

# MSCI ESG FUND METRICS

FROM MSCI ESG RESEARCH LLC.

OVER 100 ESG SCORES AND METRICS OF 26,000 MUTUAL FUNDS AND ETFs GLOBALLY

**MSCI ESG Fund Metrics aims to provide fund-level transparency to help clients better understand and measure the ESG characteristics of the total portfolio, and rank or screen funds based on a diverse set of ESG exposure categories.**

## BACKGROUND

Clients are demanding a new dimension of fund level transparency beyond the traditional descriptors such as cap size, market exposure and historical returns.

Clients may use ESG fund metrics for the following:

- Measure ESG characteristics of the total portfolio
- Rank funds based on ESG characteristics
- Screen for funds to align with client values
- Transparency & reporting on the sustainability of client investments
- Measure the positive impacts arising from investments
- Compliment manager due diligence

## THE METRICS PROVIDE INSIGHTS ACROSS THREE DIMENSIONS:

- Sustainable Impact; to measure fund exposure to companies that address core environmental & social challenges.
- Values Alignment; to screen funds for investments that align with ethical, religious or political values.
- Risk; to understand fund exposure to ESG-related risks.

## MSCI'S APPROACH TO ESG FUND METRICS

### HIGH COVERAGE THRESHOLDS: 65%



To provide a high confidence assessment in a fund's overall ESG score, we require 65% or more coverage of the fund's underlying holdings. We rate over 26,000 mutual funds and ETFs.

### STRONG METHODOLOGY



MSCI ESG Research works with 46 of the top 50 global asset managers<sup>1</sup>. We employ a quantitatively driven methodology to consider the most material, industry-specific ESG issues.

### BREADTH OF TOPICS



We provide over 100 scores and metrics to cater for a diverse set of clients needs and beliefs. One size does not fit all<sup>2</sup>.

### BROAD COVERAGE OF EQUITY AND FIXED INCOME ISSUERS



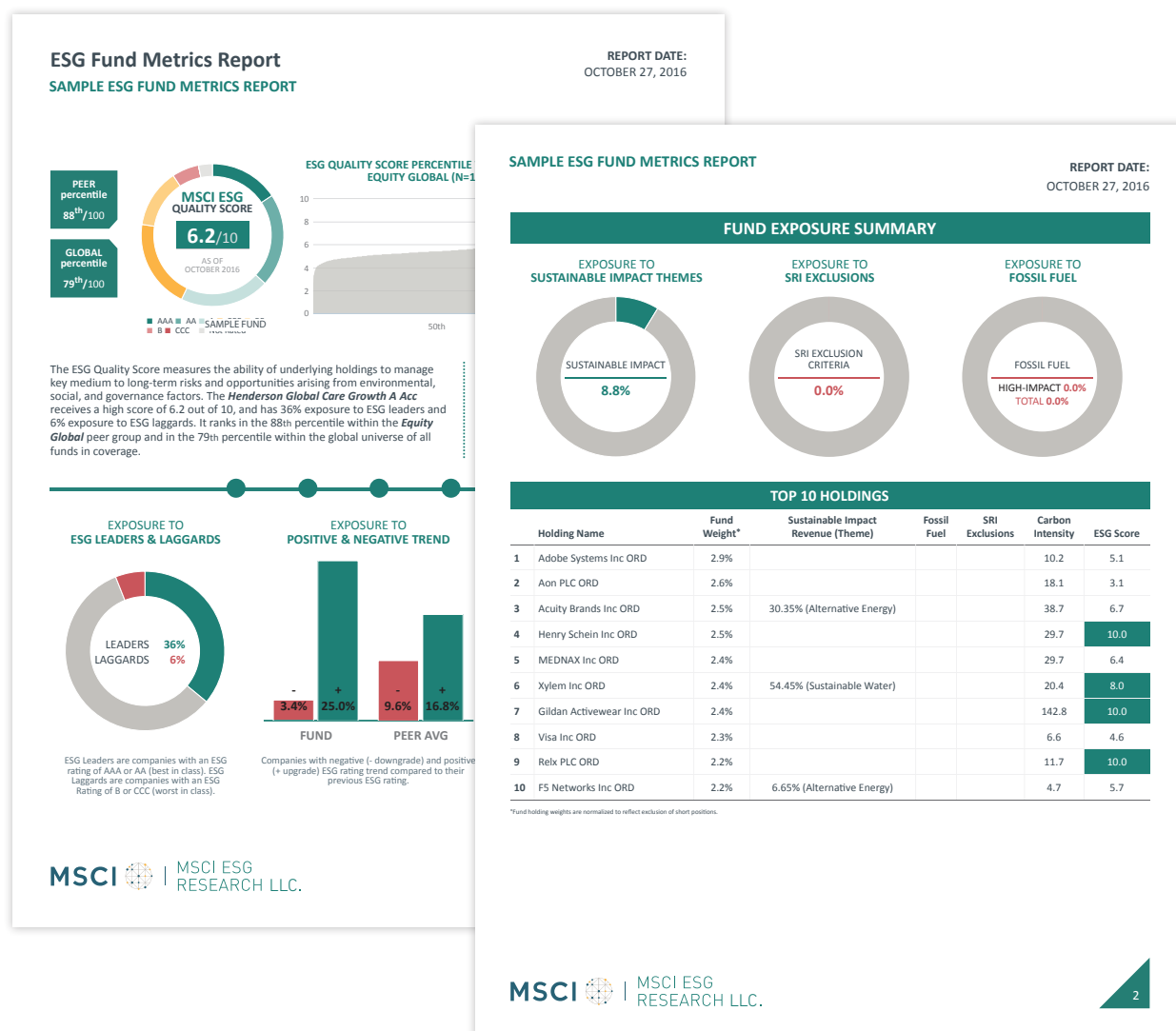
We rate over 6,500 companies (13,000 total issuers) and more than 590,000 equity and fixed income securities globally<sup>3</sup>.

<sup>1</sup> Latest P&I data and MSCI clients as of December 2017

<sup>2</sup> Reference: <https://www.msci.com/esg-fund-metrics>

<sup>3</sup> Reference: MSCI ESG Research Factsheet

## SAMPLE ESG FUND METRICS REPORT



## REPORT FEATURES

- Report highlights fund exposure to over 100 metrics organized under three themes: Values Alignment, Sustainable Impact and ESG Risks.
- Includes top 10 holdings of fund that highlight Sustainable Impact Solutions revenue, Fossil Fuel ownership, SRI Exclusion, and Carbon Intensity
- Fund ESG Quality Score and peer group average
- Fund Holdings Rating Distribution and Trend
- Fund Carbon Intensity compared against Peer Group Average and five MSCI Equity Indexes.

## INTRODUCING OVER 100 ADDITIONAL EXPOSURE CATEGORIES

To facilitate customization we offer a diverse set of approximately 100 categories of exposure that can be used to evaluate portfolios on ESG Risks, Exposure to Sustainable Impact Themes, and Values oriented issues.



CARBON FOOTPRINT



WATER EXPOSURE



EXPOSURE TO  
GOVERNANCE  
CONCERNS



EXPOSURE TO  
SUSTAINABLE IMPACT  
THEMES



EXPOSURE TO SRI  
EXCLUSIONS

SUSTAINABLE IMPACT	VALUES ALIGNMENT	RISK
<p><b>Overall</b></p> <ul style="list-style-type: none"> <li>Sustainable Impact Themes (%)</li> </ul> <p><b>Environmental</b></p> <ul style="list-style-type: none"> <li>Clean Tech Companies (%)</li> <li>Alternative Energy (%)</li> <li>Energy Efficiency (%)</li> <li>Green Building (%)</li> <li>Pollution Prevention (%)</li> <li>Sustainable Water (%)</li> </ul> <p><b>Social</b></p> <ul style="list-style-type: none"> <li>Social Impact Companies (%)</li> <li>Affordable Housing (%)</li> <li>Education Services (%)</li> <li>Nutritious Food (%)</li> <li>Health Care (%)</li> <li>Sanitation Products (%)</li> <li>Social Finance (%)</li> </ul>	<p><b>Controversies</b></p> <ul style="list-style-type: none"> <li>Severe Environmental Controversies (%)</li> <li>Severe Labor Controversies (%)</li> <li>Severe Customer Controversies (%)</li> <li>Severe Human Rights and Community Controversies (%)</li> <li>Severe Governance Controversies (%)</li> </ul> <p><b>International Norms Standards</b></p> <ul style="list-style-type: none"> <li>UN Global Compact Compliance Violation (%)</li> <li>UN Global Compact Compliance Watch List (%)</li> <li>Human Rights Norms Violation (%)</li> <li>Human Rights Norms Watch List (%)</li> <li>Labor Norms Violation (%)</li> <li>Labor Norms Watch List (%)</li> </ul> <p><b>Business Involvement</b></p> <ul style="list-style-type: none"> <li>Catholic Values Flag (%)</li> <li>Islamic Values Flag (%)</li> <li>SRI Exclusion Criteria (%)</li> <li>Adult Entertainment (%)</li> <li>Alcohol (%)</li> <li>Gambling (%)</li> <li>Genetic Engineering - GMO (%)</li> <li>Nuclear Power (%)</li> <li>Predatory Lending (%)</li> <li>Tobacco (%)</li> <li>Controversial Weapons (%)</li> <li>Weapons (%)</li> </ul>	<p><b>Scores &amp; Ranking</b></p> <ul style="list-style-type: none"> <li>Overall Fund ESG Quality Score (0-10)</li> <li>Fund Quality Score Peer Group Percentile (0-100)</li> <li>Fund Quality Score Global Percentile (0-100)</li> <li>Environmental Score (0-10)</li> <li>Social Score (0-10)</li> <li>Governance Score (0-10)</li> <li>ESG Coverage (%)</li> <li>ESG Leaders (%)</li> <li>ESG Laggard (%)</li> <li>ESG Average (%)</li> <li>ESG Trend Positive (%)</li> <li>ESG Trend Stable (%)</li> </ul> <p><b>Environmental Risks</b></p> <ul style="list-style-type: none"> <li>Carbon Footprint</li> <li>Fossil Fuel Reserves (%)</li> <li>Water Exposure (%)</li> <li>Water - High Risk Bus. Segment (%)</li> <li>Water - High Risk Geo (%)</li> </ul> <p><b>Governance Risks</b></p> <ul style="list-style-type: none"> <li>Board Flag (%)</li> <li>Board Independence (%)</li> <li>No Female Directors (%)</li> <li>Pay Flag (%)</li> <li>Ownership &amp; Control Flag (%)</li> <li>Accounting Flag (%)</li> </ul>

Please contact MSCI ESG Research for a full list of metrics.

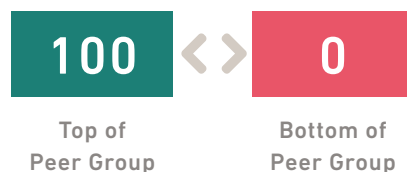
## INTRODUCING THE FUND ESG QUALITY SCORE

### Fund ESG Quality Score



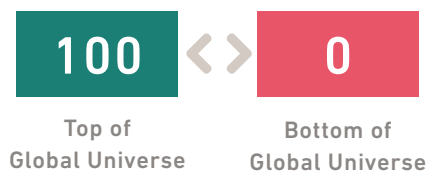
Each fund in the coverage universe will receive an overall Fund ESG Quality Score. The ESG Quality Score measures the ability of underlying holdings to manage key medium-to long-term risks and opportunities arising from environmental, social, and governance factors.

### Peer Group Percentile Rank



The Fund Percentile Rank measures how a fund's overall ESG Quality Score ranks relative to other funds in the same peer group.

### Global Percentile Rank



A global percentile rank, which ranks funds against all funds in the coverage universe, is also available.

## ABOUT MSCI ESG RESEARCH PRODUCTS AND SERVICES

MSCI ESG Research products and services are provided by MSCI ESG Research Inc., 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 Inc. are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research Inc. is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc.

## ABOUT MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research. Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research. MSCI serves 99 of the top 100 largest money managers, according to the most recent P&I ranking. For more information, visit us at [www.msci.com](http://www.msci.com).

The information contained herein (the "Information") may not be reproduced or disseminated in whole or in part without prior written permission from MSCI ESG Research. The Information may not be used to verify or correct other data, to create any derivative works, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. MSCI ESG Research is provided by MSCI Inc.'s subsidiary, MSCI ESG Research Inc., a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF MSCI INC. OR ANY OF ITS SUBSIDIARIES OR ITS OR THEIR DIRECT OR INDIRECT SUPPLIERS OR ANY THIRD PARTY INVOLVED IN THE MAKING OR COMPILING OF THE INFORMATION (EACH, AN "INFORMATION PROVIDER") MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH INFORMATION PROVIDER HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE INFORMATION PROVIDERS HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

©2018 MSCI Inc. All rights reserved | CFS0418