



**MANAGING POTENTIAL INSTITUTIONAL
CONFLICTS OF INTEREST**

Policy Abstract

About Sustainalytics

Sustainalytics, a Morningstar Company, 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 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 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

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Insofar as applicable, issuers referred herein may have a relationship with different Sustainalytics’ business units. Sustainalytics has put in place adequate measure to safeguard the objectivity and independence of its opinions. For more information, contact compliance@sustainalytics.com

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Sustainalytics' Statement

Sustainalytics is a leading ESG research provider operating multiple lines of business that serve a variety of client types.

ESG research and ratings is our core business. Sustainalytics' provides a variety of securities-level ESG-focused research and ratings to institutional investors, primarily asset managers, asset owners, other financial market participants, but also directly to corporate clients. Investors use our ESG research and ratings to support their processes and decision-making throughout the investment value chain, from company and portfolio analysis through to product creation, including index (benchmark) creation.

Delivered by a separate and distinct team, Sustainalytics helps investors manage reputational risk and increase corporate accountability through proactive, professional and constructive engagement. These engagement services are intended to improve corporate behavior related to ESG practices and are informed, in part, by Sustainalytics ESG research and ratings. Sustainalytics is also using its research capabilities to support a holistic approach to stewardship by providing voting recommendations and voting services.

Through a separate business unit, called Sustainable Corporate Solutions (SCS), Sustainalytics offers ESG-related products and services to banks, underwriting firms, public and private companies and other related organizations. The SCS business unit provides among others, second party opinions on green, social and other sustainable bond issuances, review of frameworks and also ESG rating licenses, to support and allow corporate clients to use Sustainalytics' ESG Risk Ratings for various internal and external corporate purposes (e.g. ESG-linked loans, ESG ratings licensing for capital raising, ESG benchmarking for peer and best practice comparisons and ESG ratings/ research, performance analytics, competitive intelligence and for investor relations). Sustainalytics further recognizes that the relationships between its SCS business and its corporate clients could present a potential conflict of interest for its ESG research and ratings and its engagement, proxy advice and voting business and vice versa.

As of July 2020, Sustainalytics is part of the Morningstar family. Some of the Morningstar affiliates use Sustainalytics' ESG research and ratings to be incorporated in their product creation, including index creation; while other are regulated entities that provide investment advice, as defined in both EU and US legislation.

Potential conflicts of interest are common, particularly in financial services. This is no different for Sustainalytics, which operate multiple lines of business that serve a variety of client types. Therefore, the way in which we manage and safeguard against the potential conflicts of interest becoming real is germane to our research objectivity and critical to the good reputation we have built over the last 25 years.

Our goal is two-fold: first, to establish and enforce effective conflicts of interest management policies, practices and procedures to ensure that potential conflicts of interest do not become real conflicts and secondly, to protect the interests of key stakeholders by implementing and strictly enforcing satisfactorily comprehensive conflicts of interest management policies and procedures.

At Sustainalytics, objective research is a cornerstone of our business and we work to put in place relevant policies to structurally separate and independently manage our various research, engagement and sales teams. Sustainalytics uses a combination of conflict management policies, procedures, organizational and technical measures to ensure that potential conflicts of interest do not become real conflicts. Ultimately, our goal is to protect the interests of clients and key stakeholders. Our robust conflict management framework specifically addresses the need for analyst independence, consistency of process, data protection and systems separation. One of Sustainalytics' hallmarks is integrity, another is transparency. If a real conflict of interest were to arise, we would apply these tenets by informing clients and taking the necessary steps to address and remedy the issue.

An overview of the most relevant measures used by Sustainalytics to identify and manage potential conflicts of interest is available below. This is available for informational purposes, it is not exhaustive, and is subject to continuous updates. If you have any questions or want to learn more about a specific scenario, please reach out to Sustainalytics' Compliance Function at compliance@sustainalytics.com.

Pillars and measures for managing potential conflicts of interest within Sustainalytics

Sustainalytics has taken measures to protect client and stakeholder interests by mitigating potential conflicts of interest between its respective business units.

I. Internal organization of teams

1. Personnel is organized in different teams with specific and separated roles and responsibilities. Commercial Personnel are separate from Research Personnel and from Support Personnel.
2. Commercial Personnel, Research Personnel and Support Personnel are managed by different executives.
3. Research Personnel are organized in two separate teams: ESG and SCS research, on one hand, and stewardship services, on the other, each reporting to a different executive. A dedicated, distinct sub-team is performing SPOs and other SCS related research.
4. For SCS related research, in case of delivering multiple pieces of research for the same client, the team is organized to avoid involvement of the same sub-team in performing sequential research.
5. Commercial Personnel are organized in sub-teams reporting to different senior managers, to separately serve ESG and stewardship services, and SCS services.

II. Office facilities and IT infrastructure

1. Different Personnel categories and teams are using logically separated IT infrastructure and technology.
2. Commercial data systems are logically separated from the systems used by our various research and engagement teams to perform their company assessments and produce client deliverables.
3. Information marked as confidential by issuers and clients is encrypted in transit and, at rest, access is permitted on a need-to-know basis, subject to access management rules.
4. Access rights to data are granted on a need-to-know basis.

III. Data usage, storage and separation

1. Sustainalytics endeavors to base our research intended for investors in general on information disclosable in nature and/or already publicly disclosed /available.
2. As a general practice, during interactions between research or engagement teams and Subject Companies (dialogue with Subject Companies for feedback and fact checking purposes) for the purpose of informing our research, Sustainalytics accepts only information that is not confidential in nature.
3. Sustainalytics accepts no responsibility for ensuring the confidentiality of the information received during interactions with Subject Companies for the purpose of informing our research and engagement, unless an overriding agreement is in place.
4. By way of exception, confidential information may be accepted for specific products or services. Specific rules shall apply for such exceptions.
5. Subject Companies are responsible for indicating the nature of the information they are sharing.
6. Various Personnel categories and teams in Sustainalytics may handle various types of non-public information, and they are subject to appropriate awareness mechanisms.
7. Personnel are prohibited from using any information shared by the Subject Companies for purposes other than informing the research and engagement (includes no external or internal disclosure).

IV. Managing private interests

1. Personnel is required to take all necessary measures to avoid any possible conflicts of interest and to avoid engaging in activities that might jeopardize – or appear to jeopardize – the integrity of their conduct or Sustainalytics' reputation.

2. If there is room for suspicion that an action or commitment might create a conflict, or might reasonably appear to do so, Personnel must not pursue it.
3. Once identified, Personnel is required to promptly and pro-actively notify their manager and the Compliance Team of any personal interest, consideration, or business activity, that could create or give rise to the appearance of a potential conflict of interest or could be expected to negatively impact Sustainalytics' reputation.
4. Personnel requires prior approval from their manager and the Sustainalytics Compliance Team in case they intend to pursue outside activities that may reasonably appear to create a conflict of interest.
5. Personnel with personal interests in a company shall not perform research or engagement for/regarding said company.
6. Personnel, that directly perform research or engagement for a specific Subject Company, and their family members, may not undertake personal transactions of financial instruments issued by that Subject Company.
7. Research Personnel compensation is not directly tied to specific commercial outcomes.

V. Research process and methodology

1. Sustainalytics applies relevant research frameworks consistently across its research and engagement processes and use the same standard of objectivity for the Subject Companies covered by its research, regardless of whether an issuer is public or private, or whether a company is also a client or business partner.
2. Sustainalytics clearly describes the information used to substantiate the research and the sources used.
3. Sustainalytics has embedded numerous control measures into its processes to ensure the quality of our research and products, in line with the industry standards
4. Sustainalytics' Personnel may not engage or handle simultaneous or sequential activities where such involvement may impair the proper management of conflicts of interest or may create the appearance of such a conflict.

VI. Communication with Clients and Subject Companies

1. Research related communication with Subject Companies is independently managed by our various Research Personnel teams, while commercial related communication is managed by our Commercial Personnel teams.
2. Commercial Personnel are prohibited from discussing client or prospect commercial relationship details with Research Personnel, that have the potential to put pressure on analysts (e.g. contract amount, client tier).
3. Personnel are prohibited from issuing opinions about company assessments to a client, prospect or Subject Company that are inconsistent with, or contradictory to, assessments in our published research.
4. Personnel are prohibited from making false, misleading or exaggerated representations, or otherwise creating false impressions, about our research, products or services.
5. Personnel are prohibited from exerting any form of commercial pressure (whether explicit or implicit, direct or indirect) on Research Personnel to influence or alter their opinions or conclusions, supporting information and/or otherwise interfere with their editorial freedom.
6. Sustainalytics will include relevant disclosure of potential conflicts of interest in its client deliverables, where appropriate. Upon request, the Compliance Function at Sustainalytics may provide clients with relevant details about the situation that is susceptible of generating a potential conflict of interest, to the extent this is material to assessing the objectivity of the delivered research, if such details are needed for their own compliance purposes.
7. Personnel is prohibited from accepting any kind of inducement from any client, Subject Company or business partner that may create the appearance of a privileged treatment of that party.

Policy architecture supporting the management of the potential conflicts of interests

I. Code of Ethics

The Morningstar's Code of Ethics, applicable to all Sustainalytics' Personnel, sets out certain standards of conduct that all employees are expected to abide by, including standards of conduct in the workplace, professional business practices, avoidance of potential conflicts of interest, consistency and integrity of research, internal and communication restrictions, insider trading, accepting gifts, fair dealing and handling of confidential data. Personnel are required to review and sign the Code upon hiring and annually thereafter.

II. Key Business Principles and Practices

The Code is complemented by the **Key business Principles and Practices**. These reflect Sustainalytics' commitment to responsible business practices, sets forth the values and principles that we embrace to guide our actions and decisions and captures the main policy areas we look to address through our compliance program.

III. Personnel integrity

Sustainalytics has in place a disclosure system and Personnel disclosures of potential conflicts of interest are reviewed and approved by our Compliance Team.

IV. Research and Engagement Process and quality assurance

Company assessments, engagement or voting are performed in accordance with the prescribed methodology and policies. These apply regardless of whether a company is public or private or whether a company is a Sustainalytics client or non-client. Specific methodologies and policies are in place for our various business lines, products and services.