

Sustainable Momentum

Sustainability Report 2019

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About Sustainalytics



•• Vision

Sustainalytics believes that it is imperative for the global economy to become more just and sustainable.

Mission •

Sustainalytics' mission is to provide the insights required for investors and companies to make more informed decisions that lead to a more just and sustainable global economy.





•• Values

At Sustainalytics:

- We have a positive impact on our world
- We embrace diverse perspectives
- We foster excellence through continuous collaboration
- We are **adaptable** and **entrepreneurial**
- We treat others as we like to be treated



About the Company

Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For 27 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 16 offices globally, Sustainalytics has more than 600 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.¹



Company Structure

Sustainalytics is a global company consisting of fifteen legal entities that are directly or indirectly owned by Sustainalytics Holding B.V. Sustainalytics Holdings B.V. is incorporated under the laws of the Netherlands as a private, limited liability company. The company has its statutory seat in Amsterdam.



Shareholders

Shareholders include ABN AMRO, MeesPierson Private & Trust Holding B.V., Melissa Brown, Mooncrest Holdings Limited, Morningstar Holland B.V., PGGM Vermogensbeheer B.V., Silver Box Holdings Limited and senior staff.



Board of Directors

There are five board directors, including the Chief Executive Officer. There is an Independent Chair governance structure in place with two subcommittees of the Board – the Audit and Risk Committee and the Remuneration and Employment and Remuneration Committee.



Employees

Sustainalytics has 627 employees, including over 300 analysts with multidisciplinary expertise across more than 40 sectors.



Offices

Sustainalytics has offices in Amsterdam (Headquarters), Boston, Bucharest, Copenhagen, Frankfurt, London, New York, Paris, Timişoara, Toronto, Tokyo, Stockholm, Sydney and Zielona Góra, as well as representative offices in Brussels and Washington D.C.



Clients

Sustainalytics works with the world's leading institutional investors, including asset managers and asset owners, as well as banks, foundations, family offices, wealth managers, corporate issuers and other financial market participants. Sustainalytics also works closely with strategic partners such as Morningstar, Glass Lewis and Qontigo, and has distribution agreements with Bloomberg, FactSet, Style Analytics and Yahoo Finance to bring ESG ratings and insights to millions of investors globally.

About This Report

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About This Report

This annual sustainability report outlines Sustainalytics' 2019 sustainability performance.² It has been prepared in accordance with the GRI Standards: Core option and focuses on the company's key material issues.³ To help you navigate the GRI disclosures, we provide a GRI Content Index at the back of this report, and we have kept reporting periods consistent with previous years.

As signatories to the UN Global Compact, the report also serves as our seventh Communication on Progress (COP). This is the seventh edition of Sustainable Momentum and the sixth edition circulated externally.⁴ As in previous years, it is written primarily for Sustainalytics' employees, Board of Directors and shareholders. Employees took all photographs used for the report in the countries where we operate. Follow us on our journey to achieve a more just and sustainable economy with Sustainable Momentum as your guide.⁵



The Year In Review: A Message From Michael Jantzi, CEO

We have used *Sustainable Momentum* as the title for all seven of our sustainability reports. It rings as true today as it did almost a decade ago. The spirit embedded in the title has guided Sustainalytics and our founding firms since 1992. Through many twists and turns, the unwavering belief that impacting capital flows can help steer the global economy in a more just and sustainable direction drives us forward.



Unprecedented global growth of ESG-linked assets, traction in some of the most unlikely markets, and a proliferation of innovative new use cases for our research were headline stories for sustainable investing and Sustainalytics in 2019. Investor initiatives like Climate Action 100+⁶ gained traction, the Task Force on Climate-related Financial Disclosures (TCFD) continued to build momentum, and the PRI reported a more than 20% rise in signatory numbers and saw the greatest increase in its signatory base since 2011⁷. These developments indicate that ESG rapidly is becoming part of mainstream investing and emphasizes our importance as one of the catalysts for this change.

However, as ESG investing is becoming a more formidable movement, it also has attracted the attention of powerful institutions and individuals that have yet to embrace this new normal. President Trump signed a pair of executive orders in April 2019 to expedite oil and gas pipeline projects, and at the same time, limit the ability of retirement funds to pursue environmental or socially progressive investment strategies. Alongside directing the U.S. Environmental Protection Agency and the Transportation Department to amend rules making oil and gas development more "efficient," the president ordered the Department of Labor to examine whether or not retirement funds with ESG agendas are fulfilling their fiduciary duties. While I find some of these political and policy developments troubling, I believe that this resistance only reaffirms that what we do truly matters.



So, how did Sustainalytics respond to these growth opportunities and challenges? I am pleased to report that 2019 was another record-breaking year commercially for Sustainalytics. We also took a significant step by acquiring GES International, a leading provider of ESG screening, engagement and fiduciary voting services. This acquisition allowed Sustainalytics the opportunity to embed ourselves deeper into the investor value chain by providing stewardship services to our clients.

To better serve fixed income investors, Sustainalytics launched our Country Risk Ratings, which measures the risk to a country's long-term prosperity and economic development by assessing how sustainably it manages its natural, social and institutional capital. Finally, for the third consecutive year, Sustainalytics was recognized globally by our clients and peers as *Most Impressive Second Opinion Provider* for its sustainability bond services.⁸

While we may have benefited from strong tailwinds, a ship does not sail itself. As always, the not-so-secret ingredient of our success was, and always has been, our people. My heartfelt appreciation to all my colleagues whose hard work and determination make Sustainalytics the company it is.

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Michael C. Jantzi Chief Executive Officer

Reporting Approach

Reporting Approach

Reporting Process

Sustainalytics' designed this reporting process to identify, track and manage material sustainability issues on an ongoing basis using appropriate performance metrics. Our reporting framework is based on stakeholder input along with the GRI's *Four Principles for Defining Reporting Content:* sustainability context, stakeholder inclusiveness, materiality and completeness. The sustainability context and completeness refer to the scope and rigor of the topics addressed. The other two principles are discussed below in greater detail. Additionally, we are also following GRI's *Reporting Principles for Defining Report Quality:* Accuracy, balance, clarity, comparability, reliability and timeliness.

Stakeholder Inclusiveness

Stakeholders are essential to Sustainalytics' business and its ability to deliver on its mission. Ongoing dialogue with diverse stakeholder groups helps Sustainalytics to identify environmental, social and governance trends, understand societal expectations in the different countries in which it operates, and gain essential feedback on its strategy. Sustainalytics engages with stakeholders using a variety of formal and informal methods and channels across the various business lines of the company.

Figure 1: Sustainalytics' Stakeholders





Stakeholder	Method of Engagement	Frequency	Main Concerns Raised in 2019	Our Response	Most Relevant Material Issues
Shareholders	 Annual General Meeting Quarterly reports CEO contact 	AnnuallyAs Required	_	_	_
Board	Board meetings	Quarterly	_	_	_
Employees	 Human Resources initiatives Internal communication 	• As required	 Need for new training programs and proactive offering to employees Providing competitive, performance-driven employee compensation Advance equity and diversity approaches 	 Offered more custom-made group training sessions to larger groups of employees, creating more consistency in skills development Developed an ambitious two-year, multi- global investment plan Introduced new systems that solidify Sustainalytics' commitment to equity and diversity 	 Equity and diversity Employee engagement Professional growth opportunities

Figure 2: Examples of Stakeholder Engagement in 2019



Stakeholder	Method of Engagement	Frequency	Main Concerns Raised in 2019	Our Response	Most Relevant Material Issues
Clients	 Customer Satisfaction Survey Meetings with clients and partners in all markets, collecting feedback on an ongoing basis 	• Annually • As required	 Continuous enhancement of Sustainalytics' research products and services Improving user experience in Sustainalytics' online research portal, as well as further integration into third-party distribution platforms Increasing coverage in emerging markets 	 Introduced several enhancements to our newly launched flagship ESG Risk Ratings Added ESG Risk Ratings Industry Reports to our Global Access portal Launched Country Risk Ratings and Country Screening Launched Global Standards Screening Added Engagement Services as part of Sustainalytics' product suite through the acquisition of GES International Made additional products and data accessible through Global Access (e.g. Sustainable Products Research, ESG Risk Ratings Momentum Scores) Made additional ESG research and products available through Factset, a key distribution partner 	 Product and Service Innovation Product and service quality
lssuers	Feedback requests as a standard part of Sustainalytics' research process	Annually as part of the annual research update cycle	 Providing explanations to issuers for the reasons behind our evaluations on their ESG performance 	 Started development of an Issuer Gateway portal where companies can access to reports and research information 	Product and service quality

Figure 2: Examples of Stakeholder Engagement in 2019 (continued)

Materiality Assessment

Ongoing engagement with its stakeholders is the basis of Sustainalytics' process to identify the most material issues for this report. In 2018, the company undertook a new materiality analysis to ensure that the topics it is reporting on are still the most relevant ones for its stakeholders and reflect the evolving business environment. Sustainalytics used the GRI's four-step materiality process (identify, prioritize, validate and review) to arrive at a list of key issues which the Sustainability Reporting Group grouped into eight reporting areas. For details on the process, please see the figure below.

Figure 3: Materiality Process based on GRI Guidelines

IDENTIFY

- The Sustainalytics Reporting Group:
- Identified a list of 21 potentially material issues, and
- Performed an internal data availability check

PRIORITIZE

The Sustainalytics Reporting Group:

- Asked employees to select the most material topics in an internal survey,
- Consulted with a select group of clients, representing all the regions where Sustainalytics operates, asking them to comment on the topics they consider most material to Sustainalytics' business, and
- Refined the list to eleven key issues based on the feedback of the two stakeholder groups

REVIEW

The Sustainalytics Reporting Group:

- Collected feedback on the previous sustainability report, and
- Reviewed the materiality matrix in 2020.

VALIDATE

The Sustainalytics Reporting Group:

- Examined the 11 issues according to their business impact and grouped them into eight reporting areas, which they plotted on a materiality matrix.
- Had senior management evaluate these issues according to a strategic sustainability framework.



Figure 4: Sustainalytics' 2019 Materiality Matrix⁶



Performance Disclosure

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Performance Disclosure

The Sustainability Reporting Group categorized the material issues according to a strategic sustainability framework and broke them down into three focus areas:

- Products (What Sustainalytics Does), and
- Human Capital and Operations (How Sustainalytics Does Things).

What Sustainalytics Does

Product and service quality Product and service innovation Client satisfaction and retention Sustainalytics' positive impact

How Sustainalytics Does Things

Human Capita

Equity and diversity Employee engagement Professional growth opportunities

> Operations Environmental footprint

What Sustainalytics Does

The first set of performance metrics encompasses the material indicators that inform Sustainalytics' decisions with regards to its products and services. They focus on sustainability themes identified through the materiality assessment process: *Product and Service Quality, Product and Service Innovation, Client Satisfaction and Retention,* and *Sustainalytics' Positive Impact.*

How Sustainalytics Does Things

The second set of performance metrics encompasses the material indicators that inform the way in which Sustainalytics manages the company. Sustainalytics believes that it is important to work towards integrating sustainability metrics and considerations into its reporting. It is the right thing to do, and it also improves Sustainalytics' understanding of its business. The company reports on these issues under the themes of **Human Capital** and **Operations**, focusing on four sustainability topics identified during the materiality assessment process. Three topics fall under Human Capital (*Equity and Diversity, Employee Engagement, Professional Growth Opportunities*) and one under Operations (*Environmental Footprint*).

Sustainalytics uses a traffic light system to report on progress with regards to the key performance indicators (KPIs):

- Sustainalytics is on target
- Sustainalytics just fell just short of its target
- Sustainalytics failed to meet its target by a significant margin
- There was no set target for the reporting year

Material Issues: What Sustainalytics Does

Material Issues: What Sustainalytics Does

This section focuses on four material issues that relate to Sustainalytics' products:

- Product and Service Quality,
- Product and Service Innovation,
- Client Satisfaction and Retention, and
- Sustainalytics' Positive Impact.

Product and Service Quality

High-quality ESG research is a requirement for the widespread adoption of ESG investing and thus central to understanding Sustainalytics sustainability performance. How well Sustainalytics meets this objective is reflected in its revenue growth as this demonstrates the trust investors place in the quality of its research.

Sustainalytics continuously works on improving its business processes and quality management tools. The company has implemented numerous control measures to ensure the quality and integrity of its research and products.

	2019		2020
КРІ	Assessment	Goals	Goals
Total Sales		Maintain operational	Continue to strengthen data governance
New Sales		excellence through process improvements	Professionalize portfolio screening
Core Cash Creation		Improve Sustainalytics'	services
Profitability	•	 data governance maturity level and strengthen its data management practices Enhance and streamline Sustainalytics' research and data collection processes, with a special focus on quantitative metrics 	 Simplify approach to research coverage across products Continue to improve quality and research processes related to Sustainalytics' Product Involvement offering Establish new research processes that enable change detection to support internal and client use cases.
		• Utilize smart technology to support human	
		analysis	

Material Issue: Product and Service Quality

Sustainalytics exceeded its (non-GAAP) targets for Total Sales, New Sales and Core Cash Creation, while narrowly missing its (GAAP) Profitability target. The company continues to focus on investing heavily in the business to underpin robust growth that outpaces the market while improving profitability and cash flow.

Sustainalytics' rapid growth has increased the complexity of its operations with a greater number of products, digital platforms, and research tools and teams. Meanwhile, the company's products are increasingly interdependent, and the ways clients use its research have increased in number and sophistication.

To better manage this complexity, Sustainalytics created a dedicated data governance team within our Information Communication Technology department. The team's mandate is to manage the flow and governance of data, from collection to data delivery through client and third-party platforms. In 2019, the team focused on two primary areas:

- Service Delivery: Improving service delivery by better managing Sustainalytics' researchrelated business processes.
- **Digitalization:** The re-engineering and automation of operational processes as integral components of Sustainalytics' digital infrastructure to improve efficiency and enable better quality management processes.⁹

To strengthen Sustainalytics' norms-based research products and services, the company launched a dedicated research platform for its Global Standards Screening and Global Standards Engagement service. This improvement follows the earlier harmonization of Sustainalytics and the former GES' norms base solutions in 2019.

Finally, some of Sustainalytics core operational and quality-assurance tasks, such as portfolio intake, universe management, and monthly data deliverables, were also extended and automated to improve quality.



Award-Winning Leadership

Sustainalytics is one of the world's leading providers of ESG ratings and research. In recognition of the high-quality products and services it offers, as well as the contributions it made to the field of sustainable investing, Sustainalytics won several awards in 2019:

IN FOCUS

- Environmental Finance, an online news and analysis service reporting on sustainable investment and green finance, awarded Sustainalytics three Sustainable Investment Awards in 2019. The firm took top spots in the following categories: Best ESG Data Provider for Investors for its materiality-driven ESG Risk Ratings, Best ESG Research for its 10 for 2019: ESG Risks Loom Large report, and ESG Engagement Initiative of the Year for its thematic engagement on plastics and the circular economy.
- Sustainable and Responsible Capital Market Awards voted Sustainalytics the Most Impressive Second Opinion Provider for the third consecutive year in an extensive market poll in which issuers, investors, investment banks and other market participants participated
- Presented by the *Climate Bonds Initiative*, the *Green Bond Pioneer Awards* recognized Sustainalytics as the *Largest External Reviewer* for Certified Climate Bonds for the second consecutive year.
- Delta Management Group, a leading sustainability and cleantech recruitment firm, designated Chief Executive Officer Michael Jantzi as one of Canada's 2020 Clean50 Leaders. They also awarded Michael the prestigious Canada Clean16 Award in the Finance and Services category for his significant contributions to the causes of sustainability and clean capitalism in Canada over the past two years. In determining the awards' recipients, Delta Management Group considers measurable accomplishments, demonstrated innovation, collaboration with other organizations and the power of the honoree's contribution to inspire other Canadians to take similar action.
- INSEAD National Alumni Association, representative of one of the world's leading graduate business schools, recognized Sustainalytics as the overall winner of its "Business as a Force for Good" award. The award honors Canadian businesses that have achieved remarkable economic results while delivering meaningful societal impact.



Product and Service Innovation

	2019		2020
КРІ	Assessment	Goals	Goals
KPI Product Innovation Process Innovation Digital Innovation		Goals • Launch industry reports to help clients better understand Sustainalytics' flagship ESG Risk Ratings' exposure framework • Launch improved country ratings product • Launch improved norms-based screening product • Support impact and SDG focused investors through targeted product releases • Extend Sustainalytics' product and service offering to the corporate segment	 Goals Product Innovation Introduce further improvements to our ESG Risk Ratings product Develop products and services supporting investors to comply with ESC regulatory requirements Launch an ESG Data and an ESG Impact Reporting Solution Reposition and expand Sustainalytics' active ownership services Strengthen and broaden Second Party Opinion (SPO) services for green, social and sustainability bond frameworks Digital Innovation Utilize smart technologies for corporate segment products Further enhance smart technology powered research productivity tools
		Develop new products and services for engagement	Use artificial intelligence and machine learning to increase the efficiency of research processes
		Utilize smart technologies for corporate segment	



Product & Process Innovation

In 2019, Sustainalytics continued to enhance its product portfolio to better serve its clients throughout the investment value chain. The research team strengthened our flagship ESG Risk Ratings with the launch of 42 new ESG Risk Ratings Industry Reports. These in-depth reports help clients better understand key ESG industry trends and levels of unmanaged ESG risk. They contain a balance of quantitative analysis and qualitative commentary and include details into how corporate governance information contributes to the ESG Risk Ratings.

Sustainalytics released its Global Standards Screening product and its Global Standards Engagement service, which resulted from the acquisition of GES International. With Global Standards Screening, investors can identify companies involved in serious incidents and assess their impact on stakeholders and the environment as it relates to internationally accepted norms and standards. The Global Standards Screening research underpins the Global Standards Engagement service, through which Sustainalytics engages with Non-Compliant and Watchlist companies together with its clients.

Moreover, Sustainalytics launched its Country Risk Ratings, which measure the risk to a country's long-term prosperity and economic development by assessing how well it manages its environmental, social and institutional capital. Finally, Sustainalytics made its Controversial Weapons Radar available through its Data Services offering so clients can access the information through their preferred systems and enhanced its Product Involvement research by adding new product areas.

Digital Innovation

In 2019, Sustainalytics expanded its use of machine learning and AI to enhance its research operations. The improvement focused on the speed, reach and quality of data collection processes as well as contextualizing the display of information for analyst curation.

Sustainalytics completed its first industry-academic partnership with the Institute of Digital Curation at the University of Toronto on the implementation of data-intensive digital curation. In addition, Sustainalytics developed AI-powered descriptive and predictive analytic capabilities and increased the number of business processes that leverage smart technology.

Client Satisfaction and Retention

2019			2020	
KPI	Assessment	Goals	Goals	
Client Retention Rate		 Effectively integrate GES clients into Sustainalytics' client portfolio Support clients in transitioning to the new flagship ESG Risk Ratings Enhance the delivery, application, and use of ESG data through Sustainalytics' data feed and API service offering as well as third party channels Embed Sustainalytics' research and data into its clients' investment value chain Continue to leverage strategic partnerships Optimize the Client Relations team structure to enable scalability, rapid growth, and operational excellence Ensure Sustainalytics' innovation pipeline meets the dynamic needs of its diverse global market Maintain Sustainalytics' position as the leading external reviewer of green, social and sustainability bond frameworks globally 	 Continue providing high-quality research, ESG solutions, and excellent customer service to clients Successfully integrate Engagement Services into Sustainalytics' Global Access portal, ensuring that clients experience a seamless transition Enhance ESG Risk Ratings company reports in Global Access to support greater adoption of the new flagship rating for various client use cases Further enhance distribution and utility of Sustainalytics' data through third parties Continue to leverage strategic partnerships Extend the roadmap for integrating ESG data across Morningstar's research and solutions for all segments Maintain Sustainalytics' position as the leading external reviewer of green, social and sustainability bond frameworks globally 	

Material Issue: Client Satisfaction and Retention



Sustainalytics' 2019 client retention rate of 94.5% was strong, although the company narrowly missed its target. The following developments are some of the initiatives that contributed to favourable client satisfaction in 2019:

- To complement our Institutional Client Advisory team, Sustainalytics launched a dedicated Client Service team to provide efficient support to many of its institutional investor clients that subscribe to standardized products and solutions. The Client Service team launched a new client portal called the Sustainalytics Academy, which provides easily accessible on-demand content on Sustainalytics' products and services with access to self-service tools and video tutorials.
- Sustainalytics also introduced several enhancements to its flagship ESG Risk Ratings, informed by feedback from its clients. For instance, in November 2019, Sustainalytics added several new management indicators, and the company made a full set of beta indicators available through its Data Services offering and in its Global Access portal. Sustainalytics' commitment to providing greater transparency into the building blocks of its research framework drives these developments.
- Sustainalytics successfully onboarded GES International and integrated Engagement Services into its product portfolio. This service supports clients in their stewardship responsibilities by collaboratively engaging with portfolio companies on ESG issues.

2019			2020
КРІ	Assessment	Goals	Goals
Delivery of products and services creating positive impact		 Continue enhancing Sustainalytics' products and services to provide insights to investors and companies helping them make more informed decisions that lead to a more just and sustainable economy Develop new cutting- edge solutions that help solve environmental and social challenges Foster constructive dialogue with companies regarding their compliance with accepted international conventions and tackling the most challenging ESG issues 	 Continue enhancing Sustainalytics' products and services to provide insights to investors and corporates to help them make informed decisions that lead to a more just and sustainable economy Through Sustainalytics' engagement services, help investors be better investment stewards and drive positive change in corporate behavior Develop solutions to help investors fulfill the requirements of the EU Action Plan and similar policy initiatives

Sustainalytics' Positive Impact

Material Issue: Sustainalytics' Positive Impact

As a mission-driven company focused on sustainable investing, Sustainalytics' positive impact is directly related to its business success, as high-quality products and solutions enable its clients to make better-informed capital allocation decisions. In 2019, Sustainalytics successfully launched several innovative products, all of which were driven by its mission to contribute to creating a more just and sustainable global economy.

While Sustainalytics formally launched its flagship ESG Risk Ratings in Q4 2018, its primary focus in 2019 was to introduce its clients to the enhanced ratings framework and to transition subscribers of the legacy ESG Ratings to the new ESG Risk Ratings. Due to the complexity of Sustainalytics' research products and the ways its clients use its research, this transition was a significant undertaking that spanned more than a year.

How Sustainalytics' Clients Leverage ESG Risk Ratings

Pictet is using the ESG Risk Ratings in combination with other types of ESG research in their Asset Management, Wealth Management, and Asset Services business. They have an internal tool where, among other indicators, features the ESG Risk Ratings so that portfolio managers and analysts can integrate this information into their investment decision making. Additionally, by including ESG factors in their reporting, all three business lines enhance transparency for their clients. Pictet launched a set of ESG indexes based on J.P. Morgan's Corporate Emerging Market Bond Index (CEMBI) and Emerging Market Bond Index (EMBI). These indexes utilize a variety of Sustainalytics' research products in defining its rule-based approach, including its ESG Ratings, Country Risk Ratings, Product Involvement and Controversies Research. These indexes aim to meet rising institutional- and retail investor demand for ESG solutions, particularly within the fixed income and emerging markets space. With the growth of passive investing and rising demand for integrated ESG solutions, the new indexes will provide a comprehensive range of objective and transparent ESG benchmarks and a robust foundation for index-based ESG strategies.

In 2019, Sustainalytics launched Global Standards Screening, which assesses companies' impact on stakeholders and the extent to which a company causes, contributes, or links to violations of international norms and standards. Global Standards Screening builds on the strengths of Sustainalytics' legacy Global Compact Compliance Service and GES' Global Ethical Standard service; two strong, well-established norms-based screening products.

Sustainalytics also launched its Country Risk Ratings, which measure the risk to a country's long-term prosperity and economic development by assessing how well it manages its environmental, social, and institutional capital. The new country ratings framework features a robust methodology that aligns to Sustainalytics' ESG Risk Ratings with comparable scores that can fit into the same portfolio.

With the acquisition of GES International, Sustainalytics started offering comprehensive engagement services to help investors act with a higher level of investment stewardship.



Creating Positive Outcomes through Corporate Engagement

Working collaboratively with its asset owner and asset manager clients, Sustainalytics fosters constructive dialogue with clients' portfolio companies in an effort to affect change. Informed by its company-level research, Sustainalytics collaborates with clients to facilitate all avenues of active ownership, including direct constructive dialogue with companies and assisting with shareholder resolutions and proxy-voting decisions. Clients often join conference calls with the relevant companies and can track real-time engagement progress on Sustainalytics' client platform (Global Access).

	Global Standards Engagement	Thematic Engagement	Others (Corporate, Governance, bespoke)
Total number of active engagement cases in 2019	197 36 Business Ethics 35 Environment 84 Human Rights 42 Labour Rights	269 20 Carbon Risk 7 Child Labor in Cocoa 23 Climate Transition 139 Emerging Markets 23 Food Supply Chain 21 Plastics & Circular Economy 6 Sustainable Seafood 13 Taxation 17 Water Management	10053 Corporate Governance47 Bespoke
Total engaged companies	174	258	93
Companies that made progress in addressing the issue ¹⁰	115	117	34
Successfully closed cases ¹¹	28	37	25

Sustainable Development Goals (SDGs) Distribution Among All Engagement Cases in 2019



Quotes From Sustainalytics' Engagements With Companies

Through our engagement with Sustainalytics, we have had the opportunity to learn from peers, gain insights on investor trends and have global conversations on key human rights issues.

Woolworths

Nutrien

Nutrien believes in having an open dialogue on the key issues that matter to its stakeholders. The engagement process with Sustainalytics provided for a constructive two-way dialogue on a number of ESG related issues. The process ultimately provided our investors with a better understanding of our approach and the progress we are making to address these issues.



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How Our Clients Leverage Sustainalytics' Engagement Services

Advancements in regulation, stronger stakeholder scrutiny, and the evolving understanding of fiduciary duty have heightened the need to expand the breadth and depth of investors' stewardship activities. With a large and experienced team with diverse subject matter expertise, Sustainalytics offers a clear value proposition to clients that wish to expand their active ownership activities through a collaborative stewardship partnership.

Sustainalytics can help clients quickly scale up their engagement activities relating to material ESG risks and international norms breaches while expanding the breadth of ESG topics they cover through thematic engagements. This support enables clients to focus on their overall investment stewardship strategy and related focus areas.

Sustainalytics' clients have the flexibility to choose their level of involvement by joining the conversation or simply exploring the most relevant information on its Global Access platform. Sustainalytics' Engagement team follows a transparent process by documenting company meetings and systematically tracking progress against clearly defined engagement objectives. Clients can leverage this information in their dialogues and corporate reporting.

The following highlights from Sustainalytics' Sustainable Finance Solutions demonstrate how its clients are contributing to the Sustainable Development Goals (SDGs).

Green, Social and Sustainable Bonds in 2019

Sustainalytics Provided Second Party Opinions (SPOs) for 211 Bonds in 2019

Green Bonds

Bonds that raise funds for new and existing projects with environmental benefits



Sustainalytics Provided Second Party Opinions for Different Types of Institutions







Geographic Spread of Sustainalytics' Second-Party Opinion Clients

Top Six Use of Proceeds and Their Link to Sustainable Development Goals

Renewable Energy



Ensure access to affordable, reliable, sustainable and modern energy for all



Take urgent action to combat climate change and its impacts

Clean Transportation



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Make cities and human settlements inclusive, safe, resilient and sustainable

Energy Efficiency



Ensure access to affordable, reliable, sustainable and modern energy for all



Take urgent action to combat climate change and its impacts

Green Buildings



Make cities and human settlements inclusive, safe, resilient and sustainable



Take urgent action to combat climate change and its impacts



Take urgent action to combat climate change and its impacts

Pollution Prevention And Control

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Make cities and human settlements inclusive, safe, resilient and sustainable



Take urgent action to combat climate change and its impacts

and sustainable management of water and sanitation for all

Water/Wastewater Management



6 LEAN WATER AND





settlements inclusive, safe, resilient and sustainable

Make cities and human

Ensure availability

Conserve and sustainably use the oceans, seas and marine resources for sustainable development



Noteworthy Second-Party Opinions in 2019

A second-party opinion of a green bond framework and intended use of proceeds ensures that the bond issuance is in line with market expectations and industry best practices. Sustainalytics' is recognized as the largest provider of second-party opinions in the market, helping investors better evaluate green, social and sustainable bonds. Below you can see some noteworthy projects Sustainalytics worked on in 2019.

Reykjavik Social Housing (RSH)

RSH, a non-profit organization owned by the city of Reykjavik, is one of Iceland's largest housing rental companies, providing affordable social housing. RSH issued Iceland's first social bond worth ISK6.4 billion (€46m). The organization will use proceeds from the bond to support further investments in rental housing and to increase RSH's apartment portfolio by at least 500 units.

PepsiCo

PepsiCo, an American multinational food, snack, and beverage corporation, priced its first-ever green bond. The designated use of proceeds from the \$1 billion bond (€0.8 billion) will help to reduce plastic pollution in line with its target to reduce 35% of virgin plastic content across its beverage portfolio by 2025. The bond will fund the purchase of compostable, biodegradable and/or recyclable material for use in product packaging. PepsiCo will also invest in the development of packaging that includes bio-based polyethylene terephthalate (PET) bottles and compostable and biodegradable packing for snacks.

Etihad Airways

Etihad Airways, the national carrier of the United Arab Emirates, has become the first airline to secure funding for a project based on its compatibility with the United Nations' Sustainable Development Goals. Through a partnership with First Abu Dhabi Bank and Abu Dhabi Global Market, the airline will borrow €100 million to support the expansion of the Etihad Eco-Residence, a sustainable apartment complex for the airline's cabin crew. Etihad established a Sustainable Development Financing Framework, which specifies a range of projects linked to the Sustainable Development Goals that could be funded with the bond proceeds. The framework identifies seven priority categories: Green Buildings, Investment in Women, Biofuels, Reduction of Carbon Footprint, Waste Management and Recycling, Humanitarian Efforts, and Wildlife Protection.

Thought Leadership

Sustainalytics contributes to a more just and sustainable economy through its thought leadership that offers timely analyses of mainstream market events, provides insight into specific ESG themes, and explores related investment risks and opportunities. In 2019, Sustainalytics published six reports discussing various issues, from emerging market equities and physical climate risks to African sovereign debt.

Environmental Finance recognized Sustainalytics' 10 for 2019: ESG Risks Loom Large report as the Best ESG Research report. In addition to our thought leadership reports, Sustainalytics also produced 45 blog posts and six podcasts examining current events through a sustainable investment lens.

Material Issues: How Sustainalytics Does Things

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Material Issues: How Sustainalytics Does Things

Human Capital

Sustainalytics' success continues to be driven by the values and performance of its employees. From recruitment to talent development, Sustainalytics focuses on building a company where people that are motivated by its mission can excel. The company achieves this through a range of initiatives in the areas of *Professional Growth Opportunities, Employee Engagement, and Equity and Diversity.*

By the end of 2019, Sustainalytics employed 627 people, representing a \sim 28% year-over-year increase. This increase includes 65 new colleagues that joined as part of the GES acquisition.



Figure 5: Sustainalytics' Employee Growth

Professional Growth Opportunities

2019			2020
КРІ	Assessment	Goals	Goals
Training budget as a percent of personnel costs	•	Cultivate stronger middle management globally	 Cultivate stronger middle management globally with a focus on first-time managers
Education credit usage		Develop, facilitate and pro-actively offer	 Continuously develop Sustainalytics' training programs
Annual performance and career development reviews	•	relevant group training sessions tailored to team skills and development needs	 Systemically evaluate all training elements and consistently report on all activities
		 Maintain the current completion rate of annual performance and career development reviews 	

Material Issue: Professional Growth Opportunities

Continuous learning is crucial for Sustainalytics to maintain its competitive advantage and to retain and motivate employees. To that end, Sustainalytics provides employees with a training credit annually and offers paid leave of up to two days per year for coursework.

In 2019, approximately 93% of employees used their education credit for courses, workshops, conferences, and other educational events. Sustainalytics encourages employees to use the funds in a self-directed manner and spent an average of 48 hours on professional development initiatives (in line with the average in high performing companies).¹²

Sustainalytics offered customized group training sessions to increase consistency in skills development, facilitate better cross-functional team collaboration and strengthen interpersonal relationships. More than 600 participants attended over 30 group training sessions. Notable examples include:

- **Insights Discovery:** Communication skills training aimed at building stronger relationships within and across teams. There were nine group sessions for 99 employees globally.
- Client Relations & Product Development Training: Training to improve customer acquisition and service delivery. There were six group sessions for 59 employees globally.
- Introduction to Financial Markets and Responsible Investment: Opportunity to build a fundamental understanding of financial markets and responsible investing for new analysts in key research teams. Sustainalytics conducted a training session for 32 employees in Romania.


Employee Engagement

Material Issue: Employee Engagement					
	2019		2020		
КРІ	Assessment	Goals	Goals		
Engagement Index	•	Create and execute a comprehensive strategy addressing the issues	Help employees better understand Sustainalytics' business strategy		
Employee turnover rate	•	raised in the engagement survey • Review Sustainalytics'	 Enhance physical working conditions Conduct Sustainalytics' biennial engagement survey 		
		compensation framework	Reduce attrition rate		

In 2018, Sustainalytics completed an analysis of its compensation practices intending to establish appropriate market benchmarks for different roles in the company. Based on this analysis, Sustainalytics developed an ambitious two-year, multi-million Euro global investment plan. In 2019, the objective of the plan was to ensure that employees' compensation meets or exceeds the relevant market benchmarks while incentivizing both individual performance and teamwork. Sustainalytics will adopt an annual process to continue assessing and benchmarking compensation practices as part of its broader human capital strategy.

In 2019, the voluntary turnover rate improved to 10% after four consecutive years of missing the company target of 12.5%. The following initiatives contributed to this improvement:

- Talent Acquisition Team: By professionalizing the talent acquisition process, Sustainalytics improved candidates' experience with the hiring process and indirectly contributed to higher retention rates.
- **Referral Policy:** Sustainalytics updated and promoted its referral policy to attract more suitable candidates.
- Onboarding Process: A revamp of the onboarding program helped to improve the experience of new hires.
- **Retirement Benefits:** In relevant locations, Sustainalytics enhanced retirement benefits to better align with market standards.
- **Bonus Policy:** Sustainalytics revised its bonus policy in Romania to better reward outstanding performance.
- **Compensation Framework:** Sustainalytics reviewed and benchmarked wages in key locations, making structural wage increases where relevant.
- Flexible Work Arrangements: Sustainalytics provided employees with more flexible working arrangements to help employees balance personal and professional responsibilities.

Equity and Diversity

Material Issue: Equity and Diversity					
	2019		2020		
КРІ	Assessment	Goals	Goals		
Employee Exchanges Representation of women at senior levels of the company	•	 Maintain Sustainalytics' employee exchange program and policies regarding flexible working arrangements Advance equity and diversity through Sustainalytics' hiring, career advancement and compensation practices 	 Maintain Sustainalytics' employee exchange program and policies regarding flexible working arrangements Advance equity and diversity through Sustainalytics' hiring, career advancement and compensation practices 		

Sustainalytics continues to foster, develop, and promote a culture of inclusion, which celebrates all forms of diversity, enabling employees to maximize their potential by encouraging innovation and creativity.



By the end of 2019, 63% of Sustainalytics' total employees and 54% of its senior management were female, representing an increase of 3% for both measures compared to 2018.



Figure 6: Percentage of Women in Different Positions

The pay ratio is a key measure used to track gender equity. Sustainalytics analyzed this ratio, taking regional and structural differences into account. The aggregate gender pay ratios in 2019 were as follows after making relevant adjustments to improve comparability:¹³

- Entry to manager-level (women to men): 0.98:1 in 2019 vs. 1.04:1 in 2018.
- Senior management-level (women to men): 0.99:1 in 2019 vs. 0.92:1 in 2018.



Sustainalytics' efforts to monitor the gender pay gap have helped the company to improve its ratio for senior management positions, so it is close to parity. Among entry to manager-level employees, the ratio remains close to parity despite a slight decline. The company took the following steps in 2019 to continue monitoring the gender pay ratio:

- Analyzing average increases assigned to employees based on gender and level during the year-end compensation allocation process, and
- Evaluating year-end promotions based on gender.

One of the ways Sustainalytics leverages its global footprint is through the company's employee exchange program. This program aims to strengthen its global culture and reward stellar performance. Since 2011, Sustainalytics offered a select group of high-performing employees the opportunity to work at one of its international offices for a period of three to six months. The exchange program aims to energize Sustainalytics' global team while accelerating their professional development. In 2019, the HR team received 22 applications from eight different teams and selected seven employees to participate in the program.

One of the ways in which Sustainalytics aims to create a more supportive, respectful and inclusive work environment is through its hiring practices. The implementation of MyHire as its global applicant tracking system in 2019 enabled Sustainalytics to make the job application and candidate selection processes more equitable and transparent.

Operations: Environmental Footprint

Material Issue: Energy efficiency and GHG emissions management					
	2019	2020			
КРІ	Assessment	Goals	Goals		
Greenhouse gases emissions offset	•	 Implement more sophisticated reporting measures that better capture Sustainalytics' environmental impact Improve Sustainalytics' recycling efforts in all its offices 	 Enhance reporting measures to capture environmental impact beyond business travel and commuter travel emissions Introduce new environmentally-focused initiatives with the participation of Sustainalytics' employees 		

Sustainalytics is committed to using resources in ways that ensure the long-term sustainability and profitability of its business without negatively impacting the environment. Mitigating the company's environmental footprint by embedding sustainability considerations into its operations is both strategic and integral to the company's culture. Sustainalytics actively improved the way it collects, monitors, and reports on environmental data in 2019.









As Sustainalytics continues to expand globally, managing its carbon footprint remains a challenge. In 2019, the company experienced a significant increase in its carbon emissions compared to the year before. In addition to more travel for client meetings and conferences, the uptick also reflects a change to the way in which Sustainalytics measures and tracks air and rail travel more rigorously. For example, Sustainalytics started using a common global platform for travel bookings while improving the monitoring and reporting of employee commutes by circulating a detailed survey.

Sustainalytics' offices around the world implemented global and local initiatives to create a more sustainable working environment. Highlights include:

- 1. Sustainable Procurement: Building on Sustainalytics' existing sustainable procurement policy, the company continued to source all office supplies in a responsible, local, and environmentally-friendly manner. This ranged from catering like focusing on vegan and vegetarian options to office stationery and supplies, where the focus was on sustainable, local, and bulk purchases. Sustainalytics' branded materials, like notepads and pens, are made from recycled paper or OXO-degradable11 plastic. The company also only uses Forest Stewardship Council certified or recycled paper.
- 2. Improved Recycling Systems: Sustainalytics ramped up recycling efforts by placing more recycling bins in its offices and reducing the number of general waste bins to encourage material separation and recycling. Additionally, the company increased efforts to recycle office supplies and equipment, such as e-waste, used toner cartridges, batteries, pens, and markers.
- **3. Community Involvement:** In 2019, Sustainalytics established sustainability- and social committees in three of its largest offices. The committees aim to foster sustainability and encourage the health and well-being of employees through social events. Additionally, Sustainalytics aims to drive a positive impact by encouraging neighboring companies in the buildings where it operates to implement sustainable practices. For example, in 2019, the Amsterdam office joined the office building's ESG committee with the goal of reducing the building's environmental impact. Initiated discussions include: removing plastic stirrers in the lobby's coffee area, looking into installing LED lighting, and increasing the number of electrical charging points for electric vehicles. Sustainalytics' Boston office is a tenant in a WeWork building. Employees encouraged WeWork to set up a composting program, taking a cart around to other tenants to raise awareness and explain the benefits of the composting program. Additionally, social committees organized events such as summer barbeques, volunteer events, and sustainability-focused "lunch and learn" sessions.
- **4. Earth Day:** Every year, Sustainalytics offices celebrate Earth Day by watching a documentary to raise awareness. This year, offices hosted a lunchtime viewing party and discussion session.



What's Next?

In addition to measuring the key indicators highlighted in this report, Sustainalytics will continue to focus on embedding sustainability metrics more effectively into its strategic decision-making and management reporting systems. Sustainalytics will build on its commitment to measure, manage and report on these issues.

Material Issues	2020 Goals	Metrics
	What Sustainalytics Does: Products	
Product and Service Quality Product and Service Innovation	 What Sustainalytics Does: Products Continue to strengthen data governance Professionalize portfolio screening services Simplify approach to research coverage across products Continue to improve quality and research processes related to Sustainalytics' Product Involvement offering Establish new research processes that enable change detection to support internal and client use cases. Product Innovation Introduce further improvements to our ESG Risk Ratings product Develop products and services supporting investors to comply with ESG regulatory requirements Launch an ESG Data and an ESG Impact Reporting Solution Reposition and expand Sustainalytics' active ownership services Strengthen and broaden Second Party Opinion (SPO) services for green, social and sustainability bond frameworks 	Revenues New Sales Profitability Core Cash Creation Product Innovation Process Innovation Digital Innovation
	 Utilize smart technologies for corporate segment products Further enhance smart technology powered research productivity tools Use artificial intelligence and machine learning to increase the efficiency of research processes 	
Client Satisfaction and Retention	 Continue providing high-quality research, ESG solutions, and excellent customer service to clients Successfully integrate Engagement Services into Sustainalytics' Global Access portal, ensuring that clients experience a seamless transition Enhance ESG Risk Ratings company reports in Global Access to support greater adoption of the new flagship rating for various client use cases Further enhance distribution and utility of Sustainalytics' data through third parties Continue to leverage strategic partnerships Extend the roadmap for integrating ESG data across Morningstar's research and solutions for all segments Maintain Sustainalytics' position as the leading external reviewer of green, social and sustainability bond frameworks globally 	Client Retention Rate
Sustainalytics' Positive Impact	 Continue enhancing Sustainalytics' products and services to provide insights to investors and corporates to help them make informed decisions that lead to a more just and sustainable economy Through Sustainalytics' engagement services, help investors be better investment stewards and drive positive change in corporate behavior Develop solutions to help investors fulfill the requirements of the EU Action Plan and similar policy initiatives 	Delivery of products and services creating positive impact

Material Issues	2020 Goals	Metrics			
	How Sustainalytics Does Things: Human Capital				
Professional Growth Opportunities	 Cultivate stronger middle management globally with a focus on first-time managers 	Training budget as a percentage of personnel cost			
	Continuously develop Sustainalytics' training programs	Education credit usage			
	 Systemically evaluate all training elements and consistently report on all activities 	Annual performance and career development reviews			
Employee Engagement	 Help employees better understand Sustainalytics' business strategy Enhance physical working conditions Conduct Sustainalytics' biennial engagement survey Reduce attrition rate 	Employee Turnover Employee Engagement Index			
Equity and Diversity	 Maintain Sustainalytics' employee exchange program and policies regarding flexible working arrangements Advance equity and diversity through Sustainalytics' hiring, career advancement and compensation practices 	Employee Exchanges Representation of women at senior levels of the company			
	How Sustainalytics Does Things: Operations				
Environmental Footprint	 Enhance reporting measures to capture environmental impact beyond business travel and commuter travel emissions Introduce new environmentally-focused initiatives with the participation of Sustainalytics' employees 	Greenhouse gases emissions offset			





Appendix

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Appendix

The table below lists all our material issues and the corresponding GRI material aspect. Each material aspect is relevant to all entities included in our consolidated financial statements. While defining the content for this report, we did not identify regional differences.

Material Issue	Why Is It Material?	Corresponding Material GRI Aspect	Corresponding Material GRI Indicator	Issue Boundary Of Impact & Key Interested Stakeholders
Product and Service Quality	Providing products that deliver informative ESG insights, underpins our growth as a firm and allows us to realize our vision and mission.	None Identified	GRI 103-1 None Identified	EXTERNAL • Clients • Prospects
Client Satisfaction and Retention	Our ability to retain clients is imperative for Sustainalytics to continue to be a successful business, serving the sustainable investment industry.	None Identified	GRI 103-1 None Identified	EXTERNAL & INTERNAL • Employees • Shareholders • Clients • Prospects
Product and Service Innovation	Sustainalytics' long-term success depends, in part, on our ability to innovate and deliver more sophisticated products to our clients to meet their needs.	None Identified	GRI 103-1 None Identified	EXTERNAL • Clients • Prospects
Sustainalytics' Positive Impact	Enhancing and gaining a better understanding of our impact is a long-term objective.	None Identified	GRI 103-1 None Identified	EXTERNAL Clients Prospects Financial Services Sector



Material Issues	Why Is It Material?	Corresponding Material GRI Aspect	Corresponding Material GRI Indicator	Issue Boundary Of Impact & Key Interested Stakeholders
Professional Growth Opportunities	As a knowledge-based organization, nurturing professional growth and challenging and motivating employees is paramount to our success as an organization.	Training & Education	GRI 103-1 GRI 404-1	INTERNALEmployeesSenior Management
Employee Engagement	Employee engagement means creating an environment where employees feel they can perform consistently at their best. This, together with nurturing professional growth, is key to recruiting and retaining top talent.	Employment	GRI 103-1 GRI 404-1	INTERNAL Employees Senior Management
Equity and Diversity	Diversity across a workforce makes for a more successful and sustainable company. Sustainalytics needs to have access to a large pool of high-quality candidates so that it can attract and retain the best talent.	Equal Remuneration For Men & Women	GRI 103-1 GRI 405-2	INTERNALEmployeesSenior Management
Environ- mental Footprint	Our commitment to sustainable business practices enables us to manage our reputational risk. It differentiates us from competitors, enhances our brand reputation globally across a r ange of stakeholder groups and assists in the recruitment and retention of talented staff.	Emissions	GRI 103-1 GRI 305-1	EXTERNAL & INTERNAL • The environment • Employees • Senior Management





GRI Index for "In Accordance" Core

GRI Index for "In Accordance" Core

	General Standard Disclosures				
General Standard Disclosures	Description	Page Number/Location	Omissions		
	Strategy & Analy	<i>y</i> sis			
GRI 102-14	Statement from the most senior decision-maker of the organization	Pg.8			
	Organizational Pr	ofile			
GRI 102-1	Name of the organization	Report Cover			
GRI 102-2	Primary brands products and services	https://www.sustainalytics. com/our-solutions/			
GRI 103-3	Location of company's headquarters	Pg. 5			
GRI 102-4	Number of countries where the organization operates, and names of countries where either the organization has significant operations or is specifically relevant to the sustainability topics covered in the report	Pg. 5			
GRI 102-5	Nature of ownership and legal form	Pg. 5			
GRI 102-6	Markets served	Pg. 5			
GRI 102-7	Scale of the organization	Pg. 5			
GRI 102-8	Total number of employees by employment type, employment contract, and region, broken down by gender	Pg. 35			
GRI 102-41	Percentage of total employees covered by collective bargaining agreements	N/A			
GRI 102-9	Describe the organization's supply chain	Pg. 40			
GRI 102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Pg. 5, 55			
GRI 102-11	Report if and how the organization addresses the precautionary approach or principle	Pg. 11			
	Material Aspects & Bo	oundaries			
GRI 102-45	All entities included in the organization's consolidated financial statements or equivalent documents including indication which of these are not covered by the report	Pg. 5			
GRI 102-46	Process for defining the report content and the Aspect Boundaries	Pg. 11			
GRI 102-47	Material Aspects identified in the process for defining report content	Pg. 14			
GRI 103-1	Aspect boundary within the organization for each material aspect	Pg. 14			
GRI 102-48	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Pg. 41			
GRI 102-40	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No changes			

General Standard Disclosures	Description	Page Number/Location	Omissions		
	Stakeholder Engage	ement			
GRI 102-40	Provide a list of stakeholder groups engaged by the organization	Pg. 12, 13			
GRI 102-42	Basis for identification and selection of stakeholders with whom to engage	Pg. 11			
GRI 102-43	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Pg. 12, 13			
GRI 102-44	Key topics and concerns that have been raised through stakeholder engagement, examining how the organization has responded	Pg. 12, 13			
	Report Profile	2			
GRI 102-50	Reporting period (such as fiscal or calendar year) for information provided	Pg. 7			
GRI 102-51	Date of most recent previous report (if any)	Pg. 7			
GRI 102-52	Reporting cycle (such as annual, biennial)	Pg. 7			
GRI 102-53	Contact point for questions regarding the report or its contents	Pg. 55			
GRI 102-54	'In accordance' option chosen for the report	Pg. 51			
GRI 102-56	Organization's policy and current practice with regard to seeking external assurance for the report	Pg. 7			
Governance					
GRI 102-18	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental, and social impacts	Pg. 5			
	Ethics & Integri	ty			
GRI 102-16	Organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics	Pg. 4			



Specific Standard Disclosures				
Material Issue	GRI Material Aspect	Performance Indicator	Omissions	
		Products		
Product and Service Quality	None identified	 Revenues New Sales Profitability Core Cash Creation Pg. 19 		
Client Satisfaction and Retention	None identified	Client Retention Rate Pg. 24		
Product and Service Innovation	None identified	 Product Innovation Process Innovation Digital Innovation Pg. 22 		
Sustainalytics' Positive Impact	None identified	 Delivery of products and services creating positive impact Pg. 25 		
	н	uman Capital		
Professional Growth Opportunities	Training & education	 Training budget as a percentage of personnel costs Education credit usage Annual performance and career development reviews GRI 404-1: Average hours of training per year per employee Pg. 36 		
Employee Engagement	Employment	 Employee Turnover Employee Engagement Index GRI 401-1: New employee hires and employee turnover Pg. 37 		
Equity & Diversity	Equal remuneration for men & women	 Representation of women at senior levels of the company Employee Exchanges GRI 405-2: Ratio of basic salary and remuneration of women to men Pg. 38 		
		Operations		
Environmental Footprint	Emissions	 GHG emissions offset GRI 305-3: Other indirect greenhouse gas (GHG) emissions (Scope 3) 		

Pg. 40

Endnotes

Endnotes

- ¹ Morningstar acquired a minority interest in Sustainalytics in 2017. As of July 2020, Morningstar owns 100% of Sustainalytics. Unless otherwise noted, the information in this report refers to activities up to and including December 31, 2019.
- ² Sustainalytics' last report was our 2018 Sustainability Report, published in Q1 2020, based on 2018 performance data.
- ³ Sustainalytics conducted a full materiality assessment in 2018. Find more information in the "Reporting Approach" section.
- ⁴ In 2014, Sustainalytics issued an internal Sustainability report based on our performance in 2013. This report was made available only to employees, board members and shareholders. The internal report was not prepared in accordance with GRI reporting guidelines.
- ⁵ For questions regarding this report or its content, please email <u>contact@sustainalytics.com</u>
- ⁶ Source: <u>http://www.climateaction100.org/</u>
- ⁷ Source: <u>https://www.unpri.org/annual-report-2019/foreword</u>
- ⁸ See Sustainable and Responsible Capital Market Awards
- ⁹ See also the "Digital Innovation" in the *Product and Service Innovation* section.
- ¹⁰ The number of companies that reached a milestone during the year
- ¹¹ A closed case is defined as follows: (i) Global Standards Engagement the company has implemented a robust strategy to deal with the issue and has successfully managed it; (ii) Thematic Engagement - the company has been responsive and successfully finished participating in one of the three-year thematic programs; and (iii) Other - the company has a constructive dialogue with Sustainalytics and has successfully managed its corporate governance issues, or the company's response and performance has met the client's requirements and expectations (for bespoke themes).
- ¹² Data from Udemy, an online learning platform aimed at professionals, reports that 52% of high-engagement companies have employees who spend an average of 31-50 hours learning per year compared to only 20% of low engagement companies. Source: <u>https://business.udemy.com/resources/proving-the-roi-of-learning/</u>
- ¹³ Sustainalytics excludes the following data to improve the comparability of its gender pay ratio calculations:
 - Executive team less than ten members with an incomparable wage structure
 - Asia less than ten employees
 - Australia less than ten employees
 - Denmark less than ten employees
 - Information Communication Technology team incomparable wage structure
 - Contractors

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