

MSCI Custom Indices Reflecting ESG Themes

Customized Indices Tailored to Your Specific Environmental, Social or Governance (ESG) Investment Principles

The application of environmental, social and governance (ESG) standards in the investment process has become more commonplace over the last few years, with a corresponding increase in demand for benchmarks to measure the performance of ESG funds. Consensus on ESG standards has yet to be achieved, with many institutional investors relying on guidelines from specialist consultants, their own in-house teams or a combination of both.

MSCI Custom Indices combine the full depth and breadth of the MSCI index and security database with over 40 years of index calculation expertise. Customization through the application of ESG themes to any MSCI Developed, Emerging or Frontier Markets Index results in a flexible index offering, backed by the quality and reliability of the MSCI brand.

Key Features & Benefits

Reduce Tracking Error — By customizing the benchmark index to more accurately reflect your specific ESG investment mandate, you can potentially reduce the tracking error of your portfolio. You can also choose to mirror the country and sector weights of the underlying regional or country MSCI index.

Flexible Screening — Whether ESG screening is carried out by your in-house team or by a third party, MSCI Custom Indices can accommodate the sophistication and complexity of various ESG investment principles. Common ESG investment criteria include the exclusion of companies that produce or sell addictive substances (e.g. alcohol, gambling and tobacco) or the inclusion of companies engaged in environmental sustainability, alternative energy and clean technology.

Robust Process — While MSCI Barra does not conduct ESG screening, a dedicated team from MSCI Barra conducts due diligence on every third party or in-house screening team. This is to ensure that the screening process is conducted systematically and thoroughly, and that decision-taking regarding stock inclusion/exclusion is independent and cannot be influenced by the portfolio manager. MSCI Barra has conducted due diligence on many recognized global screening agencies including EIRIS, GES Investment Services, Genocide Intervention Network and Innovest, a member of the RiskMetrics Group.

Create Specialized Investment Products — If you are looking to create a product designed to capture a unique ESG investment opportunity set, MSCI Custom Indices may be licensed as the basis of index-linked investment vehicles such as structured products and ETFs.

Superior Data and Quality Assurance — The flexibility and scale of the MSCI Custom Indices offering are due to the dedicated and ongoing maintenance of over 17,000 securities across more than 70 Developed, Emerging and Frontier Markets. The same rigorous quality assurance standards applied to the standard MSCI Global and Domestic Equity Indices are applied to the MSCI Custom Indices, ensuring that the indices, underlying data and index calculation of are of the highest caliber.

Customize any MSCI Index — Clients may customize any MSCI Global or Domestic Equity Index, including the MSCI Global Investable Market Indices, MSCI Global Value & Growth Indices, MSCI Global Sector Indices, MSCI Gulf Cooperative Council (GCC) Countries Indices, MSCI Global Islamic Indices, MSCI China A Indices, and the MSCI Thematic & Strategy Indices.

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MSCI Custom Indices Reflecting ESG Themes — Product Information

- MSCI Custom Indices are licensed and delivered on an index-by-index basis based on client request. Clients must be license to the corresponding Core Data Module.
- ESG-based criteria are defined by a client’s specific investment mandate. Security selection may occur via a third party firm or a client’s internal investment team.
- In addition to selecting securities according to ESG-based criteria, clients may also request country or sector neutrality with the aim of obtaining low tracking error to the standard MSCI Indices
- Clients may also request further customizations to:
 - Reflect specific geographic focus
 - Apply special corporate, state or country tax rates as an alternative to the standard country with holding tax rates
 - Utilize alternative weighting schemes, such as equal weighting or capping

History — Price, Net and Gross History Available

- Up to ten years of index level history available in price, net and total return variants
- History availability depends on the index calculated and whether index or security level history is required

Reporting Options

- Data is available at the index or security level
- Product files may include the following data points:

Index Level Data
<ul style="list-style-type: none"> • MSCI index code • Index variant type • Index name • Index in FX (today) • Index in FX (1 day ago) • Performance in percent

Constituent Level Data	
<ul style="list-style-type: none"> • Calculation date • MSCI index code • Index name • Reuters code • Bloomberg code • Sedol code • CUSIP • ISIN • Time series 	<ul style="list-style-type: none"> • MSCI security code • Security name • Country • Sub-Industry code • Sub-Industry name • Price in local • Unit of quotation • Currency of price • Spot FX rate

Optional Data
<ul style="list-style-type: none"> • Opening market cap • Spot FX rates • Rolling 30 day index levels • Subtotals of GICS® weights • Market caps in other currencies • Security level returns • Pro forma fields

Delivery Methods

Choose between either monthly or daily delivery during one of the MSCI Distribution Cycles:

- Asia Pacific – 6:30pm CET (t)
- Europe – 9:45pm CET (t) (Includes MSCI EAFE Index)
- World – 00:30am CET (t+1) (Includes MSCI US Equity and MSCI Emerging Market Indices)

Custom indices are delivered individually via MSCI Direct Delivery or via the following vendor platforms:

- Bloomberg*, BNY/Mellon Analytical Solutions, FactSet*, Markit, Netik, Thomson Reuters (DataStream, QAI, Vestek, and 3000Xtra*), RIMES, RiskMetrics, Style Research, Sungard/APT, Wilshire

*Certain limitations and restrictions apply.

Delivery of “midday” indices may be requested, certain restrictions apply.

About MSCI Barra

MSCI Barra is a leading provider of investment decision support tools to investment institutions worldwide. MSCI Barra products include indices and portfolio risk and performance analytics for use in managing equity, fixed income and multi-asset class portfolios. The company’s flagship products are the MSCI International Equity Indices, which include over 120,000 indices calculated daily across more than 70 countries, and the Barra risk models and portfolio analytics, which cover 56 equity and 46 fixed income markets. MSCI Barra is headquartered in New York, with research and commercial offices around the world.

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