

# 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



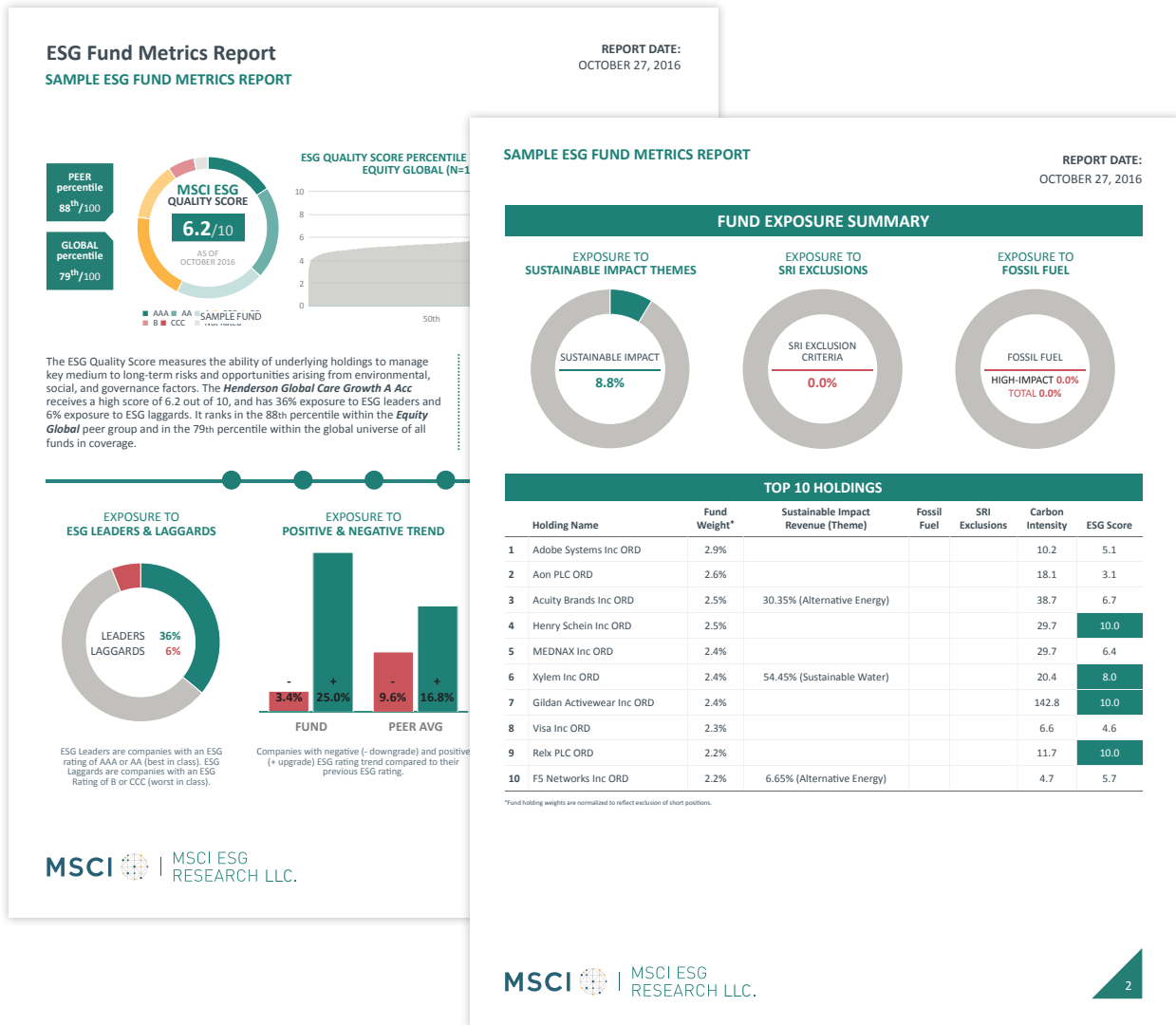
We rate over 6,500 companies (13,000 total issuers) and more than 590,000 equity and fixed income securities globally<sup>3</sup>.

<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.

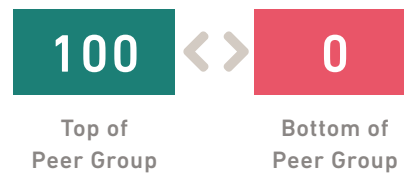
## INTRODUCING THE FUND ESG QUALITY SCORE

### Fund ESG Quality Score



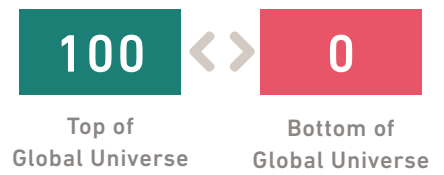
Each fund in the coverage universe will receive an overall Fund ESG Quality Score. The ESG Quality Score measures the ability of underlying holdings to manage key medium-to long-term risks and opportunities arising from environmental, social, and governance factors.

### 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.

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