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Beyond the headlines: how investors assess **corporate controversies**

Corporate controversies are nothing new but understanding what is controversial and why can challenge investors, especially where perspectives differ. Our approach combines data and analysis to separate material risks from news headlines.



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Company controversies are incidents that can damage a company's reputation or financial standing. We assess these across four pillars – environmental, social, business behaviour and corporate governance – and they can arise anywhere across a company's operations, products or services, including its entire value chain. Determining what constitutes a controversy, why it matters and how it should be assessed is a core part of embedding sustainability into our investment processes and strengthening risk management. We apply a consistent approach using quantitative data and qualitative analysis to identify, measure and consider controversies in assessing companies' sustainability profiles, recognising there can often be very different perspectives in the market.

When issues become risks

Controversial incidents vary – they are not all comparable and are often subject to different interpretations. However, controversies typically prompt headlines, public debate and criticism. We have seen allegations ranging from the collapse of a dam following mining activity to the use of child labour to fraud or tax evasion (see Exhibit 1).

Exhibit 1: Example of allegations

- Violations of existing laws and/or regulations
- Violations of international norms (Ex International Labour Organization Fundamental Conventions)
- Chemical spills or other environmental pollutions
- Health and safety issues
- Allegations of anti-competitive behaviour
- Discrimination

Crucially, not all such incidents are substantiated, and investors must distinguish between allegations and verified incidents. This requires a systematic assessment process, alongside engagement with the company in question. We therefore approach the assessment of company controversies as a distinct process, separate from our dedicated environmental, social and governance (ESG) scoring process ([read more on this](#)). The insights from this analysis nevertheless complement our ESG scores, helping to provide a more holistic and transparent view of investee companies.

Interpretations of controversies can vary widely, reflecting differences in values, regional norms, access to information and timing. What is seen as contentious in one country may be acceptable elsewhere, especially where issues reach into the more subjective realm of “ethics”. As a result, assessments often diverge across major ESG data providers, whose methodologies and thresholds for materiality vary. This can result in inconsistent flags and ratings for the same company.

This data dissonance is acute for investment decisions in funds with sustainability processes. Controversies can define inclusion in portfolios, and not a question of balancing positive and negative impacts - the full scope and impact of the event needs to be fully understood.



Exhibit 2: Divergence between data providers

Name	Provider 1	Provider 2	Provider 3	Provider 4
Company A - Consumer discretionary	Severe risk	High risk	High risk	Moderate risk
Company B - Financials	Severe risk	Moderate risk	High risk	High risk
Company C - Utilities	Severe risk	High risk	Severe risk	High risk
Company D - Industrials	Severe risk	Moderate risk	High risk	Moderate risk
Company F - Energy	Severe risk	High risk	High risk	Moderate risk
Company G - Energy	Severe risk	Moderate risk	Severe risk	High risk

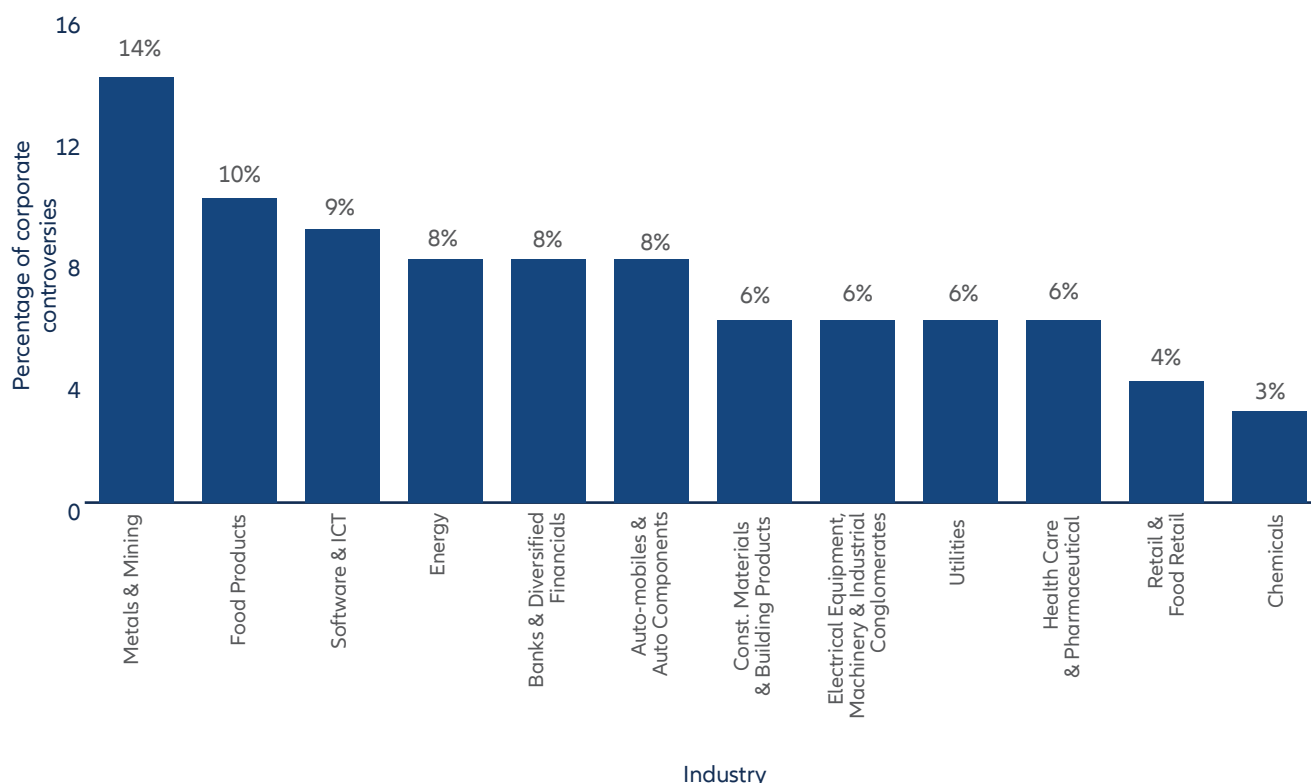
Legend
■ Severe risk
■ High risk
■ Moderate risk

Source: AllianzGI based on Morningstar Sustainability data, March 2026

Controversies also arise across a wide array of topics, but certain sectors – including metals & mining, food, software and energy – can be more exposed to specific issues due to the nature of their operations. Some issues

may also be region-specific and investment managers must therefore be attuned to controversy profiles by both sector and region, ensuring a nuanced approach to ESG analysis.

Exhibit 3: Percentage of issuers with high or severe controversies on the ACWI Universe



Source: AllianzGI based on Morningstar Sustainability data, March 2026

Systematic assessment process

We have developed a five step framework for controversy assessment:

1. Quantitative identification and screening:

Recognising data dissonance via an internal tool, we systematically monitor feeds across ESG data providers, media, non-governmental organisations, regulators and our internal communication platforms. This provides alerts on emerging and ongoing controversies relevant to our investment holdings, and guides our analysis and engagement focus.

2. Initial assessment and prioritisation:

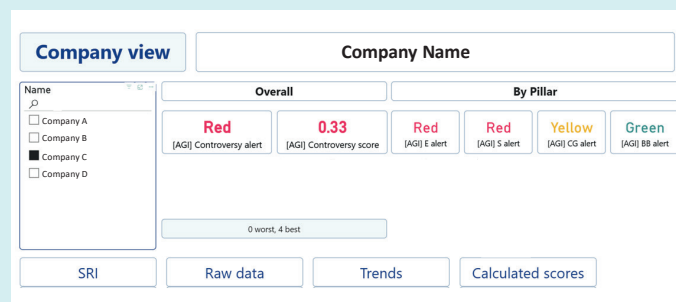
Once a controversial issue is identified, we conduct an initial screening to determine its materiality and relevance. Key factors include the severity of the incident, its potential impact on stakeholders, and its alignment with our stewardship and research priorities. Cases deemed significant are escalated for a thorough qualitative review.

3. In-depth qualitative analysis:

Our sustainability research analysts assess controversy using a set of well-defined criteria:

- **Responsibility:** Evaluating the company’s role in the controversy (cause, contribution, involvement).
- **Severity:** Assessing the size, scope, stakeholder impact, and remediation efforts.
- **Frequency:** Determining whether incidents are isolated or recurrent.
- **Timing:** Considering whether the incident is recent or historical.
- **Responsiveness:** Reviewing the company’s communication and actions (reactive or proactive).
- **Management:** Examining the quality and implementation of relevant policies and programmes.

Exhibit 4: AllianzGI controversy monitoring



4. Engagement and decision:

Engagement is a key part of our approach. Where necessary, we engage directly with companies to clarify facts, understand their response strategies and encourage remediation. The outcome of this engagement is integrated into our assessment and may result in a scoring adjustment. Controversies do not just disappear – companies require credible and effective remediation to mitigate the risk of recurrence. The impact of the company’s controversial issue scoring will be reflected in our ESG scoring until we see evidence of action taken.

5. Continuous Monitoring and Review:

Our process is iterative. We update our assessments as new information emerges and review our methodology regularly to ensure it remains aligned with evolving best practices and regulatory expectations.

While we do not expect the market to converge on a systematic assessment of controversies - in setting out our process, we aim to show clients the transparency of the inputs and outputs in our assessment of a controversy.

We also ensure consistency across our thematic, sector and company assessments of the materiality of potentially sensitive activities or impacts. Investee companies are also often interested in understanding the how and why of controversies flagged by the major ESG data providers, and discussing these issues often enhances our engagement dialogues.

“Having this expertise to look beyond the headlines is essential to understand whether a controversy points to a material financial or sustainability risk, and what that means for portfolio construction. A consistent and disciplined assessment process for corporate controversies helps us make better-informed investment decisions and shapes our engagement dialogues with investees. As active investment managers, this forms part of our fiduciary duty to safeguard the long-term value of our clients’ assets.”

Alex Bibani, Senior Portfolio Manager –
Global Sustainability and SRI Equity

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