



ESG Risk Ratings

Empower your investment decisions with a consistent approach to assess material ESG risks

Environmental, social and governance (ESG) considerations have become an integral factor in the decision-making process for investments. Investors are increasingly focused on which ESG issues are most material. Yet ESG-related risks can be numerous, often opaque, and usually vary across sectors.

Powerful Material ESG insights to make informed decisions.



Morningstar Sustainalytics' ESG Risk Ratings are designed to help investors identify and understand financially material ESG risks at the security and portfolio level, and how they might affect the long-term performance for equity and fixed income investments.

The ESG Risk Ratings provide a differentiated risk signal and deeper insights of a company's exposure to industry-specific material ESG risks, enabling investors to understand the potential magnitude of the risk and to compare companies across sectors.

Our Methodology and Framework Process

The ESG Risk Ratings assess the extent of a company's economic value at risk due to Environmental, Social, and Governance (ESG) factors by evaluating its exposure to and management of material ESG issues. The total unmanaged risk across these issues is combined into a single score representing the company's overall ESG risk.

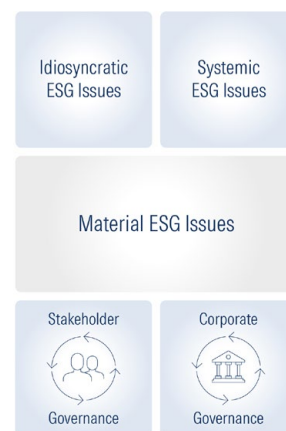
The ESG Risk Ratings are categorized across five risk levels from negligible to severe.

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

The Building Blocks of the ESG Risk Ratings

The ESG Risk Ratings are composed of three building blocks that contribute to a company's overall rating score:

1. The baseline issues: Corporate Governance & Stakeholder Governance
2. Material ESG Issues
3. Systemic ESG Issues & Idiosyncratic Issues

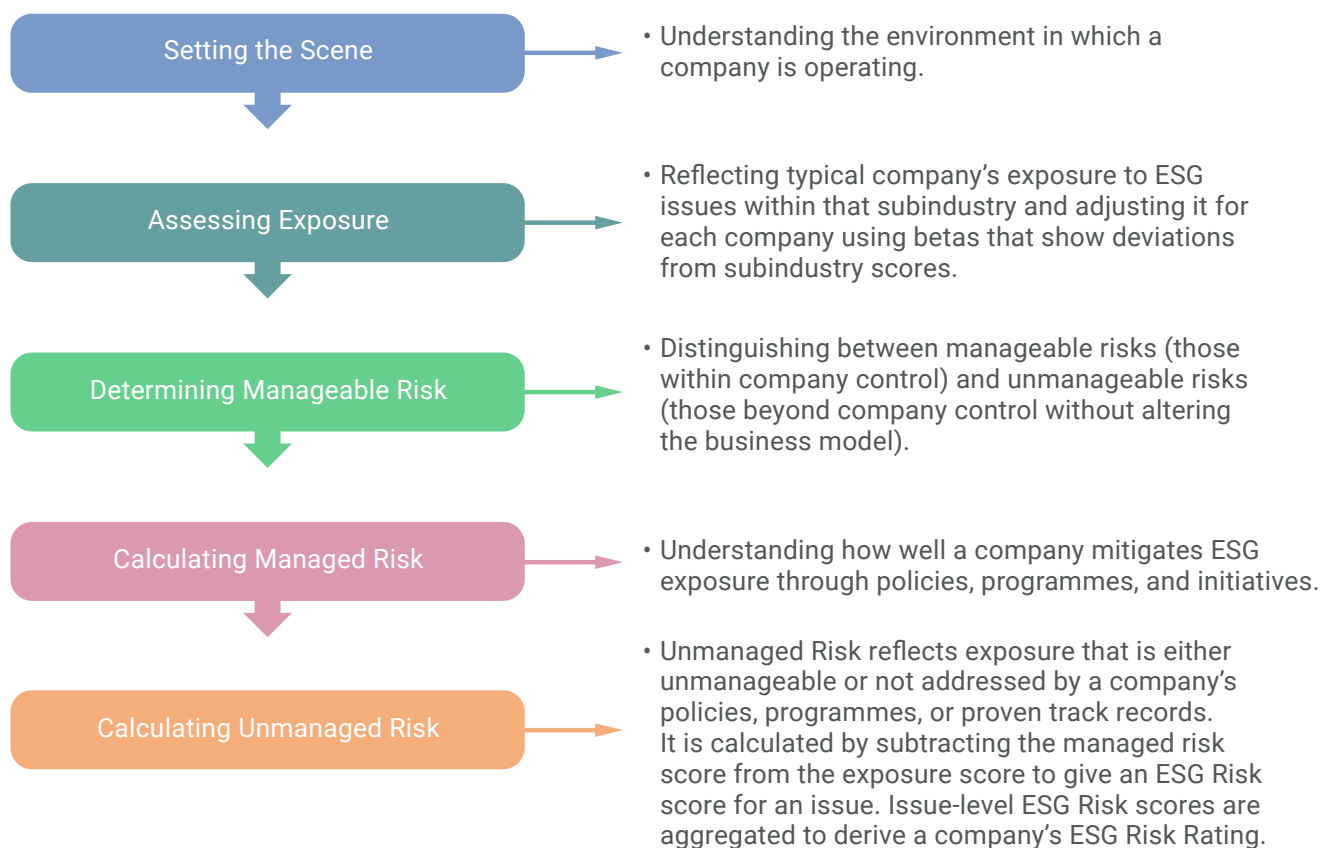


Two-Dimensional Materiality Framework

Measures exposure and management of over 20 industry-specific material risks, supported by over 300 indicators and over 1,800 data points.



Structured Process: Arriving at the ESG Risk Rating for a Company



Benefits and Features

Broad reach of analyst-based ESG Risk Ratings

Global coverage of more than 16,000 companies including public and private companies, fixed-income issuers across developed, emerging, and frontier markets.

Multiple Exposure Factors

The level of exposure is based on factors such as the business model, financial strength, geography and controversies.

Rigorous Controversy Research

Discounting effect on management scores increases with risk event severity, giving controversies a higher impact on the rating.

Financial Materiality Framework

Assessment focuses on ESG issues presenting the most material risks to company performance.

Comparability

Absolute ratings enable comparability across industries and companies at both the overall ESG and issue-specific risk levels.

Sustainability Indexes

ESG Risk Ratings underpin Morningstar Indexes' sustainable investing index solutions designed for best-in-class selection and ESG risk reduction.

Two-Dimensional Lens

Exposure lens informs investors what material ESG risks the company faces and the management lens assesses how well the company is managing these risks.

Solid Foundation

Corporate and Stakeholder Governance are integrated into the ESG Risk Ratings as baseline issues for companies.

ESG Risk Ratings Output



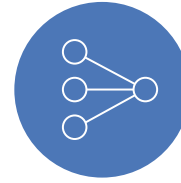
Access: Data Services

Flexible data access includes API, FTP and data feeds



Access: Global Access

A user-friendly investor platform with access to ESG Risk Ratings and accompanying research

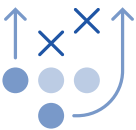


Data Integration

Standalone company reports and Industry reports on trends and distribution of risk within and across industries

Distribution partners include Morningstar, FactSet, Bloomberg, Aladdin

Investor Use Cases



ESG Strategy Definition

Establish a clear ESG policy to integrate organization-wide, align investments with client values, manage risks, and enhance manager selection and thought leadership on ESG issues.



Investment Selection and Construction

Integrate ESG criteria into asset allocation, construct strong ESG portfolios, use ESG risk scores in valuations, maintain sector weights, identify ESG leaders and laggards, and use historical data for back testing.



Portfolio Monitoring and Reporting

Utilize ESG Risk Ratings for manager evaluation, conduct scenario analyses, analyze sustainability impacts, customize ESG reporting, and benchmark performance against global standards.



Regulatory and After-Sale Reporting

Use ESG Risk Ratings to ensure regulatory alignment, disclose practices, provide transparent information, monitor compliance, and track score changes over time.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG data, research, and ratings firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Morningstar Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider material sustainability factors in policies, practices, and capital projects. Morningstar Sustainalytics has analysts around the world with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.



To learn more about ESG Risk Ratings, visit www.sustainalytics.com/esg-data

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