



Guide to Selecting an ESG Research Partner

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About RiskMetrics Group

RiskMetrics Group is a leading provider of risk management products and services to financial market participants. By bringing transparency, expertise and access to the financial markets, we help investors better understand and manage the risks inherent in their financial portfolios. Our solutions address the market, credit, portfolio, governance, accounting, legal and environmental risks of our clients' financial assets. Headquartered in New York with 19 offices worldwide, RiskMetrics Group serves more than 2,300 institutions and 1,000 corporations in 50 countries. For more information, please visit: www.riskmetrics.com

Environmental, Social and Governance (ESG) factors have become part of the mainstream investment landscape, as evolving public policy and company social, governance and environmental practices create material risks and opportunities that do not shine through on financial statements. A company's position and performance in areas such as climate change, energy use, political contributions, labor and human rights can have profound societal and financial impact, and are important for investors to consider when assessing portfolio risk and opportunity.

Institutional investors can minimize risk and gain competitive advantage by incorporating a comprehensive, objective and reliable set of quantitative and qualitative ESG information into their investment decision-making. Selecting the right ESG service partner--one that provides not only screening, but detailed research and analysis -- is critical.

With our deep research expertise, extensive ESG staff and a unique view of ESG issues through the lens of shareholder value, RiskMetrics Group's ESG solutions and tools are among the most respected in the industry.

RiskMetrics Group's ESG Expertise

- ❑ In-depth, consultative approach to gathering and evaluating ESG information from multiple sources, placing emphasis on company engagement and analysis
- ❑ Broad-based approach to evaluating companies:
 - More than 300 indicators across ESG topics, including over 200 environmental and social factors
 - Values-based screening on over 70 criteria, including pre-defined faith-based screens
 - Corporate governance ratings data based on up to 65 factors
- ❑ Ratings and screening coverage for over 8800 companies worldwide
 - Sustainability governance data that allows comparable analysis between nearly 2000 companies
 - Environmental and social issues screening data for over 6700 companies
 - Corporate governance ratings data on nearly 7400 companies
- ❑ Proxy research coverage for over 38,000 meetings across 100 markets worldwide
- ❑ Over 20 years experience in researching ESG issues, with the largest team of ESG analysts in the industry
 - Operations in 11 countries
 - 200 research analysts, over 50 of whom focus specifically on environmental and social analysis
- ❑ Industry Relationships
 - Professional service provider signatory to the UN Principles of Responsible Investment
 - Member of the Social Investment Forum
 - Produced 2007 S&P 500 Report for the Carbon Disclosure Project
 - Worked with the Investor Network on Climate Risk (INCR) to develop the Climate Change Governance Framework
 - Commissioned by Ceres and the INCR to author multiple studies leveraging the Climate Change Governance Framework to evaluate issuer responses to climate change risk

Based on questions provided by our clients, both in the US and internationally, we have compiled this guide to enable investors to ask the appropriate questions when reviewing their ESG research partner's research and screening capabilities.

Overall Approach to ESG Research and Screening Model

- Does your research partner have experience in analyzing both financial and non-financial risk factors?
- Does your research partner use an objective, sector-based, best-practices approach to analyzing ESG data?
- Is your research partner a boutique firm or activist firm? Do they advocate a standardized view or value set?
- Is your research partner capable of providing research and screening for each of the critical aspects of ESG – Environmental, Social and Governance?
- What coverage of U.S. and non-U.S. companies does your partner provide for environmental research? For social research? For governance research?
- Does your research partner make its research, screening and analytical process transparent?
- Does your research partner allow you to customize your screening and rating preferences?
- Does your research partner have global research capabilities?
- Does your research partner have research analysts in local markets, or do they partner with companies that have a local market presence?
- Does your research partner's local market knowledge encompass both mature and emerging markets? Is your research partner able to provide coverage for companies in emerging markets?
- Does your research partner provide analysis of ESG performance and capabilities across industry sectors? Across countries?
- Does your research partner deliver comparative assessments?
- Will your research partner scale the breadth and depth of its coverage in order to meet your evolving needs around ESG screening and research?
- Does your research partner have a firm-wide commitment to developing new ESG solutions?
- Does your research partner offer new ways to link ESG performance with traditional business model analysis?

Research and Data Gathering

- Does your research partner engage with companies as part of the research process?
- Does your research partner use surveys as its primary data collection process?
- What sources of data does your research partner rely on? Do they include non-public as well as public sources of data? Company data? Government data? Media and industry data? Financial data?
- Does your research partner's approach differentiate between levels of business involvement, ranging from physical presence to non-physical ties, or equity and non-equity ties?
- Is data gathered from third party sources verified with company representatives?
- Does your research partner engage in direct discussion with special interest groups, including NGO's, watch-dog groups, government agencies, and think tanks?
- Which governance factors does your research partner factor in when evaluating companies?

- Which environmental and social factors does your research partner evaluate when profiling companies?
- Does your research partner follow a stringent fact-checking process?
- How do your research partner's research analysts collaborate as a team to complete company profiles?

Methodology and Scoring

- What scoring and ratings methodologies does your research partner use?
- Does your research partner provide both qualitative and quantitative assessments of company performance?
- Does your research partner utilize an objective, quantitative approach to scoring companies?
- Is the research methodology made transparent to both users and companies?
- Can you customize your research partners scoring methodology?
- Does your research partner apply uniform screening standards?
- Do the screening standards provided by your research partner allow you to set portfolio restrictions based on your unique investment philosophy?
- Does your research partner compare ESG performance and capabilities across industry sectors to assess progress towards best practices?
- In what format(s) does your research partner deliver ESG data? A screening database application? Comprehensive reports? Company profiles? Custom data feeds for your trading and compliance infrastructure?
- How often does your research partner assess the strengths and weaknesses of its research methodology?
- How often does your research partner review and update its research methodologies to reflect industry and market trends?

Quality Assurance

- How often does your research partner review and update its research for companies that have been found to have controversial ties?
- How often does your research partner review each company comprehensively?
- How often does your research partner make updates to its environmental and social screening database and reports?
- How does your research partner verify the data that has been collected? How often is this done?
- Does your research partner engage with companies to verify the data collected?
- Does your research partner notify companies of any changes made to their profile or score? How?
- Does your research partner provider give the company the opportunity to discuss its concerns directly with the provider's research analysts?
- Does your research partner offer an online platform for companies to review, comment or correct the data gathered on them?

- Does your research partner have a proven methodology to handling disputes? Is it a universally applied methodology or a case-by-case method?

Coverage

- How many companies does your research partner cover today? What plans do they have for expanding coverage?
- Does your research partner cover small- and mid-cap as well as large-cap companies?
- Is your research partner willing to expand coverage to meet your needs? Are they capable of expanding their coverage?
- Is your research partner able to provide coverage in emerging markets?
- How many unique industry sectors does your research partner cover (breadth of coverage)? Do they follow Global Industry Classification System (GICS®) codes?
- What specialized experience does your research partner have in researching controversial issues?
- How many indicators does your research partner analyze for each company? How many of these indicators are sustainability-focused? How many are governance-focused?
- How does your research partner plan to enhance the list of indicators employed to deepen coverage?

Analysis and Reporting

- Does your research partner offer the ability to create flags or alerts for companies that are doing a relatively poor job at managing risks that might arise from ESG issues? If so, can this alert system be customized by clients?
- What tools does your research partner provide to model scores/rankings and the underlying data?
- Does your research partner provide company profiles and reports, in addition to scores and data? If so, does your research partner provide company profiles and reports specifically for sustainability or controversial issues?
- Do the reports provided by your research partner analyze the potential impact of social and environmental practices on the companies' reputation?
- Can your research partner provide reports in languages other than English?

Online Delivery Platform

- Does your research partner integrate screening information and company profiles within a single delivery platform?
- Is the research partner's ESG research and screening platform integrated with other critical governance applications, such as proxy voting?
- Does your research partner's screening platform allow you to upload and screen your portfolios?
- What online tools does your research partner offer for customization, such as creating and saving customized ESG screens, generating detailed company profiles, and accessing global restricted lists?

- Does your research partner offer customized feeds of screening data?
- If so, can data feeds be delivered according to your schedule and in your preferred format?

Staffing and Experience

- How many research analysts does your research partner employ? How many of these analysts focus specifically on environmental, social and governance research?
- What is the research partner's ratio of senior analysts to junior analysts?
- What percentage of the research partner's staff is involved in research, including both quantitative and qualitative issues-based research, data procurement, data analysis and/or portfolio screening?
- What is the typical educational background and experience level of your research partner's research analysts?
- Do the research analysts have practical experience in business and finance, as well as environmental, social and governance issues?
- What is the reputation of your research partner's senior analysts within the industry?
- How are the research analysts trained? What programs exist for ongoing training?
- How does your research partner assign research to analysts?
- What plans does your research partner have to grow and scale its ESG research team?
- Has your research partner made a firm-wide commitment to investing in both the human resources and technology needed to expand its ESG solution?

Commitment and Credibility

- How many years of experience does your research partner have in providing social and environmental-issues based research?
- How many institutional investor clients does your research partner currently serve?
- Does your research partner have a proven track record of meeting the needs of its clients?
- What is the reputation of your research partner within the overall industry?
- What role does your research partner play in shaping industry and market-specific trends?
- Does your research partner have the financial strength to deliver and scale its ESG screening and research solutions?
- What is your research partner's philosophy towards being responsible stewards of good governance and environmental and social responsibility?
- How quickly are companies removed from restricted company lists once it is verified that a company is no longer involved in the issue of concern?

Technology Infrastructure Management

- Does your research partner have the technical support and infrastructure needed to properly service your account?
- Does your research partner have a documented and tested Business Continuity Plan that addresses facilities, telecommunications, and data backup and restore procedures?
- Does your research partner have a formal change management process? Does it include specific testing of new processes and systems? Do clients participate in the testing?
- Does your research partner monitor system availability? Can they provide 2 or more years of uptime statistics?

Account Management Structure and Experience

- What type of account management and client service structure does your research partner have?
- Does your research partner have a dedicated ESG account management team, with a single point of contact, clearly defined escalation paths and designated back-ups?
- Does your research partner have account management personnel available in your region or local market(s)?
- Does your partner have formal training programs for new account management associates?
- What is your research partner's retention rate for ESG research and screening clients over the past 3 years?
- Do you or your research partner have adequate tools and systems (telecommunications, databases, etc.) for effective account management?

Information Security Practices and Management

- Is your research partner compliant with the ISO 17799 standards for information security?
- Does your research partner have a third party telecommunications network penetration test conducted regularly? Are they willing to share results of the latest test?
- Is your research partner's information security policies and practices documented? How are they monitored and enforced?
- Does your research partner allow clients to conduct audits? Onsite? How many have been completed in the last 12 months and what were the summary results?
- How does your research partner ensure that access to production programs, data files, sensitive system transactions, and operating system files are restricted to authorized users only? Is security role based?
- Does your research partner have physical security to restrict access to server/computer rooms?
- Does your research partner run intruder detection systems?
- Who is responsible for information security and risk management?

Internal and External Audit Practices

- Does your research partner have an internal audit department? If so, what is the reporting structure?
- Is there a regularly scheduled external audit? If so, at what frequency?
- Does your research partner have a dedicated quality assurance team that provides oversight to operations and production controls?
- Is your research partner willing to review their operational audit plans with you as part of due diligence? Does your research partner have a continuous process improvement approach or methodology
- Will they provide you with copies of SAS70 Type I reports? Type II reports? Do these cover technology? Compliance Activities? Key third party providers?

Participation in Industry Associations and Conferences

- In which industry organizations does your research partner actively participate?
- In which forums does your research partner actively contribute to and participate in?
- In which thought leadership conferences does your research partner participate?