 2025

Milestones Framework

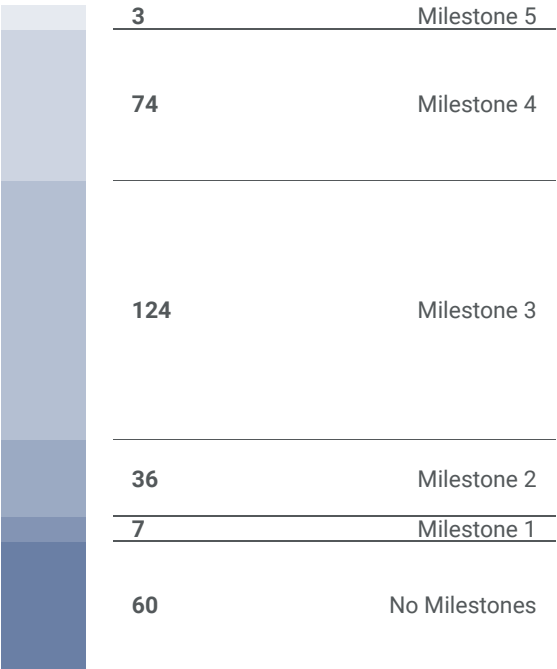
| | |
|-------------|---|
| Resolved | Case successfully closed. |
| Milestone 5 | Change objective is considered fulfilled. |
| Milestone 4 | Implementation of strategy has advanced meaningfully, and related issuer disclosure maturing. |
| Milestone 3 | Strategy is well formed and has moved into early 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 |
|--|--------------------------|--------------------------|---|
| Aston Martin Lagonda Global Holdings Plc | United Kingdom | Automobiles | Focus on Carbon and Product Governance |
| Barrick Mining Corp. | Canada | Precious Metals | Focus on Community Relations |
| British American Tobacco plc | United Kingdom | Food Products | Focus on E&S Impact of Products and Services |
| Caterpillar, Inc. | United States of America | Machinery | Focus on Product Governance |
| InterGlobe Aviation Ltd. | India | Transportation | Focus on Product Governance and Emissions, Effluents and Waste |
| NIPPON STEEL CORP. | Japan | Steel | Focus on Carbon Own Operations |
| Panasonic Holdings Corp. | Japan | Industrial Conglomerates | Focus on Product Governance |
| Rio Tinto Ltd. | Australia | Diversified Metals | Focus on Carbon and Resource Use |
| Southwest Airlines Co. | United States of America | Transportation | Focus on Product Governance |
| The Saudi Investment Bank | Saudi Arabia | Banks | Focus on ESG Disclosure |
| Turkiye Petrol Rafinerileri AS | Turkey | Refiners & Pipelines | Focus on Emissions, Effluents and Waste and Community Relations |
| Westlake Corp. | United States of America | Chemicals | Focus on Emissions, Effluents and Waste |

Resolved - Aston Martin Lagonda Global Holdings Plc (AML)

ESG Risk Ratings Score

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

27.3



INDUSTRY:
Automobiles

COUNTRY:
United Kingdom

- ENGAGEMENT FOCUS:
- Carbon – Products and Services
 - Product Governance
 - Human Rights – Supply Chain

RATIONALE FOR RESOLVED STATUS:
AML improved its ESG Risk Rating score to below 28.

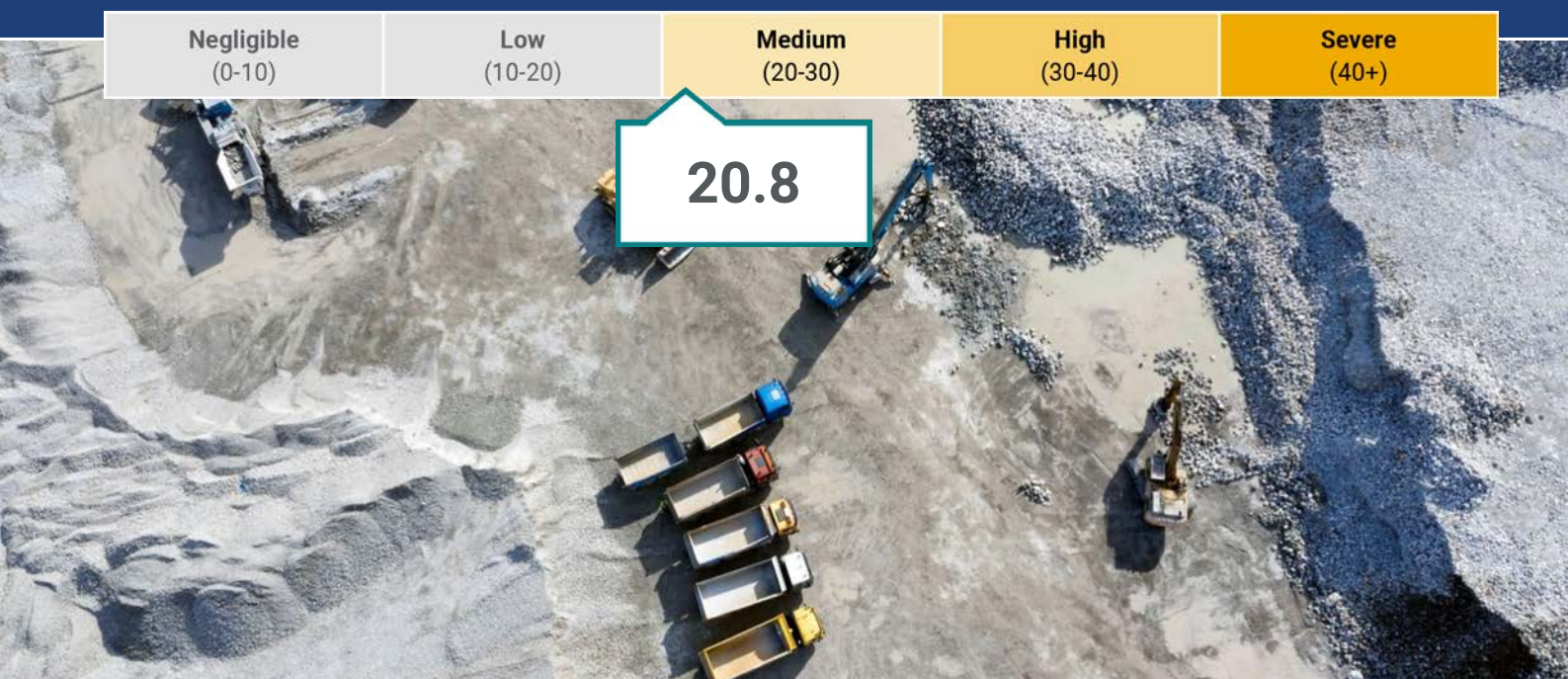
Positive Development Highlights:

- AML confirmed blended drivetrain strategy for 2025–2030, including the launch of Aston Martin’s first Plug-in Hybrid Electric Vehicle (Valhalla) in the second half of 2025 and the introduction of a Battery Electric Vehicle later this decade.
- Its operational decarbonization targets remain on track as of end of 2025: carbon-neutral manufacturing facilities, 100% renewable electricity, and a 2.5% annual reduction target for direct emissions intensity (scope 1) and energy use per vehicle.
- AML expanded disclosure on vehicle safety and quality management processes and how these topics are governed.
- The company published a standalone Human Rights Policy and strengthened board-level accountability for social risks. In 2024, it updated its Responsible Procurement Policy to include explicit references to global human rights norms and standards.

AML’s management score improved by 5.1 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Barrick Mining Corp. (Barrick Mining)

ESG Risk Ratings Score



INDUSTRY:
Gold

COUNTRY:
Canada

ENGAGEMENT FOCUS:

- Water Use – Own Operations
- Carbon – Own Operations
- Emissions, Effluents and Waste
- Human Capital

RATIONALE FOR RESOLVED STATUS:

Barrick Mining improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Barrick Mining established Community Development Committees with more than USD 26.5M invested in 2021.
- The company disclosed initiatives to promote economic development following closure of its Buzwagi mine, including transformation plans, creating a Special Economic Zone with potential for 3,000 jobs annually, USD150,000 each year from service levies, and more than USD4.5 million in employment taxes.
- Scope 3 category-level reduction targets set in 2023 are both quantitative and qualitative, addressing Category 1 (goods & suppliers), Category 3 (fuels & energy), and Category 10 (downstream copper processing).
- Barrick Mining continued to enhance reporting on physical climate change risk by identifying physical climate risks (extreme heat, cold/snow, flooding, droughts, and storms) at the asset level, details of potential for increased operational and maintenance costs, as well as its management approach to mitigating these risks.

Barrick Mining's management score improved by 12.9 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - British American Tobacco plc (BAT)

ESG Risk Ratings Score

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

21.0



INDUSTRY:
Tobacco

COUNTRY:
United Kingdom

- ENGAGEMENT FOCUS:
- E&S Impact of Products and Services
 - Product Governance
 - Business Ethics

RATIONALE FOR RESOLVED STATUS:
BAT improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- BAT published a Global Product Stewardship Framework that clarifies governance across the product lifecycle, including the roles of the Director of Science and the Director of Operations at the management-board level.
- It has strengthened its Business Integrity and Compliance framework by embedding the three-lines-of-defense model across all regions and introducing mandatory compliance objectives for senior managers. These objectives are now linked to performance appraisals, ensuring accountability and reinforcing a culture of ethical conduct.
- The company published an updated responsible marketing policy with commitments to adult-only marketing, prevention of underage access, informing on inherent health risks, and upholding the same standards across all markets.

BAT’s management score improved by 19.7 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Caterpillar, Inc. (Caterpillar)

ESG Risk Ratings Score

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

27.2



INDUSTRY:
Machinery

COUNTRY:
United States

ENGAGEMENT FOCUS:

- Product Governance
- E&S Impact of Products and Service
- Carbon – Products and Services

RATIONALE FOR RESOLVED STATUS:

Caterpillar improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Caterpillar has integrated company-defined sustainability criteria into its product development process. 100% of eligible new products introduced in 2023 were assessed by the company as more sustainable than the previous generation, based on predefined criteria such as e.g. improved efficiency, reduced emissions, reduced waste.
- The company has detailed its enterprise technology strategy, which governs product development and innovation, ensuring adherence to key technologies, product safety standards, and regulatory requirements.
- Caterpillar published the inaugural Task Force on Climate-related Financial Disclosures (TCFD) report in 2023, aligning disclosures with the 11 components under TCFD's recommended framework.
- The company provides a clear overview of ESG oversight from the Board level to the management level, including the role of the new Chief Sustainability & Strategy Officer, who reports directly to the CEO.

Caterpillar's management score improved by 1.2 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - InterGlobe Aviation Ltd. (IndiGo)

ESG Risk Ratings Score

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



26.2

INDUSTRY:
Airlines

COUNTRY:
India

ENGAGEMENT FOCUS:

- Carbon – Own Operations
- Human Capital
- Corporate Governance

RATIONALE FOR RESOLVED STATUS:

IndiGo improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- IndiGo completed a scope 3 emissions inventory in FY25 using Green House Gas Protocol and the UK Department for Environment, Food and Rural Affairs methodologies, covering major categories such as fuel supply chain, Original Equipment Manufacturers-related emissions, engines, and business travel.
- In early June 2025, IndiGo rolled out the SkyBreathe® Pilot App across its Airbus fleet, an AI-powered tool that guides pilots to optimize fuel consumption based on real-time flight data, reducing carbon emissions and improving efficiency.
- Through its IndiGoReach CSR arm, in 2025 the airline expanded large-scale biodiversity initiatives: planting tens of thousands of native trees, deploying biogas units, solar lighting, and smokeless cookstoves across rural regions, helping rebuild ecosystems and reduce forest dependency.

IndiGo's management score improved by 10.9 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Panasonic Holdings Corp. (Panasonic Holdings)

ESG Risk Ratings Score

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



27.8

INDUSTRY:
Conglomerates

COUNTRY:
Japan

ENGAGEMENT FOCUS:

- Corporate Governance
- Risk Assessment
- Human Capital

RATIONALE FOR RESOLVED STATUS:

Panasonic Holdings improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Panasonic Holdings strengthened its corporate governance practices. It increased the proportion of independent directors to over 50%. It also appointed an independent director to serve as Chair of the Board.
- The company strengthened its governance framework. It conducted materiality assessments to systematically identify and evaluate its most significant environmental, social, and governance issues.
- It has set quantitative KPIs and targets for most areas of material issues, enabling measurable progress and providing investors with greater transparency on the company's sustainability performance.
- Panasonic Holdings has disclosed the employee turnover rate for Panasonic Holdings Corporation (PHD), Panasonic Operational Excellence (PEX), and seven subsidiaries.

Panasonic Holdings' ESG Risk Rating score improved by 9.3, bringing the company into the Medium Risk category to below the 28-point threshold for engagement.

Resolved - NIPPON STEEL CORP. (Nippon Steel)

ESG Risk Ratings Score

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



28.5

INDUSTRY:
Steel

COUNTRY:
Japan

ENGAGEMENT FOCUS:

- Community Relations
- Corporate Governance
- ESG Governance

RATIONALE FOR RESOLVED STATUS:

Nippon Steel improved its ESG Risk Rating score to 28.

Positive Development Highlights:

- Nippon Steel established a human rights due diligence system to identify, prevent, and mitigate negative human rights impacts. As part of this effort, it also conducted a survey for several suppliers.
- In its disclosure, the company clarified an accessible mechanism to collect, record, and address complaints or grievances from local communities, ensuring that issues are addressed promptly and transparently.
- To enhance gender diversity and governance, the company increased the number of women on its Board from 1 out of 15 members (6.7%) to 3 out of 15 members (20%).
- Nippon Steel disclosed how ESG responsibilities are governed. It disclosed its sustainability management structure in the annual securities report, which includes oversight by the Board, ensuring accountability at the highest level.

Nippon Steel's ESG Risk Rating score improved by 8.7, bringing the company into the Medium Risk category and to the 28-point threshold for engagement.

Resolved - Rio Tinto Ltd. (Rio Tinto)

ESG Risk Ratings Score

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

21.0



INDUSTRY:
Diversified Metals

COUNTRY:
Australia

ENGAGEMENT FOCUS:

- Emissions, Effluents and Waste
- Water Use – Own Operations
- Carbon – Own Operations

RATIONALE FOR RESOLVED STATUS:

Rio Tinto improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Rio Tinto implemented the Global Industry Standard on Tailings Management at most facilities, reinforcing alignment with the International Council on Mining and Metals' Performance Expectations and improving management of legacy environmental risks.
- The company built a state-of-the-art water strategy by challenging target-setting methodologies and assumptions, supported by an in-house team of water experts, and set contextual water targets at water-stressed sites.
- It committed USD 5–6 billion decarbonization capex to 2030, focused on Power Purchase Agreements, renewables, and capital solutions, alongside opex for carbon tax, offsets, and nature-based solutions; progress toward the 2025 goal of 15% emissions reduction remains on track.
- Rio Tinto set limited, value-chain specific, near-term scope 3 targets and increased efforts to pioneer breakthrough abatement technologies, while continuing to optimize financial exposure to carbon pricing and fossil fuel risks.

Rio Tinto's management score improved by 19.8 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Southwest Airlines Co. (Southwest Airlines)

ESG Risk Ratings Score

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

26.5

INDUSTRY:
Airlines

COUNTRY:
United States

- ENGAGEMENT FOCUS:
- Product Governance
 - Carbon – Own Operations
 - Occupational Health and Safety
 - Human Capital

RATIONALE FOR RESOLVED STATUS:
Southwest Airlines improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Southwest Airlines discloses key workforce metrics, including a 7.1% turnover rate, over 2.6 million training hours, and a formal performance review process for non-contract employees.
- The company aligned its climate disclosures with TCFD and clarified board-level responsibility for environmental issues. It also reports on decarbonization strategies, including Sustainable Aviation Fuel (SAF) agreements and fleet modernization, reinforcing its Net Zero by 2050 commitment.
- It improved ESG governance by clarifying the Board’s oversight of ESG risks through its Safety and Operations Committee. The 2024 One Report outlines clear reporting structures for ESG performance, ensuring accountability at the highest level.
- The company formed a Safety and Compliance Oversight Committee, which is responsible for monitoring the company’s activities in areas of safety and operational compliance.

Southwest Airlines’s management score improved by 1.9 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - The Saudi Investment Bank (SAIB)

ESG Risk Ratings Score

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

25.5

INDUSTRY:
Regional Banks

COUNTRY:
Saudi Arabia

- ENGAGEMENT FOCUS:
- Product Governance
 - ESG Integration – Financials
 - Data Privacy and Cybersecurity
 - Human Capital

RATIONALE FOR RESOLVED STATUS:
SAIB improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

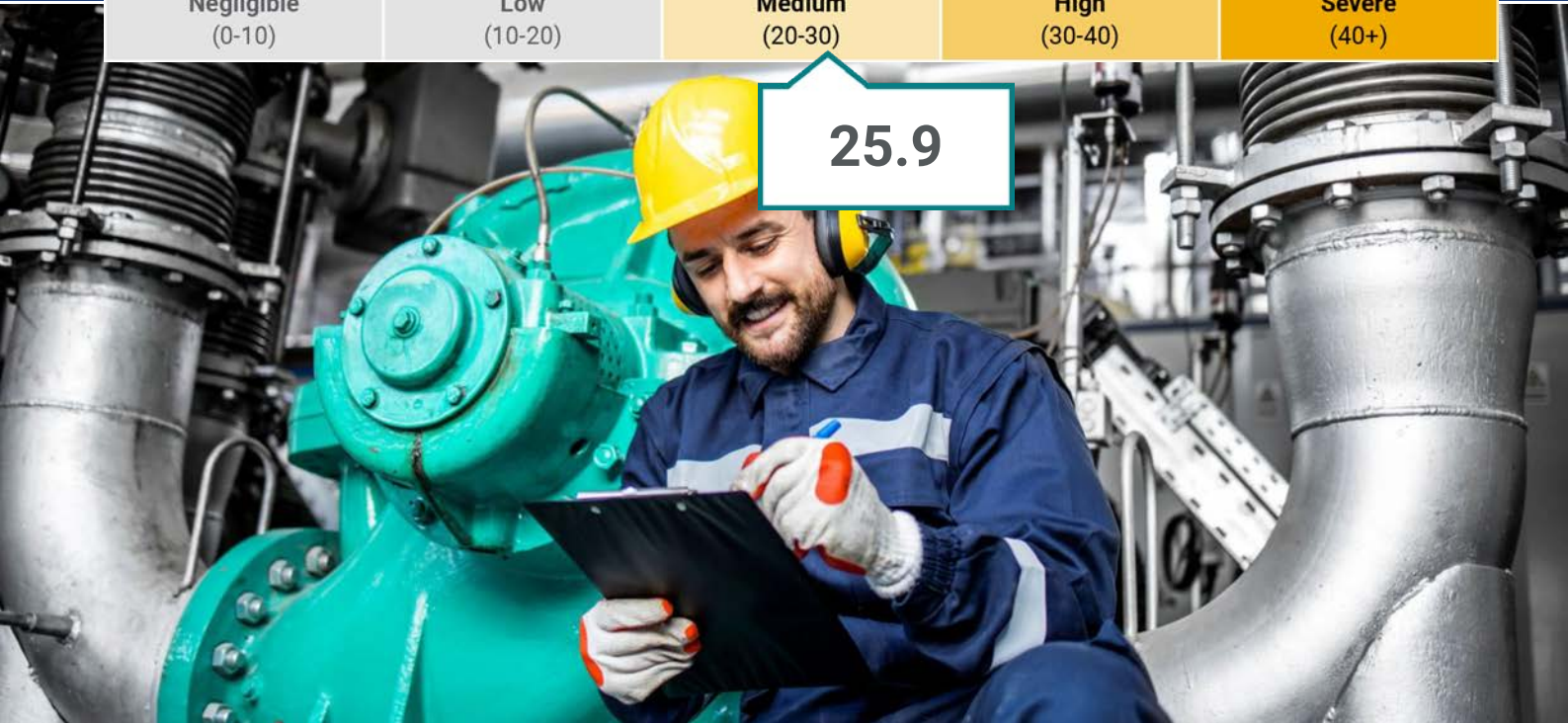
- SAIB published its first Allocation & Impact Report for the USD 750M Tier-1 Sustainable Sukuk, providing verified allocation to green and social projects. The report includes environmental KPIs and social contributions, with allocation reviewed by Sustainable Fitch and impact metrics prepared by Carbon Trust.
- For the 2025 reporting cycle, SAIB began GRI reporting as a key part of its new Integrated Reporting format.
- The company implemented major enhancements to its cybersecurity programme in 2025, including upgraded detection and response capabilities, a strengthened threat-intelligence programme, and a deeper focus on customer data protection. Cybersecurity is a standing item at every Board Risk Committee meeting.
- SAIB made a progress on human-capital development, including increasing female participation and expanding leadership-development pathways.

SAIB’s score improved, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Türkiye Petrol Rafinerileri AS (Türkiye Petrol)

ESG Risk Ratings Score

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



INDUSTRY:
Refiners & Pipelines

COUNTRY:
Turkey

- ENGAGEMENT FOCUS:
- Carbon – Products and Services
 - Corporate Governance
 - Carbon – Own Operations
 - Water Use – Own Operations

RATIONALE FOR RESOLVED STATUS:
Türkiye Petrol improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Türkiye Petrol expanded Scope 3 reporting to cover all 15 GHG categories, verified under ISO 14064 with limited assurance by a third party. The company integrates the results into board-level Sustainability Committee discussions, aligning disclosure with TSRS, a sustainability-reporting framework modelled on the European Reporting Sustainability Standards.
- The company advanced resource efficiency through EU-funded projects focused on wastewater recovery and industrial symbiosis. Operational grey-water reuse was expanded via partnership with Kocaeli Municipality. These initiatives reduced freshwater intake by 1.2 million m³ and support closed-loop processes in high-stress basins.
- It conducted climate-risk scenario analysis in line with TSRS requirements, including carbon-pricing and transition-risk modelling. The company also completed water-stress and availability assessments using the WRI Aqueduct and WWF Water Risk Filter tools across all refineries.

Türkiye Petrol’s management score improved by 2.0 points, bringing the company well into the Medium Risk category and below the 28-point threshold for engagement.

Resolved - Westlake Corp. (Westlake)

ESG Risk Ratings Score



INDUSTRY:
Chemicals

COUNTRY:
United States

ENGAGEMENT FOCUS:

- Carbon – Own Operations
- E&S Impact of Products and Services
- Emissions, Effluents and Waste

RATIONALE FOR RESOLVED STATUS:

Westlake improved its ESG Risk Rating score to below 28.

Positive Development Highlights:

- Materiality and ranking of ESG Risks was disclosed initially in the 2020 ESG Report, including a topic matrix, assessment process, third party execution, and alignment of ESG topics to ESG pillars. Materiality updates and stakeholder consultation remain ongoing.
- Westlake expanded its sustainable products strategy by incorporating either post-consumer recycled (PCR) or post-industrial recycled (PIR) resin content in its products.
- The company established a standardized chemical approval process. Before each chemical is brought on site, the hazards associated with the storage and use of the chemical are evaluated by the Health, Safety and Environment department.
- Sustainability-related goals are part of the individual performance factors used to adjust the EVA bonus multiple in Westlake Corporation's executive compensation programme.

Westlake's management score improved by 1.7 points, bringing the company well 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. | | | | | |
| Al Rajhi Co. for Cooperative Insurance | Saudi Arabia | Focus on ESG Integration Financials | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3 |
| Blue Owl Capital, Inc. | United States of America | Focus on Product Governance | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3 |
| Industries of Qatar Co. | Qatar | Focus on Risk Assessment and ESG Disclosure | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3 |
| Occidental Petroleum Corp. | United States of America | Focus on Carbon and Emissions, Effluents and Waste | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3 |
| Reliance Industries Ltd. | India | Focus on Risk Assessment and ESG Disclosure | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3 |
| Zoomlion Heavy Industry Science & Technology Co., Ltd. | China | Focus on Carbon and Product Governance | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 0-3 |
| DraftKings, Inc. | United States of America | Focus on Business Ethics | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 3-6 |
| ARC Resources Ltd. | Canada | Focus on Emissions, Effluents and Waste | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 6-9 |
| Encompass Health Corp. | United States of America | Focus on Product Governance and Emissions, Effluents and Waste | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 6-9 |

| COMPANY | COUNTRY | ISSUE | PROGRESS | RESPONSE | TIME TRACKER |
|---|--------------------------|---|--|--|--|
| One piece equals three months. | | | | | |
| Athabasca Oil Corp. | Canada | Focus on Carbon and Emissions, Effluents and Waste | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12 |
| Baytex Energy Corp. | Canada | Focus on Risk Assessment and ESG Disclosure | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12 |
| HF Sinclair Corp. | United States of America | Focus on Carbon and Emissions, Effluents and Waste | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12 |
| ORION Corp. | South Korea | Focus on Product Governance | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12 |
| QL Resources Bhd. | Malaysia | Focus on Product Governance | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12 |
| Yunnan Baiyao Group Co., Ltd. | China | Focus on Product Governance | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12 |
| Zhangzhou Pientzehuang Pharmaceutical Co., Ltd. | China | Focus on Risk Assessment and Corporate Governance | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 9-12 |
| China State Construction Engineering Corp. Ltd. | China | Focus on Risk Assessment | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15 |
| EOG Resources, Inc. | United States of America | Focus on Emissions, Effluents and Waste | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15 |
| General Dynamics Corp. | United States of America | Focus on Risk Assessment and ESG Disclosure | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15 |
| Saudi Industrial Investment Group | Saudi Arabia | Focus on Risk Assessment and ESG Disclosure | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15 |
| Saudi Kayan Petrochemical Co. | Saudi Arabia | Focus on Emissions, Effluents and Waste and Community Relations | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15 |

| COMPANY | COUNTRY | ISSUE | PROGRESS | RESPONSE | TIME TRACKER |
|---|--------------------------|---|--|--|---|
| One piece equals three months. | | | | | |
| Whitecap Resources, Inc. | Canada | Focus on ESG Disclosure | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 12-15 |
| Targa Resources Corp. | United States of America | Focus on Emissions, Effluents and Waste and Community Relations | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 15-18 |
| Suncor Energy, Inc. | Canada | Focus on ESG Disclosure | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 18-21 |
| China Petroleum & Chemical Corp. | China | Focus on Carbon and Emissions, Effluents and Waste | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> 21-24 |
| Exxon Mobil Corp. | United States of America | Focus on Carbon and Emissions, Effluents and Waste | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24 |
| Grupo Carso SAB de CV | Mexico | Focus on Risk Assessment and ESG Disclosure | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24 |
| GS Holdings Corp. | South Korea | Focus on Carbon Own Operations | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24 |
| Hindustan Petroleum Corp. Ltd. | India | Focus on Carbon and Community Relations | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div></div> Poor | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24 |
| National Industrialization Co. | Saudi Arabia | Focus on Emissions, Effluents and Waste and Land Use and Biodiversity | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24 |
| Shanghai Fosun Pharmaceutical (Group) Co., Ltd. | China | Focus on Product Governance | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div></div> None | <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> Above 24 |

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

Engagement Status Updates

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

New Engage

| COMPANY | COUNTRY | ISSUE |
|---|--------------------------|--|
| Acadia Healthcare Co., Inc. | United States of America | Focus on Carbon and Emissions, Effluents and Waste |
| Apellis Pharmaceuticals, Inc. | United States of America | Focus on Carbon and Emissions, Effluents and Waste |
| BellRing Brands, Inc. | United States of America | Focus on Carbon and Emissions, Effluents and Waste |
| Coca-Cola Consolidated, Inc. | United States of America | New Case - Focus to be Determined |
| Comfort Systems USA, Inc. | United States of America | New Case - Focus to be Determined |
| Dukhan Bank QPSC | Qatar | New Case - Focus to be Determined |
| Enovis Corp. | United States of America | Focus on Carbon and Emissions, Effluents and Waste |
| Entergy Corp. | United States of America | New Case - Focus to be Determined |
| Expand Energy Corp. | United States of America | New Case - Focus to be Determined |
| Freshpet, Inc. | United States of America | New Case - Focus to be Determined |
| Masimo Corp. | United States of America | Focus on Risk Assessment and ESG Disclosure |
| Monde Nissin Corp. | Philippines | New Case - Focus to be Determined |
| PPB Group Bhd. | Malaysia | New Case - Focus to be Determined |
| Shikoku Electric Power Co., Inc. | Japan | New Case - Focus to be Determined |
| Singapore Technologies Engineering Ltd. | Singapore | New Case - Focus to be Determined |

| COMPANY | COUNTRY | ISSUE |
|--------------------------------|--------------------------|--|
| Snap-On, Inc. | United States of America | New Case - Focus to be Determined |
| Summit Therapeutics, Inc. | United States of America | Focus on Carbon and Emissions, Effluents and Waste |
| THK CO., LTD. | Japan | New Case - Focus to be Determined |
| TOHO GAS Co., Ltd. | Japan | New Case - Focus to be Determined |
| Trelleborg AB | Sweden | New Case - Focus to be Determined |
| Viking Holdings Ltd. (Bermuda) | Bermuda | New Case - Focus to be Determined |

New Archived

| COMPANY | COUNTRY | ISSUE | PREVIOUS STATUS |
|---------------------------------------|---------------|---|-----------------|
| Boubyan Bank KSC | Kuwait | Focus on Risk Assessment and ESG Disclosure | Engage |
| Hess Corp. | United States | Focus on Carbon Products and Services | Engage |
| KOSÉ Corp. | Japan | Focus on Corporate Governance | Engage |
| MEG Energy Corp. | Canada | Focus on Carbon and Community Relations | Engage |
| Meta Platforms, Inc. | United States | Focus on Data Privacy and Security | Engage |
| PACCAR, Inc. | United States | New Case - Focus to be Determined | Engage |
| The Company for Cooperative Insurance | Saudi Arabia | Focus on ESG Integration Financials | Engage |
| Veren, Inc. | Canada | Focus on Carbon Products and Services | Engage |

New Unresponsive

| COMPANY | COUNTRY | ISSUE |
|--|---------|---|
| Coal India Ltd. | India | Focus on Carbon and Community Relations |
| Eregli Demir ve Çelik Fabrikalari TAS | Turkey | Focus on Carbon Own Operations |
| Grupo Financiero Inbursa SAB de CV | Mexico | Focus on Risk Assessment and ESG Disclosure |
| Shanghai Pudong Development Bank Co., Ltd. | China | Focus on ESG Integration Financials |

Oil That Defined Norway and the ESG Questions Shaping its Arctic Future



Tania Nadyseva

Engagement Manager, Stewardship
Material Risk/Strategy & Risk
Engagement
Morningstar Sustainability

As global gas exploration gathers pace again, frontier exploration is expanding from the Arctic to East Africa. The shift marks an industry pivot: after several years of restraint, exploration spending is rising as governments prioritize energy security and short-term supply stability.

The oil that defined Norway has transformed a small fishing nation into one of the world's most stable welfare economies. Now, as the country once again looks northward, the same resource that built its prosperity is now raising questions about how the country aligns continued development with sustainability. Decades after oil secured Norway's global reputation for stability and fiscal discipline, the government shows little sign of retreating from exploration. Instead, it seeks to reconcile continued development in the country's far north. In May 2025, the government expanded its Norwegian Continental Shelf with Awards in Predefined Areas (APA) 2025 licensing round to include 76 additional blocks (68 in the Barents Sea and 8 in the Norwegian Sea), reinforcing the region's role in Norway's long-term energy strategy.¹

While petroleum licensing is expanding, other Arctic activities are moving in a different direction. In late 2025, the Norwegian government paused deep-sea mineral exploration until at least 2029, signaling a more precautionary approach to emerging seabed industries.²

This expansion follows years of political and legal scrutiny. In 2024, a climate lawsuit brought by Norwegian activists reached the European Court of Human Rights, arguing that continued Arctic oil licensing violated their right to a healthy environment. The court ultimately ruled in favor of the government, effectively eliminating a key legal challenge to new exploration.³ With that decision, Norway continues to pursue Arctic development even as most other Arctic nations have paused or scaled back activity, and the European Union has called for an end to new oil, coal, and gas exploration in the region, pledging to work toward a multilateral ban on Arctic fossil-fuel extraction.⁴

From an ESG stewardship perspective, these developments highlight the tension between energy security and climate commitments, raising important considerations for investors engaging on long-term sustainability risks.

Operating in the Arctic

Most Arctic petroleum activity in Norway occurs offshore, in the Barents Sea, where Equinor's Johan Castberg and Vår Energi's Goliat remain the only producing oil fields.^{5,6,7} While infrastructure and personnel are based in northern hubs, the operational footprint extends far beyond offshore installations serving the Goliat, Johan Castberg, and Snøhvit (Equinor's gas field) fields.⁸ Shipping routes, seismic surveys, and potential spill pathways intersect with some of the most biodiverse and climate-sensitive marine zones on the Norwegian shelf.

Every operational decision has consequences in the Arctic environment. Low temperatures, slow biodegradation, and extended response times increase persistence of discharges or leaks of produced water, drilling fluids, or hydrocarbon residues. For companies operating offshore in Norway's Barents Sea, environmental risk management is not only about avoiding major oil spills, but preventing and accounting for continuous, small-scale releases that accumulate over time.

Equinor and Vår Energi disclose operational releases within regulatory thresholds but do not report achieving zero-discharge performance. Releases described as 'low' or 'within limits' may still include hydrocarbons, heavy metals, and treatment chemicals that slowly degrade in Arctic waters.^{9,10,11,12}

To make matters more complicated, both Equinor and Vår Energi operate within or adjacent to Particularly Valuable and Vulnerable Areas (SVOs) – marine zones designated by the Norwegian government as ecologically important but not legally protected.¹³ These areas include spawning grounds, seabird colonies, and ice-edge ecosystems across the Barents and Norwegian Seas. The Goliat field, operated by Vår Energi, lies in the south-western Barents Sea near the Tromsøflaket and Eggakanten SVOs, areas critical for seabirds, animals living on, in, or near the aquatic bottom, and cod spawning. Its pipelines and support shipping routes intersect SVO-designated corridors. Equinor's Johan Castberg field, expected to reach full production in 2025, is situated roughly 60 kilometers south of the Marginal Ice Zone SVO (Iskanten). The project's export pipeline and logistics route traverse mapped SVO regions. The Snøhvit gas field and Melkøya LNG terminal are located close to the Sørøya SVO, an important habitat for seabirds and marine mammals.

Operationally, this means Arctic petroleum activity interacts with SVOs even if installations themselves sit just outside their core polygons. SVOs are designated in Norway's Integrated Marine Management Plans as areas that require "special caution", meaning operators must demonstrate enhanced environmental assessment and mitigation when planning activities that may affect them.¹⁴ However, SVO status does not constitute legal protection and does not impose quantitative performance limits on black-carbon emissions, underwater noise, or spill probability.¹⁵ While the Norwegian Environment Agency incorporates SVO considerations into environmental-impact assessments and monitoring requirements, the available regulatory framework remains largely process-oriented.¹⁶ It focuses on demonstrating due care and risk mitigation rather than prescribing location-specific thresholds or operational restrictions in SVO zones.

Both companies incorporate SVO mapping into their environmental systems:

- Equinor overlays its portfolio with SVO, WDPA, and KBA datasets and voluntarily excludes UNESCO and IUCN Ia/Ib sites.¹⁷
- Vår Energi reports its footprint within or near SVOs using ERA Acute risk modelling, NOFO oil-spill preparedness, and ISO 14001/NORSOK S-003 standards.¹⁸

However, current disclosures do not indicate integration of independent ecological expertise into SVO oversight or reporting of basin-level cumulative-impact indicators. Strengthening these areas would enhance transparency, particularly as cross-boundary monitoring in the Barents Sea remains limited following the suspension of cooperation with Russia.¹⁹

Against this backdrop, the APA 2025 licensing round represents a continued geographic push northward, potentially bringing new exploration closer to high-value SVO zones. This introduces a set of new exploration risks, including potential entry of new operators, changes to environmental baselines, and increased activity within SVO-adjacent areas.

Together, these developments underscore the importance of robust environmental risk management, transparent disclosure of cumulative impacts, and meaningful biodiversity safeguards in sensitive Arctic zones.

Indigenous Rights and Social Fragility

In Norway's Arctic, social risks primarily relate to legitimacy, participation, and safety rather than poverty or labour standards.²⁰ Oil and gas operations in the Barents Sea occur amid long-standing Sámi territories (Sápmi) and traditional coastal fishing zones. Norway formally recognizes Sámi rights through the Sámi Act (1987) and is among the few nations to have ratified ILO Convention 169, which guarantees Indigenous participation in decisions affecting their lands.²¹

In practice, implementation has been uneven. The 2021 Supreme Court ruling on the Fosen wind farms established that inadequate consultation could violate Sámi cultural rights, reinforcing the importance of consent-based governance in the energy sector.²² This underscores the need for companies to demonstrate measurable indicators aligned with Free, Prior and Informed Consent (FPIC) and to provide third-party verified social-impact assessments, areas we actively seek in our engagement with operators in the region. Although key Arctic projects such as Goliat, Johan Castberg, and Snøhvit are offshore, their onshore terminals, logistics bases, and supply routes are located in northern Norway, where Sámi reindeer herding and coastal fishing are active.

The procedural nature of participation is evident in the government's own licensing process. In the APA 2024 round, the Ministry of Energy received 29 consultation responses, including from the Sámi Parliament, NGOs, and public agencies, but stated that objections concerning climate impact and petroleum activity fell outside the consultation's mandate.²³ As a result, stakeholder input was noted but did not influence the final decision criteria.

These dynamics underscore the complexity of balancing Indigenous rights, stakeholder participation, and energy development objectives in Norway's Arctic.

Investor Outlook: What to Watch in 2026

When Norway names the APA 2025 winners in early 2026, Morningstar Sustainalytics' engagement team will evaluate how new entrants approach Arctic governance. With Equinor and Vår Energi already established, scrutiny will likely extend to other participants such as Aker BP, which currently holds non-operated Barents interests but no producing Arctic assets. If Aker BP or other newcomers secure new acreage, one of our objectives will not only focus on their environmental readiness but the depth of their overall risk governance. Key areas to consider when engaging with companies with Arctic assets:

- **Environmental Governance:** Disclosure of quantitative SVO mapping, biodiversity baselines, and ideally third party-verified monitoring.
- **Social Accountability:** Presence of FPIC-aligned consultation frameworks, transparent grievance mechanisms, and evidence of inclusive stakeholder engagement.
- **Safety and Emergency Preparedness:** Arctic-specific HSE systems, coordination with local authorities and civil defense, and capability to protect both offshore workers and nearby residents in crisis conditions.

One additional consideration is how the broader security context in the High North is shifting. Russia's increased military activity and its strengthened presence along the Northern Sea Route have elevated attention not only to physical security but also to cybersecurity, with offshore infrastructure, liquid natural gas terminals, subsea control systems, and satellite-based navigation becoming potentially more exposed to hybrid threats.²⁴ For our engagements this makes cyber-resilience an important part of governance dialogues alongside environmental and social considerations.

For the world's northernmost oil province, these factors will determine not only financial outcomes but the credibility of Norway's claim to lead in responsible Arctic development. Whether it continues to do so will depend on how the country manages the fragile balance between energy needs, economic interests, and environmental limits. For companies already active in the region, and for those that may enter through future licensing rounds, this means demonstrating stronger protections across environmental stewardship, Indigenous engagement, safety management, and cyber-resilience to ensure operations align with the heightened sensitivities of the High North.

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