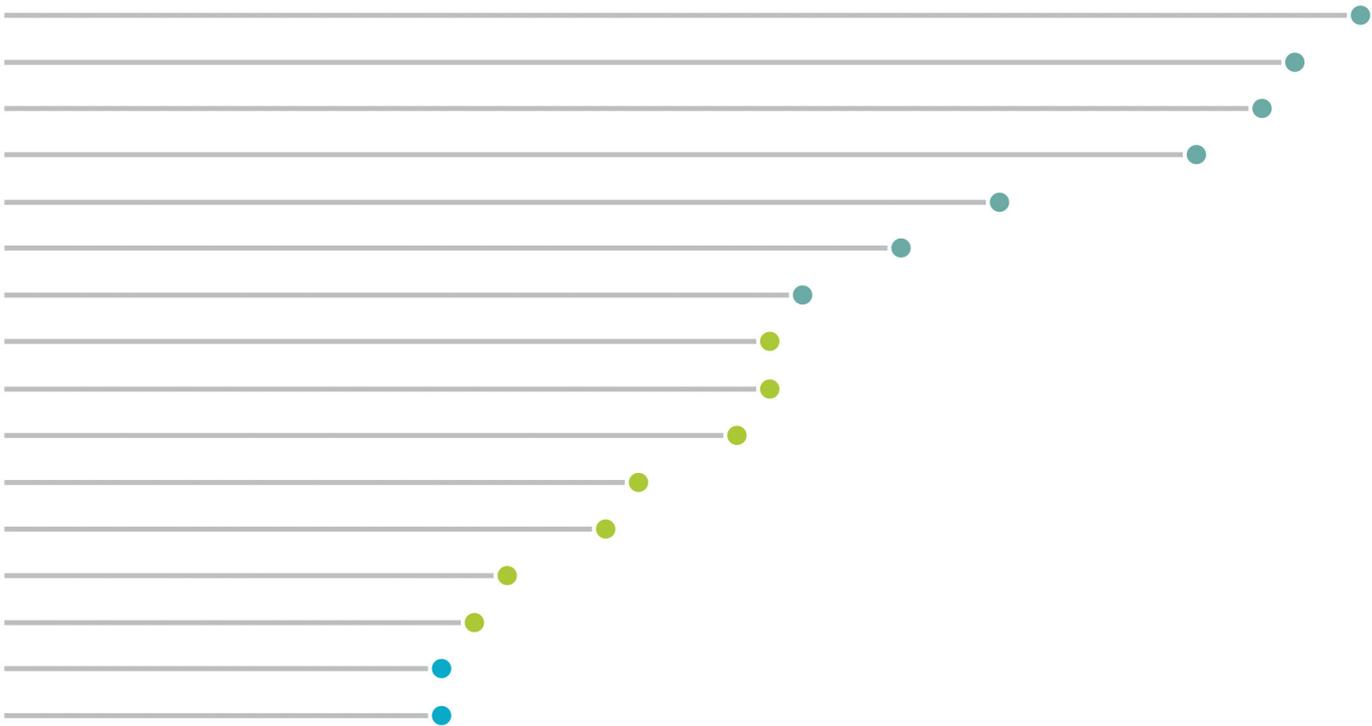


Global Standards Engagement 2025 Annual Report



Global Standards Engagement supports the management of reputational and regulatory risks by engaging with companies where incidents severely and systematically violate international standards to remediate the issue at hand and mitigate recurrence.

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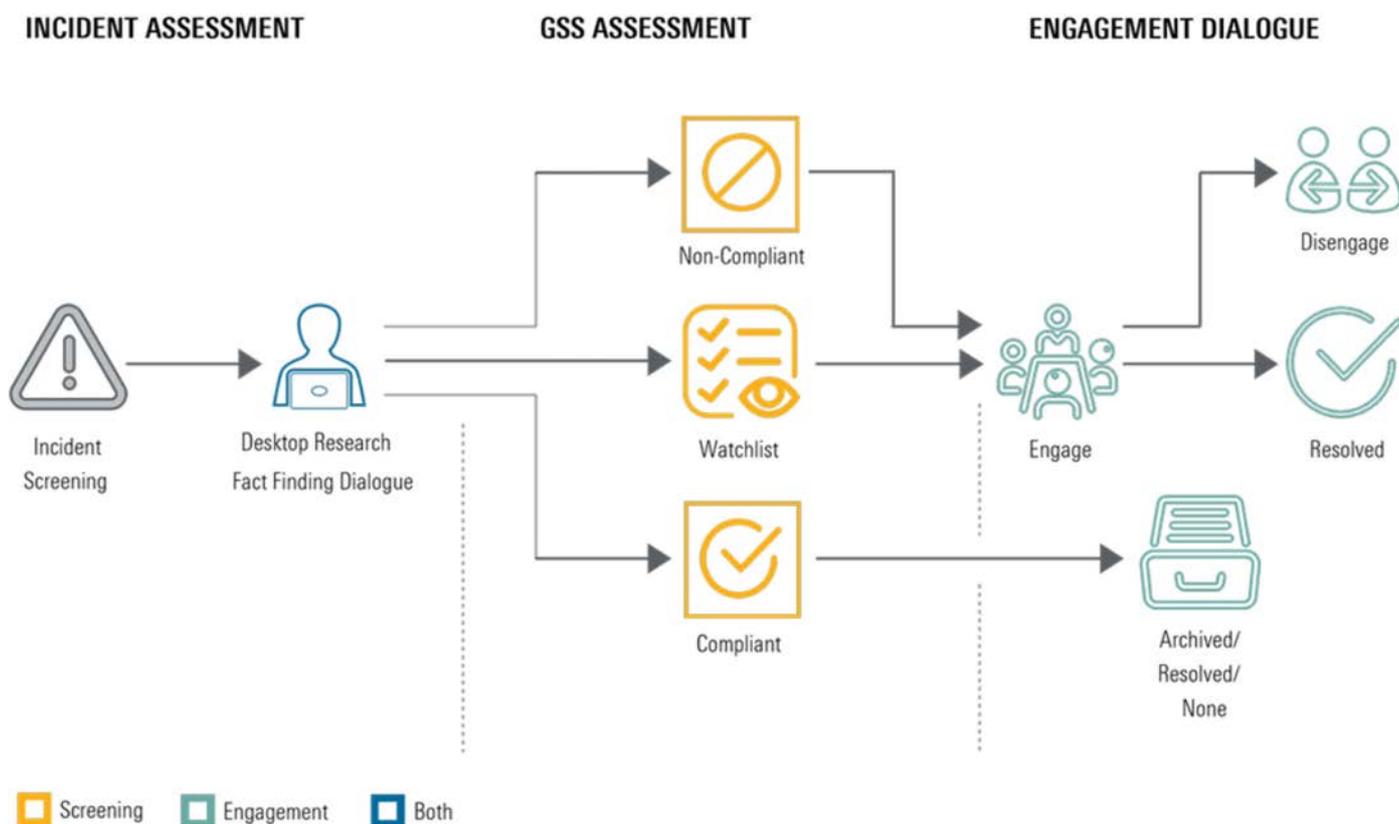
This report summarizes the shareholder engagement activities that Morningstar Sustainalytics performed between January and December 2025. If there is no specific reference to date in graphs and tables, the data is presented as per end of the reporting period. Due to periodic quality reviews throughout the year, small discrepancies between cumulative quarter and annual statistics may occur. The report has been produced in January 2026 and uses data for the year 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

Global Standards/Incidents Engagement is an incident-driven engagement with focusing on companies that severely and systematically violate international standards, such as the UN Global Compact Principles and the OECD Guidelines for Multinationals.

The engagement is based on a thorough and continuous assessment of the incident as well as the company's role in mitigating the related repercussions and recurrence.

The aim of Global Standards/Incidents Engagement is not only to verify how a company addresses the incident, but also to effectuate change in the company's policies and/or processes, in order to ensure that it has proper policies and programmes are in place to avoid future reoccurrences and improve its ESG disclosure. The Global Standards/Incidents Engagement is based on our Global Standards Screening analysis of more than 25,000 companies. The engagement scope is global and spread across all sectors. Company size ranges from small to large cap.



Year in Review



Paulina Segreto

Director, Stewardship
Morningstar Sustainalytics

Driving Accountability Through Incident-Driven Engagements

In 2025, our programme continued to address severe and systemic violations of international norms, focusing on companies where incidents pose material risks to people, the environment, and long-term value creation. Throughout the year, we maintained over 100 active engagements, delivering impact through multiple milestones and 12 case resolutions, covering bribery and corruption, human rights, and environmental incidents. These outcomes underscore our commitment to advancing corporate accountability and building resilience through constructive, investor-led dialogue.

Navigating Regulatory Uncertainty

At the start of the year, companies and investors faced heightened regulatory complexity driven by a surge in lawmaking activity under the new US presidential administration. This created uncertainty around compliance obligations and engagement practices. Additionally, updated US Security and Exchange Commission guidance on shareholder engagement prompted investors to reassess how to structure dialogues with issuers. While these developments were most pronounced in early 2025, regulatory shifts continued throughout the year, reinforcing the need for our incident-driven programme to deliver adaptable engagement strategies while never losing focus on supporting companies in building resilience through creating and embedding sustainable practices. We anticipated a slowdown in engagement activity as companies assessed the impact of the regulatory changes. However, we have seen the opposite, strong commitment and constructive dialogue, reflected by a fulfilment of suggested actions and milestone movements.

Key Themes Across the Year

Culture as a Key Driver in our Engagements

Corporate culture emerged as a critical determinant of resilience and long-term success. Our engagements highlighted how deeply embedded values and behaviours influence risk management and ethical decision making. Weak cultural indicators, such as poor communication, lack of a “speak-up” environment, and target driven pressures, were linked to governance failures and misconduct. Most of our Business Ethics and Consumer Interest engagements focused on cultural factors, particularly in cases involving significant financial implications and violations of local laws. These incidents often resulted in regulatory fines and mandated Action Plans by authorities. In addition to monitoring companies’ fulfillment of these plans, we complemented monitoring with engagement dialogue to encourage stronger cultural frameworks, embed accountability, and foster transparency. One example involved a car manufacturer where cultural weaknesses contributed to unethical practices. Progress achieved through sustained engagement demonstrates how governance reforms can address these risks and restore trust.

Beyond Compliance: Navigating Multi-Jurisdictional Risk

Rapidly evolving ESG regulations across jurisdictions continue to challenge multinational corporations. Company dialogues confirm that a compliance-based approach to ESG is not always sufficient, particularly for businesses operating in dynamic or conflicting regulatory environments.

The philosophy behind our incidents-driven engagements is clear: companies that commit to higher standards not only mitigate risk but also position themselves as leaders in responsible business conduct. Local violations can have global consequences due to media exposure, investor scrutiny, and cross-border regulatory cooperation. This is evident in our engagements with companies operating internationally, such as US firms facing labour rights allegations in Europe, supply chain accusations, or operations in high-risk countries linked to human rights abuses.

Our engagements stress the importance of aligning global compliance strategies with the most stringent standards, supported by robust policy frameworks and board-level accountability.

Grievance Mechanisms as a Cornerstone of Risk Management

Operational-level grievance systems remain underdeveloped across global supply chains, exposing companies to reputational and legal risks. Through targeted engagements, we supported issuers in designing mechanisms aligned with the UN Guiding Principles, emphasizing accessibility, legitimacy, and rights compatibility. Robust grievance mechanisms are critical for managing human rights risks, particularly in cases involving labour rights violations or negative impacts on local communities affected by controversial projects.

We also highlighted the importance of whistleblower systems to address business ethics concerns, including corruption incidents and discriminatory practices. Strengthening these channels enables companies to detect risks early, provide remedy, and foster a culture of accountability.

Human Rights Due Diligence (HRDD): From Policy to Practice

Despite growing regulatory momentum, such as the EU Corporate Sustainability Due Diligence Directive, many companies still treat HRDD as a compliance exercise rather than an ongoing process to identify, prevent, and mitigate harm. Benchmark data shows that a significant majority of companies fail to meet basic HRDD expectations, while only a very small proportion demonstrate strong implementation. This gap is particularly acute in high-risk sectors like extractives, where HRDD is often conflated with one-off Environmental and Social Impact Assessments.

More than 70% of our engagements relate to the social pillar within ESG, and in most cases, a key objective is to help companies develop a robust human rights due diligence strategy. We frequently observe that companies lack a clear understanding of HRDD, so our focus has been on raising awareness of what it entails and guiding them step by step on how to implement it effectively. We emphasize why HRDD is critical, not only for protecting rights-holders but also for strengthening corporate resilience and meeting investor expectations.

Engagement Outcomes

In 2025, we successfully resolved 12 engagements, including FirstEnergy (bribery and corruption), Indivior and McKesson (business ethics and human rights), Medtronic (quality and safety), Samsung group entities (accounting and governance), UPL Ltd. (environmental remediation), Bezeq (bribery and corruption), Allied Universal (forced labour), Sime Darby (forced labour), and POSCO (human rights due diligence in high-risk regions). These resolutions addressed serious incidents with significant financial, legal, and reputational implications. Through sustained dialogue, we worked with companies to implement corrective actions and strengthen governance frameworks, ensuring robust preventive measures are in place to mitigate future risks and avoid recurrence.

Case studies features Teleperformance SE, Oil & Natural Gas Corp., Sibanye Stillwater, LVMH, and Petroperú, illustrating progress on labour rights and freedom of association, human rights due diligence, workplace safety, and environmental risk management.

Looking Ahead

In 2026, we will deepen our focus on mandatory HRDD implementation, supply chain accountability, and environmental topics, while continuing to address systemic issues such as workplace safety and governance failures.

We will also initiate new engagements starting January 2026, triggered by controversy research assessed as Category 3 or higher across companies from various industries involved in different ESG controversies that meet our thresholds. This will drive increased engagement activity in the coming months.

Our priority remains clear: to drive meaningful change that aligns corporate conduct with international standards, mitigates harm to people and ecosystems, and supports long-term investor confidence.

Engagement Overview



112
engagements as of 31
December 2025

13
new engagements

136
engagements
throughout 2025

79%
of engagement are related to "S" within the
Environmental, Social and Governance topic

Asia / Pacific
region with the largest
number of
engagements

**Diversified Metals,
Food Products and
Utilities**
industries with the
most engagements

3
Low Performance
engagements
moved to Disengage

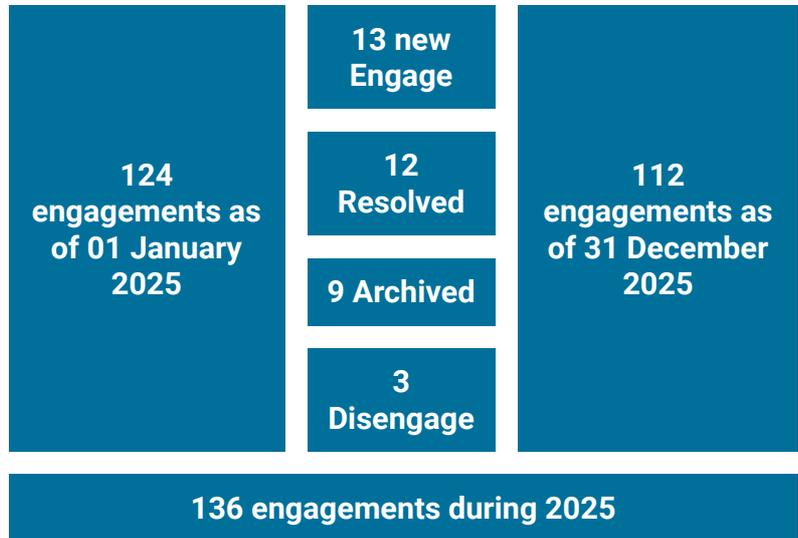
Engagement Status

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.

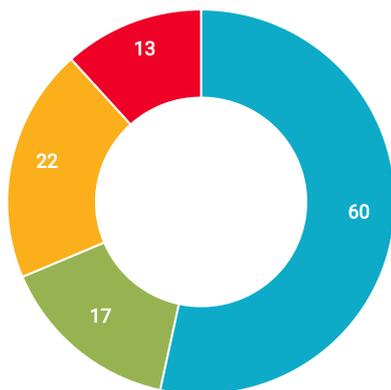
Disengage Engagement is deemed unlikely to succeed.



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.

Engagements by Norm

Morningstar Sustainalytics categorizes all incident-based cases according to UN Global Compact's (UNGC) principles.



- Human Rights
- Business Ethics
- Environment
- Labour Rights

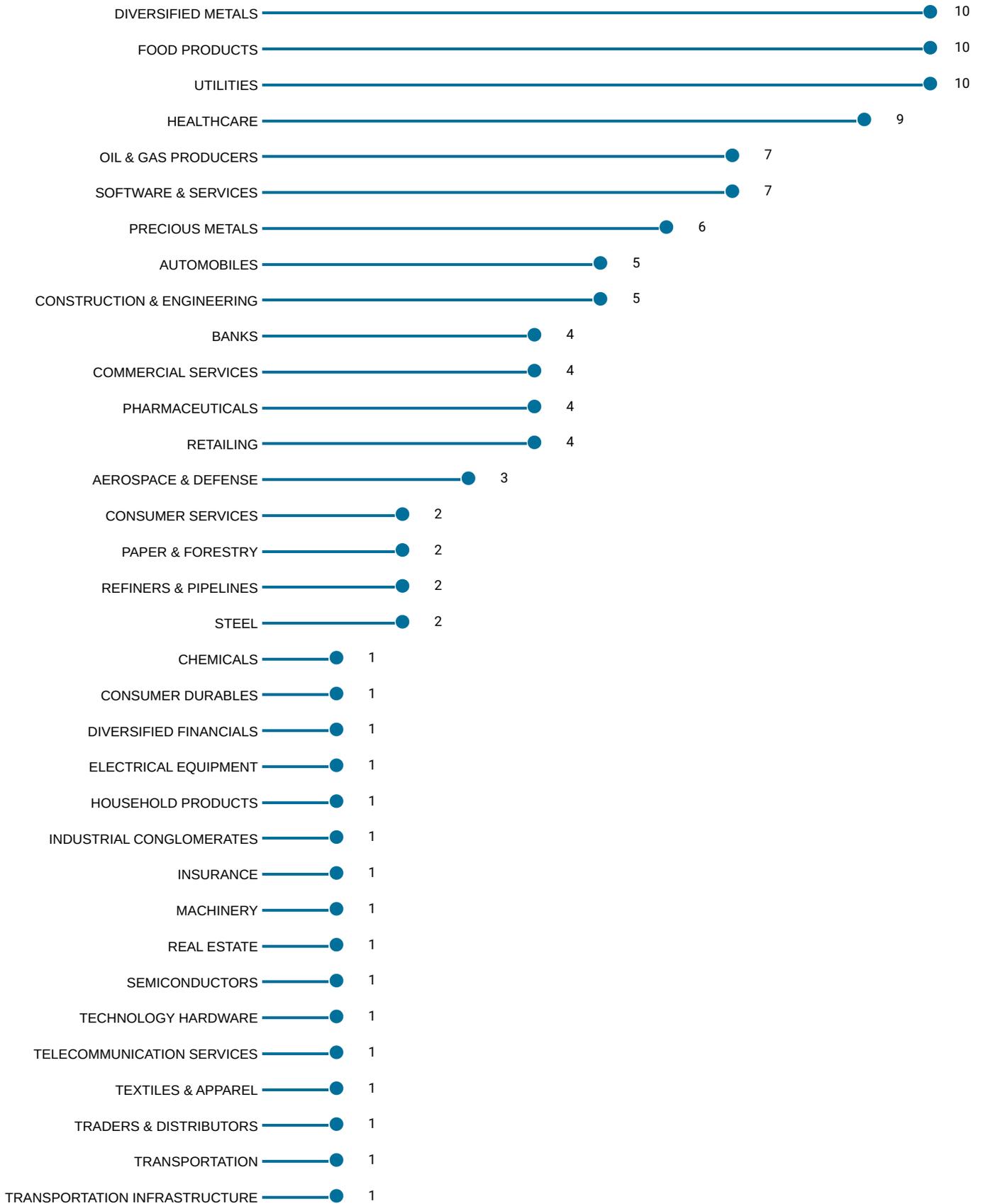
Human Rights Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.

Labour Rights Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

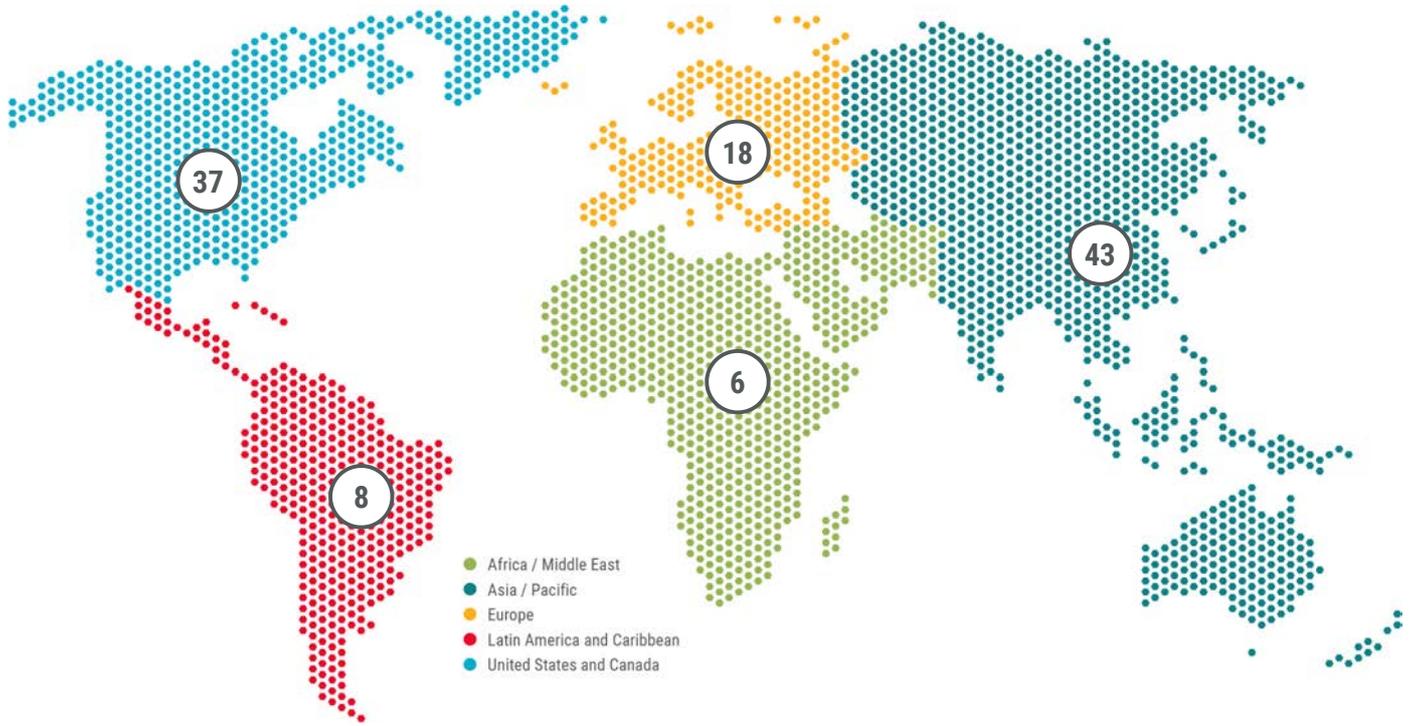
Environment Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

Business Ethics Businesses should work against all forms of corruption, including extortion and bribery. This norm is extended to additional topics not within UNGC scope such as taxation or antitrust issues.

Industry Distribution



Engagements by Headquarter Location

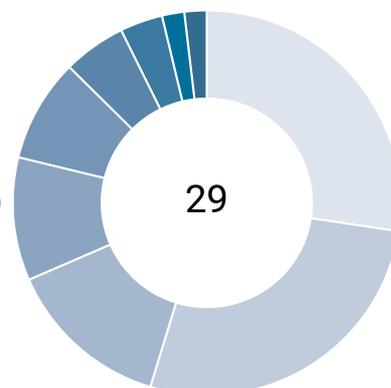


Engagement Topics

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

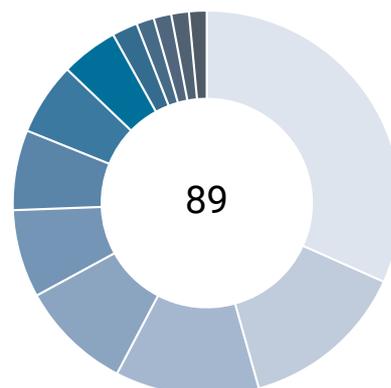
Environmental

- WATER QUALITY (16)
- WATER SECURITY (16)
- DEFORESTATION (8)
- BIODIVERSITY (6)
- LAND POLLUTION AND SPILLS (5)
- AIR POLLUTANT EMISSIONS (3)
- NATURAL RESOURCE USE (2)
- CLIMATE CHANGE - TRANSITION RISK (1)
- WASTE MANAGEMENT (1)



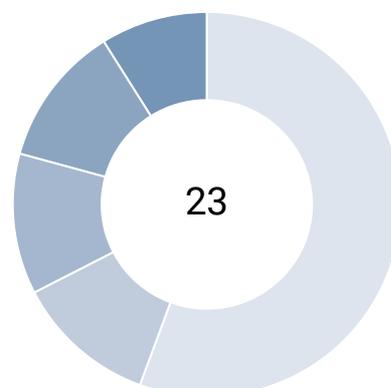
Social

- HUMAN RIGHTS (48)
- COMMUNITY RELATIONS (21)
- LABOUR RIGHTS (18)
- PRODUCT QUALITY AND SAFETY (14)
- OCCUPATIONAL HEALTH AND SAFETY (11)
- INDIGENOUS PEOPLE (10)
- DATA PRIVACY AND SECURITY (9)
- FORCED LABOUR (7)
- WEAPONS (3)
- CHILD LABOUR (2)
- DIVERSITY, EQUITY AND INCLUSION (DEI) (2)
- HIGH-RISK TERRITORIES (2)
- MARKETING PRACTICES (2)



Governance

- BUSINESS ETHICS, BRIBERY AND CORRUPTION (19)
- COMPETITION (4)
- DISCLOSURE (4)
- ESG GOVERNANCE (4)
- ACCOUNTING AND TAXATION (3)



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 engagements.

1 No Poverty	8%	10 Reduced Inequality	14%
2 Zero Hunger	6%	11 Sustainable Cities and Communities	10%
3 Good Health and Well-Being	26%	12 Responsible Consumption & Production	16%
4 Quality Education	1%	13 Climate Action	7%
5 Gender Equality	4%	14 Life Below Water	7%
6 Clean Water and Sanitation	6%	15 Life on Land	18%
7 Affordable and Clean Energy	0%	16 Peace & Justice, Strong Institutions	41%
8 Decent Work and Economic Growth	23%	17 Partnerships to Achieve the Goal	0%
9 Industry, Innovation & Infrastructure	7%		

Case Study: LVMH Moët Hennessy Louis Vuitton SE (LVMH)

Global Standards/Incidents Engagement | Engagement Since: 29 August 2024



Industry: **Luxury Apparel**

Country: **France**

Incident Location: **Italy**

Global Standards Screening: **Watchlist**

LVMH is a global luxury group, operating across six segments, including fashion leather goods, watches, and jewelry. The company's subsidiary, Christian Dior SE, faced allegations of labour exploitation, and health and safety violations in its Italian supply chain in 2024.

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

Engagement Update

Engagement with LVMH began in September 2024, focusing on labour rights in the supply chain. The company has shown commitment by providing detailed responses to investor queries and consulting stakeholders like Morningstar Sustainalytics. During two conference calls in 2025, LVMH outlined governance reforms under its Duty of Vigilance programme, including enhanced oversight of supplier compliance. It also presented updated auditing systems, revised supplier requirements, and a strengthened policy framework aimed at improving labour conditions and accountability across its global operations.

Focus Area

This engagement focuses on LVMH's systems for screening and monitoring suppliers, improving purchasing practices, and establishing effective grievance mechanisms. It challenges the company to assess and mitigate the impacts of purchasing practices on working conditions and enhance disclosure.

Engagement Outcomes

The ultimate goal of the engagement is for LVMH to implement a comprehensive human rights due diligence framework that ensures effective oversight of all suppliers and enables prompt remediation in cases of non-compliance. At this stage, the company is committed to conducting detailed incident reviews to uncover root causes, identify systemic gaps, and develop targeted preventive strategies.

Insights & Outlook

Labour rights violations remain systemic across global supply chains, and the luxury sector is not exempt. While fast fashion brands are frequently scrutinized for purchasing practices that contribute to labour abuses, similar risks are increasingly evident in the luxury apparel industry. LVMH is well positioned to drive meaningful change: its relatively smaller, more stable supplier base enables stronger oversight and long-term engagement. To leverage this advantage, LVMH should review its procurement strategies and implement robust mechanisms to capture worker perspectives and supplier feedback, thereby promoting higher labour standards.

Case Study: Oil & Natural Gas Corp. Ltd. (ONGC)

Global Standards/Incident Engagements | Engagement Since: 30 May 2019



Industry: **Oil & Gas Producers**

Country: **India**

Incident Location: **India**

Global Standards Screening: **Non-Compliant**

ONGC is an Indian-based company. It engages in the exploration, development, and production of oil and natural gas. The company generates its revenue from the sale of crude oil, natural gas and value-added products.

Progress: **Standard** | Response: **Standard** | Latest Milestone: **3**

Engagement Update

Engagement with ONGC is focused on its subsidiary ONGC Videsh, responsible for developing hydrocarbon resources in 'conflict and high-risk' territories, outside of India. Engagement has been constructive, however challenges are presenting themselves in how the company should formulate, deliver and disclose its human rights due diligence in the context of the United Nations Guiding Principles (UNGPs). The most recent engagement was in June 2025, at which a presentation was given to the company summarizing improvements it can make to its current processes, procedures and disclosures to enhance visibility of human rights due diligence.

Focus Area

The focus of the engagement is to work with ONGC to enhance its approach in delivering an effective human rights due diligence process. There is a general absence of recognition of the priority to report on human rights in any meaningful form. However, it is clear from the engagements that the company delivers some processes that align themselves to human rights due diligence. Our engagement is now focused on providing recommendations to support this alignment, bringing strength to existing processes.

Engagement Outcomes

The company employs two primary mechanisms for human rights due diligence: enterprise risk management and environmental and social impact assessments. While both are robust and credible, further efforts are required to articulate findings in a human rights context.

Insights & Outlook

While there is no indication of deliberate disregard for human rights, there appears to be a general reluctance to engage in comprehensive disclosure on the topic, despite the presence of strong policy commitments. Evidence from ONGC's risk and impact assessments, as well as its corporate social responsibility (CSR) initiatives, suggests that the company has established processes and procedures aligned with the UNGPs, enabling the company to identify and mitigate potential human rights risks. However, public disclosure in this area remains limited and could be significantly improved.

Case Study: Petroleos Del Peru - Petroperu SA (Petroperú)

Global Standards/Incidents Engagement | Engagement Since: 03 December 2024



Industry: **Integrated Oil & Gas**

Country: **Peru**

Incident Location: **Peru**

Global Standards Screening: **Watchlist**

Petroperú, a state-owned oil company, has been linked to numerous spills from its Northern Peruvian Oil Pipeline (ONP), causing significant environmental damage to the Marañón River basin, home to Indigenous communities reliant on the river for sustenance.

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

Engagement Update

This engagement began one year ago and has been constructive, with two calls to date. Initially, discussions focused on governance, environmental management, emergency response, and community relations. In June 2025, Petroperú outlined its governance framework for managing the ONP and detailed its Community Relations Plan to manage social risks and build trust. The company also highlighted its Contingency Plan for spill response and compliance with national regulations.

Focus Area

Our engagement seeks to ensure effective spill remediation and prevent future incidents. The initial focus is on stopping ongoing leaks and spills, followed by strengthening long-term environmental management plans. Petroperú should implement a robust environmental management system with full maintenance and monitoring, commit to soil and water remediation, and address illegal pipeline tapping. Additionally, pipeline testing should be performed based on recognized international standards to reduce operational risks and safeguard ecosystems.

Engagement Outcomes

Petroperú acknowledges the need for remediation but its approach to assessing spill extent and risk falls short of international standards. The company commits to environmental protection through maintenance investments, emergency response teams, and assessments. Its Contingency Plan outlines actions upon spill detection, with cleanup supervised by Peru's Environmental Evaluation and Supervision Agency, which mandates a Rehabilitation Plan when contamination exceeds legal thresholds.

Insights & Outlook

Petroperú has resources to improve spill risk evaluation and pipeline maintenance. Its sustainability team enables rapid response, but remediation relies on excavate-and-remove without soil or groundwater testing, risking incomplete cleanup. We aim to work with Petroperú to enhance techniques through chemical testing and risk removal, ensuring health risks are fully addressed for affected communities.

Case Study: Sibanye Stillwater Ltd. (Sibanye)

Global Standards/Incidents Engagement | Engagement Since: 26 July 2018



Industry: **Precious Metals**

Country: **South Africa**

Incident Location: **South Africa**

Global Standards Screening: **Watchlist**

Sibanye is a South African multinational mining and metals group active on five continents. Its South African operations have faced recurring workplace accidents.

Progress: **Standard** | Response: **Standard** | Latest Milestone: **4 Engagement Update**

Engagement with Sibanye has remained constructive over the years, including a site visit and active participation in conference calls. Discussions have focused on identifying gaps in the implementation of occupational health and safety initiatives, in light of ongoing fatalities, a challenge observed across the South African mining sector. In the most recent engagement in 2025, the company disclosed that a review conducted in the prior year found persistent challenges in policy implementation.

Focus Area

Engagements have concentrated on occupational health and safety, with emphasis on translating policy into consistent practice. Despite established frameworks, fatalities from preventable incidents continue, highlighting the need for more robust compliance mechanisms. Contextual challenges, such as geological conditions and workforce dynamics, remain key barriers to full implementation.

Engagement Outcomes

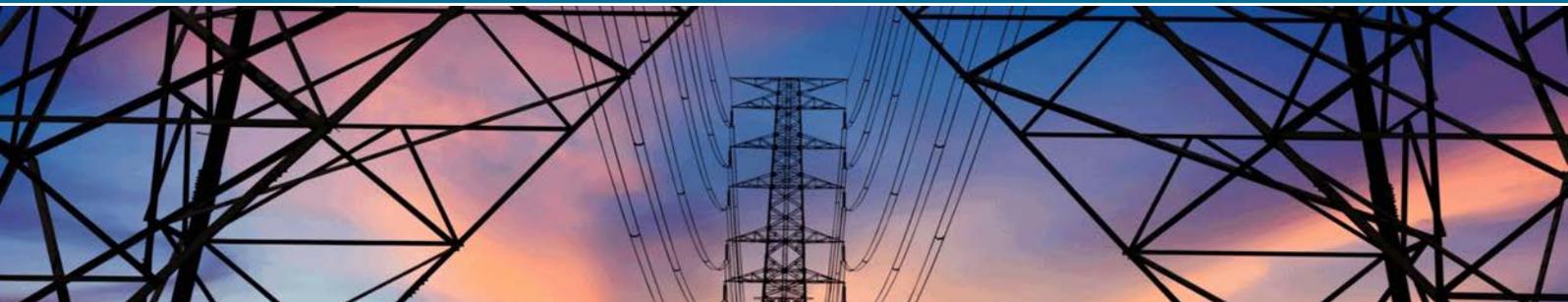
Engagements have aimed to reduce fatalities by strengthening the implementation of health, safety, and welfare policies. Piloting new approaches remains critical to identifying effective practices, which are then evaluated and scaled across operations.

Insights & Outlook

Fatalities in South Africa's gold mines remain high and cannot be solely attributed to policy breakdowns. Geological and social complexities contribute to risk exposure, where proactive risk avoidance is not yet consistently embedded in daily safety behavior. Sibanye acknowledges these challenges, and recent engagements have emphasized exploring alternative approaches, such as technology, AI, team profiling, and risk appetite assessments, alongside continued focus on training and compliance.

Case Study: Teleperformance SE (TP)

Global Standards/Incident Engagements | Engagement Since: 25 November 2021



Industry: **Commercial Services**

Country: **France**

Incident Location: **France**

Global Standards Screening: **Watchlist**

TP is a French multinational business process outsourcing company, operating in over 80 countries worldwide. The company has been accused of anti-union practices and of infringing on employees' freedom of association in several of its global offices.

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

Engagement Update

TP has been active in dialogue with us since the engagement launched in late 2021. During the term of the engagement, TP has agreed to a framework agreement with UNI Global Unions (UNI) to strengthen workers' rights, particularly freedom of association. Our most recent call discussed the continued integration of that agreement into the company's operations. Notably, TP has introduced a social auditor role to provide in-depth checking of its performance on worker rights, L&D, discrimination, freedom of association, and health and safety.

Focus Area

TP and UNI Global Union's framework agreement held a three-year term until December 2025. The company has not made a comment either way on whether it will renew the agreement, but continuation of the formal relationship with UNI is seen as a valuable action. Continued monitoring of TP's response to labour actions and its grievance process remains an engagement interest. Disclosures, such as outcomes from the internal "social audits" could enhance the company's narrative.

Engagement Outcomes

TP's agreement with UNI is a landmark. It has been implemented in at least 10 countries. TP has also updated its human rights policy. TP has enriched its employee engagement tools to better track concerns in the employee experience. It introduced a "social auditor" role that reinforces its respect for labour rights and healthy working conditions.

Insights & Outlook

TP has displayed a commitment to evaluating and improving its management of human capital and labour relations. It has also shown a willingness to take on commentary from external stakeholders, particularly investors, and adjust. This was seen with its approach to UNI as well as in a reversal of a decision to stop content moderation services, which entails a somewhat higher risk for employee wellbeing. To reinforce this progress, TP should continue to develop its management practices to identify and mitigate worker issues and find ways to make its response to issues and grievances transparent. The company should also maintain its agreement with UNI past the conclusion of the initial term.

Engagement Results



115

meetings, including 7 in-person meetings



1,191

emails and phone calls exchanged



12

engagements Resolved



67%

of engagements with Standard Progress

58

Milestones achieved



27%

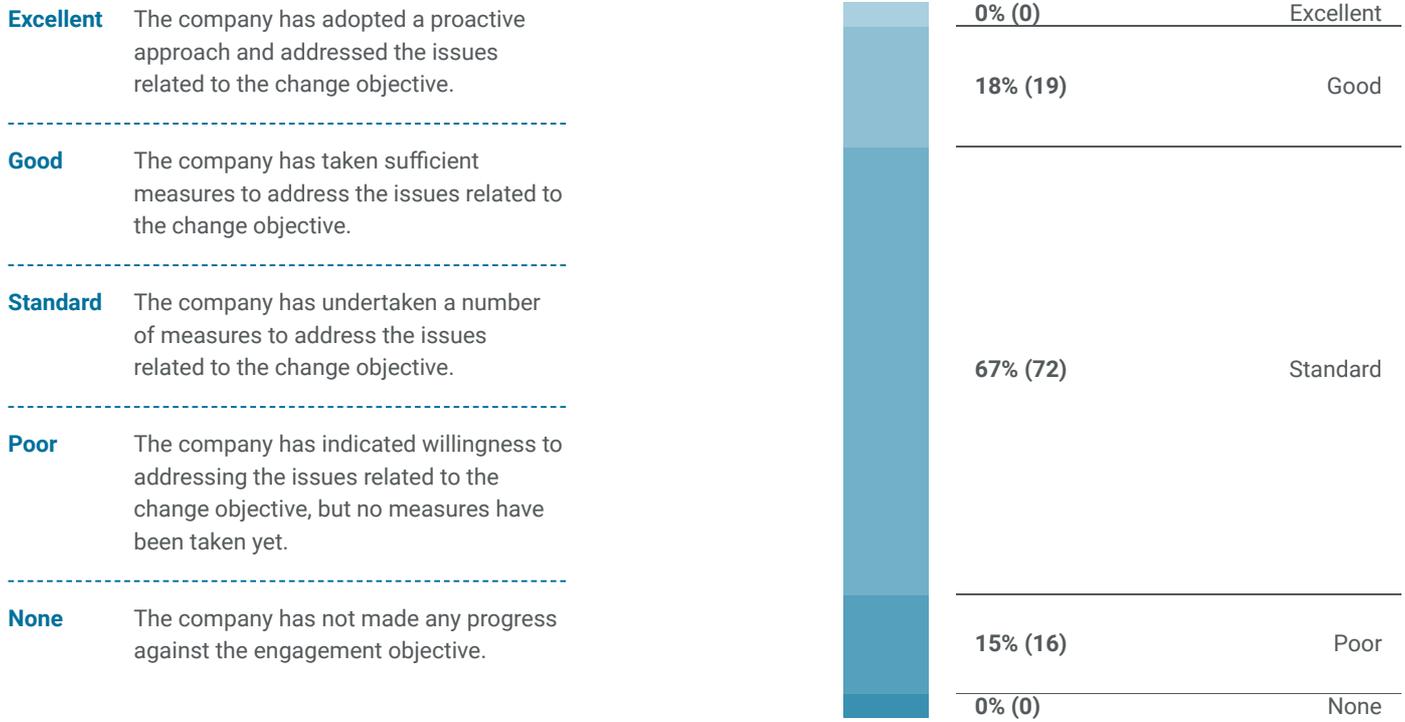
of engagements with Excellent or Good Response

7%

of engagements with Low Performance

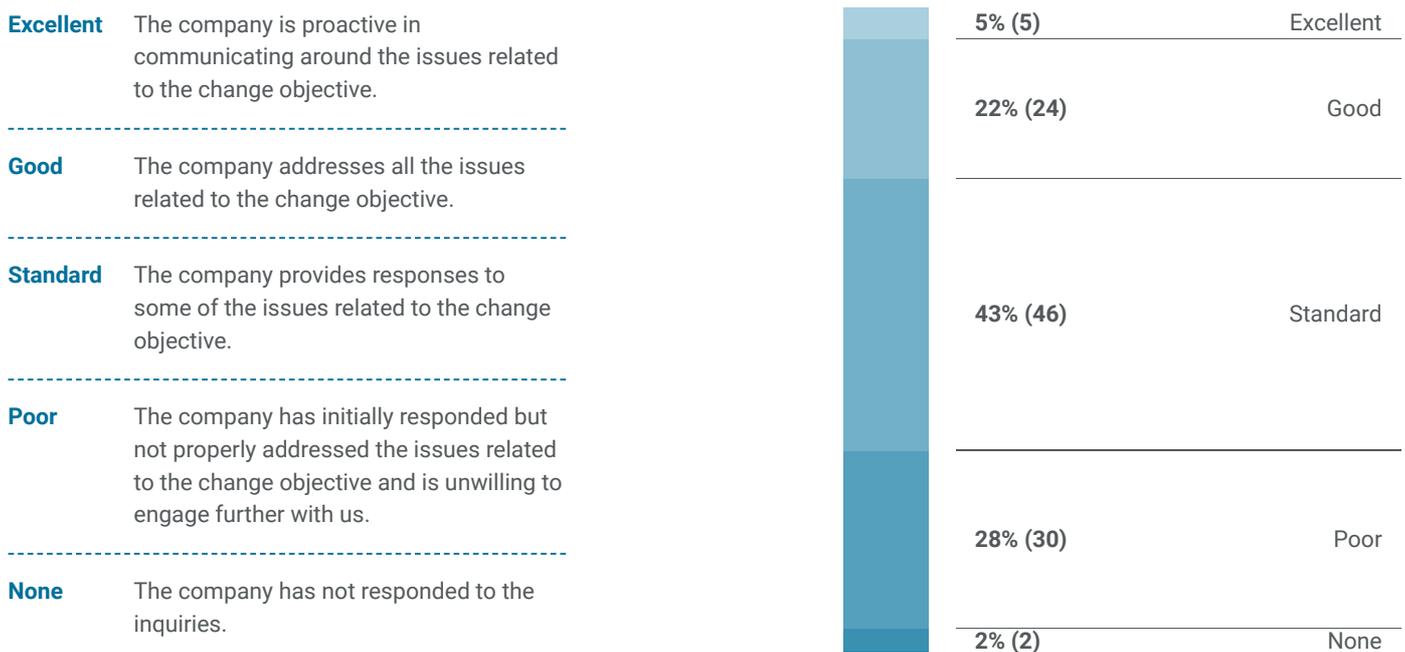
Engagement Progress

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



Engagement Response

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



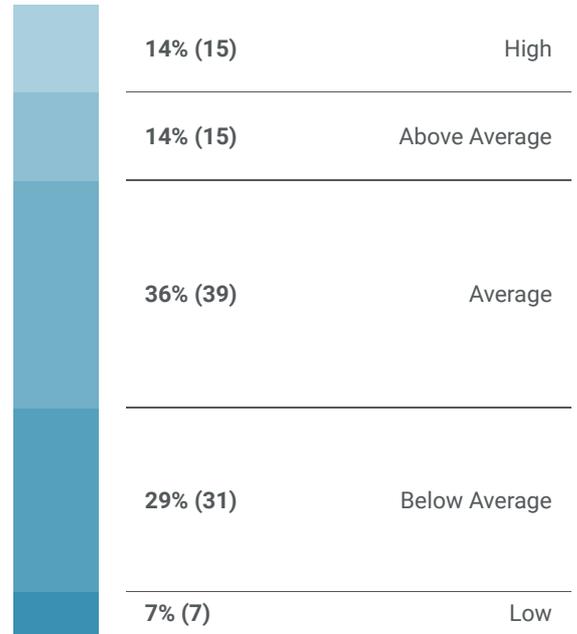
Engagement Performance

Performance describes the combined company Progress and Response.

Engagement Performance Assessment

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.

**58 Milestones
achieved in 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.

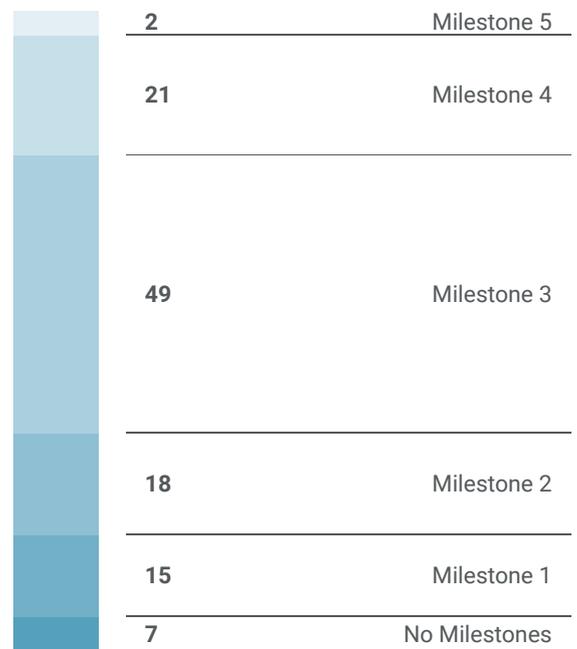
- Milestone 1** Acknowledge of issue(s) and commitment to mitigation.

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	RELATED COMPANY	QUARTER
FirstEnergy Corp.	United States of America	Utilities	Bribery and Corruption	None	Q4
Indivior PLC	United States of America	Pharmaceuticals	Consumer Interests - Business Ethics	Opiant Pharmaceuticals, Inc.	Q4
McKesson Corp.	United States of America	Healthcare	Consumer Interests - Human Rights	None	Q4
Medtronic Plc	Ireland	Healthcare	Quality and Safety - Human Rights	None	Q4
SAMSUNG BIOLOGICS Co., Ltd.	South Korea	Pharmaceuticals	Accounting and Taxation	None	Q4
Samsung C&T Corp.	South Korea	Industrial Conglomerates	Accounting and Taxation	None	Q4
Samsung Electronics Co., Ltd.	South Korea	Technology Hardware	Bribery and Corruption	None	Q4
UPL Ltd.	India	Chemicals	Emissions, Effluents and Waste	None	Q4
POSCO STEELEON Co., Ltd.	South Korea	Steel	Involvement With Entities Violating Human Rights	POSCO Holdings, Inc.	Q2
SD Guthrie Bhd	Malaysia	Food Products	Forced Labour	None	Q2
Allied Universal Manager LLC	United States of America	Commercial Services	Forced Labour	None	Q1
Bezeq The Israeli Telecommunication Corp. Ltd.	Israel	Telecommunication Services	Bribery and Corruption	None	Q1

Resolved - FirstEnergy Corp. (FirstEnergy)

Engagement Since: 25 November 2021



INDUSTRY:
Utilities

COUNTRY:
United States

ISSUE:
Bribery and Corruption

**GLOBAL STANDARDS
SCREENING STATUS:**
Compliant

**INCIDENT
LOCATION:**
United States

FirstEnergy was implicated in a major bribery scandal in 2020, raising concerns about governance, ethics, and board oversight.

CHANGE OBJECTIVE

FirstEnergy should cooperate with all related investigations and implement the recommendations from them. The company should ensure anti-bribery and corruption management system including anti-bribery training for staff are robust. The company should adopt a suitable grievance and whistleblower mechanism. The company should demonstrate transparency and integrity in its lobbying activities.

Engagement Outcomes

- The company replaced key executives and board members. It also established independent oversight through the appointment of a Chief Ethics and Compliance Officer.
- It implemented a comprehensive Ethics and Compliance Program and enhanced Anti-Bribery and Corruption Policy. It publicly discloses all lobbying activities and political donations.
- The company implemented a new grievance mechanism and whistleblower hotline, fully operated by a third party.
- It improved disclosure practices, ensuring greater transparency in lobbying activities and compliance reporting.

Conclusion: Considering the company's responsible approach to address bribery and governance concerns, Morningstar Sustainalytics has resolved this engagement.

Resolved - Indivior PLC (Indivior)

Engagement Since: 03 June 2019



INDUSTRY:
Pharmaceuticals

COUNTRY:
United States

**GLOBAL STANDARDS
SCREENING STATUS:**
Compliant

**INCIDENT
LOCATION:**
United States

ISSUE:
Consumer Interests - Business Ethics
Indivior faced allegations of unethical marketing and misleading information about its Soboxone Film for opioid dependence treatment. It was also accused of making fraudulent statements to delay FDA approval of generic versions of its drugs, restricting competition.

CHANGE OBJECTIVE

Indivior should develop and implement ethical practices within its marketing and sales programmes. The company should also demonstrate the preventative measures it has undertaken are to be in compliance with regulatory requirements.

Engagement Outcomes

- Indivior entered into a Corporate Integrity Agreement with the Department of Health and Human Services.
- The company established a Compliance Committee within its board and appointed Chief Integrity and Compliance Officer.
- Indivior has two key policies, a global code of conduct and an anti-bribery and corruption policy, aligned with the PhRMA code to guide employees on ethics and compliance.
- Employees are encouraged to raise concerns through multiple anonymous channels operated by third-party.

Conclusion: Considering Indivior’s efforts to address business ethics concerns related to its product governance, Morningstar Sustainalytics has resolved this engagement.

Resolved - McKesson Corp. (McKesson)

Engagement Since: 30 May 2019



INDUSTRY:
Medical Distribution

COUNTRY:
United States

ISSUE:
Consumer Interests - Human Rights

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
United States

McKesson faced repeated allegations that it contributed to widespread opioid addiction in the US, by failing to implement an effective system to detect and report suspicious opioid orders.

CHANGE OBJECTIVE

McKesson should implement the necessary enhancements to its anti-diversion systems in compliance with regulatory requirements. McKesson should also demonstrate how it has implemented the preventative measures in response to the FDA's warning letter.

Engagement Outcomes

- McKesson has resolved the majority of opioid-related lawsuits through a comprehensive settlement.
- The company operates a Controlled Substances Monitoring Program (CSMP), which tracks and reports suspicious orders to the Drug Enforcement Administration.
- Since 2023, the company's CSMP programme has been subject to annual audits by an independent monitor, who reviews customer data and validates key compliance elements.
- The company's governance is overseen by a board-level Compliance Committee.
- McKesson has embedded cultural initiatives such as I2CARE and ILEAD into its revised 2022 Code of Conduct.

Conclusion: Given the company's demonstrated progress in strengthening its opioid monitoring, due diligence, oversight, and anti-diversion programmes, Morningstar Sustainalytics has resolved this engagement.

Resolved - Medtronic Plc (Medtronic)

Engagement Since: 26 May 2022



INDUSTRY:
Medical Devices

COUNTRY:
Ireland

GLOBAL STANDARDS
SCREENING STATUS:
Compliant

INCIDENT
LOCATION:
United States

ISSUE:
Quality and Safety - Human Rights

In the past, Medtronic was repeatedly associated with quality and safety issues related to its medical devices, most notably its insulin pumps and heart pump implants (HVAD System).

CHANGE OBJECTIVE

Medtronic should take appropriate actions to responsibly address the negative impacts of its products to compensate those affected and ensure no repeat of quality failures. The company should continue to improve quality and safety of its devices to achieve industry recognized good practice and improve the disclosure of all product-related data to ensure that relevant information is communicated to the public.

Engagement Outcomes

- Medtronic aligned its risk management process with ISO 14971 standards for medical devices and ensured quality management systems comply with international standards.
- The company established an independent enterprise audit team, including third-party involvement, to strengthen compliance oversight.
- Medtronic enhanced quality monitoring during product development, introduced a Risk Management Center of Expertise for high-risk issues.
- The company embedded a quality-first culture via mandatory employee training, annual certification of the “Put Patients First” initiative, and FY25 incentive plan revisions adding a 10% quality performance modifier.

Conclusion: Medtronic demonstrated robust human rights and safety improvements. Based on the company’s measures taken, Morningstar Sustainalytics has resolved this engagement.

Resolved - SAMSUNG BIOLOGICS Co., Ltd. (SAMSUNG BIOLOGICS)

Engagement Since: 27 November 2020



INDUSTRY:
Laboratory Equipment and Services

COUNTRY:
South Korea

ISSUE:
Accounting and Taxation

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
South Korea

In September 2020, prosecutors indicted several Samsung executives, including the CEO of SAMSUNG BIOLOGICS, for alleged accounting fraud and stock manipulation linked to the 2015 merger of Cheil Industries and Samsung C&T.

CHANGE OBJECTIVE

SAMSUNG BIOLOGICS should ensure that robust policies and internal controls addressing business ethics – and accounting fraud especially – are implemented effectively throughout the organization, including subsidiaries. It should strengthen its corporate governance and culture of integrity. Furthermore, no allegations related to business ethics should arise.

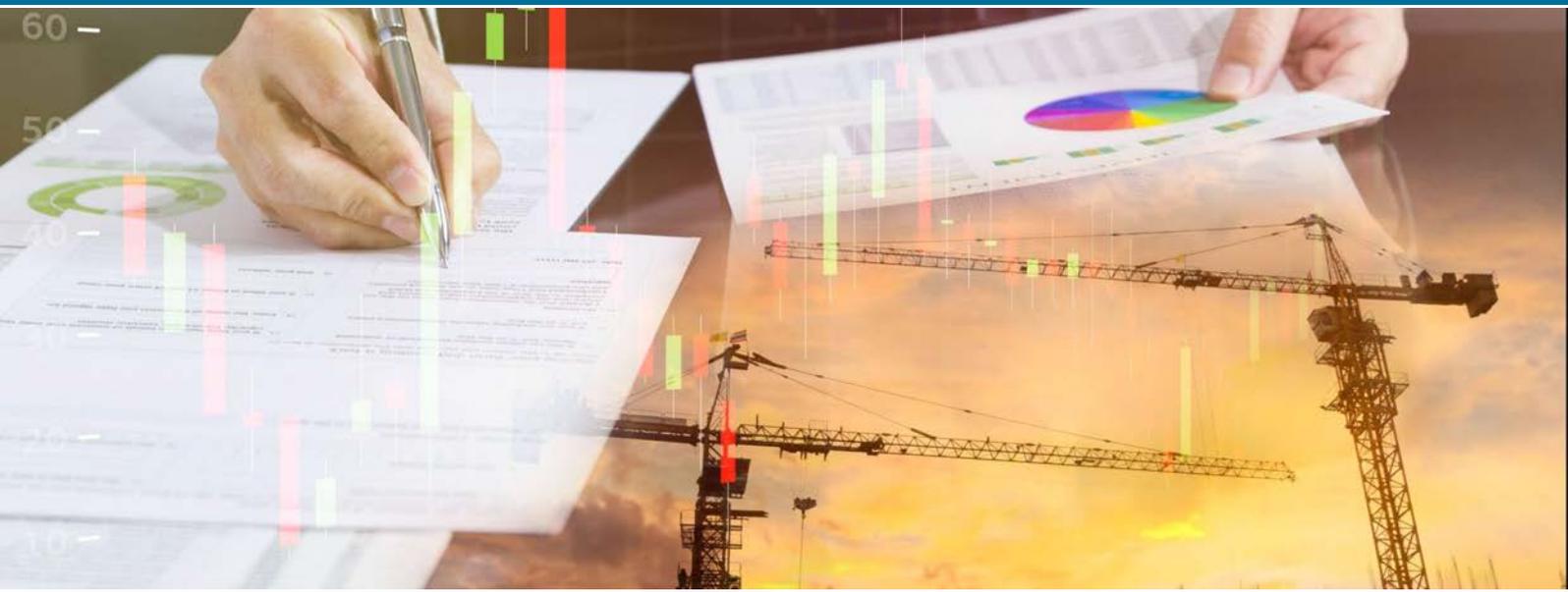
Engagement Outcomes

- SAMSUNG BIOLOGICS restated financial statements to correct irregularities.
- The company performs regular internal audits and holds ISO 37001 certification for anti-bribery management and ISO 37301 for compliance management.
- The company has strengthened its governance oversight by tying ethics and compliance objectives to executive compensation and providing advanced ethics training to both the Board and senior management.
- The company has an ethics channel and discloses the number of cases reported through the channel.

Conclusion: In recent years, the company has not been associated with any major new business ethics issues. In light of these measures and demonstrated progress, Morningstar Sustainalytics has resolved this engagement.

Resolved - Samsung C&T Corp. (Samsung C&T)

Engagement Since: 27 November 2020



INDUSTRY:
Conglomerates

COUNTRY:
South Korea

ISSUE:
Accounting and Taxation

**GLOBAL STANDARDS
SCREENING STATUS:**
Compliant

**INCIDENT
LOCATION:**
South Korea

In September 2020, prosecutors indicted several Samsung executives, including leaders from Samsung C&T, for alleged accounting fraud and stock manipulation related to the 2015 merger of Cheil Industries and Samsung C&T.

CHANGE OBJECTIVE

Samsung C&T should ensure that robust policies and internal controls addressing business ethics – and accounting fraud especially – are implemented effectively throughout the organization, including subsidiaries. It should strengthen its corporate governance and culture of integrity. Furthermore, no allegations related to business ethics should arise.

Engagement Outcomes

- Samsung C&T improved tax compliance processes and disclosures.
- The company operates an integrated Compliance Team directly under the board of directors. There is a Compliance Code of Conduct and Guidelines.
- The company has a compliance reporting system and there is an Ombudsperson system for employees to consult on ethical grievances, internal regulations, and work-related matters. It also conducts regular training to employees on business ethics.
- Samsung C&T conducts an annual inspection by the Samsung Compliance Monitoring Committee to assess the overall compliance control system and operational status.

Conclusion: In light of the absence of new incidents and the demonstrated progress, Morningstar Sustainalytics has resolved this engagement.

Resolved - Samsung Electronics Co., Ltd. (Samsung Electronics)

Engagement Since: 29 March 2017



INDUSTRY:
Communications
Equipment

COUNTRY:
South Korea

ISSUE:
Bribery and Corruption

**GLOBAL STANDARDS
SCREENING STATUS:**
Compliant

**INCIDENT
LOCATION:**
South Korea

Samsung Electronics was implicated in the 2020 indictment of Samsung executives for accounting fraud and stock manipulation tied to the Cheil Industries – Samsung C&T merger. The company was also investigated for donations linked to a corruption scandal involving South Korea’s former president.

CHANGE OBJECTIVE

Samsung should adopt detailed policies for political, charitable contributions, facilitation payments, gifts and travel expenses. The company should further ensure that its anti-corruption policies are properly implemented and monitored. Samsung should increase independence of its board of directors and assure its audit and related party committees are fully independent.

Engagement Outcomes

- Samsung Electronics has adopted a comprehensive Anti-Bribery and Corruption policy that explicitly prohibits directors from making facilitation payments.
- Six of nine board directors, including the Chairman, are independent. The board also oversees an independent external compliance committee.
- Compliance is managed through a structured programme with training, an updated whistleblower system, and executive evaluations emphasizing anti-corruption objectives.
- The company conducts annual compliance and ethics audits and reports that the Samsung Compliance Committee, an independent external body, oversees integrity-based management.

Conclusion: In light of the absence of new incidents and the demonstrated progress, Morningstar Sustainalytics has resolved this engagement.

Resolved - UPL Ltd. (UPL)

Engagement Since: 25 November 2021



INDUSTRY:
Agricultural Chemicals

COUNTRY:
India

GLOBAL STANDARDS SCREENING STATUS:
Watchlist

INCIDENT LOCATION:
South Africa

ISSUE:
Emissions, Effluents and Waste

In July 2021, a fire at a UPL warehouse in Cornubia, South Africa, caused significant environmental damage and social impacts.

CHANGE OBJECTIVE

UPL should improve waste management practices, reduce emissions, and adopt international environmental standards.

Engagement Outcomes

- UPL completed an internal health and safety review across all global facilities and continues with annual external safety audits.
- The company provided updates on environmental monitoring, and largely completed remediation works, with final consultant reports pending regulatory approval.
- UPL reports ISO 14001 certification for environmental management at all locations and ISO 45001 health and safety systems at 92% of sites.
- No health issues have been reported, and biodiversity monitoring confirms no long-term negative impact, with conditions returning to expected levels.

Conclusion: Given the removal of environmental and social risks and strengthened practices for hazardous chemical storage, Morningstar Sustainalytics has resolved this engagement.

Resolved - POSCO STEELEON Co., Ltd. (POSCO STEELEON)

Engagement Since: 26 February 2021



INDUSTRY:
Steel

COUNTRY:
South Korea

ISSUE:
Involvement With Entities Violating Human Rights

GLOBAL STANDARDS
SCREENING STATUS:
Watchlist

INCIDENT
LOCATION:
Myanmar

POSCO STEELEON Co. Ltd. has faced civil society complaints over its joint venture with Myanmar Economic Holding Limited (MEHL), a company linked to the Myanmar military, which the UN Fact-Finding Mission has accused of gross human rights abuses.

CHANGE OBJECTIVE

POSCO STEELEON should undertake the human rights due diligence of its businesses in Myanmar, adapted to the specific situation of the region. As a result, it should engage with the relevant stakeholders and take any necessary actions to ensure the business relationship with MEHL does not make it complicit in any human rights violations. Should that not be possible, it should withdraw from the partnership.

Engagement Outcomes

- POSCO STEELEON has taken significant steps to address the human rights concerns in Myanmar, including completing the necessary human rights due diligence and conducting an in-country human rights impact assessment.
- The company has declared that it has suspended all payments to MEHL, committing to disengage from the joint venture.
- POSCO STEELEON has shown a strong commitment to reducing potential human rights risks through the establishment of a corporate-wide human rights due diligence, transparent reporting, and collaboration with the UN Global Compact Korea.

Conclusion: Considering the company's responsible approach to address the human rights risks and concerns, Morningstar Sustainalytics has resolved this engagement.

Resolved - SD Guthrie Bhd. (SD Guthrie)

Engagement Since: 26 February 2021



INDUSTRY:
Food Products

COUNTRY:
Malaysia

**GLOBAL STANDARDS
SCREENING STATUS:**
Compliant

**INCIDENT
LOCATION:**
Malaysia

ISSUE:
Forced Labour

In December 2020, the US Customs and Border Protection (CBP) banned imports of palm oil from SD Guthrie due to evidence of forced labour, including physical abuse, wage withholding, and child labour.

CHANGE OBJECTIVE

SD Guthrie is expected to undertake steps to protect labour rights, end forced labour practices in its operations and mitigate the impact on its workforce. The company should cooperate with investigations and take steps to ascertain areas of risk and/or failure related to maintaining respect for labour rights, particularly the prevention of forced labour. The company should provide transparency into steps and processes it will enact to ensure commitments to respect labour rights are implemented.

Engagement Outcomes

- Following a series of policy reforms and independent assessments, the CBP lifted the import ban in February 2023, confirming that SD Guthrie no longer used forced labour.
- In response to the forced labour concerns, SD Guthrie reimbursed recruitment fees, carried out labour rights assessments across its operations, and introduced strengthened policies on responsible recruitment and human rights.
- The company has also set up grievance channels that are used by the workers, including a helpline operated by a third party.

Conclusion: Considering the company's responsible approach to address the forced labour risks and concerns, Morningstar Sustainalytics has resolved this engagement.

Resolved - Allied Universal Manager LLC (Allied Universal)

Engagement Since: 23 February 2023



INDUSTRY:
Commercial Services

COUNTRY:
United States of America

ISSUE:
Forced Labour

In the past, G4S, a subsidiary of Allied Universal since 2021, was linked to labour rights violations in Qatar and the United Arab Emirates.

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
Qatar

CHANGE OBJECTIVE

Allied Universal should ensure it is not complicit in any forced labour. The company should ensure its Supplier Code of Conduct and Migrant Worker Policy are implemented throughout its global operations, including subsidiaries. It should also show it has accurate processes to manage grievances and improve transparency in reporting on how it ensures compliance in this area.

Engagement Outcomes

- Allied Universal has demonstrated adequate governance, policies, and practices to establish risk preparedness concerning forced labour in its controlled operations.
- The company has taken meaningful steps to eliminate recruitment fees and manage its exposure to recruitment agencies.
- It has introduced monitoring practices, including its Migrant Worker Coordination team, that support its policy commitments.

Conclusion: Considering Allied Universal's efforts to eliminate forced labour, manage grievances, and improve transparency in compliance reporting, Morningstar Sustainalytics has resolved this engagement.

Resolved - Bezeq The Israeli Telecommunication Corp. Ltd. (Bezeq)

Engagement Since: 29 May 2019



INDUSTRY:
Telecommunication Services

COUNTRY:
Israel

ISSUE:
Bribery and Corruption

Bezeq has been investigated in relation to corruption allegations and the acquisition of Yes, a subscription TV company. Allegedly, between 2012 and 2017, the company received favourable regulatory decisions from the Israeli Communications Ministry.

GLOBAL STANDARDS SCREENING STATUS:
Compliant

INCIDENT LOCATION:
Israel

CHANGE OBJECTIVE

Bezeq should implement and demonstrate an appropriate anti-corruption programme and internal control mechanisms. It should further ensure that its media ethics guidelines are sufficient to guard against similar subjective influence and cooperate with the authorities on the ongoing investigations.

Engagement Outcomes

- Bezeq has improved its anti-bribery and corruption compliance programme and internal control mechanisms.
- The company introduced or updated relevant policies along with disclosure of its approach to corruption and ethics issues.
- Bezeq has replaced key leaders within the company – from ownership, through its board, and management – since the controversy was identified.

Conclusion: Based on the company's improvements related to the bribery and corruption allegations, Morningstar Sustainalytics decided to resolve this 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
Amazon.com, Inc.	United States of America	Freedom of Association	Poor	Poor	One piece equals three months. 0-3
The Star Entertainment Group Ltd.	Australia	Money Laundering	Poor	Poor	3-6
Power Construction Corporation of China, Ltd.	China	Controversial Project(s) - Environmental and Human Rights Impacts	Poor	Poor	15-18
PT Indah Kiat Pulp & Paper Tbk	Indonesia	Land Use and Biodiversity	Poor	Poor	15-18
China Railway Construction Corp. Ltd.	China	Controversial Project(s) - Human Rights and Environmental Impacts	Poor	Poor	18-21
Hoshine Silicon Industry Co., Ltd.	China	Forced Labour	Poor	Poor	21-24
PTT Oil & Retail Business Public Co., Ltd.	Thailand	Involvement With Entities Violating Human Rights	Poor	Poor	Above 24

Morningstar Sustainalytics does not provide investment advice; the decision of investment or exclusion lies solely with investors. Morningstar Sustainalytics provides insights, information, and services, and it remains the client's sole responsibility and decision to manage their portfolio. Morningstar Sustainalytics' 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 January to 31 December 2025.

New Engage

COMPANY	COUNTRY	ISSUE	RELATED COMPANY	QUARTER
CVS Health Corp.	United States of America	Anti-Competitive Practices	None	Q4
Eramet SA	France	Community Relations - Indigenous Peoples	None	Q4
Geo-Jade Petroleum Corp.	China	Accounting and Taxation	None	Q4
The Cigna Group	United States of America	Anti-Competitive Practices	None	Q4
UnitedHealth Group, Inc.	United States of America	Anti-Competitive Practices	EMIS Group Ltd.; LHC Group, Inc.; Surgical Care Affiliates, Inc.; naviHealth, Inc.	Q4
Alphabet, Inc.	United States of America	Anti-Competitive Practices	Apigee, Corp.	Q2
China Nonferrous Mining Corp. Ltd.	China	Incident(s) Resulting in Negative Environmental and Human Rights Impacts	China Nonferrous Metal Mining (Group) Co., Ltd.	Q2
China Railway Group Ltd.	China	Occupational Health and Safety	None	Q2
HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD.	South Korea	Occupational Health and Safety	None	Q2
Italian-Thai Development Public Co., Ltd.	Thailand	Occupational Health and Safety	None	Q2
BYD Co., Ltd.	China	Forced Labour	BYD Electronic (International) Co., Ltd.	Q1
CVS Health Corp.	United States of America	Consumer Interests - Human Rights	Oak Street Health, Inc.; Signify Health, Inc.	Q1
Walgreens Boots Alliance, Inc.	United States of America	Consumer Interests - Human Rights	None	Q1

New Engage – Details

CVS HEALTH CORP.

Norm Area:

Business Ethics

Incident Location:

United States

Issue:

Anti-Competitive Practices

Change Objective:

CVS Health should demonstrate that anti-competitive practices linked to its pharmacy benefit manager (PBM) operations have ceased and reinforce its commitment to business ethics and compliance through strengthened governance procedures, board oversight, robust internal controls, and a speak-up culture.

Incident Summary:

CVS Health's (CVS) subsidiary, CVS Caremark (Caremark), is among the three largest US pharmacy benefit managers (PBMs) that have been accused of unfair competition tactics and are currently the subject of a lawsuit brought by the Federal Trade Commission (FTC). The other PBMs are Express Scripts and Optum Rx. The FTC launched a formal inquiry into the top PBMs, including Caremark, in 2022. In July 2024, the FTC released its first interim report highlighting how increased vertical integration and market concentration enabled the largest PBMs to inflate drug costs, restrict access to affordable drugs and impose harm on independent pharmacies. By September 2024, the FTC escalated its actions by filing a lawsuit against the three PBMs and their respective group purchasing organizations, accusing them of inflating insulin prices by favouring high-rebate drugs over cheaper alternatives, raising out-of-pocket costs for patients. In response, the three PBMs filed a lawsuit against the FTC in November 2024, seeking to block its suit. However, a Missouri judge denied their request in February 2025, stating that halting the FTC's lawsuit would be "against the public's interest," and allowed the case to proceed. In April 2025, the case was temporarily paused due to the departure of several FTC commissioners. However, the FTC's Chair, Andrew Ferguson, re-joined the lawsuit, allowing the case to move forward. Separately, the FTC published a second interim report in January 2025 alleging that the three PBMs marked up specialty generic drugs dispensed at their affiliated pharmacies, sometimes over 1,000%, between 2017 and 2022. In July 2025, the American Medical Association (AMA) published a study on PBMs alleging that the high concentration and vertical integration of companies in the sector could harm market competition and patients, echoing the FTC's allegations.

ERAMET SA

Norm Area:

Human Rights

Incident Location:

Indonesia

Issue:

Community Relations -
Indigenous Peoples

Change Objective:

Eramet SA should halt any activities at Weda Bay Nickel that risk contact with uncontacted Indigenous peoples and implement measures to safeguard the O'Hongana Manyawa's territory.

The company should have an effective human rights due diligence aligned to uncontacted groups' rights, obtain FPIC and adopt culturally appropriate grievance mechanisms.

Incident Summary:

Eramet SA is operating the nickel mining operations of PT Weda Bay Nickel (WBN), a joint venture between Tsingshan (51.3%), Eramet (38.7%) and the state-owned enterprise PT Antam Tbk (10%), on Halmahera Island, Indonesia. The development of the mine began in 2017, with operations commencing in 2019. The resulting deforestation and forest fragmentation thereof allegedly threaten the survival of the Indigenous group O'Hongana Manyawa, where approximately 500 of the 3,500 remain uncontacted; one of the few remaining uncontacted groups worldwide. The living area of these semi-nomadic hunter-gatherers reportedly partly overlap with the mining area (27 km² is currently developed of the 450 km² concession). Loss of territory and forest reduces their access to vital resources and increases the likelihood of contact, which amplifies the risk of diseases spreading and for which these people have no immunity. Eramet argues that the uncontacted peoples are not present in the area, however, environmental assessments and independent surveys indicate that these people are active in the area. A 2010 environmental impact assessment by the company itself describes these people active in the area, though the company now argues they were not uncontacted. Eramet has undertaken several measures to mitigate these challenges, including the development of engagement strategies and protocols, commissioning expert studies, and seeking support from guides and translators. Nevertheless, the mining operations continue to represent irreversible risks given the fragile and exceptional nature of uncontacted groups.

GEO-JADE PETROLEUM CORP.**Norm Area:**

Business Ethics

Incident Location:

Albania

Issue:

Accounting and Taxation

Change Objective:

Geo-Jade should ensure that robust policies and internal controls addressing business ethics, and accounting fraud especially, are implemented effectively throughout the organization, including subsidiaries.

Furthermore, the company should ensure that it co-operates with all ongoing regulatory proceedings.

Incident Summary:

Bankers Petroleum Ltd. (Bankers), Albania's largest crude oil producer and wholly owned by Geo-Jade Petroleum Corp. (Geo-Jade), is under investigation for alleged tax evasion and involvement in a corruption scheme spanning from 2004 to 2024. In June 2024, the International Chamber of Commerce ruled in favour of the Albanian state, rejecting USD 250mn in costs that Bankers tried to claim, stating that many expenses were unauthorized or unrelated. The ruling was reaffirmed by the Albanian Court of Appeals in July 2025. Separately, in December 2024 – following a referral from the Tax Investigation Directorate – the District Prosecutor's Office launched a criminal investigation into allegations of long-term tax fraud and corruption; preliminary findings were released in July 2025. Although the company reportedly earned USD 5 bn between 2004 and 2024, it declared more than USD 100mn in losses – allegedly allowing it to avoid paying profit tax. Authorities allege that Bankers inflated costs, laundered money through contractors, and created fraudulent VAT schemes to reduce its tax burden. As a result, nine individuals, including the CEO (Hongping Xiao) and former director (Leonidha Çobo), were arrested. Charges include money laundering, income concealment, abuse of office, and failure of tax officials to act. Prosecutors also claim the misconduct involved collusion with contractors and officials, allegedly resulting in millions of US dollars in damages to the Albanian state budget.

THE CIGNA GROUP

Norm Area:

Business Ethics

Incident Location:

United States

Issue:

Anti-Competitive Practices

Change Objective:

Cigna Group should demonstrate that anti-competitive practices linked to its pharmacy benefit manager (PBM) operations have ceased and reinforce its commitment to business ethics and compliance through strengthened governance procedures, board oversight, robust internal controls, and a speak-up culture.

Incident Summary:

The Cigna Group's (Cigna) subsidiary Express Scripts, Inc. (ESI) is among the three largest US pharmacy benefit managers (PBMs) facing allegations of unfair competition tactics. In 2022, the Federal Trade Commission (FTC) launched a formal inquiry into the top PBMs, including ESI. As part of this investigation, in July 2024, FTC released its first interim report highlighting how increased vertical integration and market concentration among the largest PBMs has enabled them to inflate drug costs, restrict access to affordable drugs and impose harm on independent pharmacies. By September 2024, the FTC escalated its actions by filing a lawsuit against ESI, Optum Rx and CVS Caremark, and their respective affiliated group purchasing organizations, accusing them of artificially inflating insulin prices by favouring high-rebate drugs over cheaper alternatives, raising out-of-pocket costs for patients. In response, the three PBMs filed a lawsuit against the FTC in November 2024, seeking to block its suit. However, a judge denied their request in February 2025, stating that halting the FTC's lawsuit would be "against the public's interest," and allowed the case to proceed. In April 2025, the case was temporarily paused, following the departure of key FTC members. However, the FTC's Chair, Andrew Ferguson, rejoined the lawsuit, allowing the case to move forward. Separately, the FTC published a second interim report in January 2025 alleging that the three largest PBMs marked up the price of numerous specialty generic drugs dispensed at their affiliated pharmacies, sometimes by over 1,000%. In July 2025, the American Medical Association (AMA) published a study on PBMs alleging that the high concentration and vertical integration of companies in the sector could harm market competition and patients, echoing the FTC's allegations. ESI is also facing antitrust scrutiny in Canada where the Competition Bureau opened an investigation in April 2025.

UNITEDHEALTH GROUP, INC.

Norm Area:

Business Ethics

Incident Location:

United States

Issue:

Anti-Competitive Practices

Change Objective:

UnitedHealth Group should demonstrate that anti-competitive practices linked to its pharmacy benefit manager (PBM) operations have ceased and reinforce its commitment to business ethics and compliance through strengthened governance procedures, board oversight, robust internal controls, and a speak-up culture.

Incident Summary:

UnitedHealth Group's (UNH) subsidiary Optum Rx is among the three largest US pharmacy benefit managers (PBMs) facing allegations of unfair competition tactics. The other two PBMs are Express Scripts and CVS Caremark. In 2022, the Federal Trade Commission (FTC) launched a formal inquiry into the top PBMs, including Optum Rx. As part of this investigation, in July 2024, the FTC released its first interim report highlighting how increased vertical integration and market concentration among the largest PBMs has enabled them to inflate drug costs, restrict access to affordable drugs, and impose harm on independent pharmacies. By September 2024, the FTC escalated its actions by filing a lawsuit against the three largest PBMs, Optum Rx, Express Scripts and CVS Caremark, and their respective affiliated group purchasing organizations, accusing them of artificially inflating insulin prices by favouring high-rebate drugs over cheaper alternatives, raising out-of-pocket costs for patients. In response, the three PBMs filed a lawsuit against the FTC in November 2024, seeking to block its suit. However, a judge denied their request in February 2025, stating that halting the FTC's lawsuit would be "against the public's interest," and allowed the case to proceed. In April 2025, the case was temporarily paused, following the departure of key FTC members. However, the FTC's Chair, Andrew Ferguson, rejoined the lawsuit, allowing the case to move forward. Separately, the FTC published a second interim report in January 2025 alleging that the three largest PBMs marked up numerous specialty generic drugs dispensed at their affiliated pharmacies sometimes over 1,000%. In July 2025, the American Medical Association (AMA) published a study on PBMs alleging that the high concentration and vertical integration of companies in the sector could harm market competition and patients, echoing the FTC's allegations.

ALPHABET, INC.**Norm Area:**

Business Ethics

Incident Location:

United States

Issue:

Anti-Competitive Practices

Change Objective:

Alphabet, Inc. should disclose steps to modify operational practices that have been found to restrict market competition.

The company should engage constructively with regulatory authorities and implement corrective actions to support fair competition in affected markets.

It should strengthen antitrust governance, including executive oversight and board accountability mechanisms.

Incident Summary:

Alphabet, Inc. (Alphabet), the parent company of Google LLC (Google), faces allegations of anti-competitive practices in multiple jurisdictions, including the US and the EU. Most recently in the US, a federal judge determined in April 2025 that Google had illegally acquired and maintained monopoly power in its digital advertising business. The judge stated that Google's monopolization of digital advertising markets "harmed Google's publishing customers, the competitive process, and, ultimately, consumers of information on the open web". Previously, in August 2024, a US federal judge ruled that Google had violated antitrust laws with its search businesses, in a lawsuit filed by the US Department of Justice (DOJ). The judge found that Google had spent tens of billions of dollars per year on anti-competitive deals to maintain an illegal monopoly with its search engine. Following the two US rulings, the DOJ proposed measures to dismantle Google's monopolies in the online search and ad-tech markets. Meanwhile in the EU, in March 2025 the European Commission (EC) issued a preliminary finding charging Alphabet with two violations of the Digital Markets Act (DMA) in relation to its Google Search and Google Play businesses. And in Japan in April 2025, the Japan Fair Trade Commission issued a cease-and-desist order against Google over claims that the company engaged in anti-competitive practices by requiring Android device manufacturers to prioritize Google's search apps and services. Furthermore, in the period between November 2024 and February 2025, four new investigations were launched into Google's anti-competitive practices by regulators in India, Brazil, UK and China. The EC had previously imposed three fines on Google for violating EU antitrust regulations between 2017 and 2019: EUR 2.42 billion for its comparison-shopping service; EUR 4.34 billion for incorporating its search apps into Android devices; and EUR 1.49 billion for abusive practices in online advertising.

CHINA NONFERROUS MINING CORP. LTD.**Norm Area:**

Environment

Incident Location:

Zambia

Issue:

Incident(s) Resulting in Negative Environmental and Human Rights Impacts

Change Objective:

China Nonferrous Mining Corp. should ensure independent investigation of the Sino-Metals Leach's incidents is conducted to determine the causes of the collapse, completing any recommendations provided.

The company should strengthen its tailings management at this site, and in other sites that deem to be high-risk.

The company should mitigate the impacts, compensate the affected people and restore the environment, in accordance with international standards.

Incident Summary:

In February 2025, the mine tailings of a copper mine spilled into the Mwambashi River in Zambia after multiple dams failed to contain the acidic and toxic waste. The incident occurred at a mine owned by Sino-Metals Leach Zambia (SML), which is a subsidiary (55%) of China Nonferrous Mining Corporation. The company reported the spill's volume consisted of 50,000 cubic meters of acidic wastewater; it later reported that most was contained and only 2,000 cubic metres entered the environment. An environmental cleanup company (Drizit) hired by SML to investigate later estimated that 1,500,000 cubic metres spilled into the environment. SML terminated Drizit's contract one day before the expected publication of the environmental assessment. The Kafue River, Zambia's main waterway, supplies drinking water to about 5 million people and runs through Kafue National Park, a key biodiversity area. Many people depend on the river as a source of drinking water, fishing and economic and agricultural activities. The incident caused a shutdown of the water supply to Kitwe (population 700,000). Zambian ministries, NGOs and CSOs confirmed that the incident led to severe water pollution and dangerously low pH levels in the Kafue River, with immediate and catastrophic effects on aquatic and plant life downstream. It was reported that dead fish were floating in the river as far as 200 kilometres downstream. The local community reported health impacts including headaches, diarrhoea, skin rashes, blood in urine, nose bleeds and blurred eyesight. SML's chairperson publicly apologized and promised compensation and remediation. Nine months after the spill, no comprehensive environmental assessment has been provided, and remediation and compensation have failed to satisfy stakeholders. The company and the government have been accused of a cover-up. In September 2025, two lawsuits were announced seeking USD 200 million as an emergency fund and up to 80 billion for long-term remediation.

CHINA RAILWAY GROUP LTD.**Norm Area:**

Human Rights

Incident Location:

Thailand

Issue:

Occupational Health and Safety

Change Objective:

China Railway Group Ltd.'s subsidiary should ensure timely and effective completion of compensation process for individuals affected by the incident.

It should respond appropriately to the findings of the investigation by integrating necessary changes into its policies and programmes, ensuring their implementation across all operations.

The company should establish robust oversight of health and safety matters across all projects and enforce rigorous due diligence of its subcontractors.

Incident Summary:

On 28 March 2025, the partially built State Audit Office (SAO) tower collapsed after an earthquake struck Myanmar, sending aftershocks with a magnitude of 4.9 in Bangkok. This caused the tower to collapse, killing 92 people and injuring nine others, primarily construction workers. This 30-storey tower was being built by a joint venture between Italian-Thai Development Public Co., Ltd. (ITD) and China Railway No. 10 Engineering Group (CREG), a subsidiary of China Railway Group (CRG). The collapse triggered a six-week rescue operation and an investigation by the Thai authorities, which found several serious violations of occupational health and safety standards. The Bangkok police stated that the architectural design of the building did not comply with ministerial regulations, nor did it meet technical standards. The investigation revealed that there were structural flaws in the building due to its engineers ignoring required safety margins by omitting critical loads such as earthquake and wind stress from their assessments. The police investigation further showed that substandard materials were used in the construction, including 'weaker than specified' cement and steel bars of the wrong grade, and that there was a lack of proper oversight, with contractors accused of cutting corners and using unqualified personnel. The authorities also stated that unauthorized structural changes occurred during construction without review or approval by certified engineers and that, in some cases, the chief engineer's signature was forged to falsify approval. This string of violations attracted severe criticism for the joint venture, and therefore CREG, which initially claimed strict compliance with applicable standards and laws. Nonetheless, in mid-May, the Bangkok police indicted 17 people from the two companies and their contractors, including the president of ITD and a director at CREG, charging them with breaching building regulations and professional negligence causing death.

HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD.

Norm Area:

Human Rights

Incident Location:

South Korea

Issue:

Occupational Health and Safety

Change Objective:

Hyundai Engineering & Construction (HDEC) should have a robust governance framework to ensure effective oversight and support to Hyundai Engineering Co., Ltd. (HEC) of the implementation of the compliance and remedial compensation.

The results of the incident investigation should feed into improved safety management systems of HEC and HDEC.

The company should enforce rigorous safety measures and ensure a decreasing trend in occupational safety incidents.

Incident Summary:

HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD. (HDEC) and its minority-owned subsidiary, Hyundai Engineering Co., Ltd. (HEC), have been implicated in recurring occupational health and safety incidents in South Korea. In February 2025, four workers died and six were injured after an under-construction bridge at the Seoul-Sejong expressway collapsed in Anseong, South Korea. HEC is the leading construction company for the collapsed section of the bridge. Multiple South Korean authorities are investigating the accident, and HEC announced a temporary suspension of its construction activities in the country in order to conduct safety inspections. Moreover, in March 2025, the Ministry of Employment and Labor announced an industrial safety and health planning supervision of HEC headquarters and 25 of its construction sites nationwide. According to an investigation by the Ministry of Land, Infrastructure and Transport, published in August 2025, HEC approved an unsafe construction plan that contributed to accident. Furthermore, during March 2025, another separate accident was recorded. The incident involved two subcontracted workers, who fell from an apartment complex under construction by HEC in Pyeongtaek (which is part of the Seoul metropolitan area). This resulted in the death of one worker while the other was injured. On another related note, South Korean authorities have named HEC's parent company, HDEC, as one of the construction companies with the highest incidence of workplace accidents since at least 2021. In September 2024, for example, news media reported that between 2022 and early 2024 HDEC was the company with the highest number of fatal incidents among entities in the construction sector. Additionally, according to February 2025 media reports, HDEC was among the top construction companies with the highest number of fatalities and workplace accidents in 2024.

ITALIAN-THAI DEVELOPMENT PUBLIC CO., LTD.

Norm Area:

Human Rights

Incident Location:

Thailand

Issue:

Occupational Health and Safety

Change Objective:

Italian-Thai Development Public Co., Ltd. (ITD) should successfully complete the compensation process for injured or deceased individuals and their families.

ITD should improve and disclose its safety management system by addressing the investigation findings.

The company should enforce rigorous due diligence of its subcontractors.

Incident Summary:

On 28 March 2025, the partially built State Audit Office (SAO) tower collapsed after an earthquake struck Myanmar, sending aftershocks with a magnitude of 4.9 in Bangkok. This caused the tower to collapse, killing 92 people and injuring nine others, primarily construction workers. This 30-storey tower was being built by a joint venture between Italian-Thai Development Public Co., Ltd. (ITD) and China Railway No. 10 Engineering Group (CREG), with the former being the majority partner. The collapse triggered a six-week rescue operation and an investigation by the Thai authorities, which found several serious violations of occupational health and safety standards. The Bangkok police stated that the architectural design of the building did not comply with ministerial regulations, nor did it meet technical standards. The investigation revealed that there were structural flaws in the building due to its engineers ignoring required safety margins by omitting critical loads, such as earthquake and wind stress, from their assessments. The police investigation further showed that substandard materials were used in the construction, including 'weaker than specified' cement and steel bars of the wrong grade, and that there was a lack of proper oversight, with contractors accused of cutting corners and using unqualified personnel. The authorities also stated that unauthorized structural changes occurred during construction without review or approval by certified engineers and that, in some cases, the chief engineer's signature was forged to falsify approval. This string of violations attracted severe criticism for the joint venture, and therefore ITD, which initially claimed compliance with applicable standards and laws. Nonetheless, in mid-May, the Bangkok police indicted 17 people from the two companies and their contractors, including the president of ITD and a director at CREG, charging them with breaching building regulations and professional negligence causing death.

BYD CO., LTD.**Norm Area:**

Labour Rights

Incident Location:

Brazil

Issue:

Forced Labour

Change Objective:

BYD should remediate the incident appropriately in consultation with the affected workers.

The company should establish a labour rights due diligence programme in all its operations and its supply chain to prevent risks and provide access to remedy.

The company should provide greater disclosure on relevant policies and implementation.

Incident Summary:

BYD Co., Ltd (BYD) and its subsidiary, BYD Auto do Brazil, face allegations of labour rights violations at its factory construction site in Camaçari, Brazil, involving workers hired by its construction contractors. In November and December 2024, Brazilian authorities, including the Federal Police and the Brazilian Public Labour Prosecutor Office (Ministério Público do Trabalho, MPT), inspected working and living conditions at the site. Following the inspection, the MPT stated that the working conditions of 163 Chinese workers, hired by BYD's contractor Jinjiang Group (Jinjiang), constituted "forced labour". The authority stated that the workers had 60% of their wages withheld, they faced excessive costs for terminating the contracts, and many had their passports taken from them. Workers hired by Jinjiang were also allegedly enduring very poor living and working conditions, including being given insufficient rest time and a lack of basic amenities. Following the inspections, Brazilian authorities suspended construction at the factory and halted the issuance of temporary work visas for BYD. The company has subsequently stated that it had terminated its contract with Jinjiang. In January 2025, the media reported that the 163 workers received termination payments and returned to China. In the same month, the media reported that a "key labour inspector" stated that hundreds of Chinese workers at the site had been brought to Brazil by BYD on irregular visas. The company has pledged to comply with local labour laws for the workers who remain in Brazil. In May 2025, the MPT filed a civil lawsuit against BYD and its contractors Jinjiang and Tecmonta seeking R257mn (USD 45mn) in collective moral damages along with individual compensation for workers. Prosecutors are also looking to force the companies to comply with various labor rules and seek a fine of R50,000 (over USD 9000) for each breach, multiplied by the number of affected workers.

CVS HEALTH CORP.**Norm Area:**

Human Rights

Incident Location:

United States

Issue:

Consumer Interests - Human Rights

Change Objective:

CVS Health Corp. should ensure responsible practices are employed in dealing with prescriptions and controlled substances.

It should develop or enhance compliance policies and practices that ensure expectations of compliance are clear and implemented throughout its organization.

Demonstration of these actions should be evident and transparent.

Incident Summary:

CVS Health Corp. (CVS), owner of CVS Pharmacy Inc., the largest pharmacy chain in the US, is facing allegations that it contributed to the opioid crisis in the US by filling large numbers of unlawful prescriptions. Since at least 2017, a string of lawsuits have been filed against CVS and its subsidiaries (among other US opioid manufacturers and distributors) by US states, cities, counties and Native American communities in relation to their alleged role in the opioid epidemic. In November 2022, CVS and two other US pharmacy chains reached a nationwide opioid settlement with US states and territories (excluding five states that either had prior settlements with the company or chose not to participate) to resolve a substantial majority of opioid-related lawsuits regarding claims dating back more than a decade. The settlement included a payment of almost USD 5 billion by CVS over a period of 10 years, as well as a list of injunctive terms that the company was required to implement. CVS has continued to face opioid-related litigation outside of the nationwide settlement. For instance, in February 2024, 20 hospitals and related companies joined a multidistrict litigation (MDL) in Ohio against multiple companies, including CVS, over their alleged role in the US opioid epidemic. In August 2024, CVS reached a USD 45 million settlement with the city of Baltimore regarding its role in the US opioid epidemic. Notably, in December 2024, the US Department of Justice (DOJ) filed a nationwide lawsuit against CVS Pharmacy Inc., alleging Controlled Substances Act (CSA) and False Claims Act (FCA) violations. According to the DOJ complaint, the company knowingly filled prescriptions for controlled substances that lacked a legitimate medical purpose, were not valid, and/or were not issued in the usual course of professional practice, including prescriptions for dangerous and excessive quantities of opioids, from 2013 until the present.

WALGREENS BOOTS ALLIANCE, INC.**Norm Area:**

Human Rights

Incident Location:

United States

Issue:

Consumer Interests - Human Rights

Change Objective:

Walgreens Boots Alliance, Inc. (Walgreens) should ensure responsible practices are employed in relation to prescriptions and controlled substances.

It should develop or enhance compliance policies and practices that ensure expectations of compliance are clear and implemented throughout its organization.

Demonstration of these actions should be evident and transparent.

Incident Summary:

Walgreens Boots Alliance, Inc. (Walgreens), owner of Walgreen Co., one of the largest pharmacy chains in the US, is facing allegations that it contributed to the opioid crisis in the US by filling large numbers of unlawful prescriptions. While the company has reached a settlement on much of the litigation nationwide, more recent allegations have emerged: in January 2025, the US Department of Justice (DOJ) filed a nationwide lawsuit against Walgreens and its subsidiaries alleging violations of the Controlled Substances Act (CSA) and False Claims Act (FCA). According to the DOJ, from 2012 until the present, the firm knowingly filled millions of prescriptions for controlled substances that lacked a legitimate medical purpose, were invalid, and/or were improperly issued. Walgreens agreed to a settlement of USD 300 million with the DOJ in April 2025 to resolve these allegations. This latest development follows a spate of litigation that has since been settled. One of the largest agreements was in November 2022. Walgreens and two other US pharmacy chains reached a nationwide opioid settlement with US states and territories to resolve a substantial majority of opioid-related lawsuits regarding claims dating back more than a decade. The settlement included a USD 5.52 bn payment by Walgreens, and a list of injunctive terms. In 2013, Walgreens agreed to a USD 80 mn settlement for violations of the CSA, and resolution of the US Drug Enforcement Administration (DEA) actions and the US Attorney's Office (USAO) civil penalty investigation. Since at least 2017, a string of lawsuits were filed against Walgreens (among other US opioid manufacturers and distributors) by US states, cities, counties and Native American communities in relation to its alleged role in the opioid epidemic. One example of a more recent settlement includes Walgreens' USD 80 mn deal in September 2024 with the city of Baltimore on the company's role in the US opioid epidemic.

New Disengage

COMPANY	COUNTRY	NORM AREA	INCIDENT LOCATION	ISSUE	PREVIOUS STATUS
SDIC Power Holdings Co., Ltd.	China	Environment	Indonesia	Controversial Project(s) - Environmental and Human Rights Impacts	Engage
Tongling Nonferrous Metals Group Co., Ltd.	China	Human Rights	Ecuador	Controversial Project(s) - Human Rights and Environmental Impacts	Engage
Xinjiang Zhongtai Chemical Co., Ltd.	China	Labour Rights	China	Forced Labour	Engage



New Disengage - Details

SDIC POWER HOLDINGS CO., LTD.

Country:

China

Issue:

Controversial Project(s)
Environmental and Human
Rights Impacts

Reason:

Low Performance

Summary:

SDIC Power Holdings Co., Ltd. is the majority owner of a hydropower project in Indonesia that has been associated with significant biodiversity concerns, including the threat of extinction of the world's rarest ape.

Comment:

Due to no progress in responding to the accusations and no willingness shown to engage with Morningstar Sustainalytics for the period of two years since a Low Performance assessment, Morningstar Sustainalytics has assigned a Disengage status.

TONGLING NONFERROUS METALS GROUP CO., LTD.

Country:

China

Issue:

Controversial Project(s) Human
Rights and Environmental
Impacts

Reason:

Low Performance

Summary:

Tongling Nonferrous Metals Group Co., Ltd. has been linked to human rights violations at its Mirador mine in Ecuador. This includes failure to obtain consent from the local population, and their forced displacement.

Comment:

Due to no response received for an engagement call request, nor progress made towards responding to the allegations, Morningstar Sustainalytics has assigned a Disengage status.

XINJIANG ZHONGTAI CHEMICAL CO., LTD.

Country:

China

Issue:

Forced Labour

Reason:

Low Performance

Summary:

Xinjiang Zhongtai Chemical Co., Ltd.'s involvement in state-sponsored labour programmes has resulted in severe human rights impacts.

Comment:

Considering the company's involvement, severity of the accusations, company lack of action and willingness to improve its labour practices and disclosures, Morningstar Sustainalytics has assigned a Disengage status.

New Associated

COMPANY	COUNTRY	ISSUE	RELATED COMPANY	QUARTER
Banco Citi México SA Institución de Banca Múltiple Grupo	Mexico	Business Ethics	Citigroup, Inc.	Q4
Financière Moncey SA	France	Activities Resulting in Adverse Human Rights Impacts	Bolloré SE	Q4
Furnas - Centrais Elétricas SA	Brazil	Controversial Project(s) - Human Rights Impacts	AXIA Energia SA	Q4
Grupo Aldesa SA	Spain	Controversial Project(s) - Human Rights and Environmental Impacts	China Railway Construction Corp. Ltd.	Q4
JBS SA	Brazil	Land Use and Biodiversity	JBS NV	Q4
JBS SA	Brazil	Business Ethics	JBS NV	Q4
Taiyuan Iron & Steel (Group) Co., Ltd.	China	Forced Labour	China BaoWu Steel Group Corp. Ltd.	Q4
Blackstone, Inc.	United States	Child Labour	Fortrex, Inc.	Q2
China Nonferrous Metal Mining (Group) Co., Ltd.	China	Incident(s) Resulting in Negative Environmental and Human Rights Impacts	China Nonferrous Mining Corp. Ltd.	Q2
BYD Electronic (International) Co., Ltd.	China	Forced Labour	BYD Co., Ltd.	Q1
CH. Karnchang Public Co. Ltd.	Thailand	Controversial Project(s) - Environmental and Human Rights Impacts	CK Power Public Co. Ltd.	Q1
Oak Street Health, Inc.	United States	Consumer Interests - Human Rights	CVS Health Corp.	Q1
Signify Health, Inc.	United States	Consumer Interests - Human Rights	CVS Health Corp.	Q1

New Archived

COMPANY	COUNTRY	ISSUE	PREVIOUS STATUS	RELATED COMPANY	QUARTER
Banco Citi México SA Institución de Banca Múltiple Grupo	Mexico	Money Laundering	Associated	Deutsche Bank AG	Q4
China CITIC Financial Asset Management Co., Ltd.	China	Bribery and Corruption	Disengage	Huarong Real Estate Co., Ltd.; XinKong International Capital Holdings Ltd.	Q4
China Energy Engineering Corp. Ltd.	China	Occupational Health and Safety	Disengage	China Gezhouba Group Co., Ltd.	Q4
Export-Import Bank of India	India	Controversial Project(s) - Environmental and Human Rights Impacts	Disengage	None	Q4
Shezan International Ltd.	Pakistan	Child Labour	Disengage	None	Q4
Shezan International Ltd.	Pakistan	Occupational Health and Safety	Disengage	None	Q4
Unitech Ltd.	India	Consumer Interests - Business Ethics	Disengage	None	Q4
Walgreens Boots Alliance, Inc.	United States	Consumer Interests - Human Rights	Engage	None	Q4
Chongqing Energy Investment Group Co., Ltd.	China	Occupational Health and Safety	Disengage	Chongqing Energy Investment Group Co., Ltd.	Q3
NLC India Ltd.	India	Occupational Health and Safety	Disengage	None	Q3

COMPANY	COUNTRY	ISSUE	PREVIOUS STATUS	RELATED COMPANY	QUARTER
AWL Agri Business Ltd.	India	Controversial Project(s) - Environmental and Human Rights Impacts	Associated	Adani Enterprises Ltd.	Q2
Korea Electric Power Corp.	South Korea	Incident(s) Resulting in Negative Human Rights Impacts	Engage	None	Q2
Korea Western Power Co., Ltd.	South Korea	Incident(s) Resulting in Negative Human Rights Impacts	Engage	None	Q2
Luckin Coffee, Inc.	China	Accounting and Taxation	Engage	None	Q2
Ratch Group Public Co. Ltd.	Thailand	Incident(s) Resulting in Negative Human Rights Impacts	Engage	None	Q2
SK, Inc.	South Korea	Incident(s) Resulting in Negative Human Rights Impacts	Engage	None	Q2
Tongaat-Hulett Ltd.	South Africa	Accounting and Taxation	Disengage	None	Q2
Uchumi Supermarkets Ltd.	Kenya	Business Ethics	Disengage	None	Q2
Xinjiang Xinxin Mining Industry Co., Ltd.	China	Forced Labour	Engage	None	Q2
Caterpillar, Inc.	United States	Involvement With Entities Violating Human Rights	Engage	None	Q1
Cox & Kings Ltd.	India	Fraud	Disengage	None	Q1
Indofood Agri Resources Ltd.	Singapore	Labour Rights - Operations	Engage	First Pacific Co. Ltd.; PT Indofood Sukses Makmur Tbk; PT Perusahaan Perkebunan London Sumatra Indonesia Tbk; PT Salim Ivomas Pratama Tbk	Q1

Universe Change Impact

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES	QUARTER
Apigee Corp.	United States of America	Software & Services	Anti-Competitive Practices	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Associated	Q3
Motiva Enterprises LLC	United States of America	Refiners & Pipelines	Involvement With Entities Violating Human Rights	Entity mapped to Saudi Arabian Oil Co. Previous status: Associated	Q3
PETRONAS Energy Canada Ltd.	Canada	Oil & Gas Producers	Involvement With Entities Violating Human Rights	Entity mapped to Petroleum Nasional Bhd. Previous status: Associated	Q3
Americanas SA	Brazil	Retailing	Accounting and Taxation	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Disengage	Q2
China Evergrande Group	China	Real Estate	Business Ethics	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Disengage	Q2
China Evergrande New Energy Vehicle Group Ltd.	China	Healthcare	Business Ethics	Entity no longer eligible for Morningstar Sustainalytics' research. Previous status: Associated	Q2
Evergrande Property Services Group Ltd.	China	Real Estate	Business Ethics	Entity was archived due to research ineligibility of related company, China Evergrande Group. Previous status: Associated	Q2

COMPANY	COUNTRY	INDUSTRY	ISSUE	NOTES	QUARTER
JBS USA Food Co.	United States	Food Products	Business Ethics	Entity mapped to JBS SA. Previous status: Associated	Q2
JBS USA Food Co.	United States	Food Products	Land Use and Biodiversity	Entity mapped to JBS SA. Previous status: Associated	Q2
RH International (Singapore) Corp. Pte Ltd.	Singapore	Utilities	Incident(s) Resulting in Negative Human Rights Impacts	Entity mapped to Ratch Public Group Co. Previous status: Associated	Q2
Bunge Ltd.	United States	Food Products	Land Use and Biodiversity	Entity mapped to Bunge Global SA. Previous status: Associated	Q1
Medtronic, Inc.	United States	Healthcare	Quality and Safety - Human Rights	Entity mapped to Medtronic Plc. Previous status: Associated	Q1
National Development Complex	Pakistan	Aerospace & Defense	Cluster Weapons	Entity no longer available in Morningstar Sustainalytics' universe. Previous status: Disengage	Q1
ONGC Videsh Ltd.	India	Oil & Gas Producers	Involvement With Entities Violating Human Rights	Entity no longer available in Morningstar Sustainalytics' universe. Previous status: Associated	Q1
Wirecard AG	Germany	Software & Services	Fraud	Entity no longer available in Morningstar Sustainalytics' universe. Previous status: Disengage	Q1

Engagement Statuses

Engage This status flags incidents by Global Standards Screening (companies assessed as Watchlist or Non-Compliant), such as companies with systematic incidents or an isolated incident that has severe consequences in relation to the environment or society, where we set objectives and dialogue with the companies to remediate the issue and mitigate re-occurrence.

Resolved This status flags engagements which are concluded and the company has achieved the engagement objective.

Disengage This status flags a company where engagement is not considered viable. This status can be a result of low performance, financial distress, company purpose/industry and/or company ownership.

Low Performance: Companies showing poor or no progress and/or poor or no response from the company within a period of two years after the start of the engagement;

Business Model: Companies whose business models rely on activities where engagement would likely be not fruitful (such as involvement in controversial weapons or State-Owned Enterprises complicit in human rights abuses);

Financial Distress: Companies classified as non-engageable due to no or limited publicly traded securities or under significant distress.

Associated This status flags when the company or engagement is related to another, where engagement will take place with the parent company and/or the company involved in the incident.

Archived This status flags engagements which are concluded but the change objective has not been achieved. This often results from a lack of sufficient progress, in combination with either the absence of new incidents or a lack of resources confirming ongoing company involvement in the controversies.

Are Companies Struggling to Understand and Deliver Effective Human Rights Due Diligence (HRDD)?



Marta Patallo

Manager, Stewardship
Global Standards/Incidents
Engagement
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Key Highlights:

- HRDD is often reduced to a tick-box exercise.
- One-off assessments fail to capture evolving risks and impacts.
- Conceptual differences – HRDD, HRRR, SLO, ESIA, FPIC – must be understood.
- Defensive attitudes towards stakeholders undermine trust and remedy.

Human Rights Due Diligence is widely recognized as a key vehicle to support responsible business conduct and to be at the core of the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises.^{1,2} These standards make clear that HRDD is not a one-off compliance exercise but an ongoing process to identify, prevent, mitigate, and account for adverse impacts on people. Yet, despite this clarity – and growing expectations from investors, regulators, and stakeholders – the reality remains stark: **most companies are failing to meaningfully translate these standards into practice and disclosures.**

Recent benchmarks highlight the magnitude of this gap. In 2024, the World Benchmarking Alliance assessed 2,000 companies and found that **80% scored zero on HRDD**, failing even at the initial step of identifying and assessing human rights risks.³ Similarly, Morningstar Sustainalytics' ESG Risk Rating data shows that of 1,140 public companies within the Comprehensive Universe for which human rights is a key ESG issue, only 236, or 21%, are evaluated as having a strong **Human Rights Policy**. This indicator assesses whether the company has committed to recognize and respect human rights across its business activities (including its own operations and its supply chain). Of these, only 83, or 7%, are also evaluated as having a strong or very strong **Human Rights Programme**, which assesses the company's human rights-related initiatives to mitigate risks and impacts relating to human rights across its business and its supply chain.⁴

Although **extractive companies** are expected to have substantial know-how in managing risks and impacts through frameworks such as Environmental and Social Impact Assessments (ESIA), the reality remains concerning.⁵ Alarmingly, this sector – arguably the one with the greatest human rights impact – **shows a similar trend** to the broader universe of companies.⁶ Among 255 **extractive companies** within Morningstar Sustainalytics' Comprehensive Universe for which human rights is a material issue, only 75, or 29% are assessed as having a strong Human Rights Policy and only 52, or 20% also had a strong or very strong programme of protecting human rights. This means that, overall, nearly **80%** of larger extractives companies **lack the combination of a strong human rights policy and a strong or very strong programme** needed to effectively identify and address human rights risks and impacts.⁷

These figures underscore a concerning gap to respect effectively the human rights of workers, communities and consumers as well as being able to identify, assess, prevent, mitigate or remediate adverse impacts on them.

Engagement that Leads to Understanding

Why does this gap endure? Why do companies that manage complex environmental and social risks struggle so profoundly with HRDD? This question has become increasingly relevant for incident-driven engagements where approximately one quarter of our engagements in 2025 were with companies operating in the extractive sector (mining as well as oil and gas) with focus on different topics from business ethics, human rights to environmental issues.

Given that extractives are familiar with ESIA and indeed can use baseline data arising from ESIA to inform HRDD, we need to understand why there seems to be absence of intent to implement effective HRDD. Our intention, through the engagement process, is to bring some insights that are not currently found in sustainability reports or formal disclosures but through direct company engagements. Dialogue with companies brings an exceptional opportunity to understand corporate culture and, in consequence, how deeply embedded values, traditions and practices anchor organizations in ways that prevent HRDD from evolving into the dynamic, stakeholder-centered process envisioned by international standards.

Building on this perspective, this article reflects on these cultural barriers and calls for a fundamental shift – from mechanical reporting to embedding human rights accountability at the core of business practice. This approach aligns with the Investor Initiative on Human Rights Data (II-HRD), which emphasizes that accurate, transparent data must underpin investment decisions. Such decisions should reflect a holistic understanding of risks and responses, ensuring companies move beyond disclosure to implement systems that prevent, mitigate, and remedy human rights impacts.⁸

HRDD as Tick-Box

Our engagement dialogues reveal a troubling trend: many companies still approach HRDD as a compliance exercise – a “tick-box” mechanism designed to satisfy regulatory expectations. For example, we observed that **HRDD is often framed as a reporting requirement rather than a proactive tool to prevent harm and uphold human rights**. This compliance mindset strips away HRDD’s transformative potential. It also stands in stark contrast to the UNGPs’ definition of HRDD as an ongoing risk management process aimed at identifying, preventing, mitigating, and accounting for adverse human rights impacts on people – not merely risks to the enterprise. Yet, our conversations show that companies frequently invert this logic, prioritizing reputational and legal risks over actual harm to rights-holders. This operational and cultural misalignment turns HRDD into a checklist rather than a substantive safeguard for human rights.

This is particularly alarming in light of the rise of mandatory HRDD legislation – such as the EU Corporate Sustainability Due Diligence Directive (CSDDD) and emerging national regulations worldwide – designed to reshape corporate behavior.⁹ Despite these developments, many companies remain narrowly focused on legal compliance rather than embedding HRDD into governance, decision-making, and giving workers’ and communities’ voices a central role in assessing risks and impacts.¹⁰ This pattern reveals a reactive rather than preventive approach and also underscores how challenging it is for companies to define, resource, and integrate HRDD effectively.

Beyond One-Off Assessments

Companies in the extractive sector often conflate HRDD with ESIA. In several engagements, when asked whether they conduct HRDD, companies responded that they had already completed an ESIA and obtained a license to operate. This reflects a critical misunderstanding: while an ESIA is frequently used as a one-time assessment conducted before project approval, HRDD is intended to be an ongoing process to inform decisions at key stages of corporate delivery, continuously.

In practice, many companies establish an HRDD framework and disclose it in their sustainability reports. Some even conduct a Human Rights Impact Assessment (HRIA) or Human Rights Risk Assessment (HRRRA). However, these assessments are also often treated as one-off exercises, with no follow-up or monitoring. This static approach fails to capture human rights impacts that emerge dynamically as operations evolve – new suppliers join, local conditions shift, and unforeseen impacts arise.

Relying solely on initial ESIA means companies frequently overlook cumulative or secondary impacts, leaving affected communities without timely remedies. Moreover, consent is not static: frameworks such as Free, Prior and Informed Consent (FPIC) require iterative engagement and allow for withdrawal at any stage.¹¹ This underscores a fundamental principle – stakeholder relationships must be maintained as ongoing, meaningful partnerships, not treated as externalities.

Lost in Translation

Our engagements reveal a recurring challenge: **companies often struggle to translate international standards into practice.** This difficulty is particularly evident among those accustomed to delivering ESIA, where we frequently encounter the assumption that an ESIA almost automatically fulfills HRDD requirements. This misconception leads to the misuse of key terms – such as Human Rights Due Diligence (HRDD), Human Rights Impact Assessment (HRIA), and Human Rights Risk Assessment (HRRRA) – as if they were interchangeable.

In reality, these processes serve distinct purposes:

- HRDD is an ongoing process to identify, prevent, mitigate, and account for human rights impacts.
- HRIA is a specific tool designed to evaluate actual and potential impacts within a defined context.
- HRRRA focuses on mapping risks to people, rather than risks to the enterprise.

While HRIA and HRRRA are assessment tools, HRDD must be embedded in corporate culture as a continuous process that enables early prevention and timely intervention.

We observe similar confusion between Social License to Operate (SLO) and Free, Prior and Informed Consent (FPIC). FPIC is a legally grounded human rights principles granting Indigenous peoples the right to give or withhold consent at any time for projects affecting their lands and resources.¹² In contrast, SLO is an informal, non-legal measure of community acceptance – an intangible, dynamic relationship based on trust and legitimacy.¹³ Treating these concepts as synonyms dilutes FPIC's normative strength and risks reducing it to a mere reputational tool.

These conceptual differences have practical consequences. Clarity in terminology is essential for effective implementation, and how companies interpret these concepts – and the values embedded in those interpretations – ultimately shapes their actions.

"We" Versus "Them"

Despite clear guidance from international standards such as the UNGPs and OECD Guidelines – and from industry bodies like International Petroleum Industry Environmental Conservation Association (IPIECA) and International Council on Mining and Metals (ICMM) on meaningful, stakeholder-centered engagement – many companies still approach affected communities, workers, unions and civil society organizations as adversaries.^{14,15}

This attitude often surfaces during engagements when civil society or media reports are referenced. Instead of treating these sources as valuable inputs for listening and understanding, companies frequently respond by denying or contesting each point, framing it as “our version versus their version.”

A similar pattern emerges with grievance mechanisms. When companies report “zero complaints” or very low numbers, this is often celebrated as success rather than recognized as a warning sign of inadequate listening and risk detection. Mechanisms are frequently opaque, inaccessible, or designed primarily to protect corporate reputation rather than provide remedy. These attitudes undermine the effectiveness of HRDD, which depends on early, continuous, and meaningful engagement with those most impacted by business operations.

Conclusion

Our engagements offer a unique vantage point: the ability to hear directly from companies beyond what policies and reports reveal. This opportunity underscores the importance of listening – not only to what companies say, but to understanding the values, traditions, and practices that explain why they struggle to embed HRDD.¹⁶ These conversations uncover cultural and operational realities that no benchmark or disclosure can fully capture. Only through meaningful dialogue and contextual understanding can we move from diagnosing gaps to proposing actionable steps that transform HRDD from a compliance exercise into a living, preventive system.

Endnotes

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