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About Sustainalytics



Our Vision

Sustainalytics believes that it is imperative for the global economy to become more just and sustainable.



Our Mission

Sustainalytics' mission is to provide the insights required for investors and companies to make more informed decisions that lead to a more just and sustainable global economy.



Our Values

We have a positive impact on our world.

We embrace diverse perspectives.

We foster excellence through continuous collaboration.

We are adaptable and entrepreneurial.

We treat others as we like to be treated.



Who We Are

Sustainalytics is a global leader in ESG and Corporate Governance research and ratings. Over the last 25 years, we have brought together leading ESG research and advisory professionals to help our clients and deliver a high level of service and collaboration that has helped us to grow. Today, Sustainalytics supports hundreds of the world's foremost investors who incorporate ESG and corporate governance insights into their investment processes.



Company Structure

Sustainalytics is a global company consisting of nine legal entities that are directly or indirectly owned by Sustainalytics Holding B.V. Sustainalytics Holdings B.V. is incorporated under the laws of the Netherlands as a private limited liability company. The company has its statutory seat and its principle place of business in Amsterdam.¹



Shareholders

As of December 31, 2016, shareholders consisted of ABN AMRO Mees Pierson, Michael Jantzi and senior staff, Mooncrest Holdings Limited, PGGM, Renewal Partners, Silver Box Holdings Limited and Triodos.²



Board of Directors

Seven board directors, including the Chief Executive Officer. There is an Independent Chairman governance structure in place with two subcommittees of the Board – the Audit and Risk Committee and the Remuneration and Employment Committee.



Offices

As at December 31, 2016, Sustainalytics had offices in Amsterdam (Headquarters), Boston, Bucharest, Frankfurt, London, New York, Paris, Timişoara Toronto, Tokyo, Sydney and Singapore as well as representative offices in Brussels and Washington D.C. The Tokyo and Sydney offices were opened in 2016 and, by the time of the publication of this report, we had closed our Singapore office (in early 2017).



Employees

As at December 31, 2016, Sustainalytics had 313 employees,³ including over 170 analysts with multidisciplinary expertise across more than 40 industry sectors.



Clients

Sustainalytics serves more than 400 clients⁴ across 18 countries, providing them with comprehensive ESG and corporate governance research and ratings. Our clients include asset managers, asset owners, NGOs, corporate issuers, international organizations, and academic institutions.



About This Report

Sustainability Reporting Group

- Rachel Birenbaum
- Vihra Toneva
- Megan Wallingford

This annual report outlines Sustainalytics' 2016 sustainability performance⁵. It adheres to the GRI's G4 Guidelines⁶ at the "core" level and focuses on the company's key material issues⁷. To help you navigate the GRI disclosures, we provide a *GRI Content Index* at the back of this report and we kept reporting periods consistent with previous years.

As signatories to the UN Global Compact, the report also serves as our Communication on Progress (COP). As we continue to strengthen our data collection and monitoring processes, management will consider using an external assurance provider.

This is the fourth edition of *Sustainable Momentum* and the third one to be circulated externally⁸. As in previous years, it was written primarily for our employees, Board of Directors and shareholders. All photographs used in the report were taken by employees in the countries where we operate.

Follow us on our journey to achieving a more sustainable and just economy and use Sustainable Momentum as a guide⁹.



The Year In Review: A Message From Michael Jantzi, CEO

Over the past few years, we have witnessed responsible investing (RI), once a peripheral practice, move decisively into the mainstream. According to the *Global Sustainable Investment Alliance*, 26% of all professionally managed assets globally in 2016 integrated some environmental, social and governance (ESG) criteria, representing a 25% increase compared to 2014. We are standing on the precipice of a major transformation of the global financial system and Sustainalytics is both proud and humbled by the role we are playing in this economic revolution.



There is an oft-repeated phrase (often referenced on the internet as "an African proverb") that states: "If you want to go fast, go alone. If you want to go far, go together." The rapid transformation of our industry has compelled us to move fast, but, equally, our progress is inseparable from a spirit of collaboration that has defined us since inception. For 25 years, Sustainalytics has worked in collaboration with its clients and with responsible investment market participants and influencers to make ESG as integral to the investment process as P/E ratio, earnings momentum, EBITDA and other common financial metrics. In 2016, our collaboration efforts progressed even further as we cemented innovative partnerships with Morningstar, Glass Lewis and Advestis.

Morningstar launched the industry's first sustainability rating for mutual and exchange traded funds in partnership with Sustainalytics. As a result, our insights are reaching new segments of the investment community, including, for the first time, retail investors.

Proxy voting and engagement are some of the most powerful ways of influencing corporate behavior and, by including our research in Glass Lewis reports, Sustainalytics is increasing our ability to affect positive change in this crucial part of the post-investment process.

Finally, through our partnership with Advestis, we are leveraging the latest advances in big data and machine learning with *ESG Signals*. While ESG integration strategies historically have been largely qualitative in nature, this industry-first is providing investors with a quantitative tool that consistently and algorithmically analyzes performance-based correlations between ESG and financial variables.



Another oft-repeated phrase, at least within Sustainalytics, is "the only constant is change." While this mantra authentically reflects our reality, and our culture of embracing change has underpinned much of our success, it's also true that this type of a working environment can place heavy demands on our people. On that note, whatever other achievements we amass, one of the things I continue to find most rewarding is that Sustainalytics brings together more than 300 creative, passionate and determined individuals who are bound together by mission. Nevertheless, although the results of our first-ever employee engagement survey highlighted broad satisfaction with *What We Do* and *How We Do Things*, it also identified several key areas which require our attention moving forward.

Sustainability is a journey, and as we look ahead as a company, Sustainalytics aspires to implement a more systematic approach when it comes to measuring our operational footprint and running our business sustainably. Sustainalytics will seek to improve our efforts with respect to integrating sustainability considerations into business strategy, business management systems, goal setting and incentive structures, and management reporting. We believe that as a company that has built responsible investing into its very DNA, continuous improvement in these areas is critical if we are to fulfill our social responsibility of contributing to a greater global society.

Michael C. Jantzi

Chief Executive Officer

Sustainalytics



Sustainability Context – Our Place In The World

Sustainalytics' mission is to provide the insights required for investors and companies to make better informed decisions that lead to a more just and sustainable global economy. For us, a more just and sustainable economy is one that helps alleviate poverty, protect the planet and ensure prosperity for all. In other words, one that supports the UN's Sustainable Development Goals (SDGs). It is through our relationship with hundreds of clients, who manage trillions in assets, that Sustainalytics has its greatest impact. Our success depends on the ability to deliver high quality ESG and corporate governance insights and tools to our clients, who themselves play a critical role in supporting the allocation of capital in a manner that leads to sustainable outcomes over the long-term. Accordingly, sustainability issues remain central to our thinking across all aspects of the business, including product development, delivery, support and service.

In 2016, two momentous events solidified the place of sustainability in the mainstream investment community – the official entries into force of both the Paris Agreement and the 2030 Agenda for Sustainable Development. In parallel, ESG integration continued its path to greater mainstream acceptance worldwide. Examples of this include Sustainalytics' partnership with Morningstar – specifically, the launch of the industry's first ESG scores for global mutual and exchange traded funds. And our partnership with Glass Lewis, established in 2016, started to facilitate the integration of ESG factors directly into the proxy voting and engagement processes.

In addition to the impact Sustainalytics has through our clients, we also recognize our own responsibility – not only as an independent operating company, but also as an ESG and corporate governance research provider that evaluates the sustainability performance of others. Sustainalytics follows the UN Global Compact's 10 principles, which includes the precautionary principle, based on which we have integrated sustainability risk assessments in fundamental business processes to minimize the negative impact on the environment. Accordingly, sustainability is at the core of how Sustainalytics' global offices operate – from our human capital policies that stimulate diversity and personal development to our continuous efforts in offsetting our GHG emissions, detailed further throughout this report.

Although this report highlights events in 2016, our commitment to sustainability is long-term. We are a company that has responsible investing as part of our DNA. We will continue to support investors around the world with the development and implementation of responsible investment strategies that ensure the resiliency of the systems upon which we all depend.





Our Reporting Approach

Sustainalytics' reporting process is designed to identify, track and manage material sustainability issues on an ongoing basis using appropriate performance metrics. To support this process, we've created a reporting framework based on input from key stakeholders combined with the GRI's four *Principles for Defining Reporting Content:* Sustainability context, stakeholder inclusiveness, materiality, completeness. The sustainability context was outlined in the preceding section while completeness refers to the scope and rigor with which topics are addressed. The other two principles are discussed below in greater detail.

Stakeholder Inclusiveness

Sustainalytics engages with various stakeholder groups during the course of the year. These interactions help shape our sustainability strategy. This happens either directly, by soliciting their feedback on relevant material issues, or indirectly through the way in which these interactions shape our approach to achieving our mission. Below is an overview of key stakeholders, the way and frequency with which we engage with them, their main concerns, our response and the way this relates to key material issues.



Figure 1: Sustainalytics' Stakeholders

Internal **Stakeholders** Shareholders **Board of Directors** Senior Management **Employees** Core **Stakeholders Industry Organizations** Companies We Research **Clients and Prospects Economy-Related Stakeholders** Government **Financial Service Sector Competitors and Other Players Environment & Civil Society**

Figure 2: Examples of Stakeholder Engagement in 2016

Stakeholder	Method of Engagement	Frequency	Main Concerns Raised in 2016	Our Response	Most Relevant Material Issues
Shareholders	Annual General MeetingCEO contact	• Annually • Required	None cited	_	_
Board	Board meetings	Quarterly	None cited	_	_
Employees	CEO & executive company updates Other management and Human Resource communication channels	At least annually As required	Need for a dialogue between the employees and the leadership team in the company	Sustainalytics Connect 2016 Engagement Survey	 Equity & Diversity Work-life Integration Professional Growth Opportunities
Clients	Mid-year client survey Formal client consultations in multiple locations on our research innovation plans The structured collection of informal feedback by our client servicing teams	Annually As required	Interim instability due to transition to new online client platform (Global Access); data quality and timeliness concerns	Invested in a series of cross team quality initiatives Expanded and restructured the research team and processes to maximize efficiency Invested in specialized teams: quality management, research operations, data services, developers	Product & Service Innovation Product & Service Quality Product & Service Quality
Companies we research	Solicit feedback on company profiles as part of our research process	Annually As required	Adapting ESG research to company-specific circumstances	Added indicators and adjusted our processes to help ensure that company-specific circumstances are better reflected in our research.	 Product & Service Innovation Product & Service Quality
Industry organizations	Memberships, position on governance body or committee, event participation and collaboration	Monthly	None cited	_	_

Materiality

In 2014, Sustainalytics used the GRI's four-step materiality process (identify, prioritize, validate and review) to arrive at a list of ten key material issues¹⁰. Subsequently, we ranked these issues in terms of significance to both our organization and our stakeholders using a 3-tier system. Following an assessment by Sustainalytics' Executive Team, it was concluded that the material issues identified in 2014, and reported on in 2015, still reflect the most substantial topics affecting the organization. To ensure that these topics are covered in an accurate and robust way, the Sustainability Reporting Group re-validated the findings of the 2014 materiality assessment. The weight of each issues was re-assessed and its position in the materiality matrix re-confirmed.

The only change made during the revalidation was to "Conflicts of Interest". We are restoring its original position in the matrix as it was after the full materiality analysis in 2014. The Sustainability Reporting Group concluded that it was no longer the most significant issue affecting the organization as it was in 2015. It is, however, still considered to be an important issue affecting both the organization and its stakeholders.

Figure 3: Materiality Process based on GRI G4 Guidelines

Review

Feedback on the 2015 sustainability report was collected from stakeholders and processes Senior management reviewed the materiality matrix through a 2016 lens

Validate

The Reporting Advisory
Committee examined
the 13 issues according
to their business impact
and plotted each
issue on a materiality
matrix; 10 highly
material issues were
identified

Senior management then grouped these issues according to a strategic sustainability

Identify

A list of 24 potentially material issues were identified

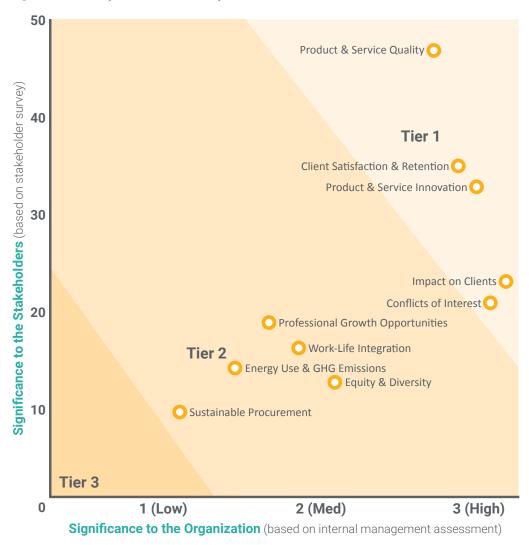
An internal data availability check was performed

Prioritize

Employees, select board members and shareholders were asked to select the top 5 most material issues; 13 material issues were identified



Figure 4: Sustainalytics' 2016 Materiality Matrix



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Performance Disclosure

The Executive Team grouped the material issues according to a strategic sustainability framework, broken down into three areas: Products, Human Capital and Operations. Products relate to "What We Do" while Human Capital and Operations relate to "How We Do Things".

What We Do

Products

Product and Service Quality
Client Satisfaction and Retention
Product and Service Innovation
Impact on Clients
Conflicts of Interest

How We Do Things

Human Capital

Professional Growth Opportunities

Work-Life Integration

Equity and Diversity

Operations

Energy Use and GHG Emissions
Sustainable Procurement

What we do

The first set of performance metrics encompasses the material indicators that inform Sustainalytics' decisions with respect to what we deliver to the market. We report on these issues through a products and services lens, focusing on five sustainability themes identified through the materiality assessment process: Product and Service Quality; Client Satisfaction and Retention; Product and Service Innovation; Impact on Clients and Conflicts of Interest.

How we do things

The second area of discussion encompasses those material indicators that inform Sustainalytics' decisions with respect to managing the company. We believe that it is critical to integrate sustainability metrics and considerations into our management decision-making and reporting. It is not only the right thing to do, it also improves our understanding of our business.

We report on these issues through a Human Capital and Operations framework, focusing on five sustainability themes identified during the materiality assessment process. Three themes fall under Human Capital (Professional Growth Opportunities, Work-Life Integration, and Equity and Diversity) and two under Operations (Energy Use and Greenhouse Gas Emissions, and Sustainable Procurement).

We use a traffic light system to report on progress with regards to the key performance indicators (KPIs):

- Green to indicate that we were on target
- Amber to indicate that we fell just short of our target
- Red to indicate that we failed to meet our target by a more significant margin
- Indicates there was no set target





Material Issues: What We Do

In this section, we focus on five material issues that relate to our products: Product and Service Quality; Client Satisfaction and Retention; Product and Service Innovation; Impact on Clients; and Conflicts of Interest.

Product and Service Quality

Sustainalytics is committed to delivering superior quality products and services to our clients. We monitor the company's products and quality processes continuously to ensure online access to ESG research and customized deliverables are completed on time with excellence. This is crucial to supporting the widespread adoption of ESG integration within the global investment community.

As a mission-driven company, Sustainalytics' business success is ultimately the best measure of our sustainability impact. In 2016, Sustainalytics met its revenue and new sales targets, while just missing its profitability and core cash creation objectives.

Material Issue: Product and Service Quality					
	2015	2016		2017	
KPI	Assessment	Goals	Assessment	Goals	
Revenues		Continue to support		Ensure that key business	
New Sales		improvements to the QMS process		processes are in place to handle product change	
Profitability		Achieve internal KPIs		and roll-out	
Core Cash Creation			•	Improve quality monitoring and reporting	

The responsibility for the implementation of quality standards resides with a dedicated Quality Management Team (QMT), which was created in 2016. The team's mandate is to enhance operational excellence, driven by the voice of the customer, by providing business process support as well as tools and mechanisms for the research, operational and ICT teams to improve their efficiency and effectiveness. Moreover, Sustainalytics has a dedicated Data Management Team that safeguards the quality of company data used as inputs into Sustainalytics' products and services¹¹.



In 2016, the QMT initiated a large-scale, cross-functional project to address quality concerns and to promote a culture of operational excellence. The outcomes of this project included improvements to some of our critical tools and platforms:

- Universe Management: In 2016, we improved the governance of Sustainalytics' standard research universes. Research universes were clearly defined and rules were established for a newly-initiated quarterly rebalancing process supported by client communications. The process improvements have led to better control and more ownership over Sustainalytics' universes with greater consistency across products and platforms.
- **Global Access**¹²: We improved the management of our online client platform by implementing a more efficient and effective issue handling system. In addition, we improved communications so that our external stakeholders and client servicing teams are better informed about new developments.
- **Data Delivery:** We improved the reliability of our company data through a monthly rebalance and quality assurance process. We also put into place end-of-gate quality assurance measures for proprietary data (including ESG scores and qualitative ESG analysis) to capture data gaps prior to publication. Furthermore, we improved the format, quality and consistency of custom client deliverables by setting up a dedicated production team and putting in place enhanced quality assurance (automated and manual).

In 2016, Sustainalytics streamlined our core research processes to improve the efficiency of our ESG research and established a committee to ensure that assessments are done consistently across research teams, sectors and products. We worked to continuously enhance the analyst manual and clarify standard operating procedures for research teams. All ESG company report quality monitoring was aggregated into one interactive management dashboard, which facilitated improved analysis and response.



Client Satisfaction and Retention

Material Issue: Client Satisfaction and Retention						
	2015	2016		2017		
KPI	Assessment	Goals	Assessment	Goals		
Client Retention Rate		Achieve client retention rate of 95% Leverage the enhanced feedback mechanisms integrated since 2015 to execute targeted client outreach Solicit specific feedback on the new products launched in 2015 (Global Access,		Prudently adjust the client retention target to 93.5% Continue to develop new products and services in line with new market needs, global trends and our mission Expand our leadership position as a provider of second party opinion for		
		Corporate Governance Research & Ratings and		green bonds		
		Carbon Solutions)		Ensure the smoothest possible transition of		
				clients to new products and services		

Fostering loyalty, collaborating and maintaining meaningful relationships with our clients is vital to Sustainalytics' long-term success. In 2016, we expanded our client advisory and servicing teams as we believe in the "close-by concept" to capture local dynamics. Throughout 2016, we undertook client satisfaction surveys and leveraged targeted client outreach to inform our thinking with respect to product and quality improvements, and new product developments.

To support our growing global client base, Sustainalytics hired additional client advisory personnel to provide local support from eight regional hubs (as opposed to five in 2015). We also expanded our capacity to support bespoke client work and custom research projects such as sustainability bonds and impact advisory.

Product and Service Innovation

Material Issue: Product and Service Innovation					
	2015	2016		2017	
KPI	Assessment	Goals	Assessment	Goals	
Product Innovation	•	Deliver improvements to		Develop a new enhanced	
Process Innovation		our online client platform		analyst interface	
Digital Innovation		Launch new data services offering Launch an enhanced Carbon Solutions suite Integrate state-of-the-art smart technologies to improve research processes	•	Prepare our online client platform for major improvements to our main product offerings Continue to develop new products and services in line with market needs, global trends and our mission Leverage digital innovation to improve process efficiency	

In 2015, Sustainalytics made a major commitment to innovation as part of our strategic business plan. 2016 highlights included improvements to Global Access, our online client platform, and the soft launch of a state-of-the-art data services offering with select clients. We also successfully integrated smart technology solutions into the research process with efficiency gains expected to materialize in 2017.

Operational Innovations

Process innovation initiatives resulted in significant improvements in Sustainalytics' production and delivery methods. We transformed the Product Innovation Team, created in 2014, into a Digital Innovation Team to reflect the increased importance of digital technology in Sustainalytics' ESG research process. In 2016, the team established an innovation lab that identifies, explores and applies new technologies, including smart technologies and machine learning, to our existing and future products and services. The adoption of agile product development strategies improved the delivery of timely improvements to our online client platform.

Product Innovations

In 2016, in collaboration with Advestis, Sustainalytics launched ESG Signals, an innovative investment solution that provides investors with securities-level financial risk and opportunity signals based on ESG factors, trading patterns and financial information. ESG Signals was our response to asset managers' need to support the integration of our ESG research into their quantitative models.

Morningstar, a leading provider of independent research, launched the industry's first ESG scores for global mutual and exchange traded funds in partnership with Sustainalytics. The



Morningstar Sustainability Rating™ enables investors to evaluate funds based on ESG performance, with Sustainalytics' research underpinning Morningstar's fund ratings.

Sustainalytics also partnered with Glass Lewis in 2016, a leading independent provider of global governance services. Glass Lewis began integrating Sustainalytics' ESG Research & Ratings for approximately 2,300 global large and mid-cap companies into its proxy research over the course of the 2016 proxy season. In this way, Sustainalytics started to more effectively support the integration of ESG factors into a crucial part of the post-investment process.

Clients' Impact

Material Issue: Clients' Impact						
	2015	2016		2017		
KPI	Assessment	Goals	Assessment	Goals		
Impact Framework Development		Broaden impact-oriented product suite Contribute to emerging discussion about systemic risks and opportunities		Continue to work towards developing innovative new products and services that contribute to creating a positive impact and helps to address systemic ESG risks		

Sustainalytics' impact on the global economy is determined by how clients use our products and services to inform their capital allocation decisions. The trend towards ESG integration across investor segments and asset classes increases our scale of influence and impact.

As part of our long-term strategy, Sustainalytics expanded its access to market segments for which ESG historically has not been on the agenda. Worldwide, ESG integration continued its path to greater mainstream acceptance, and in 2016 Sustainalytics noted two big accomplishments in that respect by partnering with Morningstar and Glass Lewis. Sustainalytics' partnership with Morningstar has allowed our company level analysis to become widely available to the retail investor market, driving increased awareness about ESG issues. Our partnership with Glass Lewis has resulted in a heightened awareness of ESG issues with both institutional investors and corporate issuers. Through these partnerships, and the work we do with our clients, Sustainalytics is continuing to help advance the field of responsible investing.

Sustainalytics also furthered our conceptual thinking around an Impact Framework that assesses the contribution of business to broader social and environmental development goals. In 2016, we took further steps to broaden our impact-oriented product suite by incorporating positive impact product research indicators, including renewable energy and green transportation.

Sustainalytics' Sustainable Bond Services helps investors develop frameworks aligned with the Green Bond Principles and offers insight with respect to market best practices. We also incorporate the ESG performance of the client and the alignment of the Sustainability Bond with

client's sustainability goals and objectives, thereby providing a holistic view of the Sustainability Bond to investors. The work Sustainalytics does in this space is impactful – we are helping to shift capital to a low(er)-carbon future and to projects that help support the SDGs more broadly. In 2016, Sustainalytics was the leading Second Opinion Provider with more than 50% market share.

Consistent with Sustainalytics' mission of pursuing a more just a sustainable economy – we highlight below how Sustainalytics' research, analysis, insights and tools support our clients in advancing the SDGs.



End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Access to Nutrition Index | Access to Seeds Index

In 2016, the Global Access to Nutrition Index 2016, the India Spotlight Access to Nutrition Index 2016, and the inaugural Access to Seeds Index 2016 were published, for which Sustainalytics contributed with methodology development, research, analysis, report writing and company engagement. The Access to Nutrition indexes aim to stimulate large food and beverage companies globally to enhance access to nutrition for all, in developed and developing countries alike. The Access to Seeds Index facilitates the discussion on how the seed industry can step up its efforts to address hunger in the least developed areas of the world.

6 CLEAN WATER AND SANITATION



Ensure availability and sustainable management of water and sanitation for all.

Green and Social Bond Services | Water Green Bonds

Sustainalytics helped issuers bring to market robust green bonds that contributed to sustainable water management projects globally.

For example, Sustainalytics provided a second-party opinion¹³ on Jain Irrigation Systems' (JISL) Green Bond. JISL, India's largest producer of micro-irrigation systems, financed the development of micro-irrigation products that provided efficiency in irrigation, especially in India where flood irrigation is common.

Sustainalytics also provided a second-party opinion on green bonds issued by the San Francisco Public Utilities Commission (SFPUC). Both these bonds financed wastewater treatment, storm-water management, and infrastructure improvement projects for sustainable water management. SFPUC was also the first climate bonds certified water bond.

7 AFFORDABLE AND CLEAN ENERGY



Ensure access to affordable, reliable, sustainable and modern energy for all.

Green and Social Bond Services | Renewable Energy Green Bonds

Sustainalytics helped numerous issuers develop frameworks to finance renewable energy projects globally, and provided assurance that the bond proceeds were allocated, managed, and reported in a transparent manner.

B DECENT WORK AND ECONOMIC GROWTH



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Green and Social Bonds Services | Rural socio-economic development Sustainability Bond

Sustainalytics helped Caja Rural de Navarra, a Spanish cooperative, to bring a robust Sustainability Bond to market. The Sustainability Bond funded a variety of projects to advance rural socio-economic development. Through its sustainability bond, Caja financed lending to develop sustainable agriculture, provide microfinance loans, and provide financing to SMEs with a focus on the rural towns in the Navarra, La Rioja, and Alava provinces.

KnowTheChain Benchmark

The International Labor Organization estimates that 21 million people around the world are victims of forced labor. In fact, forced labor in the private economy generates USD 150 billion in illegal profits annually. In 2016, Sustainalytics played a key role in launch of a new company ranking that focuses on this issue, the KnowTheChain (KTC) benchmark. Funded by Humanity United, KTC is an online resource to promote greater transparency and dialogue around the issue of human trafficking and forced labor in supply chains. Throughout 2016, KTC launched three sector-specific benchmarks examining the degree to which companies are addressing forced labor and human trafficking risks in their supply chains. The benchmarks covered the Information Communication Technology, Footwear and Apparel, and Food and Beverage sectors. Sustainalytics played a lead role in developing the methodology, conducting the research, evaluating the companies and identifying key findings.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Green and Social Bonds Services | MTR Corporation and Link REIT Green Bonds

Sustainalytics provided a second-party opinion for the Mass Transit Railway (MTR) Corporation Ltd., Green Bond. MTR is one of the world's leading railway operators carrying an average weekday patronage of over 5.5 million in Hong Kong. MTR's Green Bond financed low-carbon transportation, energy efficiency, sustainable transit stations, and climate change adaptation infrastructure for the city of Hong Kong.

Sustainalytics also provided a second-party opinion for Link REIT, the first real estate investment trust listed in Hong Kong. Link REIT's Green Bond financed energy efficiency, waste and water management, and low-carbon transportation infrastructure projects in Hong Kong.

Together, the MTR and Link REIT Green Bonds financed the creation of resilient infrastructure in an urban and metropolitan environment.

SUSTAINABLE CITIES AND COMMUNITIES



Make cities and human settlements inclusive, safe, resilient and sustainable.

Green and Social Bonds Services | City of Mexico (CDMX) Green Bond

Sustainalytics provided a second-party opinion on the City of Mexico (CDMX's) Green Bond framework, which financed projects in the areas of sustainable transport, sustainable buildings, renewable energy, energy efficiency, pollution prevention, conservation and biodiversity, and climate change adaptation. Sustainalytics reviewed and provided an opinion on the impact of these projects in the context of CDMX's environment, and in the context of the city's environmental strategy and commitments.

13 CLIMATE ACTION



Take urgent action to combat climate change and its impacts.

Carbon Solutions Suite | Green Bonds

Sustainalytics Carbon Solutions suite helps investor clients understand and address their investments' exposure to carbon risks and implement low carbon strategies. In addition, our carbon foot printing offering allows investors to measure and reduce the environmental impact of their portfolios.

Furthermore, the Climate Bond Standards Board made Sustainalytics an approved verifier, which authorizes Sustainalytics to assess whether a bond's assets meet the Climate Bond Standard's environmental and financial guidelines.

16 PEACE, JUSTICE AND STRONG INSTITUTION



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Global Compact Compliance Service

Sustainalytics contributes to the promotion of peaceful and inclusive societies for sustainable development through our Global Compact Compliance Service. This service enables investors to identify companies implicated in severe, structural breaches of the United Nations Global Compact Principles, which are based on international norms. Sustainalytics takes a rights-first approach, which looks at fundamental human rights (as defined by core human rights charters) at risk.

17 PARTNERSHIPS FOR THE GOALS



Strengthen the means of implementation and revitalize the global partnership for sustainable development.

ESG and Corporate Governance Research and Analysis

During the past 20 years, Sustainalytics has worked with global investors to provide them with ESG research, enabling them to make more informed and sustainable investment decisions. Over that time, we have seen an increase in transparency among companies in both developed and emerging markets, improved sustainability performance among many of the companies we track, and an increase in the awareness of the importance of sustainability among investors, companies, NGOs and civil society.

Sustainalytics also contributed to the emerging discussion about systemic risks and opportunities by actively participating in industry events and supporting clients with strategy development and implementation. Finally, our Thematic Research team advanced Sustainalytics' thought-leadership work — in 2016, we published 23 reports on topics ranging from data privacy to the gender pay gap.

Conflicts of Interest

Material Issue: Conflicts of Interest

	2015	2016		2017
KPI	Assessment	Goals	Assessment	Goals
Code of Conduct Implementation	•	Implement processes to ensure 100% of employees read and sign upon hiring and annually thereafter	•	Expand our outreach to ensure 100% of employees read and sign upon hiring and annually thereafter

Sustainalytics has built strong relationships with the company's stakeholders by focusing on providing outstanding products and services, and seeking to do business according to the highest ethical standards, wherever we operate and whatever the situation. To ensure that the company avoids entering commercial relationships that might jeopardize our integrity and research independence, Sustainalytics introduced a global Code of Conduct in 2015. All employees are required to review and sign the Code upon hiring and annually thereafter, and adhere to both its letter and spirit.

In 2016, just over half of Sustainalytics' staff signed off on the Code, which fell well short of our target of 100%. Despite this unsatisfactory start, Sustainalytics will persist in our efforts to advance the adoption of the Code of Conduct globally.

Over the course of the year, Sustainalytics' Compliance Manager received four reports of a possible conflict of interest and/or conflict with the Code of Conduct. None of these instances was deemed a conflict and no disciplinary actions were taken. There were no reports of misconduct.

Memberships

Global charters and principles to which Sustainalytics subscribes

- United Nations backed Principles for Responsible Investment (UNPRI)
- Climate Bonds Standards Board
 - Green Bonds Principles

Global initiatives in which Sustainalytics participates

• United Nations Global Compact (UNGC)

Industry associations and organizations in which Sustainalytics holds a position on the governance body or participates in projects or committees

- Belgian Sustainable and Social
- Investment Forum (BELSIF)
- BSAS Boston
- BSAS New York
- Building a Sustainably Investing Community (BASIC)
- Canadian Business for Socia Responsibility (CBSR)
- Council of Institutional Investors (CII)
- Danish Social Investment Forum (DANSIF)
- Forum pour l'investissement responsable (French Sustainable Investment Forum)
- UK Sustainable Investment and Finance Association (UKSIF)
- Forum Nachhaltige Geldanlagen (German Sustainable Investment Forum)
- International Corporate Governance Network (ICGN)

- Natural Capital Declaration
- Network for Business Sustainability (NBS)
- Norwegian Forum for Sustainable and Responsible Investment (NORSIF)
- Pensions and Lifetime Savings Association (PLSA)
- Responsible Investment Association Australasia (RIAA)
- Responsible Investment Association Canada (RIA)
- Spanish Social Investment Forum (SpainSIF)
 - Sustainability Network Canada
- The Forum for Sustainable and Responsible Investment in the United States (USSIF)
- Women in Super (WIS)



Material Issues: How We Do Things

How We Do Things

Human Capita

Professional Growth Opportunities

Work-Life Integration

Equity and Diversity

Operations

Energy Use and GHG Emissions
Sustainable Procurement

Human Capital

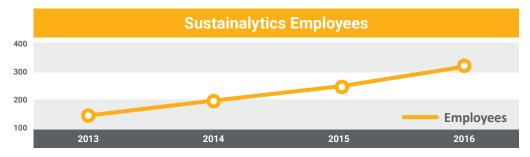
Sustainalytics operates in a knowledge-based industry and our competitive advantage depends, to a large extent, on our employees' ability to deliver quality products and services and to create state-of-the-art ESG solutions.

To safeguard its innovative performance and expand the outreach of its products and services, the company relies on a comprehensive set of human capital policies. Sustainalytics encourages personal development and continuous learning, nurtures healthy work-life integration, and celebrates diversity. In our view, the best way to ensure the consistent application of these principles, is to build our own team of experts globally, as opposed to producing research through a network of partnerships or leveraging outsourcing firms. This approach guarantees that all our employees are hired and trained in accordance with our mission and our values. Approximately 79% of our annual cost base went towards personnel costs — a signal of our commitment to investing in our people as a crucial part of our long-term success.

At year-end Sustainalytics employed 313 people, representing a 30% year-over-year increase. The clear majority of our staff were permanent, full-time employees, with 5% of employees on fixed-term contracts or part-time employment. The Sustainalytics team spanned eleven countries – the largest offices being Timişoara, Romania (38% of staff); Toronto, Canada (18%); and our headquarters in Amsterdam, the Netherlands (14%)¹⁴.



Figure 5: Sustainalytics' Employee Growth



Professional Growth Opportunities

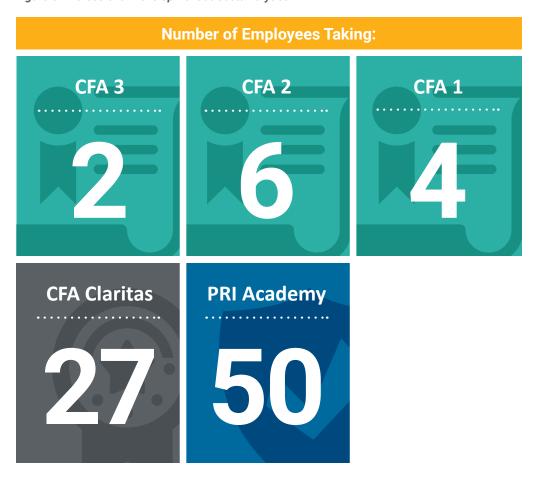
Material Issue: Professional Growth Opportunities						
	2015	2016		2017		
KPI	Assessment	Goals	Assessment	Goals		
Training budget as a percent of personnel costs	•	Maintain existing suite of professional development programs	•	Expand existing suite of professional development programs by introducing		
Education credit usage	•	Complete annual performance and career		specialized management trainings		
Annual performance and career development reviews		development reviews for at least 90% of eligible employees on time		Maintain the current completion rate of annual performance and career development reviews		

Sustainalytics aims to support a working environment in which employees can develop the right skill sets and intellectual capital over time. This enables them to become thought leaders and support the company to meet the market's requirements. We believe that continuous learning is crucial not only to maintain Sustainalytics' competitive advantage, but also as a means to retain employees and keep them engaged. To that end, 750 annually and offers paid leave for coursework of up to 2 days per year.

In 2016, employees (on average) used 71% of their education credit (2016 goal: 65%) for courses, workshops, conferences, and other educational events, directly related to their work. Employees were encouraged to use the funds in a self-directed manner, and spent (on average) 46 hours on professional development initiatives (2016 goal: 32 hours). Moreover, the company continued to finance employees' CFA accreditation and other industry programs such as the Claritas Investment.



Figure 6: Professional Development at Sustainalytics



In 2016, Sustainalytics also offered specialized courses as a response to the business needs identified throughout the company. For example, we provided a "Coaching and Mentoring" training course to 19 new managers in the Romanian offices to develop skills in managing their teams members.

Sustainalytics faced some challenges launching programs that were part of the company's 2016 goals. For example, we did not manage to introduce a succession planning process or execute a training program for middle managers. Despite the postponement of these initiatives, Sustainalytics remains convinced of their value and we plan to continue working on their implementation over the next couple of years.

Sustainalytics' global appraisal framework is another tool that expands the professional growth opportunities in the company by clarifying performance expectations and establishing transparent criteria for advancement. The annual appraisal process was set up in 2010 with the aim to have a consistent and fair way to reward performance. In 2016, 88% of eligible employees received an end-of-year performance and career development review, compared to 94% in 2015. This falls just short of our goal of 90%. In 2017, Sustainalytics plans to overhaul the current appraisal framework to respond to the company's growth.

Work-Life Integration

Material Issue: Work-Life Integration							
	2015	2016		2017			
KPI	Assessment	Goals	Assessment	Goals			
Employee Turnover		Achieve employee turnover of 10% or less	•	Achieve employee turnover of 10% or less			
		Deliver the company's first global HR engagement survey		Conduct second global HR engagement survey and improve upon previous results			
		Analyze turnover data and deliver initiatives aimed at reduction within the scope of its influence					

Sustainalytics has continuously strived to introduce innovative ways for employees to integrate their professional and personal responsibilities. We believe that these efforts lead to more motivated, engaged and ultimately happier people who are willing to go the extra mile in pursuit of the company's mission. Examples of some of the practices we employ, beyond the standard benefit suite offered by a company of our size, include:

- Flexible return-to-work practices for employees returning from maternity and parental leaves;
- Support for employee-initiated transfers to another global office for personal or professional growth opportunities; and
- The opportunity for employees working abroad to spend two weeks per year working from their home country.

Work-life integration also means tapping into employees' motivations for working with a company like Sustainalytics, driven by a desire to have a positive impact through their work. An example of how we do this is our Global Volunteer Day, an annual event organized since 2013 that reinforces our values while building a strong global culture.

Sustainalytics acknowledges that to create an industry-leading work environment that fosters work-life integration, we need to continuously seek feedback from employees, identify the issues most important to them and respond in an effective way. Accordingly, in 2016 we conducted the first Sustainalytics Connect Engagement Survey. Our objective was to gather critical information and insights about employees' experiences about working at Sustainalytics.



The overall Sustainalytics Engagement Index was very positive - with a score of 79%. Employees told us that they feel proud to work for Sustainalytics and they identify with the company's values. Furthermore, they trust and respect their line managers and understand how their work contributes to achieving their team's business goals.

There were also some areas for improvement. Staff expressed their desire for more communication with the Executive Team. The findings also highlighted that Sustainalytics needs to provide more information about product quality initiatives and greater support for career development. Based on this feedback, individual teams developed targeted action plans.

Sustainalytics is committed to surveying employees biennially – the next survey is planned in 2018.

Another key measure of Sustainalytics' success is employee turnover, which was higher than we wished for the second consecutive year. This was driven primarily by mid-level employees, who cited a mismatch between the role and their skill set, lack of career progression and a desire to work in a different business area as some key reasons for leaving Sustainalytics. This level of turnover remains a concern, and as such, Sustainalytics continues to undertake a variety of initiatives (adjusting remuneration and benefits, for example) and implementing changes/improvements (more transparent performance management and promotions procedures) to try to address the challenges directly.

Equity and Diversity

Material Issue: Equity and Diversity						
	2015	2016		2017		
KPI	Assessment	Goals	Assessment	Goals		
Employee Exchanges	•	Maintain existing employee exchange program	•	Maintain existing employee exchange		
Representation of women at senior levels of the company		Introduce procedures for analyzing salary increases and promotions by gender Formally launch the women's professional development program Execute diversity training for the Human Resources team		program Introduce procedures for analyzing salary increases and promotions by gender Launch a campaign that through our values emphasizes the importance of diverse perspectives		

Sustainalytics values diversity and desires to create a work environment in which individuality and differences among people are celebrated. The company recognizes that a diverse workforce enhances its ability to provide high quality products and services. In 2016, we represented 39 nationalities and spoke 38 languages. At year-end, 60% of the employees were women, including 47% of senior management: Senior Manager/ Associate Director = 48%, Director = 53% and Executive Team = 25%.

39 Nationalities

38 Languages



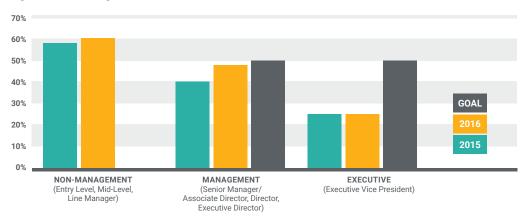


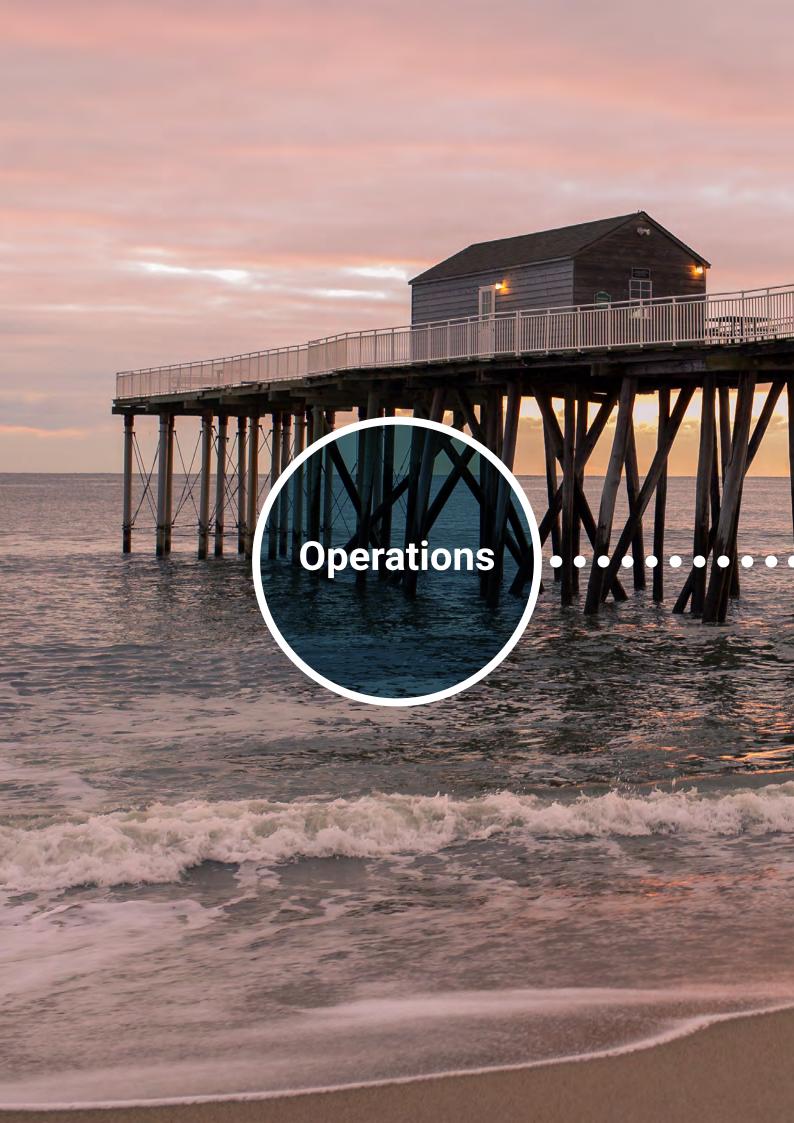
Figure 7: Percentage of Women in Different Positions

Another key measure of diversity and equity is pay ratio by gender. Accordingly, Sustainalytics analyzed the ratio of the salary of women to men for each employee category by significant locations of operation. Due to the limited sample size, we cannot report the results by employee category and location without compromising employee confidentiality, but in aggregate:

- The ratio of basic salary of women to men at entry-through manager-level positions was 0.97:1 (1:1 in 2015)
- The ratio of basic salary of women to men at senior management positions was 0.90:1 (0.84:1 in 2015)

Consistent with our goals, in 2016 Sustainalytics implemented procedures for tracking gender in recruitment processes. Due to resource constraints, Sustainalytics' professional development program for women had to be temporarily delayed. The intention remains, however, to implement this program (or something similar) in the next couple of years.

Finally, one of the ways Sustainalytics is leveraging our global footprint is through the company's exchange program. This program aims to strengthen our global culture and reward high performers. Since 2011, we have given a select group of employees the opportunity to work in one of our offices for a period of 3-6 months to build the capacity and strength of our global teams and accelerate professional development. In 2016, Sustainalytics selected 5 employees to participate in the program. Furthermore, Sustainalytics transferred 9 employees (5 permanent and 4 temporary, 6 women and 3 men) within the company to different countries in cases where business needs aligned with personal circumstances.



Operations

Mitigating the company's environmental footprint through embedding sustainability considerations into our operations is both strategic and an integral part of who we are. Throughout 2016, Sustainalytics closely monitored the policies and programs introduced in 2015 to see where adjustments and improvements needed to be made.

Energy Use and GHG Emissions

Material Issue: Energy Use and GHG Emissions				
	2015	2016		2017
KPI	Assessment	Goals	Assessment	Goals
GHG emissions offset	•	Improve Sustainalytics' Sustainable Travel Policy Create a system to measure	•	Improve Sustainalytics' Sustainable Travel Policy Implement a travel
		energy consumption in a pilot office and roll it out globally in 2017		application, tracking employee travels

Sustainalytics measured and offset Scope 3 GHG emissions related to business and commuter travel in 2016. Our GHG emissions in total amount to approximately 340 tons¹⁵ of CO₂.

Total: tons of CO₂ offset in 2016 tons of CO₂ tons of CO₂ tons of CO2 **Public** Flights, Trains, etc. Car **Transport Business Travel** Commuting

Figure 8: GHG Emissions in 2016 (All Offset)



Managing our carbon footprint remains challenging for Sustainalytics, as we continue to expand globally and experience significant growth in our global client base. The company is trying to reduce our emissions by employing Skype for Business as our main communication tool, thus reducing meeting-related travel. Travel is only allowed when there is a valid business case, which is judged by the manager. Policies for specific routes (e.g. Amsterdam-Frankfurt) are in place to ensure employees travel by train rather than flying. Nevertheless, we will review the Sustainable Travel policy to improve communications and data collection as part of our effort to find creative solutions to minimize our collective impact.

To help us calculate and offset emissions associated with business and commuter travel, Sustainalytics partners with the Dutch-based foundation Climate Neutral Group. Climate Neutral Group is the Benelux market leader in the field of emission reduction and carbon offsetting. In 2016, they worked alongside our internal carbon experts to determine where the company's climate protection and carbon compensation investment will have the greatest impact. Sustainalytics chose to support **Biogas Tanzania** — a project that stimulates the transition from cooking over an open fire using charcoal and wood, to the use of biogas as a non-harmful alternative. One biogas installation saves an average of 8.5 tons of CO2 and 4,667 kg of wood per year, improves the living conditions on the farms and saves more than 1,500 hectares of forest¹⁶.

Sustainalytics offices also have implemented initiatives that are helping us mitigate our environmental footprint more effectively:

- The Toronto office uses only FSC-certified paper (Forest Stewardship Council, an organization that works to promote the practice of sustainable forestry worldwide), which is composed of virgin tree fibers and is as eco-friendly as recycled paper;
- Amsterdam uses Biotop3 paper, which is produced totally chlorine free and bleached without any optical brightening agents;
- All paper used in the Amsterdam, Paris, Frankfurt, London, Tokyo and Sydney offices is recycled through either building management services or in-house policies while New York and Boston recycle 78% of the paper they use
- Toronto has a program for e-waste and printer cartridges disposal, as well as battery, pen and highlighters recycling; and
- All offices have implemented recycling systems that collect and sort paper, glass and plastic.

Despite our best efforts, Sustainalytics did not fully implement some of the initiatives planned in 2016. For example, we postponed the creation of a structured data collection system to measure energy consumption per office by 2018. Nevertheless, the company remains determined to improve our performance in terms of energy efficiency and GHG emissions.



Sustainable Procurement

Material Issue: Sustainable Procurement				
	20145	2016		2017
KPI	Assessment	Goals	Assessment	Goals
Percentage of eligible purchases made in accordance with policy	•	Introduce a process for measuring the percentage of purchases made in accordance with the policy in a pilot office Maintain policy as implemented and expand scope of policy in 2016 to cover 100% of company purchases		Modify the accounting system to track number of purchases made from a sustainable supplier Revisit the list of approved suppliers within the Operations team

We don't consider the environmental and social impact of Sustainalytics' supply chain to be significant. Nevertheless, we seek to source responsibly. Our Sustainable Procurement policy applies to office supplies and services, and food and drink associated with staff functions. The company has implemented the policy at all our offices globally. In 2016, 74% of purchases were made using sustainable suppliers.

Figure 9: Sustainalytics' Supply Chain

rigure 2. Sustamarytics Supply Chain	
Personnel	Non-Personnel
Payroll administrators	Real estate rented for offices
Recruitment and professional development services	Office maintenance, security and cleaning services
Social securities and benefit providers	Banking financial services
	Pension providers
	Marketing services
	Office furniture, food and supplies providers
	Insurance providers
	Research license providers
	Research partners
	IT services
	Travel service providers
	Legal services



What's Next?

In addition to measuring the key indicators highlighted in this report, Sustainalytics will continue to focus on embedding sustainability metrics more effectively into our strategic decision-making and management reporting systems. Sustainalytics will build on its commitment not only to measure and manage these issues, but also to report more effectively to our stakeholders.

Material Issues	2017 Goals	Metrics
	What We Do: Products	
1. Product and Service Quality	Ensure that key business processes are in place to handle product change and roll-out Improve quality monitoring and reporting	Revenues New Sales Profitability Core Cash Creation
2. Client Satisfaction and Retention	Prudently adjust the client retention target to 93.5% Continue to develop new products and services in line with new market needs, global trends and our mission Expand our leadership position as a provider of second party opinion for green bonds Ensure the smoothest possible transition of clients to new products and services	Client Retention Rate
3. Product and Service Innovation	Develop new multi-tenant analyst interface Prepare Global Access for launch of next generation ESG Rating Launch enhanced Climate Solution suite Strengthen SDG related product offer Leverage digital innovation to improve process efficiency/ produce new data in three identified priority areas	Product Innovation Process Innovation Digital Innovation
4. Impact on Clients	Enter new regions and increase new applications for ESG Grow the user adoption and sophistication to use ESG considerations in current markets Foster discussions on addressing systemic ESG risk Direct investors to positive impact solutions Support clients in developing positive impact frameworks	Impact framework development
5. Conflicts of Interest	Expand our outreach to ensure 100% of employees read and sign upon hiring and annually thereafter	Code of Conduct implementation
	How We Do Things: Human Capital	
6. Professional Growth Opportunities	Expand existing suite of professional development rograms by introducing specialized management trainings Maintain the current completion rate of annual performance and career development reviews	Training budget as a percent of personnel costs Education credit usage Annual performance and career development reviews
7. Work-Life Integration	Achieve employee turnover of 10% or less Conduct second global HR engagement survey and improve upon previous results	Employee Turnover
8. Equity and Diversity	Maintain existing employee exchange program Introduce procedures for analyzing salary increases and promotions by gender Launch a campaign that through our values emphasizes the importance of diverse perspectives	Employee Exchanges Representation of women at senior levels of the company
	How We Do Things: Operations	
9. Energy Use and GHG Emissions	Review Sustainable Travel Policy to improve process and guidelines Implement a travel application tracking employee travels	GHG emissions offset
10. Sustainable Procurement	Modify the accounting system to track number of purchases made from a sustainable supplier Revisit the list of approved suppliers within the Operations team	Percentage of eligible purchases made in accordance with policy





Appendix

The table below lists all of our material issues and the corresponding GRI material aspect. Each material aspect is relevant to all entities included in our consolidated financial statements.

While defining the content for this report we did not recognize regional differences.

Material Issue	Why Is It Material?	Corresponding Material GRI Aspect	Corresponding Material GRI Indicator	Issue Boundary Of Impact & Key Interested Stakeholders
Product and Service Quality	Providing products that deliver informative ESG insights, underpins our growth as a firm and ultimately allows us to realize our vision and mission.	None identified	G4-DMA None identified	EXTERNAL Clients Prospects
Client Satisfaction and Retention	Our ability to retain clients is imperative for Sustainalytics to continue to be a successful business, serving the responsible investment industry.	None identified	G4-DMA None identified	EXTERNAL & INTERNAL Employees Shareholders Clients Prospects
Product and Service Innovation	Sustainalytics' long-term success depends, in part, on our ability to innovate and deliver more sophisticated products to our clients to meet their needs.	None identified	G4-DMA None identified	EXTERNAL Clients Prospects
Impact on Clients	Enhancing and gaining a better understanding of our impact is a long-term objective.	None identified	G4-DMA None identified	EXTERNAL Clients Prospects Financial services sector



Material Issues	Why Is It Material?	Corresponding Material GRI Aspect	Corresponding Material GRI Indicator	Issue Boundary Of Impact & Key Interested Stakeholders
Conflicts of Interest	Sustainalytics has built strong relationships with our stakeholders by providing outstanding products and service, and doing business according to the highest ethical standards, wherever we operate and whatever the situation. Our commitment to principles such as of fairness, honesty, independence, integrity, and transparency underpin our decisions and actions.	Governance	G4-DMA G4-56	INTERNAL Employees Senior management Board Shareholders
Professional Growth Opportunities	As a knowledge-based organization, nurturing professional growth and keeping our employees challenged and motivated is paramount to our success as an organization.	Training & Education	G4-DMA G4-LA9	INTERNAL Employees Senior management
Work-Life Integration	Work-life integration means creating an environment where employees feel they can perform consistently at their best. This, together with nurturing professional growth, is key to recruiting and retaining top talent.	Employment	G4-DMA G4-LA1	INTERNAL Employees Senior management



Material Issues	Why Is It Material?	Corresponding Material GRI Aspect	Corresponding Material GRI Indicator	Issue Boundary Of Impact & Key Interested Stakeholders
Equity and Diversity	Diversity across a workforce makes for a more successful and sustainable company. Accordingly, it is critical that Sustainalytics has access to a large pool of high quality candidates so that it can attract and retain the best talent.	Equal Remuneration for Men & Women	G4-DMA G4-LA13	INTERNAL Employees Senior management
Energy Use and GHG Emissions	Our commitment to sustainable business practices enables us to manage our reputational risk, it differentiates us from some of our competitors, it enhances our brand reputation globally across a range of stakeholder groups, as well as assisting in the recruitment and retention of talented staff.	Emissions	G4-DMA G4-EN15	EXTERNAL & INTERNAL The environment Employees Senior management
Sustainable Procurement	Our commitment to sustainable business practices allows us to manage our reputational risk, it differentiates us from some of our competitors, it enhances our brand reputation globally across a range of stakeholder groups, and it assists in the recruitment and retention of talented staff.	Procurement Practices	G4-DMA None identified	EXTERNAL & INTERNAL The environment Employees Senior management



GRI G4 Index for "In Accordance" Core

	General Standard Di	sclosures	
General Standard Disclosures	Description	Page Number/Location	Omissions
	Strategy & Analy	<i>y</i> sis	
G4-1	Statement from the most senior decision- maker of the organization	Pg. 8	
	Organizational Pro	ofile	
G4-3	Name of the organization	Report Cover	
G4-4	Primary brands products and services	sustainalytics.com/solutions	
G4-5	Location of company's headquarters	Pg. 4	
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Pg. 4	
G4-7	Nature of ownership and legal form	Pg. 4	
G4-8	Markets served	Pg. 4	
G4-9	Scale of the organization	Pg. 4	
G4-10	Total number of employees by employment type, employment contract, and region, broken down by gender	Pg. 31 & 37	
G4-11	Percentage of total employees covered by collective bargaining agreements	Pg. 54 (Endnotes)	
G4-12	Describe the organization's supply chain	Pg. 41	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Pg. 4	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Pg. 11	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Pg. 29	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	Pg. 29	
	Material Aspects & Bo	undaries	
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents including indication which of these are not covered by the report	Pg. 53	
G4-18	Process for defining the report content and the Aspect Boundaries	Pg. 13	



General Standard Disclosures	Description	Page (Number/Location	Omissions
	Material Aspects & Bo	undaries	
G4-19	Material Aspects identified in the process for defining report content	Pg. 16	
G4-20	Aspect boundary within the organization for each material aspect	Pg. 45	
G4-21	Aspect boundary outside the organization for each material aspect	Pg. 45	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Pg. 54 (Endnotes)	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No changes	
	Stakeholder Engage	ment	
G4-24	Provide a list of stakeholder groups engaged by the organization	Pg. 14	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Pg. 14	
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Pg. 15	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Pg. 15	
	Report Profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	Pg. 7	
G4-29	Date of most recent previous report (if any).	Pg. 7	
G4-30	Reporting cycle (such as annual, biennial).	Pg. 7	
G4-31	Contact point for questions regarding the report or its contents	Pg. 54 (Endnotes)	
G4-32	'In accordance' option chosen for the report	Pg. 7	
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	Pg. 7	
	Governance		
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Pg. 4 & 54 (Endnotes)	
	Ethics & Integri	ty	
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Pg.4 & 29	



Specific Standard Disclosures				
Material Issue	GRI Material Aspect	Performance Indicator	Omissions	
		Products		
Product and	None identified	Revenues		
Service Quality		New Sales		
		Profitability		
		Core Cash Creation		
		Pg. 21		
Client Satisfaction	None identified	Client Retention Rate		
and Retention		Pg. 23		
Product and	None identified	Product Innovation		
Service Innovation		Process Innovation		
		Digital Innovation		
		Pg. 24		
Clients' Impact	None identified	Impact framework		
		Pg. 25		
Conflicts of Interest	Ethics & Integrity	Code of Conduct implementation		
		G4-56: Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics		
		Pg. 29		
	H	luman Capital		
Professional	Training & Education	Training budget as a percent of personnel costs		
Growth Opportunities		Education credit usage		
		Annual performance and career development reviews		
		G4-LA9: Average hours of training per year per employee by gender, and by employee category		
		Pg. 32		
Work-Life	Employment	Employee Turnover		
Integration		G4-LA1: Total number and rates of new employee hires and employee turnover by age group, gender and region		
		Pg. 34		
Equity & Diversity	Equal remuneration for men & women	Representation of women at senior levels of the company		
		Employee Exchanges		
		G4-LA13: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation		
		Pg. 36		
		Operations		
Energy Use and	Emissions	GHG emissions offset		
GHG Emissions		G4-EN17: Other indirect greenhouse gas (GHG) emissions (Scope 3)		
		Pg. 39		
Sustainable Procurement	None identified	Percentage of eligible purchases made in accordance with policy Pg. 41		



Endnotes

- ¹ All entities included in the consolidated financial statements are covered in this report.
- ² During 2016 no shares were issued, but one transaction was realized between existing shareholders.
- ³ This number excludes three interns that Sustainalytics employed in 2016.
- ⁴ Includes recurring and one-off clients.
- Sustainalytics' last report was our 2015 Sustainability Report, published in Q4 2016 on 2015 performance data.
- ⁶ The G4 Guidelines have been superseded by the GRI Sustainability Reporting Standards (GRI Standards), which will be required of all reports or other materials published on, or after, July 1 2018. While this report adheres to the G4 Guidelines, our 2017 Sustainability Report will comply with the new standards.
- A full materiality assessment was conducted in 2014. The findings of this assessment were re-validated for the purposes of this report. More information is found in the "Reporting Approach" section.
- 8 In 2014, Sustainalytics issued an internal Sustainability report based on our performance in 2013. This report was made available only to employees, board members and shareholders. The internal report was not prepared in accordance with GRI reporting guidelines.
- For questions regarding this report or its content, please contact Vihra Toneva, <u>vihra.toneva@sustainalytics.com</u>
- ¹⁰ Glossary of material issues:

Energy Use & GHG Emissions – Optimization of the energy consumption and measurement of Scope 2 emissions; reduction and offsetting of the Scope 3 greenhouse gas emissions related to business and commuter travel.

Sustainable Procurement – The process of purchasing goods and services without causing harm to, or exploiting, humans or the natural environment.

Equity & Diversity – Creating an inclusive workforce, where people are valued for their diverse culture, knowledge, skills and abilities and are given equal opportunities for professional development.



Work-Life Integration — Creating an environment to assist employees in integrating different components of their life in a way that fits their needs and provides them control over managing the boundaries of work and personal life.

Professional Growth Opportunities – Access to a wide variety of specialized programs intended to help employees improve their professional knowledge, competence, skill, and effectiveness.

Conflicts of Interest — Situations in which the organization is involved in multiple interests, financial or otherwise, one of which could possibly corrupt the motivation or decision-making of the organization.

Impact on Clients – The influence the organization's products and services have on the way our clients decide to allocate their capital and whether that leads to a more just and sustainable global economy.

Product & Service Innovation – The ability to innovate and deliver more sophisticated products to our clients to meet their ever-evolving needs.

Client Satisfaction & Retention — The ability to deliver products or services that meet or surpass our clients' expectations; the actions we take to reduce the number of customer defections.

Product & Service Quality — An assessment of how well our products or services conform to the client's expectations and whether the deliverables are completed on time and with excellence.

- A description of Sustainalytics' products and services is available at http://www.sustainalytics.com/solutions
- Global Access is our online client platform. It provides users with a single interface to access our latest ESG research and ratings. Detailed description is available on our site at http://www.sustainalytics.com/global-access/
- All second opinions are available on our website at http://www.sustainalytics.com/green-social-bond-services/
- ¹⁴ Employees in Romania (51.8%) are represented by collective bargaining agreements.
- Due to a change of the external partner executing the calculations and the application of a different methodology, we cannot make a comparison between the results from 2015 and 2016.
- More information about the project can be found at Climate Neutral site at http://climateneutralgroup.co.za/biogas-project-in-tanzania/





