

# The Facts: Morningstar and Israel

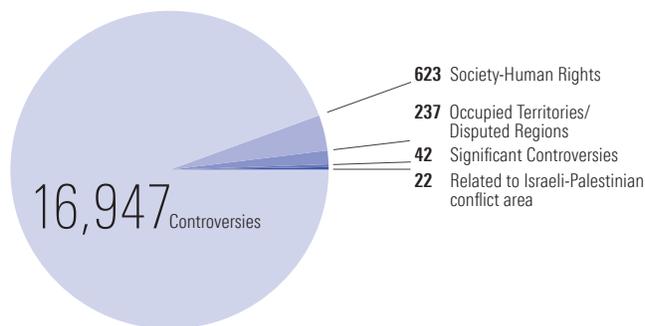
## A snapshot of Sustainalytics' ESG research and ratings for Israel and Israeli companies

### Country Risk Rating: Israel Rated as Low-Risk Country



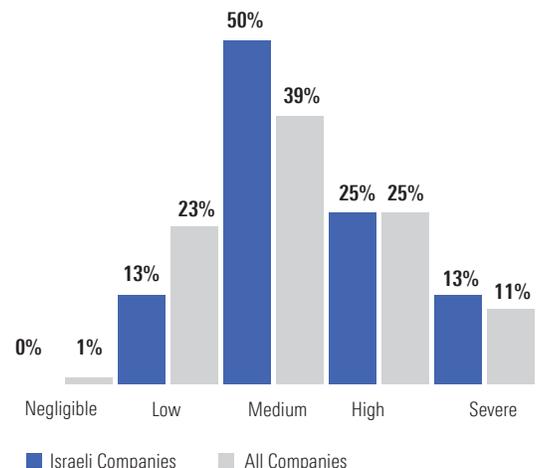
- ▶ Our Country Risk Rating is a measurement of ESG risk to a country's long-term prosperity and economic development.
- ▶ Sustainalytics rates Israel as Low Risk.
- ▶ Israel is ranked 24 out of 169 countries, meaning it is the 24th least risky country out of the 169 reviewed.

### Controversy Research: Two-Thirds of Israeli Companies Show Involvement in Zero Controversies



- ▶ Our Controversies Research identifies companies involved in incidents and events that may pose a risk to a company due to the potential impact on stakeholders or the environment. Controversies that could pose financial risk are integrated into the ESG Risk Rating.
- ▶ Two-thirds (69%) of 153 Israel-based companies show involvement in zero controversies of any kind.
- ▶ Twenty-two of nearly 17,000 controversies (or 1 in every 1,000) that we have identified in our research related to the Israeli-Palestinian conflict area.

### ESG Risk Rating: Majority of Israeli Companies Rated Medium Risk or Better

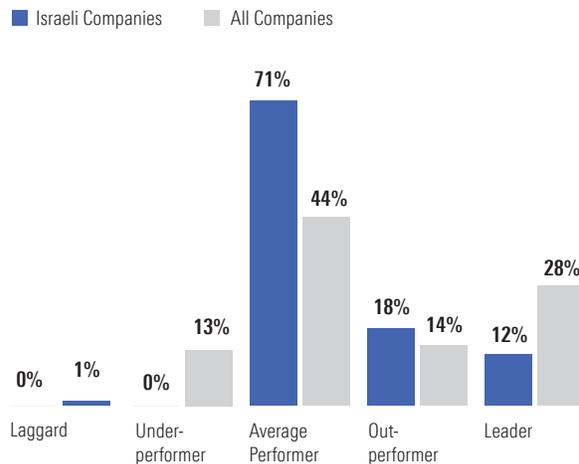


- ▶ Our flagship ESG Risk Rating measures a company's exposure to and management of financially material ESG risk.
- ▶ We look at 112 Israel-based companies in our ESG Risk Ratings universe out of 14,000 companies total.
- ▶ The majority of Israel-based companies (63%) are rated Medium Risk or lower.
- ▶ Our flagship ESG Risk Rating covers companies based in 60 countries. In the aggregate, Israeli companies fall in the middle, collectively placing in the 31st riskiest country grouping. (The U.S. is the 30th.)

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### Corporate Governance Ratings: All Israeli Companies Rated Average or Better



- ▶ Our Corporate Governance Ratings measure a company's risk as it relates to corporate governance practices.
- ▶ Each of the 17 Israeli companies rated for this product received an 'Average Performer' rating or higher.
- ▶ Sustainalytics rates zero Israeli companies as 'Underperformer' or 'Laggard' in governance.

### Global Standards Screening: Israeli-Palestinian Conflict Accounts for Less Than One Percent of Companies on 'Watchlist'

- ▶ Our Global Standards Screening assesses companies' impact on stakeholders and the extent to which a company causes, contributes, or is linked to violations of international norms and standards.
- ▶ Of 30,000+ companies screened, we placed 519 companies on "Watchlist" or "Non-Compliant" status.
- ▶ Of those 519 companies, four are designated for activities in the Israeli-Palestinian conflict area. That's fewer than one percent of companies on Watchlist or Non-Compliant status.

### White & Case Report: Independent Investigation into Allegations of Anti-Israel Bias

- ▶ In October 2021, Morningstar hired the global law firm White & Case to conduct an independent investigation into allegations of anti-Israel bias.
- ▶ Two independent members of our Board of Directors oversaw the law firm's work, which proceeded independently and without interference.
- ▶ On June 2, 2022, the law firm White & Case issued its independent [report](#), which Morningstar [made public](#).
- ▶ While finding no evidence of pervasive or systemic bias against Israel across Sustainalytics products, the 117-page report makes a number of recommendations for changes to our systems and practices.
- ▶ We are adopting the report's recommendations in full—and [publicly report](#) on the status of each initiative—with a target to complete this process by June 30, 2023.
- ▶ Morningstar does not and has never supported the anti-Israel Boycott, Divest, Sanctions (BDS) campaign.

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