The Office of New York City Comptroller

Request for Information (RFI)

Investment and Fiduciary Analysis of Prudent Strategies for Divestment of Securities Issued by Fossil Fuel Reserve Owners

June 2018

General Information

1. **Name and business address of responding party (if responding on behalf of a firm or organization, provide for that entity)**

   Sustainalytics
   125 Maiden Ln, suite 602
   New York, NY 10038

2. **Website address, if available**

   www.sustainalytics.com

3. **Name, address, email address and phone number for single point of contact for all communications.**

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4. **Please briefly describe your occupational and professional status and background, expertise related to the issues in this RFI and any other relevant background information.**

   Sustainalytics is the world's largest independent provider of Environmental, Social and Governance (ESG) and Corporate Governance and research, analysis, and support services, serving some of the world's largest asset owners and asset managers. Through more than 25 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.
   Sustainalytics has a staff of more than 400 globally, including over 180 analysts, with offices in Amsterdam, Boston, Bucharest, Frankfurt, London, New York, Paris, Sydney, Timisoara, Tokyo and Toronto, and representation in Brussels and Washington, D.C.

   As part of the core ESG services that Sustainalytics provides, Carbon has long been a focus of ours and we have developed extensive internal expertise on the subject. Over the years we have adapted to the needs of our clients and the broader market to develop tools that support clients in understanding and managing their exposure and risk when it comes to carbon and broader climate change topics. While carbon plays a role in our broader research, we have also developed a suite of Carbon Solutions, including our Carbon Risk Rating, Fossil Fuel Research, Stranded Assets Research and Carbon Emissions Research. In addition to this, we have

experience in working with clients to plan for and implement an investment approach to addressing various carbon related mandates and goals.

5. **Please state whether the responder is able to provide the Investment Analysis Services, or a portion of such work, including legal fiduciary analysis services, and is likely to respond to an RFP that includes Investment Analysis Services.**

   If yes, please respond to the questions in Attachment 1

   Yes, please see Attachment 1 (beginning on page 13 of this document).

RFP and Investment Analysis

1. **What specific areas, factors, risks and impacts should an RFP consider in order to enable selection of a provider or providers that can best conduct comprehensive and in-depth Investment Analysis Services?**

   In preparing an RFP around any ESG related topics one of the most important areas to understand a provider's capabilities is to be able to understand what you are looking for and respond to the specific topics that you are focusing on in any given RFP. It is important that a provider understands and is able to assess the degree to which a company's economic value is at risk driven by ESG factors OR, more technically speaking, the magnitude of a company's unmanaged ESG risks. In the context of your current needs, underlying the assessment of ESG factors, some specifics as it relates to fossil fuel divestment, include but are not limited to:

   - Environmental Policy, Environmental Reporting, Environmental Management System, Clean Technology Revenues, Environmental Fines & Penalties, CDP Participation, Scope of GHG Reporting, GHG Reduction Programs, Green Logistics Programs, Renewable Energy Programs, Carbon Intensity, Carbon Intensity Trend, Renewable Energy Use, Air Emissions Programs etc.

   The degree to which company value is at risk driven by the transition to a low-carbon economy (a company's unmanaged exposure to carbon risk). Carbon risk factors include but are not limited to:

   - Operations Exposure, Products and Services Exposure, Operations-Management, Products and Services-Management, Scope 1 Emissions, Scope 2 Emissions, Emissions Source, Carbon Intensity (tCO2e/$), Fossil Fuel-Level of Involvement, Thermal Coal Extraction-Level of Involvement, Thermal Coal Power Generation-Level of Involvement, Oil and Gas Generation-Level of Involvement, Oil and Gas Production-Level of Involvement, Oil and Gas Products and Services-Level of Involvement, Arctic Oil and Gas Exploration Involvement, Oil Sands Extraction-Level of Involvement, Stranded Assets-Exposure, Carbon Solutions-Level of Involvement, Green Transportation-Level of Involvement, Renewable Energy Production-Level of Involvement, Renewable Energy Supporting Products & Services-Level of Involvement, etc.

2. **What other important questions should be included in an RFP that includes Investment Analysis Services?**

   There are a number of important questions to be included in an RFP of this nature. We view the below topic areas as ones that should be covered, primarily focused on research availability, and should include:

   - Coverage universe of companies included in a provider's research

- Accessibility of research (database or platform, data delivery feeds, API integration, 3rd party integration, etc.)
- Research Type: Reporting, Analytic
- Research methodology
- Data Sources
- Depth and nuance of controversy analysis, access to analysts, level of exposure analysis in methodology

3. **What information and format do you believe would be useful for soliciting and evaluating Investment Analysis Services?**

   Often times, RFPs have a multi-stage approach which helps the issuer of the RFP to better understand how a provider would work with them in different formats. While not comprehensive, in our experience, the below formats provide the highest level of success:

   - Excel-based Q&A, accompanied with supporting documents
   - In-person presentation, including proposal of products and/or services

   Please refer to answers 2 and 4 for information useful for solicitating and evaluating Investment Analysis Services

4. **What criteria, experience and qualifications for services providers should be considered for Investment Analysis Services?**

   It is important that any issuer of an RFP is able to garner strong insights and an understanding of how a provider would work with you as well as the expertise that they bring to the project. Some of the criteria that should be included are:

   - Company background of the provider, including such areas as: Years of experience, expertise on the subject matter, market penetration, business model, innovation, independence, industry standing
   - Background of research team: number of analysts, location and sector backgrounds
   - Demonstration of thought leadership on the topic.

5. **What do you believe are best approaches to:**

a. **Determining the scope of companies, including further defining fossil fuel reserve owners, appropriate for divestment.**

   Divestment can take various different forms, the two more common approaches are: a complete exit from all fossil fuel companies in an investor's portfolio, or a conditional approach where shareholders divest from oil, gas and coal companies that meet certain criteria (for example, companies that derive more than 50% of their revenue from fossil fuel production).

The latter is the more common vehicle for most fiduciary investors, as it allows for smoother portfolio integration and supports the maintenance of portfolio diversification.

The below is sample of criteria commonly used to identify fossil fuel companies:

1. Identify companies by type of Fossil Fuel involvement:
    a. Thermal Coal;
    b. Oil; or
    c. Gas;
2. Identify companies by type of extraction"
    a. Conventional Oil
    b. Unconventional Oil (Oil sands, shale oil / arctic drilling)
3. Identify companies by type of activity:
    a. Thermal Coal Extraction
    b. Thermal Coal Power Generation
    c. Thermal Coal Supporting Products and Services
4. Identify companies by level of revenues derived from Fossils Fuels
    a. 5% or greater (more aggressive approach)
    b. 50% of greater (less aggressive approach)

The above criteria could be further supplemented by identifying companies based on strength of management practices (disclosures, policies, etc.) and performance of carbon and related climate change metrics.

b. Determining the timetable and specific milestones within a five-year period appropriate for divestment.

The timetables and milestones for divestment are dependent on risk appetite, or urgency of the shareholder(s) to reduce exposure. A specified timetable and milestone can be measured through setting thresholds (weighted %), and/or exclusion of involvement.

For example, if thermal coal production may be of immediate interest of divestment over a 5-year period, the thresholds over a 5-year period may be set initially:

Thermal Coal Exclusion Thresholds: (Yr. 1 – greater than 50%), (Y2 – 2 greater than 5%), (Yr. 3 – greater than 10%), (Yr. 4 – greater than 5%), (Yr. 5 – 0-5%)

Exclusion by Fossil Fuel Type: (Yr. – 1 Coal), (Yr. – 2 Oil), (Yr. – 3 Natural Gas), etc.

Combination: (Yr. 1 – Coal 25-50%, Oil 10-25%, Nat Gas 10-25%), (Yr. 2 – Coal 10-25%, Oil 25-50%, Nat Gas 5-10%)

A different and more granular approach would be to set a timetable beginning with high impact areas of Fossil Fuel involvement, such as Oil Sands, and Arctic Drilling, versus more conventional areas of involvement, such as commercial drilling.

c. Assessing appropriate divestment approaches based on asset classes, strategies and styles.

Assessments made at the issuer-level can be applied to Equity and FI securities. For issuer-level research, we recommend assessing:

- *Carbon Intensity* – Reporting on scope 1 and 2 GHG intensity and emissions for companies that list such figures, and, using estimation models for non-reporting companies.

- *Fossil Fuel Involvement* – Examine different types of company involvement in fossil fuels, including thermal coal, oil and gas, oil sands, shale energy, deep-water production and Arctic offshore exploration.

- *Stranded Carbon Assets* – Assess carbon assets risk of both oil and gas producers, as well as other top companies. Exposure should include life-cycle carbon intensity of production and proven reserves as well as involvement in high-cost projects.

- *Carbon Risk Exposure & Management* – Quantify the company's exposure and management of material carbon issues in its own operations as well as its products & services. Management focuses on a company's preparedness and track record in managing these issues.

- *Carbon Solutions* – Examine company involvement in carbon solutions, including renewable energy, green transportation, green real estate and energy efficiency, which allows an investor to focus on inclusion of certain types of companies rather than exclusion.

d. Analyzing the investment risks posed by climate change and fossil fuel reserve owners to the Systems' portfolios (including scenario analysis).

There is growing recognition that companies face material risks due to climate change. These material risks to companies pose a broader risk to investments portfolios.

Assessing the degree to which a company's value is at risk, driven by the transition to a low-carbon economy, is helpful in determining a company's suitability from an investment standpoint. Specifically, Sustainalytics has developed a Carbon Risk Rating to address this type of approach. The Carbon Risk score measures a company's unmanaged exposure to carbon risk across a variety of factors.

While carbon emissions and carbon intensity measurements are useful in assessing a company's investment risk exposure, by leveraging other exposure indicators and by adding management

indicators, identifying companies that are at risk due to a transition to a low-carbon economy becomes a more precise exercise.

- Exposure Risks include:
  - *Own Operations:* Carbon Intensity, Stranded Carbon Assets, Fossil Fuel Involvement, etc.
  - *Products and Services:* Fleet Emissions, Responsible Asset Management, Renewable Energy, etc.
- Management Risks include:
  - CDP Participation, Environmental Management System and Policies, GHG Reporting, etc.

e. Analyzing potential investment impacts on the Systems' portfolios of divesting from the securities of fossil fuel reserve owners, including impacts on return, risk, diversification and cost (including tracking error).

Analyzing the potential investment impacts on a portfolio of a divestment strategy can be a complex project and is best taken in different stages. A good starting point is to do a carbon portfolio analysis, which aggregates the carbon risk rating of companies into one single weighted average for the portfolio and the benchmark respectively. The conclusion is that the portfolio has either less or more carbon-risk than the benchmark.

Besides an overall weighted average carbon risk rating, the analysis should include a range of drill-down options. Carbon risk can also be compared on sector, peer group and sub-industry level. Using Sustainalytics', carbon risk rating would provide additional insights such as the carbon risk on operations, and products and services for all individual portfolio companies.

Attribution analysis is a commonly used method to identify and quantify the sources of performance of a portfolio. The task of performance attribution is part of the evaluation of the decisions that the portfolio manager takes to generate financial out-performance (or under-performance) with regards to a benchmark. As such, the objective is to identify the sources of carbon under-performance (or out-performance) of a portfolio compared to its benchmark. With regards to carbon risk, under-performance on carbon risk score is better and out-performance on carbon risk is worse.

Within attribution, the carbon risk of the portfolio can be compared against the benchmark. If the effects are negative, this indicates that the portfolio is less carbon risky than the benchmark.

f. Assessing potential alternative investments available to the Systems that have risk and return characteristics equivalent to the securities that may be divested.

Evaluating companies based on their percentage of revenues from Fossil Fuel-related products and operations allows managers to assess the opportunities for investing (or divesting) in these companies. For example, replacing companies with high percentage of revenue from thermal coal with those that derive lower percentage of revenues, or none, from thermal coal within the same industry could be one approach.

Switching companies involved in high-cost unconventional or particularly carbon-intense oil and gas production with those involved in natural gas (a lower carbon risk fossil fuel) could be another approach. However, divesting does not necessarily reduce all high-risk securities from your portfolio, as there can be companies within other industries (transportation, materials, Food products etc.), that can be riskier than companies with an inherent carbon footprint (mining, oil, etc.). Considering a holistic measure of carbon risk in addition to fossil fuel divestment could also be an approach. To better understand this approach, we have provided a couple of brief examples below.

Example 1: Substituting liquids or bitumen focused companies like Cenovus, Suncor, or Marathon Oil for more natural gas focused companies like Total SA or Royal Dutch Shell, or pure play natural gas companies like EQT Corp or Range Resources.

Example 2: Substituting upstream oil and gas producers with reserves on their books for energy service providers with other business lines, like Wood Group. This approach would maintain some exposure to the oil and gas industry, while also creating insulation from stranded asset risk as well as providing diversification into alternative energy and water infrastructure revenues (largely from the company's acquisition of Amec Foster Wheeler).

6. Are there any precedents that can help guide the approach to analyzing the impacts of and determining a prudent strategy for divesting from fossil fuel reserve owners?

Fossil fuel divestment as an investment approach that has evolved rapidly over the past few years, and while there are many examples of investors that have implemented such an approach, it is an area that is hard to truly assess the merits of different approaches as there is not a long track record from any given investor to date. In light of this an option is to ensure that there is a better understanding of what is driving the adoption of different approaches and how they are being implemented. Overall, the approach to divestment is being driven by two key considerations.

- Reducing carbon impact (footprint) of the portfolio
- Reducing carbon risk on the portfolio

The impact on the portfolio depends on which one of the above is the driver for divestment.

Reducing carbon impact of a portfolio focuses on identifying and targeting those companies with high carbon emissions or intensity. By divesting from such companies, the portfolio's contribution to Green House Gas (GHG) emission can be significantly reduced. The rationale being that by owning high carbon-intense companies in a portfolio, some part of the GHG emissions can be attributed to the investment decision.

This may not fully reduce the carbon risk of the portfolio as some non-fossil fuel companies could have more carbon risk than some fossil fuel companies and could lead to portfolio under-performance. Therefore, understanding the impact on the portfolio depends on which of the above considerations is driving the divestment strategy.

There has been an increasing understanding that there is a risk posed by exposure to stranded carbon assets within the fossil fuel industry, which has set a precedent in analyzing companies from a divestment standpoint. In assessing the risks posed to a portfolio, managers must better understand the reserves and implication of the company's valuation, as well as evaluate how much revenue or potential revenue might be derived from these reserves.

The key drivers of stranded carbon asset risks include:

- *The Possibility of Regulation*
- *The Changing Economics of Energy Production*
- *Socio-political Pressure*
- *Economic Imperative*

Stranded assets risk will affect different companies in different ways and to varying degrees. It is therefore important to identify the key differentiators that are most likely to determine the level of risk that each company will face. To this end, managers assess exposure to risk of stranded carbon assets based on the carbon intensity of their energy production mix (based on current production and presumed future production based on reserves) and their involvement in high-cost production. These are key variables that Sustainalytics has identified to better understand stranded asset exposure and risk and were selected following an extensive review of relevant research. They capture many of the most relevant factors that are likely to drive potential future costs and that may place some companies at competitive disadvantage in the face of the trends and risks.

Carbon intensity of fossil fuel is an important factor in assessing exposure—as carbon constraints grow, carbon intensity will have cost implications all the way along the value chain, potentially putting downward pressure on demand. Companies whose mix of production and reserves are heavily dependent on fuels with a higher carbon intensity on a lifecycle basis will be more exposed to stranded asset and climate change risks. Companies with significant production and reserves composed of coal or bitumen (oil sands) sit at the higher end of the intensity spectrum while companies focused on natural gas are at the lower end. More carbon intensive companies could face increased pressure in a carbon-constrained environment.

Involvement in high-cost types of production is the second important differentiator that Sustainalytics uses to assess fossil fuel companies' exposure to potentially stranded asset risks. In the face of a regulatory cost on carbon and/or declining fossil fuel demand and prices, assets with higher production costs will be more vulnerable to becoming uneconomical to produce and therefore potentially stranded.

Management of exposure to stranded asset risk when it is inherent to companies' business models should include steps that are taken to demonstrate their ability to deal with carbon constraints as they increase over time. Assessment of a company's management include:

1. Management of business risk associated with climate change, and
2. Emissions management.

Companies with strong management of business risks associated with climate change are likely to have greater insight into climate-related regulatory and market risks and will be better positioned to plan for them before they materialize. Additionally, Companies with strong emissions management will be better able to deal with emergent carbon constraints and to manage reputational risk.

7. What are ways to address the costs of externalities in investment portfolios that can help mitigate risk?

Evaluating a company's exposure to fossil fuel issues, as well as management's preparedness and track record in managing such risks, address the cost externalities in an investment portfolio. Reducing exposure in a low-carbon economy introduces transition risks, which can include:

- Possibility of Regulation: Markets may respond to the expectation of regulation before it is in place
- Supply Constraints and Demand Changes
- Increasing costs related to the implementation of emission reduction technologies

To this end, assessing the degree to which a company's value is at risk, driven by the transition to a low carbon economy, addresses the cost externalities within an investment portfolio. Regarding the reduction of portfolio exposure to fossil fuel companies, exposure analysis may lead to several strategies:

- *Re-weighting the portfolio holdings based on exposure & management:* This involves overweighting those companies with strong management and low exposure, while underweighting those companies with weak management and high exposure

- *Excluding the most exposed companies:* Exclude companies with the highest percentage of exposure to the different risk areas

- *Exclude the sector:* Full divestment from the fossil fuel producers

8. **How do you view the extent to which the market currently prices in climate change risk and, specifically, the economic and investment risks related to the carbon intensive businesses such as fossil fuel reserve owners?**

   Our view is that climate change risk is not currently fully factored into the markets. It is only in the last few years that there has been a stronger focus of industry organizations and different market groups have started to meaningfully assess the potential impacts of climate change on the capital markets. One of the strongest voices currently is The Task Force on Climate-related Financial Disclosures (TCFD), which believes that climate risk impacts financial stability. The Task Force also acknowledges the challenges and limitations of current carbon foot printing metrics, including that such metrics should not necessarily be interpreted as risk metrics.

   Climate risk will not affect everyone, or every company, in the same manner, even in the short-med term. In a low carbon economy everyone would theoretically take a hit, or otherwise go entirely out of business. For example, food retailers have large emissions in their upstream supply chain, however they can pass some responsibility of reducing these emissions on to their suppliers. Meanwhile, an oil & gas producer faces increasing societal and regulatory pressure to reduce the carbon footprint of both its own operations and its products, despite the fact that the largest part of the value chain emissions occur after the product is sold.

   In Sustainalytics' research framework, we consider Carbon risk material if its presence or absence is likely to influence the decisions made by a reasonable investor – the term "materiality" is used in an economic and not in a financial reporting context. This means that carbon risk can be considered material even if the financial consequences are highly uncertain and not fully understood and measurable as of today.

   The financial health of a company is an important factor when it comes to an assessment of the degree to which company value is exposed to carbon risk. A company with sufficient financial means is better equipped to master the challenges of the transition to a low-carbon economy by, for example, being able to make the necessary investments in product development (switching from cars with combustion engines to electrified ones is a good example for this).

9. **How could divestment be effective in influencing fossil fuel reserve owners to take steps toward addressing carbon risk?**

   There are clearly many different approaches to managing a transition to a low carbon economy, one of the more powerful ones for the global economy is for investors to begin to take this into account in their investment decision making processes. A tool that has been adopting greater relevance amongst the investment community is that of divestment, though it is an approach that should be taken with careful consideration of the potential costs, and loss of influence that

might be a result of such an approach. To divest a fund of any company means that the fund is no longer a shareholder, which means the opportunity for engagement with a company is lost.

With the above in mind, divestors guided by a financial or pragmatic strategy may not be concerned with influencing the economics of oil, gas and coal firms, and most divestment campaigns and ethical investors are focused on challenging the reputation of the fossil fuel industry, not necessarily on changing its economics. It is nevertheless instructive to explore the potential financial consequences of divestment, as momentum today is being carried by large fiduciary investors that have the potential to move the market.

Attachment 1.

Please answer these questions only if you are able to provide the Investment Analysis Services, or a portion of such work that would be sought in the above- referenced RFP and would likely respond to that RFP.

a. **What services can you provide that could satisfy the Investment Analysis Services sought in the above-referenced RFP?** ***Describe briefly what other services relating to mitigating climate change or carbon risk you can you provide.***

There are a number of different services that Sustainalytics has available to investors to create an approach to the topic of carbon and implement whichever plan makes the most sense for that investor. Sustainalytics' Carbon Solutions offers the closest alignment with the topic that is covered in this RFI and should an RFP be issued to respond to it, that suite of research services would be the main one that would be the focus of any response. The group of research that we have developed in our Carbon Solutions helps investors to better understand their carbon exposure and provide them with the research solutions they need to implement low carbon mandates. The suite includes a host of services and research products that are usually combined for optimal results. Our Carbon Portfolio Analytics service provides user with a custom analysis of your carbon intensity, measured against relevant benchmarks and peers, while our Carbon Intensity Data, Stranded Assets Research and Fossil Fuel Involvement products can be used separately or combined to match your investment strategy.

Sustainalytics is also a provider of Carbon Risk Ratings, which assesses the degree to which company value is at risk driven by the transition to a low-carbon economy.

Beyond the above, Sustainalytics, ESG Controversy research, as part of its ESG Company Research, assesses the degree to which individual companies may have been involved in various incidents or events that could have a potential negative impact on the company's performance and often times indicate a lack of management on particular issues. While our Carbon Solutions offer the most closely aligned research support, our Controversy Research also identifies related areas to carbon that investors may want to be aware of to inform their decision making, and to also allow room for the approach to evolve over time.

b. **Describe your business including your primary business activity and all the professional services that you or your company or organization provide.**

Sustainalytics partners with institutional investors who integrate environmental, social and governance information and assessments into their investment processes. With 13 offices globally, Sustainalytics has more than 400 staff members, including over 180 analysts with varied multidisciplinary expertise across more than 40 sectors. Our research services include:

ESG Research: Provides comprehensive and comparable, timely and relevant ratings, rankings and analysis of corporate environmental, social and governance (ESG)performance.

ESG Controversy Research: Assesses a company's ESG performance based on an analysis of incidents and events in which the company has been involved, providing valuable insights with respect to the effectiveness of existing policies and management systems.

Corporate Governance Research: Assesses risks and opportunities by determining the extent to which a company's governance practices detract from or add to the company's ability to execute on its business strategy.

Negative Screening Research: Measures involvement in product areas that may be considered controversial: Adult Entertainment, Alcohol, Animal Testing, Abortion, Arctic Drilling, Contraceptives, Fur & Specialty Leather, Gambling, Genetically Modified Organisms, Human Embryonic Stem Cell & Fetal Tissue, Military Contracting, Nuclear Power, Oil Sands, Oil & Gas, Palm Oil Producers, Pork Products, Pesticides, Predatory Lending, Shale Energy, Small Arms, Thermal Coal, Tobacco.

Norms-based Compliance Research: Identifies companies that are in breach or in risk of breach of the UN Global Compact principles in the areas of Human Rights, Labour, Anti-Corruption and Environment.

Carbon Solutions: Measures portfolio exposure and identifies companies with high exposure to carbon-related risks by assessing companies' carbon intensity and exposure to stranded assets.

Controversial Weapons Research: Assesses corporate involvement in 7 types of controversial weapons (Anti-Personnel Mines, Biological and Chemical Weapons, Cluster Munitions, Depleted Uranium, Nuclear Weapons, White Phosphorus), including the development, production, sale and maintenance of them.

Country Research: Measures portfolio exposure and identifies companies with high exposure to carbon-related risks by assessing companies' carbon intensity and exposure to stranded assets.

Sustainable Development Analytics: Enables investors to measure the alignment of their portfolios and individual holdings to the SDGs. Components of an assessment include: 1. Company-level scores, 2. Portfolio-level scores and3. Benchmarking.

Green Bond Advisory Services: With the goal of helping an Issuer to go to market with a robust, credible and transparent Green Bond, Sustainalytics will support the development of a framework for the Issuer's project portfolio that is in alignment with industry practice. Sustainalytics also provides second opinions on the alignment of the framework to the Green Bond Principles and the Issuer's sustainability goals. Additionally, Sustainalytics will review the projects for which the bond proceeds were allocated and ensure compliance with the eligibility criteria.

c. What skills, experience, expertise or tools do you have that enable you to provide Investment Analysis Services?

***Please include a list of similar prior projects and/or services; a description of experience with providing similar services to public pension funds or other institutional investors; and the length of time that you and your company or organization have provided such services*.**

Sustainalytics regularly works with its clients to provide support throughout their journey of integrating ESG into their organizations. We support policy development, ESG program design and execution, designing customized research and tools, communications, etc. For a number of investors, we have also provided strategic advice through our PRI Advisory Services, which supports the development of an ESG integration plan that typically spans three years. We analyze each organization's objectives, investment strategy and capabilities before supporting the creation of a comprehensive strategy to develop a client's responsible investment activities, in accordance with internal goals, resources and timelines. These projects have typically included extensive interview processes with individuals involved in investment management, and our capacity to carry out interview-based research is strong.

Much of the advisory work that Sustainalytics provides is underpinned by support from the broader ESG Research team, which we have provided additional details on below.

Sustainalytics ESG Research Team

The Sustainalytics ESG Research Team is composed of more than 180 analysts organized into functional teams that are led by experienced industry experts and managers. The team is a mix of analysts with different content expertise and with both qualitative and quantitative analytical skills.

The ESG Research Team is composed of the following:

- Sector Teams: Research on the ESG Rating is carried out by sector analysts who are assigned a set of issuers to cover within an industry. Sector analysts are organized based on six sectors groups, and specialize on specific industries within the sector (see Annex 5 for a breakdown of industries covered by each research sector). Each team is led by a Manager, who reports to a Research Director.

- Sector analysts develop knowledge and expertise of an industry through years of research, company dialogues and participation in industry networks. Sector analysts and their sector teams are responsible for producing high-quality reports and responding to client inquiries.

- Incidents Team: The Incidents Team conducts the daily news screening and provides sector analysts with incident analysis and scores to help build the controversy profile of

an issuer. Incidents analysts are assigned to research sectors and also specialize in monitoring news on specific peer groups.

Research Access

Through Sustainalytics' Global Access platform, clients can view our ESG, Corporate Governance, and Compliance Research onscreen in addition to downloading the reports, including ESG reports with in-depth analyst insights, Product Involvement and Controversies Research.

Global Access' screening tool enables clients to set filters based on a wider range of criteria, including product involvement research areas such as palm oil, oil sands, and arctic drilling. Clients can view and filter their results in one location onscreen and create portfolios based on the filter results. Global Access also includes a reporting tool that allows clients to create custom reports using our full range of research and analysis.

Sustainalytics Research can be integrated into proprietary and third-party systems via our data services solutions (API) and also be delivered via FTP, Data feeds.

d. Would you be willing to serve as a fiduciary to the Systems if you performed the Investment Analysis Services?

Sustainalytics is not able to act as a fiduciary.

e. What are your sources of income other than from clients? If you are a not-for-profit organization, please identify your donors.

Sustainalytics primary business is that of the provision of ESG and related research, we work with investors and asset owners primarily and as such has no other source of income other than that of our clients.

f. What is the estimated pricing structure and cost for provision of Investment Analysis Services?

Throughout the response that we have provided to this RFI there are various areas of advisory support and related ESG and Carbon Research Solutions that we have discussed may be of use to the you. As such, we are not able to provide a very specific estimation without knowing which service, or group of services you may decide to move forward with. In general, when working with asset owners similar to your organization our fees range from USD 20,000-USD 90,000. We would be happy to work with you to find a set of solutions that best meets your needs and related budget.