

ESG RISK RATINGS



Key Features & Benefits

- 1. Financial Materiality Framework**
Assessment focuses on ESG issues presenting the most material risks to company performance.
- 2. 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.
- 3. Multiple Exposure Factors**
The level of exposure is based on factors such as the business model, financial strength, geography and controversies.
- 4. Comparability**
Absolute ratings enable comparability across industries and companies at both the overall ESG and issue-specific risk levels
- 5. Solid Foundation**
Corporate governance ratings are fully integrated into the ESG Risk Ratings as the baseline for all companies.
- 6. Stronger Signal**
Enhanced Analyst Views and Issue Narratives offer insights into specific areas of corporate risk.
- 7. Rigorous Controversy Research**
Discounting effect on management scores increases with event severity, giving controversies a higher impact on the rating.

As environmental, social and governance (ESG) considerations become a part of every investment process, investors are increasingly focusing on which ESG issues are most material. Yet ESG-related risks can be numerous, often opaque, and usually vary across sectors.

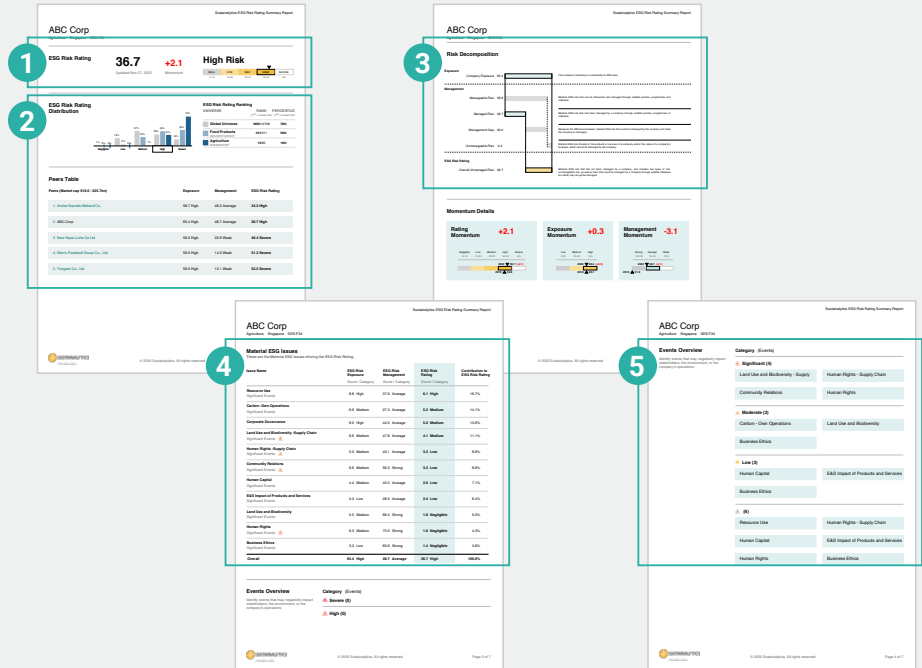
Investors need tools that help them to identify material ESG risks within portfolio companies, understand the potential magnitude of the risk and enable them to compare companies across sectors.

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, combined with qualitative analyses, provide clients with a differentiated risk signal and deeper insights into the materiality of certain ESG issues for a company and what the company is or is not doing to manage them effectively.



ESG Risk Ratings Output

1. Company ratings are categorized across five risk levels: negligible, low, medium, high and severe
2. A company's risk is measured against its industry peers and against the global universe
3. The magnitude to which a company is exposed to ESG Risk and how well the company is managing that risk is measured and explained
4. Material ESG Issues (MEIs) are identified and brought into focus
5. Transparency into Company Events that may impact a company's operations, stakeholders or the environment



Investor Use Cases



ESG Integration

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



Best-in-Class Analysis

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



Screening & Benchmarking

Overall ESG 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 issue scores support thematic investment themes and provide meaningful new input for fund or index creation



Engagement & Voting

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

Learn More About Sustainalytics

contact@sustainalytics.com | www.sustainalytics.com

Europe: Amsterdam (+31) 20 205 00 00 | Copenhagen (+45) 32 72 52 81 | London (+44) 20 3514 3123
Frankfurt (+49) 69 3329 6555 | Paris (+33) 1 184880642 | Stockholm (+46) 8 505 323 33

Americas: Boston (+1) 617 603 3321 | New York (+1) 212 500 6468 | Toronto (+1) 416 861 0403

Asia Pacific: Sydney (+61) 2 8320 9436 | Tokyo (+81) 3 4510 7979



SUSTAINALYTICS

a Morningstar company

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third parties suppliers (Third Party Data), are provided for informational purposes only and may be made available to third parties provided that appropriate citation and acknowledgment is ensured. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers/>.