MORNINGSTAR, INC.
(Exact name of registrant as specified in its charter)

22 West Washington Street
Chicago, Illinois
(Address of principal executive offices)

(312) 696-6000
(Registrant’s telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Securities registered pursuant to Section 12(b) of the Act:

<table>
<thead>
<tr>
<th>Title of Each Class</th>
<th>Trading Symbol</th>
<th>Name of Each Exchange on Which Registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock, no par value</td>
<td>MORN</td>
<td>The Nasdaq Stock Market LLC</td>
</tr>
</tbody>
</table>
Item 7.01. Regulation FD Disclosure.

On April 21, 2020, Morningstar, Inc. issued a press release announcing that it has entered into a definitive agreement to acquire Sustainalytics Holding B.V., a globally recognized leader in environmental, social, governance (ESG) ratings and research. Morningstar currently owns an approximate 40% ownership stake in Sustainalytics, first acquired in 2017, and will purchase the remaining approximate 60% of Sustainalytics shares upon closing of the transaction. A copy of the press release is filed as Exhibit 99.1.

Morningstar also published a document with questions and answers and a presentation regarding the transaction, copies of which are filed as Exhibits 99.2 and 99.3.

Item 9.01. Financial Statements and Exhibits.

Include the following information:

(d) Exhibits:

Exhibit No. Description
99.2 Questions and Answers issued April 21, 2020.
99.3 Presentation issued April 21, 2020.
104 The Cover page from this Current Report on Form 8-K formatted in Inline XBRL (included as Exhibit 101).
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MORNINGSTAR, INC.

Date: April 21, 2020

By: /s/ Jason Dubinsky

Name: Jason Dubinsky

Title: Chief Financial Officer
FOR IMMEDIATE RELEASE

Morningstar to Acquire Sustainalytics and Expand Access to ESG Research, Data, and Analytics for Investors Worldwide

Two firms will join forces to empower all types of investors to drive long-term, meaningful outcomes that contribute to a just and sustainable global economy

CHICAGO/AMSTERDAM, April 21, 2020—Morningstar, Inc. (Nasdaq: MORN), a leading provider of independent investment research, today announced it has reached an agreement to acquire Sustainalytics, a globally recognized leader in environmental, social, and governance (ESG) ratings and research. Morningstar currently owns an approximate 40% ownership stake in Sustainalytics, first acquired in 2017, and will purchase the remaining approximate 60% of Sustainalytics shares upon closing of the transaction.

The transaction consideration includes a cash payment at closing of approximately EUR 55 million (subject to certain potential adjustments) and additional cash payments in 2021 and 2022 based on a multiple of Sustainalytics’ 2020 and 2021 fiscal year revenues. Based on the upfront consideration, Morningstar estimates the enterprise value of Sustainalytics to be EUR 170 million. The closing of the transaction is subject to customary closing conditions and is expected to occur early in the third quarter of 2020.

“Modern investors in public and private markets are demanding ESG data, research, ratings, and solutions in order to make informed, meaningful investing decisions. From climate change to supply-chain practices, the nature of the investment process is evolving and shining a spotlight on demand for stakeholder capitalism. Whether assessing the durability of a company’s economic moat or the stability of its credit rating, this is the future of long-term investing,” said Morningstar Chief Executive Officer Kunal Kapoor. “By coming together, Morningstar and Sustainalytics will fast-track our ability to put independent, sustainable investing analytics at every level – from a single security through to a portfolio view – in the hands of all investors. Morningstar helped democratize investing, and we will do even more to extend Sustainalytics’ mission of helping create a just and sustainable global economy to more investors.”
For more than 25 years, Sustainalytics has been ahead of the curve, recognizing the need to provide ESG solutions to investors, banks, and companies worldwide. The firm is widely known for its security-level ESG Risk Ratings – which are integrated into institutional investment processes and underpin numerous indexes and sustainable investment products – as well as serving an ever-increasing number of use cases across the emerging sustainable finance landscape. Sustainalytics offers data on 40,000 companies worldwide and ratings on 20,000 companies in 172 countries.

Since 2016, Morningstar and Sustainalytics have teamed up to supply investors around the world with new analytics, including: the industry's first sustainability rating for funds, rooted in Sustainalytics' company-level ESG ratings; a global sustainability index family; and a large span of sustainable portfolio analytics that includes carbon metrics and controversial product involvement data. With this acquisition, Morningstar plans to continue to invest in Sustainalytics' existing business while also further integrating ESG data and insights across Morningstar's existing research and solutions for all segments, including individual investors, advisors, private equity firms, asset managers and owners, plan sponsors, and credit issuers.

"Sustainalytics welcomes the opportunity to join the Morningstar family. Our collaboration over the past several years has helped to extend the understanding and use of ESG insights and strategies to a multitude of investors, advisors, asset owners and managers across the globe," said Sustainalytics Chief Executive Officer Michael Jantzi. "This new ownership structure will amplify our ability to bring meaningful ESG insights, products, and services to the global investment community and to companies around the world. Importantly, I am thrilled that my colleagues and I are joining a firm with a belief in our mission and intent to help us further expand our reach."

Dutch-domiciled Sustainalytics has a global business that includes more than 650 employees worldwide spanning 16 locations, and all are planned to join the Morningstar family under the existing Sustainalytics leadership team. Morningstar intends to fund the transaction with a mix of cash and debt. The transaction is expected to have minimal dilution to net income per share post-closing, excluding any impacts of purchase accounting and deal-related expenses, as the company expects to incur costs to integrate certain capabilities and fund growth opportunities.
About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia and Asia. The Company offers an extensive line of products and services for individual investors, financial advisors, asset managers, retirement plan providers and sponsors, as well as institutional investors in the debt and private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, debt securities and real-time global market data. Morningstar also offers investment management services through its investment advisory subsidiaries, with approximately US$233 billion in assets under advisement and management as of Dec. 31, 2019. The company has operations in 27 countries. For more information, visit www.morningstar.com/company. Follow Morningstar on Twitter @MorningstarInc.

About Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 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 650 staff members, including more than 200 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.
Caution Concerning Forward-Looking Statements

This press release contains forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. These statements are based on our current expectations about future events or future financial performance. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, and often contain words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “prospects,” or “continue.” These statements involve known and unknown risks and uncertainties that may cause the events we discuss not to occur or to differ significantly from what we expect. For us, these risks and uncertainties include, among others, liability for any losses that result from an actual or claimed breach of our fiduciary duties; failing to maintain and protect our brand, independence, and reputation; liability related to cybersecurity and the protection of confidential information, including personal information about individuals; failing to differentiate our products and continuously create innovative, proprietary research tools and financial advisor software; inadequacy of our operational risk management and business continuity programs in the event of a material disruptive event; failing to respond to technological change, keep pace with new technology developments, or adopt a successful technology strategy; compliance failures, regulatory action, or changes in laws applicable to our investment advisory or credit ratings operations; volatility in the financial sector, global markets, and global economy and its effect on our revenue from asset-based fees and credit ratings business; trends in the asset management industry, including the increasing adoption of investment strategies and portfolios relying on passively managed investment vehicles and increased industry consolidation; liability relating to the collection or distribution of information and data we collect and produce or errors included therein; an outage of our database, technology-based products and services, or network facilities or the movement of parts of our technology and data infrastructure to the public cloud and other outsourced providers; the failure of acquisitions and other investments to produce the results we anticipate; the failure to recruit, develop, and retain qualified employees; challenges faced by our non-U.S. operations, including the concentration of data and development work at our offshore facilities in China and India; and the failure to protect our intellectual property rights or claims of intellectual property infringement against us. A more complete description of these risks and uncertainties can be found in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2019. If any of these risks and uncertainties materialize, our actual future results may vary significantly from what we expected. We do not undertake to update our forward-looking statements as a result of new information or future events.

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Frequently Asked Questions
Morningstar to Acquire Sustainalytics

ABOUT SUSTAINALYTICS

What is Sustainalytics?
With more than 25 years of experience, Sustainalytics is the largest global pure-play ESG research and ratings firm dedicated to responsible investment services. It’s also the largest provider of second party opinions for green and sustainability bond issuances.

How many employees does Sustainalytics have, and where are they located?
More than 650 people work for Sustainalytics across 16 offices in Amsterdam, Boston, Brussels, Bucharest, Copenhagen, Frankfurt, London, New York, Paris, Stockholm, Sydney, Timisoara (Romania), Tokyo, Toronto, Washington D.C., and Zielona Gora (Poland). Sustainalytics’ four largest offices include Amsterdam (75), Bucharest (90), Timisoara (200), and Toronto (100).

RATIONALE

What is the rationale for this deal?
Modern investors in public and private markets are demanding ESG data, research, ratings, and solutions in order to make informed, meaningful investing decisions. We believe that sustainable investing data and research is no longer optional; it’s becoming essential for long-term-oriented institutional and retail investors alike.

From climate change to supply-chain practices, the nature of the investment process is evolving and shining a spotlight on demand for stakeholder capitalism. Whether assessing the durability of a company’s economic moat, the stability of its credit rating, or the impact of its carbon footprint, this is the future of long-term investing.

Morningstar and Sustainalytics intend to make sustainable investing analytics available for individual securities all the way through to aggregate portfolio views.

Why is Sustainalytics selling to Morningstar?
There are numerous reasons why Morningstar is a great “home” for Sustainalytics.

1. Sustainalytics appreciates Morningstar’s highly recognized and respected brand in the mainstream global investment community. We both share a commitment to sustainability.

2. Sustainalytics and Morningstar have a longstanding and productive relationship that has already produced innovative ESG analytics – from the industry’s first sustainability rating for funds, to global sustainable indexes, to a variety of sustainable portfolio analytics.

3. In selling the company, Sustainalytics' management team wanted to ensure that any prospective acquirer would align with Sustainalytics' mission, values, corporate culture and business strategy. Morningstar was an excellent fit in these key areas, but we can also provide the global scale and capital resources to help move ESG – and Sustainalytics – up the investment value chain.

4. Sustainalytics coming together with Morningstar will play a unique leadership role in the ESG space. Together, we will continue to serve clients with objective, thoughtful, quality, and excellent service. Joining forces with us to empower investor success will also help Sustainalytics to grow its impact as ESG investing grows in importance worldwide.

Why is Morningstar buying these capabilities rather than building them?
Sustainalytics has a 25-year track record as the largest pure-play ESG research and ratings firm dedicated to responsible investment services. Our five-year relationship with Sustainalytics has revealed that the company’s experience and intellectual property would be tough to replicate and expensive to match.

What opportunities will the companies pursue together?
While Morningstar and Sustainalytics intend to pursue opportunities in nearly every corner of the investing landscape, we are particularly excited about our unique differentiation in these areas:

1. Private Equity: Integrate ESG into PitchBook products and solutions to create value for sustainability-focused private equity firms and investors.

2. Sustainable Finance: Expand use of ESG considerations in the sustainable finance landscape, including credit analysis.

3. Indexes: Expand our ESG indexes using Sustainalytics data and index services to better meet investor needs.
INDUSTRY LANDSCAPE

What trends do we see with ESG that contributed to this decision?

- Sustainable investing isn’t new. It dates back to the 1970s, when Pax World launched the first sustainable mutual fund. However, we have seen fast acceleration globally across the last decade and intend to shape the future of sustainable investing as it grows in popularity worldwide.

- Today, ESG considerations are being integrated into the charters of a growing number of entities, included in their practice, and applied to the due diligence process when assessing assets to be acquired. Both investor demand and assets under management have grown significantly.

- PRI reports more than 2,350 asset managers, pension funds and service providers representing US $86 trillion in assets under management are signatories to the Principles for Responsible Investment.

- Globally, sustainable investing assets in the five major markets (United States, Canada, Europe, Australia/New Zealand, and Japan) stood at US $30.7 trillion at the start of 2018, a 34% increase in two years, according to the Global Sustainable Investment Alliance.

- Morningstar research shows assets in European sustainable funds closed the year at EUR €668B, a 56% increase over 2018. Estimated net flows into open-end and exchange-traded sustainable funds available to European investors totaled EUR €120 billion in 2019. Meanwhile, estimated net flows into sustainable funds for U.S. investors were US $20.6 billion in 2019, nearly four times the record-setting flows from 2018.

Morningstar research on the True Faces of Sustainable Investing dispels stereotypes about sustainable investors and identifies a sustainable investing market not limited to women and millennials. In fact, the report found 72% of the U.S. population expressed at least a moderate interest in sustainable investing.

Sustainable finance is a rapidly emerging field that encourages the funding of sustainable projects that have direct environmental and societal impact. Sustainable debt saw record issuance in 2019 at US $465 billion globally, up 78% from US $261.4 billion in 2018, according to Bloomberg.

FINANCIAL MATTERS

What are the terms of the deal? What is the acquisition price?

Morningstar first acquired an approximately 40% equity stake in Sustainalytics in 2017 and will purchase the remaining approximately 60% of Sustainalytics shares upon closing of the transaction. The transaction consideration includes a cash payment at closing of approximately EUR €55 million (subject to certain potential adjustments) and additional cash payments in 2021 and 2022 based on a multiple of Sustainalytics’ 2020 and 2021 fiscal year revenues. Based on the upfront consideration, we estimate the enterprise value of Sustainalytics to be EUR €170 million.

How is Morningstar funding the deal?

We expect to finance the acquisition with a combination of cash on hand and debt financing.

When will the transaction close?

We expect the deal to close early in the third quarter of 2020.

What is the size of Sustainalytics?

We are not able to provide information at this time but anticipate certain financial information will be available post-closing.

Why does Morningstar management believe that deploying capital toward M&A and increasing debt levels is good capital allocation strategy amidst a market downturn?

ESG is an area of increasing focus at Morningstar, and we have ambitions to be the leading voice for ESG investors of all types. This acquisition is consistent with our longer-term strategy of pursuing growth amidst specific secular trends that are shaping the investment landscape and investor behavior.

Our expected leverage at the close of the transaction will not be materially different than on a standalone basis, and we expect to continue to have ample liquidity following the deal.

The transaction structure, which ties future consideration to financial performance, aligns interests and also provides future funding flexibility.

###
Morningstar Announces Agreement to Acquire Sustainalytics

April 21, 2020

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Safe Harbor Statement

Forward-Looking Statements

This presentation includes “forward-looking statements” within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding our goals, plans, projections and guidance regarding our financial position, results of operations, market position, pending and potential future acquisitions and business strategy, and often contain words such as “project,” “outlook,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “may,” “seek,” “would,” “should,” “likely,” “goal,” “strategy,” “future,” “maintain,” “continue,” “target,” “will” and similar references to future periods. Examples of forward-looking statements in this presentation include, among others, statements regarding:

- The future acceptance of, and growth prospects for, sustainable investing data and research;
- The ability to develop and make available sustainable investing analytics for use in a variety of products, methodologies and investor workflows;
- The effect of global sustainability challenges, regulatory requirements, and the requirements of investors on the demand for sustainable investing data, research and analytics.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events that depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance, and our actual results of operations, financial condition and liquidity and development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements in this presentation. The risks and uncertainties that could cause actual results to differ materially from those made in or suggested by the forward-looking statements in this presentation include, without limitation, those set forth throughout “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in “Part I, Item 1A. Risk Factors” of our most recent Annual Report on Form 10-K, and from time to time in our other filings with the SEC. We urge you to carefully consider this information and not place undue reliance on forward-looking statements. We undertake no duty to update our forward-looking statements, which are made as of the date of this presentation.
Empowering Investor Success

Morningstar agreed to purchase the remaining 60% stake in Sustainalytics. The combination will expand access to ESG research, data and analytics for investors worldwide.

- In 2017, Morningstar first took a 40% ownership stake in Sustainalytics, signaling its commitment to the development of high-quality, innovative ESG products and services for the investment community.
- Sustainable investing data and research is becoming essential for long-term oriented institutional and retail investors alike.
- Together, Morningstar and Sustainalytics intend to make sustainable investing analytics available for individual securities all the way through to aggregate portfolio views.
- The nature of the investment process is evolving and shining a spotlight on demand for stakeholder capitalism. Whether assessing the durability of a company’s economic moat, the stability of its credit rating, or the impact of its environmental footprint, this is the future of long-term investing.
- Sustainalytics and Morningstar have a longstanding and productive relationship that has already produced innovative ESG analytics – from the industry’s first sustainability rating for funds, to global sustainable indexes, to a variety of sustainable portfolio analytics.
Value Proposition Aligns with Morningstar Mission and Strategy

Like Morningstar, Sustainalytics' value proposition embodies independence, transparency, and long-term investment thinking.

<table>
<thead>
<tr>
<th>Quality &amp; Transparency</th>
<th>Partnership Approach</th>
<th>Independent &amp; Exclusive Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consistent and comparable ratings and indicators</td>
<td>• Dedicated and experienced local client service teams for ongoing support and training</td>
<td>• Sustainability is the core of Sustainalytics' mission, vision and values</td>
</tr>
<tr>
<td>• Transparent methodology</td>
<td>• Full access to research analysts</td>
<td>• Long-term track record: 25 years exclusively in ESG</td>
</tr>
<tr>
<td>• Large historical dataset</td>
<td>• Flexible approach with ability to deliver custom solutions</td>
<td>• Global universe covered by 200+ dedicated analysts, across 13 locations</td>
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<tr>
<td>• Robust quality process</td>
<td>• Wide variety of options for data access and full support for data integration</td>
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<tr>
<td>• Comprehensive controversy research (55,000+ news sources monitored daily)</td>
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<tr>
<td>• All companies contacted for verification annually, (in-year if severe controversy)</td>
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</table>
Strong Partnership Led to Innovative ESG Analytics

With Even Greater Opportunity Ahead…

ESG investing is expected to maintain its momentum driven by factors like global sustainability challenges, regulatory requirements, and increased demand from a new generation of investors.

Together, Morningstar and Sustainalytics intend to continue integrating more ESG data and research into Morningstar’s existing products, methodologies and investor workflows while working together to develop additional delivery channels for ESG information to investors.
About Sustainalytics
Trusted and Recognized Global Leader in ESG

- Largest pure-play ESG research and ratings firm dedicated to responsible investment services
- Over 25 years experience in the fields of ESG & corporate governance research
- Serving more than 700 asset managers, pension funds, banks, advisory firms and other financial market participants worldwide.
- Over 650 staff
- 16 offices across the globe
- The largest provider of second party opinions for green and sustainability bond issuances
- PRI signatory since 2006
Broad Capabilities To Serve Investors

- Strategy Development
- ESG Integration
  - ESG Risk Ratings
  - Corporate Governance Research & Ratings
  - Carbon Risk Ratings
- Positive Impact
  - Sustainable Products Research
- Compliance & Screening
  - Global Standards Screening
  - Product involvement
  - Controversies Research
  - Controversial Weapons Radar
  - Arms Trade Research
  - Human Rights Radar
- ESG Data
  - ESG Impact Metrics
  - ESG indicators
  - Corporate Governance Data
- Government Research
  - Country Risk Ratings
  - Country Screening
- Portfolio Analysis
  - Portfolio Screening
  - ESG Portfolio Analytics
  - Carbon Portfolio Analytics
  - Controversy Alerts
- Index Research Services
- Engagement Services
  - Global Standards Engagement
  - Emerging Markets Engagement
  - Stewardship & Risk Engagement
- Sustainable Finance Solutions
  - Green & Sustainable Bonds
  - ESG Ratings Licenses
### Key Products and Solutions

Sustainalytics helps investors integrate ESG factors into their investment processes by providing data, ratings and research to enable more informed investment decisions.

<table>
<thead>
<tr>
<th>Financial Institutions Solutions</th>
<th>Sustainable Finance Solutions</th>
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</thead>
<tbody>
<tr>
<td><strong>ESG Integration</strong></td>
<td></td>
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<tr>
<td>» ESG Research &amp; Risk Ratings</td>
<td>» Green &amp; Social Bond Services</td>
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<tr>
<td>» Corporate Governance</td>
<td>» Supported Indexes</td>
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<td>» Research &amp; Ratings</td>
<td>» ESG-Linked Loans</td>
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<td>» Data Services</td>
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<tr>
<td>» Carbon Risk Rating</td>
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<td>» Country Risk Research &amp; Ratings</td>
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<td>» Sustainable Development</td>
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<td>» Analytics</td>
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<td>» ESG Signals</td>
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<td>» Strategy Development (ESG</td>
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<td>» Integration, PRI</td>
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<td>» Implementation)</td>
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<td><strong>Compliance &amp; Screening</strong></td>
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<td>» Global Compact</td>
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<td>» Compliance Services</td>
<td>» Portfolio Screening</td>
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<td>» Product Involvement</td>
<td>» ESG Portfolio Analytics</td>
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<td>» Controversies</td>
<td>» Carbon Portfolio Analytics</td>
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<td>» Research</td>
<td>» Portfolio Monitoring</td>
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<td>» Weapons Research</td>
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<td>» Controversial Weapons Radar,</td>
<td>» Corporate Governance</td>
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<td>» Arms Trade Research</td>
<td>» Insights)</td>
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<td>» Sanctions Research</td>
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<td>» Human Rights Radar</td>
<td>» ESG Signals</td>
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<td>» Screening Support Services</td>
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<tr>
<td><strong>Portfolio Analysis</strong></td>
<td>» Index Research Services</td>
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<td>» Portfolio Screening</td>
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<td>» Governance Insights)</td>
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<td><strong>Index Services</strong></td>
<td>» Index Research Services</td>
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<td>» ESG Signals</td>
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## Extensive Research Coverage

<table>
<thead>
<tr>
<th>Research Type</th>
<th>Company Coverage</th>
<th>Primary Investor Use Cases</th>
<th>Primary Corporate Use Cases</th>
</tr>
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<tbody>
<tr>
<td>ESG Risk Research/Ratings</td>
<td>13,000</td>
<td>Stock selection, Portfolio risk management, Proxy voting, Client reporting, Product creation</td>
<td>Bond issuances, capital raising, corporate borrowing, investor communications, marketing</td>
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<tr>
<td>Controversies</td>
<td>23,000</td>
<td>Engagement, Portfolio risk management, screening</td>
<td>Reputation risk management, Supply chain monitoring</td>
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<td>Global Standards</td>
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<td>Portfolio risk management, Engagement</td>
<td>Supply chain monitoring</td>
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<td>Product Involvement</td>
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<td>Reputation management</td>
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<td>Sustainable Products</td>
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<td>Positive impact investing, Product creation</td>
<td>Marketing, investor communications</td>
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<tr>
<td>Controversial Weapons</td>
<td>All listed companies globally</td>
<td>Screening</td>
<td>Supply chain monitoring</td>
</tr>
</tbody>
</table>
Sustainalytics’ ESG Risk Rating

Measuring unmanaged ESG risks

» Based on two-dimensional materiality framework measuring company exposure to and management of material risks.
» Absolute ratings enable comparability across industries and companies.
» Nearly 40 industry-specific indicators give strong signal into company performance.
» Comprised of three central building blocks: corporate governance, material ESG issues and idiosyncratic issues (black swans).
» Coverage of more than 10,000 companies.
» In-depth controversy analysis.
» Company feedback integral part of research process.

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# How the ESG Risk Rating Works

Management gaps and unmanageable risks are added up across all material ESG issues

<table>
<thead>
<tr>
<th>Total Exposure</th>
<th>Starting point is a company’s exposure to material ESG issues.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manageable Risk</td>
<td>Some companies have <strong>unmanageable risks</strong>, e.g. an oil company will always face risks related to carbon until it changes its business model.</td>
</tr>
<tr>
<td>Managed Risk</td>
<td>Of the <strong>manageable risk</strong>, a portion is managed through a company’s policies, programs, management systems, etc.; the remainder is considered unmanaged (Management <strong>Gap</strong>).</td>
</tr>
<tr>
<td>Unmanaged Risk</td>
<td>The ESG Risk Rating evaluates <strong>unmanaged ESG risk</strong>.</td>
</tr>
</tbody>
</table>

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How the ESG Risk Rating Works

Management gaps and unmanageable risks are added up across all material ESG issues. Starting point is a company’s exposure to material ESG issues.

Managed Risk

Some companies have unmanageable risks, e.g., an oil company will always face risks related to carbon until it changes its business model. Unmanageable Risks of the manageable risk a portion is managed through a company’s policies, programs, management systems, etc.; the remainder is considered unmanaged (Management Gap). The ESG Risk Rating evaluates unmanaged ESG risk.

Management Gap

Unmanaged Risk

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Second Opinions Growth (Green, Social and Sustainability Opinions) Provides Further Opportunities

Approximately 200 projects from diverse issuers from 30 countries in 2019
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