



Universe Management

## About Sustainalytics

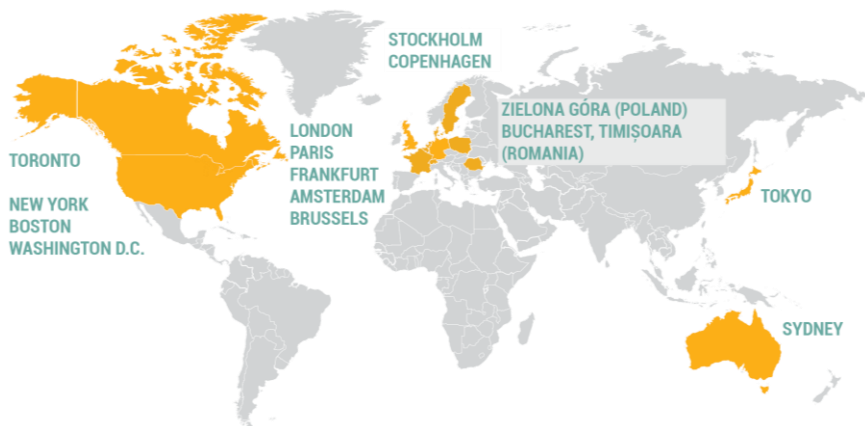
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This document describes how Sustainalytics' various entity-based universes are constructed and managed in a robust quarterly process.

## 1. UNIVERSE CONSTRUCTION

### Universe Definitions

Sustainalytics maintains a collection of **Standard Universes** comprised of various types of entities (listed below). Sustainalytics also maintains several sub-universes, categorized based on the entities' geographical location and market capitalization. An entity might be present in more than one universe depending on its characteristics and how it aligns with our universe definitions. There are two primary sources that define the entities included in our universes:

- i) we track major global indexes through several publicly available sources
- ii) client requests through client portfolio screening services.

See below for a list of universes and their definitions:

<b>Universes</b>	<b>Sub-Universe Name</b>	<b>Geographical Focus</b>	<b>Sub-Universe Definition</b>
<b>Standard Ratings Universe</b>	Ratings Global Full	Global	Large and medium market cap investable issuers in emerging and developed markets.
	Ratings Global Emerging	Global	Large and medium market cap investable issuers in emerging markets.
	Ratings Global Developed	Global	Large and medium market cap investable issuers in developed markets.
	Ratings Large Cap	Global	Large market cap investable issuers in emerging and developed markets.
	Ratings America Full	Regional	Large and medium market cap issuers listed in North and South America.
	Ratings America Emerging	Regional	Large and medium market cap issuers listed in South America. Part of Ratings universe
	Ratings America Developed	Region	Large and medium market cap issuers listed in North America.

	Ratings EMEA Full	Regional	Large and medium market cap issuers listed in Europe, Middle East and Africa.
	Ratings EMEA Emerging	Regional	Large and medium market cap issuers listed in Middle East (emerging) and Africa. Part of Ratings universe
	Ratings EMEA Developed	Regional	Large and medium market cap issuers listed in Europe and Middle East (developed).
	Ratings APAC Full	Regional	Large and medium market cap issuers listed in Asia-Pacific.
	Ratings APAC Emerging	Regional	Large and medium market cap issuers listed in Asia-Pacific emerging markets. Part of Ratings universe
	Ratings APAC Developed	Regional	Large and medium market cap issuers listed in Asia-Pacific developed markets.
	Ratings Nordics	Country Based	Large and medium market cap issuers listed in Nordics.
	Ratings Switzerland	Country Based	Large and medium market cap issuers listed in Switzerland.
	Ratings United Kingdom	Country Based	Large and medium market cap issuers listed in the United Kingdom.
	Ratings Oceania	Country Based	Large and medium market cap issuers listed in Oceania (currently Australia and New Zealand).
	Ratings Canada	Country Based	Large and medium market cap issuers listed in Canada.
	Ratings Japan	Country Based	Large and medium market cap issuers listed in Japan.
	Fixed Income Ratings	Global	Fixed Income issuers in emerging and developed market. .
<b>Standard Ratings Plus Universe</b>	RATINGS PLUS Global Full	Global	Large and medium and small market cap investable issuers in emerging and developed markets
	RATINGS PLUS Global Emerging	Global	Large and medium and small market cap investable issuers in emerging markets
	RATINGS PLUS Global Developed	Global	Large and medium and small market cap investable issuers in developed markets
	RATINGS PLUS America Full	Regional	Large and medium and small market cap issuers listed in North and South America

	RATINGS PLUS America Emerging	Regional	Large and medium and small market cap issuers listed in South America
	RATINGS PLUS America Developed	Region	Large and medium and small market cap issuers listed in North America
	RATINGS PLUS EMEA Full	Regional	Large and medium and small market cap issuers listed in Europe, Middle East and Africa
	RATINGS PLUS EMEA Emerging	Regional	Large and medium and small market cap issuers listed in Middle East (emerging) and Africa
	RATINGS PLUS EMEA Developed	Regional	Large and medium and small market cap issuers listed in Europe and Middle East (developed)
	RATINGS PLUS APAC Full	Regional	Large and medium and small market cap issuers listed in Asia-Pacific
	RATINGS PLUS APAC Emerging	Regional	Large and medium and small market cap issuers listed in Asia-Pacific emerging markets
	RATINGS PLUS APAC Developed	Regional	Large and medium and small market cap issuers listed in Asia-Pacific developed markets
	RATINGS PLUS Nordics	Country Based	Large and medium and small market cap issuers listed in Nordics
	RATINGS PLUS Switzerland	Country Based	Large and medium and small market cap issuers listed in Switzerland
	RATINGS PLUS United Kingdom	Country Based	Large and medium and small market cap issuers listed in the United Kingdom
	RATINGS PLUS Oceania	Country Based	Large and medium and small market cap issuers listed in Oceania (currently Australia and New Zealand)
	RATINGS PLUS Canada	Country Based	Large and medium and small market cap issuers listed in Canada
	RATINGS PLUS Japan	Country Based	Large and medium and small market cap issuers listed in Japan
	Fixed Income Ratings Plus	Global	Fixed Income issuers in emerging and developed market.
<b>Compliance Universe</b>	Compliance Base	Global	Large, medium-, and small-cap issuers of equity securities (and analogous fixed-income issues) in emerging and developing markets,
<b>Global Compliance Universe</b>	Global Compliance Base	Global	Large, medium- small-, and micro-cap issuers of equity securities (and analogous fixed-income issues) in emerging and developing markets.

<b><i>Involved Universes</i></b>	Compliance - Product Involvement Involved	Global	All issuers showing involvement in at least one area of Product Involvement, based on our review of the Compliance Universe and portfolio screenings
	Compliance - Global Standards Screening Watchlist & Non-Compliant	Global	All issuers with Non-compliant or Watchlist status for Global Standards Screening, based on our review of the Global Compliance Universe and portfolio screenings
	Compliance - Controversies Categories 4 & 5	Global	All issuers showing at least one Category 4 or Category 5 Controversy, based on our review of the Compliance Universe and portfolio screenings.
	Compliance - Weapons Involved	Global	All issuers showing direct or indirect involvement in Controversial Weapons, based on our review of Global Compliance Universe and survey of global companies.
	Material Risk Engagement Reporting	Global	All issuers with a reportable Material Engagement case, based on our screening of the Ratings Universe and historical cases with activity.
	Global Standards Engagement Reporting	Global	All issuers with a reportable Global Standards Engagement case, based on our screening of the Global Compliance Universe and historical cases with activity.

## Entities

Sustainalytics universes comprise issuers of securities that reflect the investment interests of institutional investors, as reflected by their inclusion in indexes that we track or client requests. These universes are updated on a quarterly basis based on changes to the investment opportunity set, as identified by our monitoring of third-party data sources and corporate actions.

The entities we cover in our ESG universes include:

- Corporate issuers – for-profit enterprises of corporate form, which participate in capital markets through equity and fixed-income security issuance;
- Corporate-like issuers – issuers of securities that are organized and report in a fashion similar to corporate-issuers, such as certain non-profits (e.g., universities, hospitals, cooperatives), government-owned institutions (e.g., development banks, airport authorities);
- Closely related issuers of securities, such as financing subsidiaries and trusts that fund corporate- and corporate-like entities; and
- Closely related non-issuers of securities, such as operating holding companies that do not participate directly in capital markets but finance their operations through related entities only.

We do not consider investment funds (other than listed real estate funds), pension funds, foundations, associations, ABS issuers, or governments as eligible for direct ESG research coverage within our universes (we cover sovereign national governments in their own universe).

We cover the vast majority of entities directly through research on the issuer's own reporting and business activities. In some cases, we will determine that an issuer is equivalent from an ESG perspective to another issuer—the most common example is a bond-issuing subsidiary, which exists solely to finance the parent group's operations. In these cases the subsidiary will not be researched separately, and will be covered with research inherited from its parent "research entity".

## 2. UNIVERSE RE-BALANCING

Standard Universes are evaluated once per quarter to account for any new entity additions or drop-off's resulting from certain types of corporate actions. In addition, Involved Universes can be updated at a higher frequency, depending on the product research cycle.

The standard universes are currently rebalanced on the 1<sup>st</sup> Monday of February, May, August, and November.

## 3. CORPORATE ACTIONS

This section describes how each type of corporate action listed below is further processed and the resulting impact as reflected in our universes.

### General Requirements

Corporate actions are further processed and accordingly reflected in our universes based on the following general requirements:

- The corporate action is marked as 'complete' in security and issuer data received monthly from third-party data sources.
- The entity deemed as the target entity or acquired entity within the resulting corporate action already exists in our universes.
- The deal resulting from the corporate action involving at least 50% stakes in any of the existing entities present in our universes.
- The resulting change in any given entity's status is directly dependent on the availability of and in the way the associated corporate action is represented in monthly data sets received from third-party data sources.
- There is an emphasis on issuer eligibility each time corporate action updates are processed for inclusion in our universes.



- Corporate action updates for the same entity may differ across different research products. For example, the given entity may no longer be eligible for certain products while continue to remain eligible for others.

The timeline for processing an entity status change resulting from a given corporate action usually varies between one month to six months after the corporate action was confirmed and reported to Sustainalytics.

It may take longer to process certain types of universe inclusions resulting from a corporate action depending on when all relevant information related to the new entity and required for research is made publicly available.

## Activity Types

- **Reverse Takeover / Reverse Mergers (A private + B public = B public):** This activity refers to the process of acquisition of an existing public company by a private one, resulting into one or more of the following situations:
  - The company / entity name and entity ID value might change to account for the surviving public entity; however, it will inherit most of the research from the bigger parent entity, usually the private company.
  - There may be an update to the industry class of the surviving public entity and new research may be needed for the same once the AR/CSR reports get published.
  - Some external market identifiers of the old public entity may continue to be retained on the surviving public entity whereas most third-party sourced identifiers will undergo a change.
- **Change of Name:** In this type of corporate action, the issuing entity undergoes a change or modification in its name. This type of action will result in a similar type of update in the entity name value as reflected in our universes.
- **Merger of Equals (A+B=C):** In this type of corporate action, two separate entities merge to form a single entity, resulting in the inheritance of research from both the parent entities. Once AR/CSR reporting on the merged entity is made available, the resulting updates are reflected within a processing period of 6 months once research is published internally.
  - The merged entity may inherit the company / entity name or entity ID from one of the parent entities.
  - Either or both parent entities (**A and /or B**) may be created as coverage entities to the merged entity (**C**), if either of the parent entities are deemed as ineligible and if either of the parent entities continue to retain fixed income (FI) securities on our tracked indices, and as long as the merged entity remains eligible for screening and be made as a research entity.
  - Either or both parent entities (**A and /or B**) may be retired from research if they have turned ineligible and no eligible securities are attached to them anymore following the merger.
  - Either or both parent entities (**A and /or B**) may continue to be retained as research entities (RE) if they remain active and an eligible security continues to be tied to them.
- **Acquisition (A+B=A):** In this type of corporate action, a bigger entity acquires a smaller entity. In such instances, research is aligned between the acquirer and the acquired entities as per product methodology. In some cases, an update to the industry class of the acquirer may be needed if the industry designation of the acquired entity is different from the acquired entity.
- **IPOs (A private=A public):** After undergoing an IPO, a private entity undergoes a change in status from private to public and in some instances, this may also result in a change in the issuer eligibility. Such entities are only eligible for coverage if they become a part of at least one of the standard universes following the IPO.



Any updates to alignment of existing research based on corporate tree structure mapping are processed in the next upcoming universe re-balancing cycle.

- **Spin-offs (A=A+s):** In this type of corporate action, a business unit is transformed as an independent and separate business entity. This may result in a change to the industry classification. Such type of updates may be made on ad-hoc basis and included in compliance coverage even though the spun-off entity may not be a part of any of the existing universes.

Implementation timing for this type of action can range between 4 to 5 months and up to a year, depending on availability of public information on the entity.

- **Split-offs (A=A+B):** In this type of corporate action, a divestiture occurs in which a separate entity with a different ownership structure is created. This type of event may result in a reassessment and a potential realignment of research between all entities involved in the new corporate tree structure.

Implementation timing for this type of action can range between four to five months and up to a year, depending on availability of public information on the entity.

Other types of corporate actions such as going private, bankruptcies, insolvencies, squeeze-outs, restructurings operations including redomiciling, sales of subsidiaries, and company de-listings are also reviewed by our research teams to help inform issuing entity eligibility and research alignment as per product methodology.

# Additional information

## Private Companies

We define a private company, as our 3rd party supplier description: “A company that is not publicly listed and does not have a publicly traded equity” that is labeled as “private”. This includes various entity types from SPVs to private subsidiaries to holding companies.