

# Sotera Health Company



Sotera is taking appropriate measures to prevent future EO emissions and is addressing the related legal matters through a robust, evidence-based process. We maintain regular dialogue with management and monitor progress closely to ensure continued execution and accountability.

Jan Willem Berghuis, Senior Portfolio Manager

### Engagement rationale

We engaged with Sotera Health following litigation related to alleged ethylene oxide (EO) emissions from sterilization facilities, which resulted in an MSCI Yellow Flag for impact on local communities. The controversy created uncertainty around potential legal liabilities, regulatory scrutiny and reputational risk, making it important to assess the company's mitigation measures and remaining tail risks.

### Background

Sotera Health provides sterilization and laboratory services that are critical to the medical device and pharmaceutical supply chains. The company faced personal injury lawsuits related to alleged EO emissions. Management has consistently maintained that it has not violated any laws or regulations and has since invested significantly in facility upgrades and emissions controls.

### Theme for engagement

- Social Impact of Products – focusing on the company's impact on local communities, management of EO-related risks and restoration of its social license to operate.

### Development

Positive



### Milestone

### Engagement objectives

- Obtain assurance that historical EO emissions issues have been adequately addressed and are unlikely to recur.
- Assess the residual legal, regulatory and reputational risks associated with the outstanding lawsuits.
- Encourage the company to maintain best-in-class operational and emissions-control standards across its facilities.
- Monitor progress towards resolving outstanding litigation and removing the ESG controversy overhang.

### Engagement results

- The company has acknowledged the controversy and engaged openly with investors on the issue since the outset of our investment. We continue to engage regularly with management to assess progress and encourage further improvements.
- Significant capital investments have been made to upgrade facilities and ensure compliance with regulatory requirements related to EO emissions.
- Legal developments have been encouraging, including favorable outcomes in the initial Georgia bellwether cases and an immaterial settlement of the New Mexico case.
- Remaining material cases in Georgia and California are expected to progress through 2027, after which we expect greater clarity on the ultimate legal outcome.

### Next steps (Milestone 4 - implementing the strategy)

- Monitor the implementation of the company's strategy, including facility upgrades and emissions-control measures.
- Continue assessing progress towards resolving the remaining Georgia and California litigation.
- Track MSCI Controversies for improvements in the company's controversy rating, including potential removal of the current Yellow flag and improving the controversy score.



### Company

Sotera Health Company

### Country

United States

### Sector

Healthcare

### Market cap

Small Cap

### Materiality

Effective management of ethylene oxide emissions is essential to limiting potential impacts on local communities, maintaining Sotera Health's license to operate and protecting long-term shareholder value.

### ESG Research

MSCI ESG Rating: A  
Sustainalytics: 21.5 (medium risk)

### Engagement initiated

Q2 2026

### Latest update

Q3 2026

### Kempen Fund

Kempen (Lux) Global Small-cap Fund

