



MSCI ESG Ratings

Providing institutional investors with a more robust ESG integration tool designed to support ESG risk mitigation and long term value creation.

Integrating MSCI ESG Ratings into investment decision making can help identify risks and opportunities that may not be captured by conventional financial analysis.

Eric Moen
Managing Director, MSCI ESG Research

MSCI ESG Ratings

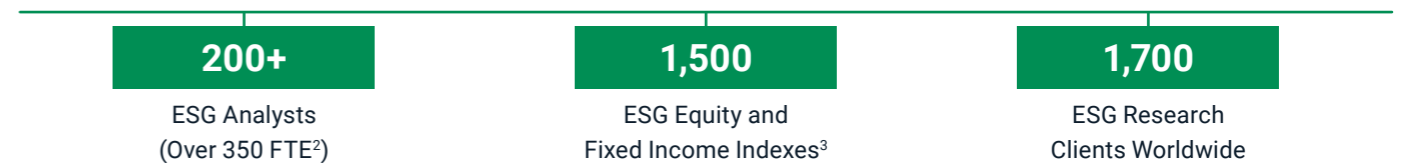
More insight. More context. More informed decisions.

MSCI ESG Ratings uses a rules-based methodology designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. Leveraging Artificial Intelligence (AI), machine learning and natural language processing augmented with our 200+ strong team of analysts, we research and rate companies on a 'AAA' to 'CCC' scale according to their exposure to industry-material ESG risks and their ability to manage those risks relative to peers.

Overview

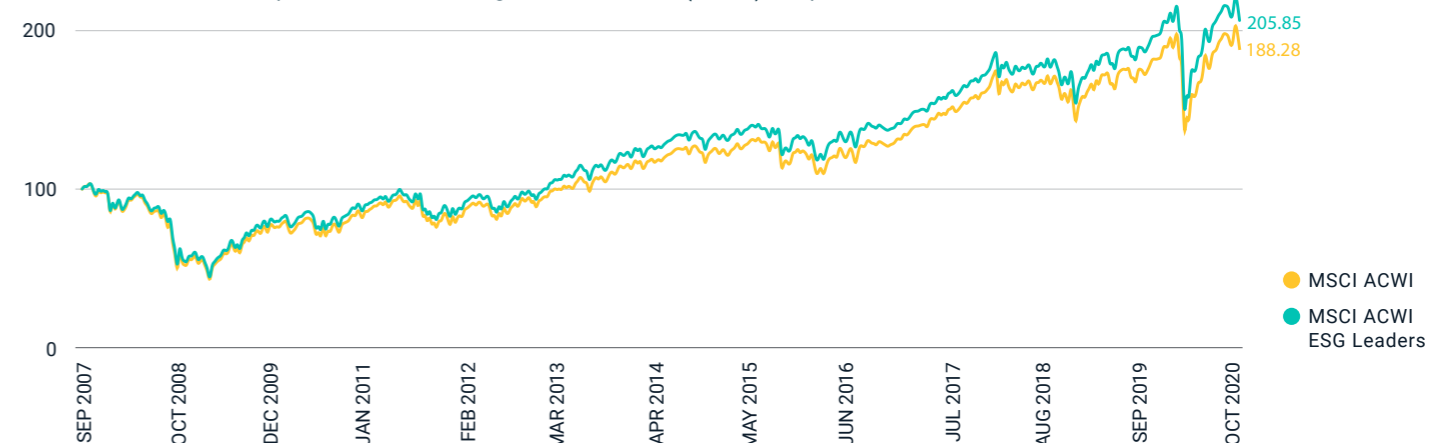
We have over 40 years of experience through our legacy companies collecting, cleaning, standardizing and modelling ESG data from thousands of sources to create a precision tool for a clear signal of ESG performance.

MSCI research has identified that the ESG factor in MSCI ESG Indexes, such as the ACWI ESG Leaders Index shown below, has contributed to outperformance¹



MSCI ACWI ESG Leaders Index

Cumulative index performance – gross returns (USD) Sep 2007 – Oct 2020



¹ MSCI ESG Indexes during the coronavirus crisis <https://www.msci.com/www/blog-posts/msci-esg-indexes-during-the/01781235361>

² Source: MSCI ESG Research as of October 2020. Includes full time employees, employees of foreign affiliates providing investment advisory services to MSCI ESG Research LLC, and global allocated staff performing non-investment advisory tasks.

³ MSCI ESG Indexes and MSCI Analytics utilize information from, but are not provided by, MSCI ESG Research LLC. MSCI Indexes are products of MSCI Inc. and are administered by MSCI Limited.

Key features and benefits

Dynamic model to capture new and emerging risks

Frequent model recalibration to review industry Key Issues and weights based on the latest data and research as well as input from our annual client consultations.

Market leading corporate governance insights

For each company, we examine key metrics that look at board, pay, ownership and control, and accounting practices.

Industry material ESG risks

Over 13 years of live MSCI ESG Ratings data has helped refine our industry-specific Key Issues and weight setting methodology to select the ESG risks most material to an industry.

Robust data on boards and directors

Data on board size, tenure and director election standards; director age and gender diversity; plus financial, industry and risk management expertise on key board committees.

Tech-enabled human insights

We leverage AI to increase the timeliness and precision of data collection and analysis, and to check and validate data.

Unique alternative data

Alternative data helps minimize reliance on voluntary corporate disclosure to uncover potential risks and opportunities.

Extensive coverage

8,500 companies (14,000 total issuers, including subsidiaries) and more than 680,000 equity and fixed income securities globally.

Daily updates

Continuous evaluation of ESG risks, including daily monitoring of 3,400 media publications and regular updates of public documents and third-party data sets.

Global in-house team

Global, multilingual team of analysts and client service professionals providing around the clock expertise and support to help clients find the best way to integrate ESG into their investment processes.

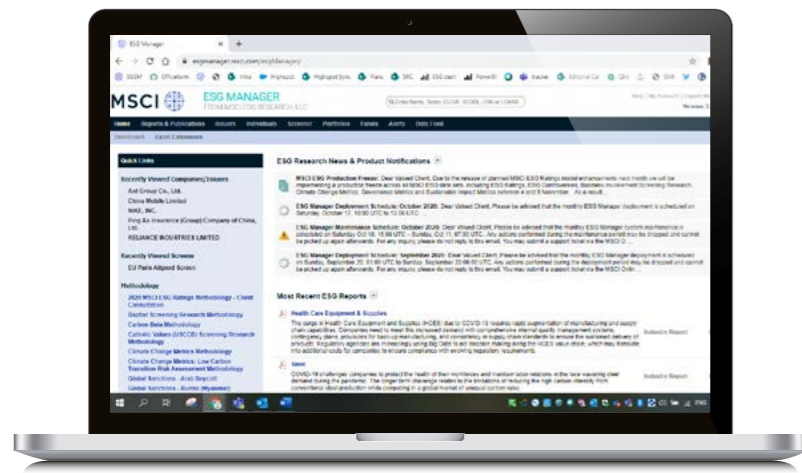
Gold standard data provider

MSCI ESG Research has been recognized as a 'Gold Standard data provider' by the Deep Data Delivery Standard.

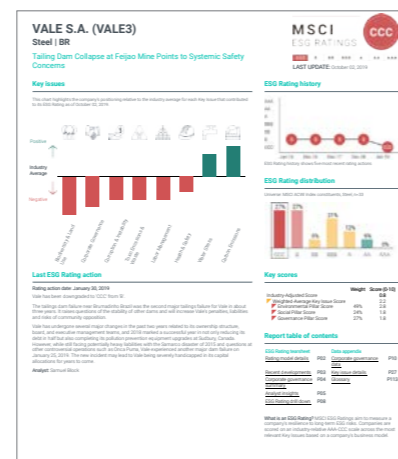
MSCI ESG Ratings and ESG Indexes⁴

MSCI ESG Ratings forms the foundation of many of the 1,500 MSCI ESG Indexes.

Visit [msci.com/esg-indexes](https://www.msci.com/esg-indexes)



MSCI ESG Ratings as seen on the MSCI ESG Manager platform



Tear sheets designed to highlight the key material risks and opportunities driving the ESG Rating

⁴ MSCI ESG Indexes and MSCI Analytics utilize information from, but are not provided by, MSCI ESG Research LLC. MSCI Equity Indexes are products of MSCI Inc. and are administered by MSCI Limited.

Methodology

ESG Rating of 8,500 companies (14,000 issuers, including subsidiaries) and more than 680,000 equity and fixed income securities globally⁵

Our approach

Data

- No questionnaires
- We collect and standardize public data:
 - Alternative data including government, regulatory and NGO datasets
 - Company disclosure documents
 - 3,400 media sources

Metrics

- Standardized methodology to assess company Risk Exposure and Risk Management relative to industry peers
- MSCI's ESG issuer communications team engages with companies for data verification

Evaluation

- Industry-specific Key Issues are scored (0-10) using a rules-based methodology
- Daily monitoring and weekly update of controversies and events

Rating

- Key ESG Issue scores and weights combine to create an overall ESG rating (AAA – CCC) relative to industry peers
- Ratings are subject to industry and market-led checks and formal committee review

Outputs

Company, Industry & Thematic Reports

Portfolio Analytics

Data Feeds

Indexes

Additional insight into significant ESG risks and opportunities through:

- Company reports
- Industry reports
- Thematic reports
- Analyst calls and webinars

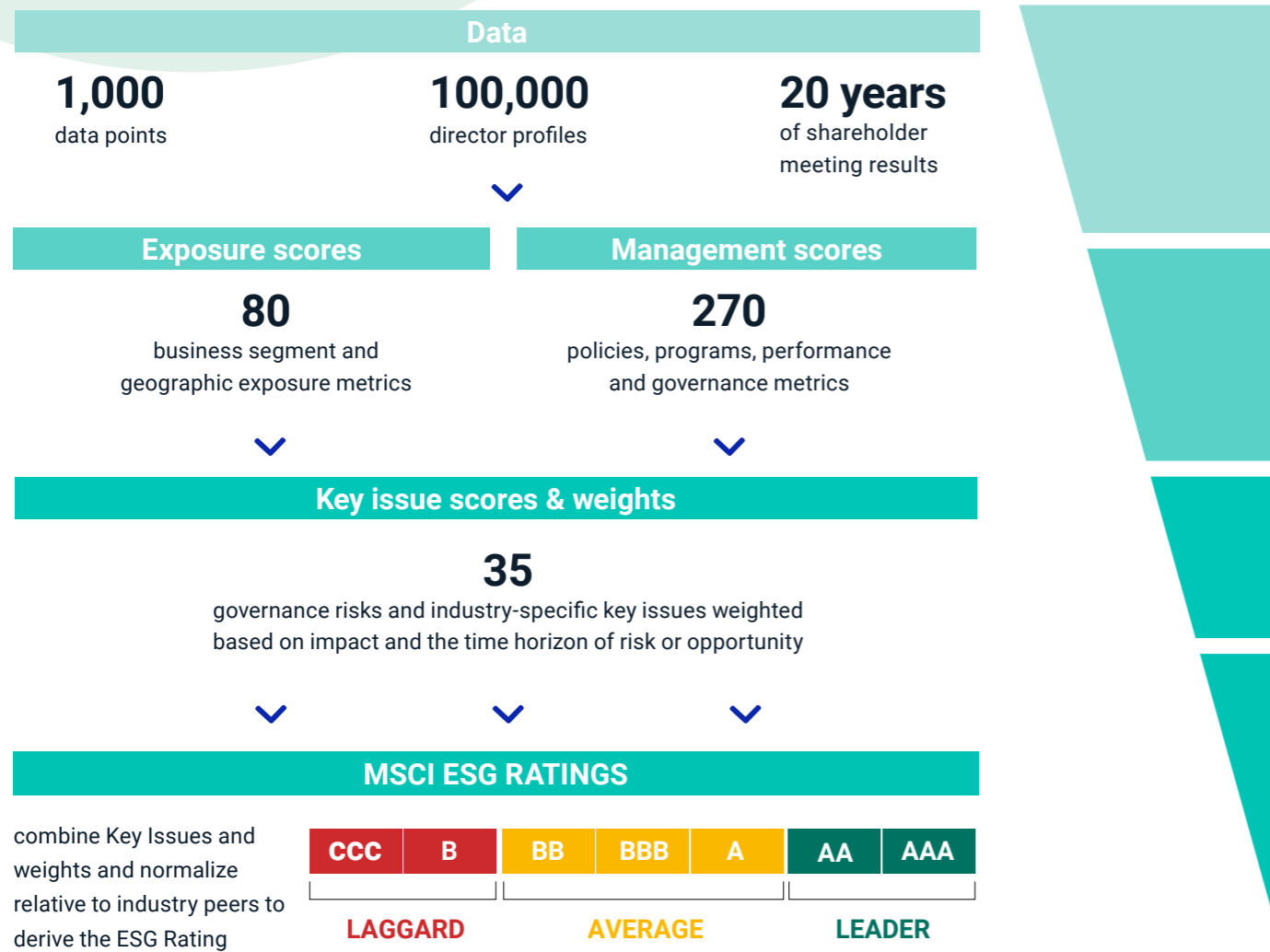
Available on:

Aladdin, Archer, Barra®, Barclays POINT, Barra PortfolioManager, Bloomberg, Caissa, Clearwater, Crux, FactSet, MSCI Beon, Novus, Rimes, RiskMetrics® RiskManager, StyleResearch, MSCI ESG Manager or integrated into client platforms

➔ **More insight. More context. More informed decisions.** ⬅

The making of an MSCI ESG Rating

MSCI ESG Ratings is designed to provide more data with more context to support more informed decisions for the modern institutional investor.



How our clients use MSCI ESG Ratings



MSCI ESG Research Experience & Leadership

MSCI ESG Research is a pioneer in measuring forward-looking ESG risk and utilizing alternative data and AI technology, with deep history and 40+ years of experience⁶ in objectively measuring and modelling ESG performance.

First ESG provider to assess companies based on industry financial materiality, dating back to 1999. Only dataset with live history (13+ years) demonstrating economic relevance⁷

Objective rules based ESG ratings, with an average 45% of data⁸ coming from alternative data sources (not disclosed by the rated entity), utilizing AI tech to extract and verify unstructured data

First ESG ratings provider to measure and embed companies' ESG risk exposure⁹

⁶ Through our legacy companies KLD, Innovest, IRRIC, and GMI Ratings

⁷ Origins of MSCI ESG Ratings established in 1999. Produced time series data since 2007.

⁸ Source: MSCI ESG Research 2,434 constituents of the MSCI ACWI Index as of November 30, 2017.

⁹ Through our legacy companies KLD, Innovest, IRRIC, and GMI Ratings. Origins of MSCI ESG Ratings established in 1999. Produced time series data since 2007.



About MSCI ESG Research Products and Services

MSCI ESG Research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research LLC. are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc.

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About MSCI Inc.

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit www.msci.com/esg-investing.

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