



**SUSTAINALYTICS**

a Morningstar company

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SUSTAINALYTICS RESEARCH AND RATINGS

# Introducing Sustainalytics

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Methodology & Portfolio Research

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# About Sustainalytics



- » A Morningstar company dedicated to responsible investment with over 25 years' experience in ESG research and ratings
- » 900+ professional staff with almost half engaged in research
- » Morningstar's ESG center of excellence, responsible for driving both the commercial success and innovation of its ESG products as well as its overall ESG strategy

# Sustainalytics in Numbers



## Areas of expertise:

ESG integration

Compliance, Reporting and Screening

Engagement Services



## Who we work with:

Asset Managers

Asset Owners

Pension funds

Banks

Corporates



**19/20**

**Top 20 Asset  
Managers**



**850+**

**Clients**



**300+**

**Research Staff**



**17 countries**  
**Global presence**

# Smart Technology meets Analyst Insight

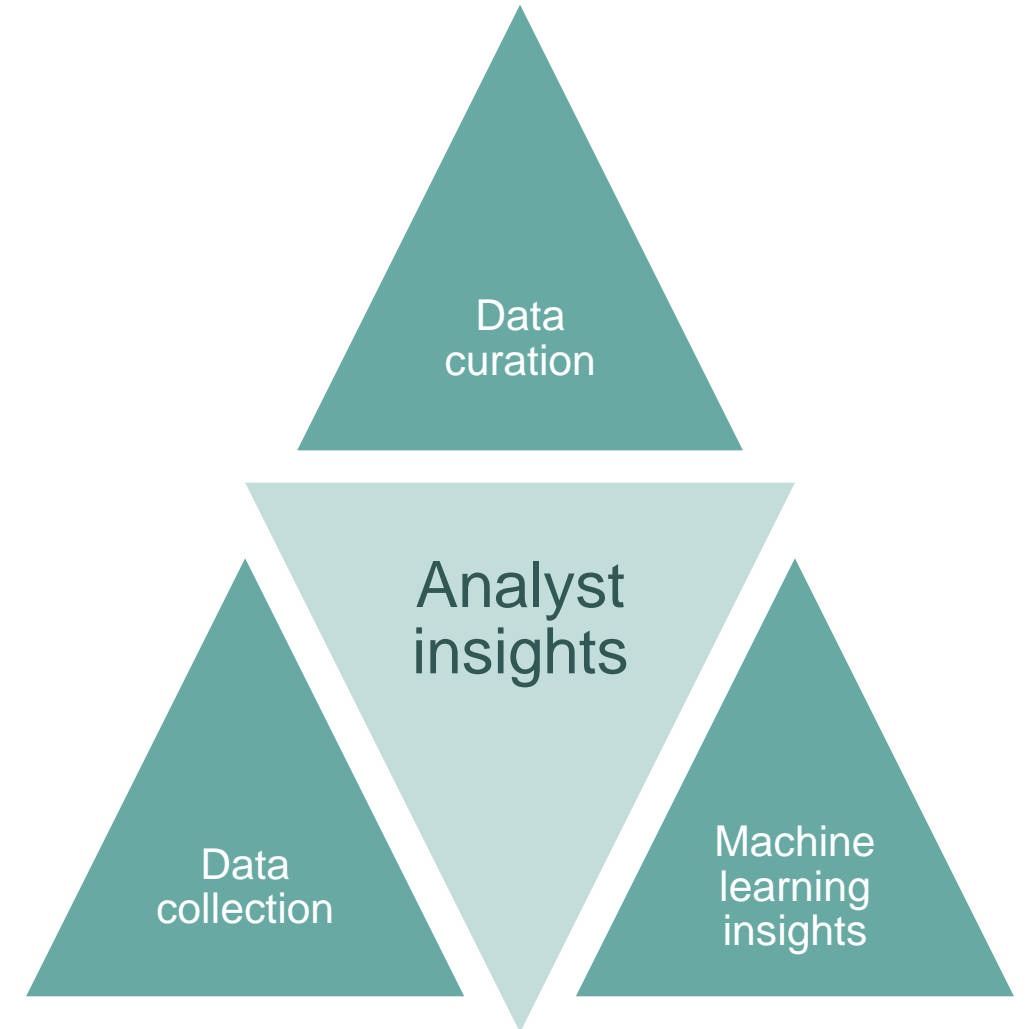
Building on the strength of our analysts and custom smart technology

## » Analyst knowledge

- » 200+ research analysts with sector-specific expertise
- » Proficiency in over 20 languages
- » Deep understanding of the context in which a company is operating guides company-specific exposure and management assessments

## » Smart technology

- » *Comprehensive data collection*
  - » Web crawling and text mining technology to monitor and process data and news of interest from 60,000 data sources
- » *Machine learning insights*
  - » Algorithms trained on ESG data describe and predict trends, categorize data, identify meaning and generate insights
  - » Digital platforms help create and publish relevant pieces of text, recording their source and usage



# Serving Investors Across the Value Chain

## Voting Services

Communicating with company management and boards around the vote to ensure that the rationale is understood and that recommendations are well-informed and lead to change where necessary.

## Engagement Services

Corporate engagement – with companies that form part of the public equity and corporate fixed income holdings of our clients to seek positive change for our clients, the companies and the societies in which they operate

## Investment Universe Construction

Portfolio screening – we help our clients fulfil their stewardship obligations through monitoring their portfolios to regularly identify companies that are in or near breach of international norms and conventions.

## Post-investment

## Reporting

The service offering enhances the quality of ESG reporting to clients

## Investment

## ESG Integration

Sustainalytics' *ESG Risk Ratings* and other research products support investors in their fundamental analysis and during the investment decision-making process

## Pre-investment

# ESG Risk Ratings - Client Use Cases

Investors can use the ESG Risk Ratings in a variety of ways



ESG  
Integration

- » Multi-dimensional ESG risk scores can be incorporated into equity or bond valuation models and aggregated at the portfolio-level.



Best-in-Class  
Investment  
Analysis

- » Comparable company scores support flexible applications for best-in-class analysis, including sub-industry, sector or regional approaches.



Screening and  
Benchmarking

- » Overall Risk Ratings and material ESG issue scores support risk-based ESG screens and enable robust benchmarking across and within sectors and sub-industries.



Thematic  
Investing

- » Material ESG issues scores support thematic investment themes and provide meaningful new input for fund or index creation.



Engagement  
and Voting

- » Material ESG issue framework effectively supports engagement with companies on priority ESG issues and informs voting decisions on E&S shareholder resolutions.



# ESG Risk Ratings underpin Morningstar's Sustainability Fund Ratings

Ratings for 40,000 mutual funds and ETFs globally

- » Helped Morningstar transition to sustainability fund ratings 2.0
- » Working jointly to:
  - » Support advisors and their clients with implementing ESG strategies
  - » Integrate ESG within the wealth advisory space
  - » Embed ESG data deeper into fund research and selection

## MORNINGSTAR®

Morningstar Portfolio Sustainability Report | 3 Jan 2020, 21:32 UTC

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### Ariel International Institutional AINIX

Morningstar Rating<sup>1</sup>



Out of 620 Funds in Category

Category

Foreign Large Blend

Global Category

Global Equity Large Cap

Investment Style



Total Assets<sup>1</sup>

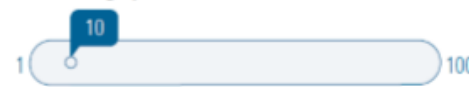
739 Mil USD

### Sustainability Rating<sup>2</sup>



Percent Rank Relative to Global Category: Above Avg.

Global Category Percent Rank

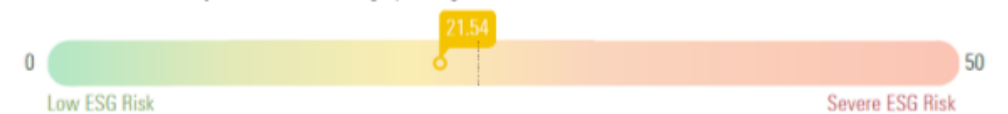


Sustainable Fund by Prospectus?

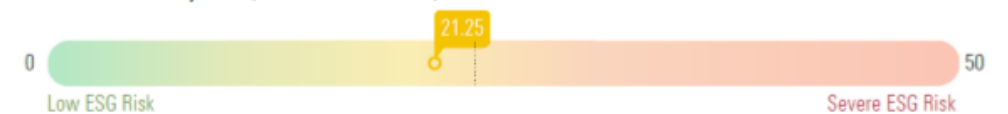
☐ Yes

☒ No

Historical Sustainability Score | Global Category Average



Current Sustainability Score (Based on 100% of AUM)



ESG Pillars



Environmental  
3/Above Avg.



Social  
10/Average



Governance  
8/Average



# Sustainable Financial Markets

## Role of Ratings & Research providers

- » Important intermediary function on capital markets
- » Collect and **evaluate** ESG information at large scale / low cost
- » Help investors to make better informed investment decisions
- » Help to make markets **more efficient** and oriented towards the **long-term**
- » Important source for **innovation**
- » Help to create a **common understanding** of materiality concepts and how to implement them
- » We help corporates to understand expectations of investors and support the financing of **sustainable projects** in primary markets

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