



SUSTAINALYTICS

a Morningstar company

STEWARDSHIP SERVICES



A global push for systemic environmental, social, and governance change coupled with heightened expectations around ESG risk management have many investors undertaking a widespread push toward ESG integration.

More than ever before, the long-term viability of organizations—and even industries—is an important factor for investors to consider when making investment decisions. Investors are looking to take an active, holistic and robust approach to managing ESG risks and capitalizing on ESG opportunities. This shift is bolstered by:



Global Trends

- ✓ Evolving and increasing regulator, client and beneficiary expectations
- ✓ The Covid-19 pandemic
- ✓ The state of the global economy



Changing Expectations Around Corporate Culture and Conduct

- ✓ Heightened expectations around board responsibility and accountability
- ✓ A transparent focus on ESG across all levels of organizations

What is ESG Stewardship?

Sustainalytics' Stewardship Services is where **ESG insights become action**. Stewardship includes Engagement and voting recommendations, and it provides a framework, support and direction for investors to integrate ESG into every stage of the investment lifecycle. Engagement and voting recommendations are effective drivers for enacting broad and meaningful change.

How Does ESG Engagement Benefit Investors?

Leading research* suggests ESG engagement:

Can improve investor returns and reduce downside risk

ESG improvements increase the market value of targeted companies – successful engagements yield the highest positive contribution.

Creates a real-world impact

- Shareholder engagement acts as a direct impact mechanism for change.
- The impact of shareholder engagement increases when investors and the relevant company(s) are engaged.

* References:

Barko, Cremers & Renneboog, Shareholder Engagement on Environmental, Social, and Governance Performance. J Bus Ethics (2021)
Heopner, Oikonomou et al. (2018)
Kobel, Heeb et al., Beyond Returns Investigating the Social and Environmental Impact of Sustainable Investing (2018)

Why Partner With Us?

Sustainalytics takes a collaborative, partnership approach to stewardship. Clients just starting out can leverage our infrastructure, knowledge and dedicated resources to get their ESG strategy off the ground. Those with more established programs will benefit from our footprint, network and capacity. Regardless of stage, our investor partners will harness the powerful combination of ownership influence, expert collaboration and leading ESG research/data to enact change.



Sustainalytics is a uniquely qualified ESG research and stewardship solutions provider – our research and engagement services are strategically aligned. Our engagement efforts are informed by in-house research performed by a dedicated team of more than 500 analysts.



ESG is at the core of everything we do at Sustainalytics—we are a mission-driven company focused on creating a more just and sustainable economy.

We Support Your Needs



Complement internal teams to increase capacity to cover more topics and/or companies



Complement internal expertise



Free up internal resources to focus on strategic priorities



Leverage a fully equipped stewardship team

Sustainalytics Stewardship Services*



Expertise

A diverse set of topic and sector expert areas. **Topic expertise** includes human rights, labour rights, climate, environment and business ethics; **Sector expertise** includes oil & gas, mining, telecom, chemicals, banking, food & beverage, retail and pharmaceuticals



Background

Various nationalities from **Europe, Asia and North & South America** with abundant international experience



Tenure

Team members have an **average of 10+ years experience** in responsible investing, sustainability and ESG



Languages

23 languages spoken fluently, including 18 with native proficiency



35+

Team members

A large universe of companies

In 2021 we **engaged with more than 850 companies** across listed issuers



Locations

Located in **17 offices across Europe, North America and Asia**

A global investor footprint

of **over 2.5 trillion Euros** in assets under engagement



100+

Stewardship clients

* as of January 2022

How It Works

Representing a global network of investors, we work with the world's leading asset owners and managers to understand and address the ESG risks and opportunities that affect their portfolios.



RISKS

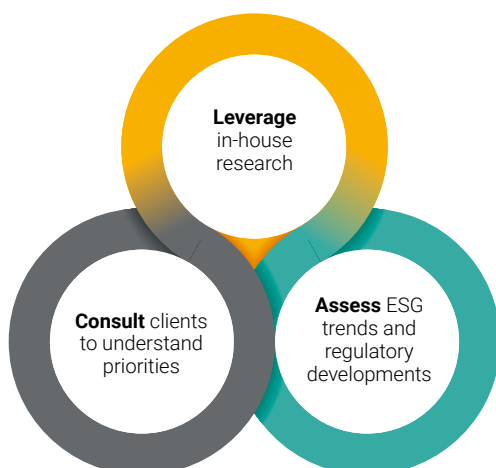
We engage with issuers who are exposed to substantial reputational and unmanaged ESG risk.



OPPORTUNITIES

We capitalize on untapped ESG opportunities to establish future-proofed and sustainable growth strategies.

Company Selection + Topic Identification Process:



Active Client Participation

Our solutions are comprehensive and aligned with our clients' stewardship goals and objectives. Stewardship clients communicate directly with engagement managers and can elect to participate in ongoing and future engagement activities such as:

- Conference calls and meetings, including contributing to meeting agendas
- Engagement trips
- Co-signing investor letters
- Events with like-minded investors

Access engagement results, case studies and regular reports to inform portfolio management and enhance clients' own reporting to stakeholders, regulators and shareholders.

Use Cases

We help our clients take a coherent approach to ESG and Stewardship across the **entire investment value chain**.



Security Selection

Activities and outcomes are used to inform security selection. Investors can identify a company's potential red flags or signals of positive momentum.

ESG Integration and Portfolio Management

Insights and data points inform investment decision making and portfolio management.

Risk Management

Address and mitigate ESG risks, leveraging insights to inform risk assessments.

Establish or Enhance ESG Performance

Capitalize on ESG opportunities. Setting tangible targets to systematically address risks and improve a company's ESG performance.

Compliance with International Regulations, Guidelines and Stewardship Codes

- Stewardship is a key element of various guidelines for responsible investors (e.g. *Principles for Responsible Investing*, *UN Global Compact*, and *UK Stewardship Code*).
- Investors also use engagement activities to address regulatory requirements where engagement is not specifically required, such as *SFDR's Principal Adverse Impacts* requirements.

Influence Change and Stay Ahead of the Curve

Engagement is largely forward-looking and aims to address the problems of today *and* tomorrow.

Reporting

Demonstrate commitment and responsible ownership. Engagement is tracked and mapped to the Sustainable Development Goals (SDGs), helping investors to communicate progress and outcomes.

Ongoing Stewardship Services

Global Standards Engagement – Remediate and mitigate violations of international norms and standards.

- Manage corporate reputational risks and demonstrate investor action.
- Overlay to *Global Standards Screening* research.

Material Risk Engagement – Protect and promote long-term value.

- Proactively engage with high- and severe-risk companies to mitigate material ESG risk.
- Overlay to *ESG Risk Ratings* research.

Thematic Engagement – Proactively address systemic ESG risks and opportunities.

- Improve portfolio ESG performance and create far-reaching positive impact.
- Complements *Impact Metrics* research.

ESG Voting Overlay – Sustainability and ESG lens to complement traditional voting policies.

- Align research, engagement and voting.

Engagement 360 – Holistic approach to address compliance, risk and impact.

- Maximum coverage and transparency.

Learn More About Sustainalytics

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