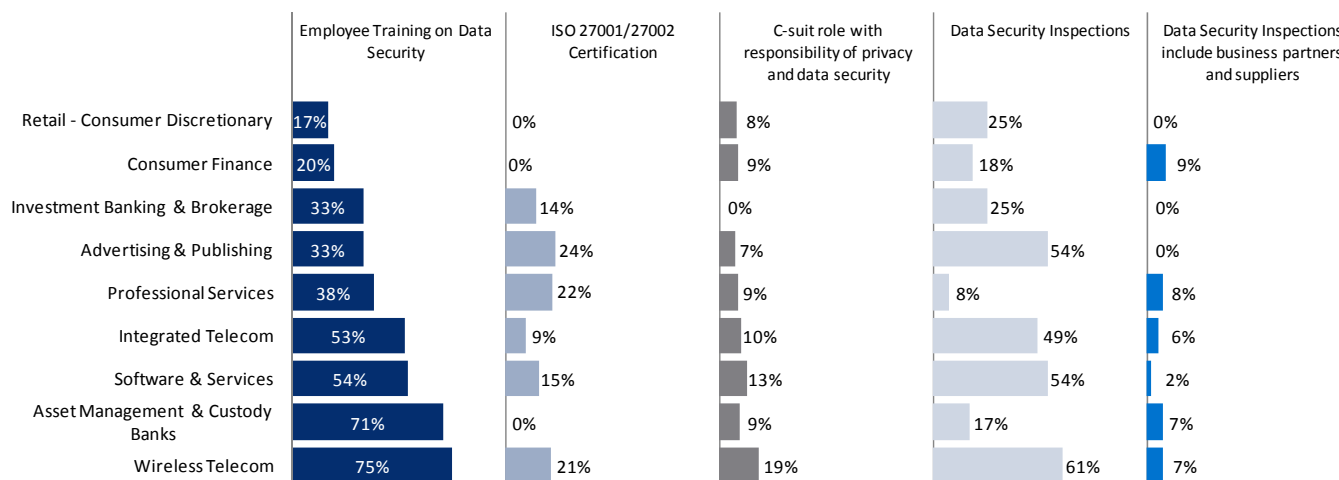


KEY FINDINGS

- As data breaches have risen, the costs of failures in internal privacy controls have risen as well, with the overall cost of a major breach reaching potentially as much as USD 18 billion (USD 200 per compromised record) as in **Target's** case, and fines amounting to USD 92.7 million as in **Global Payments'** case.
- The Software & Services industry has been involved in 10x more controversies related to privacy and data breaches than other industries, despite a stronger ability to ensure information security. A few high profile technology companies, including **Google, Facebook, Yahoo!** and **Apple**, top the list in terms of frequency of controversies.
- Data Processing & Outsourced Services providers lag in adopting best practice security measures and privacy protections despite a reliance on corporate and government clients and explicitly profiting from sharing data with other third parties.
- The most stringent privacy regulations are found in the EU, where a **new EU Privacy Law** is proposed and expected to be a game-changing move for businesses both within the EU or those with sales in the EU. The **proposed fine of up to 5% of global revenues** for companies that fail to comply will significantly increase the burden for frequent privacy violators.
 - US-based companies in the MSCI ACWI universe derive about 23% of their combined revenue from Europe are vulnerable to the proposed EU Privacy Law, particularly given losses of existing and potential business for **Cisco, IBM, Microsoft** and **Verizon** related to the NSA surveillance scandal.

FIGURE 1 Adoption of Data Security Best Practices



Description: Adoption of best practices for data security for MSCI ACWI companies assessed on the Privacy & Data Security Key Issue
Source: MSCI ESG Research, Companies' Reports

BEST PERFORMERS

Teradata	American Express
Northern Trust	IBM
Symantec	Bharti Airtel
Oracle	salesforce.com

BOTTOM PERFORMERS

Iliad	China Unicom
TDC	Amazon
Expedia	Asos
China Telecom	Elisa

SCOPE

MSCI ESG Research analyzes and benchmarks **nearly 650 companies annually** on exposure to risks linked to privacy and data security.

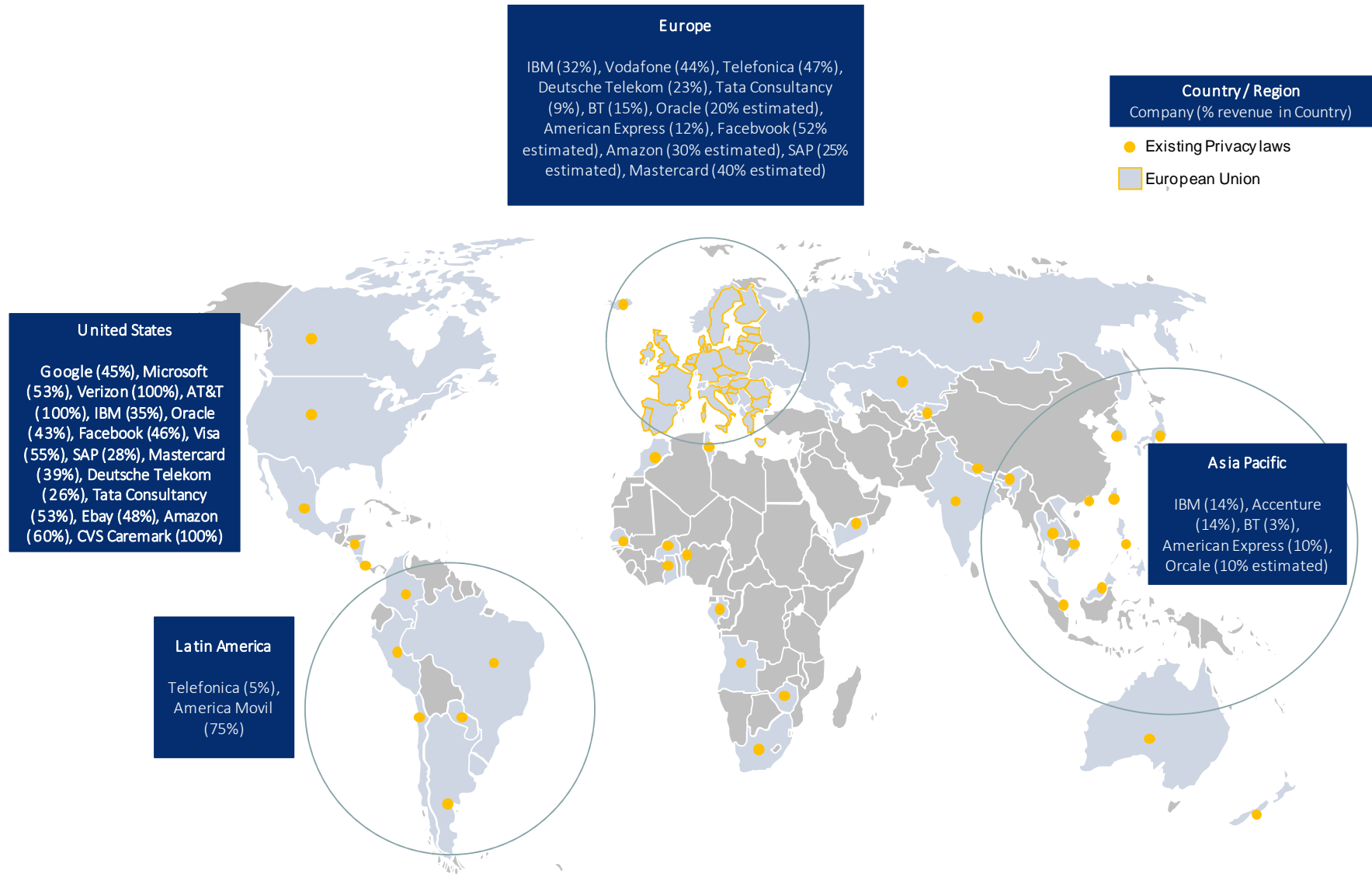
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FIGURE 21 Key Privacy Regulations Worldwide and Key Players, 2013



Source: MSCI ESG Research, companies with the 30 largest market capitalizations of all the companies assessed on the Privacy & Data Security Key Issue

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¹ As of September 30, 2013, as reported on January 31, 2014 by eVestment, Lipper and Bloomberg