

MSCI ESG Intangible Value Assessment

MSCI ESG Intangible Value Assessment (IVA) provides research, ratings and analysis of corporate management of environmental and social risk factors. Through an in-depth comparison against sector peers, MSCI ESG IVA can reveal ESG-driven investment risks or opportunities that may not be captured by conventional analyses.

Key Features and Benefits

Broad Coverage Universe: Ratings and research reports on over 5,500 global companies. MSCI ESG IVA Ratings are also mapped to over 260,000 fixed income securities. Additional bespoke coverage beyond the standard coverage universe is available through the Custom Research team.

Availability on Multiple Platforms: In addition to the ESG Manager platform, MSCI ESG IVA is integrated within MSCI's BarraOne and Barra Portfolio Manager platforms, as well as in Factset and Style Research.

Risk Exposure and Opportunity Analysis: MSCI ESG IVA identifies key ESG issues that hold the greatest potential risk or opportunity for each industry sector. IVA analyzes each company's risk exposure, measuring the extent to which a company's core business is at risk of incurring unanticipated losses.

Access Industry Analysis: Over 70 industry reports analyzing the key ESG risks and opportunities for the industry, changes in the risk landscape, and best practices in risk management. The reports also benchmark and rank companies on key ESG issues and quantitative ESG performance metrics.

Long-term Track Record: The research product provides 13+ years of ratings history for back testing and longitudinal analysis.

Support ESG Integration and PRI Compliance: Integrating ESG into the investment process is the first requirement for PRI signatories and is increasingly being mandated and scrutinized by asset owners. MSCI ESG IVA looks at the financial relevance of ESG factors and is the right tool for meeting ESG integration requirements.

MSCI ESG Manager

Intangible Value Assessment (IVA)
HSBC Holdings PLC

TICKER: HSBAB
IVA INDUSTRY: Banks
GICS SUB-INDUSTRY: Diversified Banks
COUNTRY: GB

RATING DATE: Nov 12, 2012
PREVIOUS RATING: BBB
RATING TREND: Downgrade

IVA RATING
BB

ESG PILLAR PERFORMANCE	Score	Percentile	Weight	KEY ISSUES	Score vs. Average	Percentile	Controversies	Weight
Environmental	8.2	97 th	21.0%	Financing Environmental Impact	6.2	97 th	Moderate	21.0%
Social	4.0	13 th	53.0%	Human Capital Development	6.6	40 th	Moderate	16.0%
Governance	1.2	4 th	26.0%					

COMPETITIVE SET

Industry Rating Distribution

CCC	0%
B	7%
BB	27%
BBB	27%
A	13%
AA	14%
AAA	3%

Top 3 Companies

Royal Bank of Canada	AAA
The Bank of Nova Scotia	AAA
Natixis	AAA

Bottom 3 Companies

Fifth Third Bancorp	CCC
Bank of America	CCC
Wells Fargo & Company	CCC

Industry Report: Banks

Three Year Ratings Momentum

Overall, there has been moderately strong downward pressure on sector-wide ratings according to our analysis. The common theme driving this downward momentum is linked to persistent product failures as well as widespread controversial behavior at the target banks. Regionally, UK and US banks continue to bear the brunt of downward momentum year over year. Individual banks with ratings momentum are listed with direction.

FIGURE 3: Regional Ratings Momentum 2011-2012

FIGURE 4: Three Year Ratings Momentum 2010-2012

Bank	Region	2012 Rating	2011 Rating	2010 Rating	3 Year Momentum
Raffaello Bank International Ag	Europe	A	BBB	CCC	↓
BOC Hong Kong (Holdings) Limited	Asia Pacific	BBB	BB	CCC	↓
Hang Seng Bank Limited	Asia Pacific	A	BBB	B	↓
Yamaguchi Financial Group, Inc.	Asia Pacific	A	BBB	BB	↓
Ranco Espirito Santo, S.A.	Europe	AA	A	BBB	↓
Natixis	Europe	AAA	AA	A	↓
Bank of Financial Group, Inc.	Asia Pacific	BB	BBB	BBB	↓
Sunam Bank Ltd.	Asia Pacific	BB	BBB	BBB	↓
The Bank of Kyoto, Ltd.	Asia Pacific	B	CCC	BB	↓
The Bank of East Asia, Limited	Asia Pacific	BB	BB	BBB	↓
The Guama Bank Ltd.	Asia Pacific	B	BB	BB	↓
The Sui Bank Ltd.	Asia Pacific	BB	B	BBB	↓
THE SHIZUOKA BANK, LTD.	Asia Pacific	BB	BBB	BBB	↓
Banco Santander, S.A.	Europe	BB	BB	BBB	↓
Bank Leumi Le-Israel/B.M.	Europe	BBB	A	BBB	↓
Bankia, S.A.	Europe	CCC	B	BBB	↓
Intesa Sanpaolo S.p.A.	Europe	A	AA	AA	↓
Credito Agricolo S.A.	Europe	CCC	CCC	B	↓
IFMorgan Chase & Co.	Global	CCC	CCC	B	↓
Mizuho Financial Group, Inc.	Global	BB	BB	BBB	↓
Unicredit S.p.A.	Europe	BB	A	BBB	↓
Unicredit of Banca Italiana Sipa	Europe	A	A	AA	↓
Citigroup Inc.	Global	BB	B	BBB	↓
Credito Agricolo S.A.	Global	BBB	BBB	A	↓
JP Morgan Chase & Co.	Global	CCC	CCC	B	↓
Mitsubishi UFJ Financial Group, Inc.	Global	BB	BB	BBB	↓
Standard Chartered PLC	Global	AA	AAA	AAA	↓
Fifth Third Bancorp	North America	CCC	B	B	↓
Hudson City Bancorp Inc.	North America	B	BB	BB	↓
The Bancorp Discount Bank	North America	AA	AAA	AAA	↓
Danske Bank A/S	Europe	BB	B	A	↓
Nordea Bank AB	Europe	BBB	BBB	AA	↓
Svenska Handelsbanken AB	Europe	BBB	BB	A	↓
HSBC Holdings PLC	Global	BB	BBB	A	↓
CitiGroup Inc.	North America	BBB	AA	AA	↓
KeyCorp	North America	BB	AA	AA	↓
MBT Bank Corporation	North America	A	AAA	AAA	↓
Regions Financial Corporation	North America	BB	A	A	↓
Barclays PLC	Global	B	BBB	A	↓

Three Year Ratings Momentum 2010-2012

No Momentum	39%
Directional Momentum	41%
Strong Upward	6%
Moderate Downward	23%
Strong Downward	10%

© 2013 MSCI, Inc. All rights reserved. Please refer to the disclosure at the end of this document.

Page 4 of 43

MSCI ESG IVA seeks to answer the following questions:

Question 1: What are the key ESG risks and opportunities facing companies in each sector?

Question 2: Do companies have ESG risk management strategies commensurate with the level of risk exposure they face?

Question 3: Do companies have strategies to capture potential opportunities from ESG trends?

Product Overview

MSCI ESG IVA stands out for both the Breadth of its Coverage and the Depth of its Analysis.

MSCI ESG IVA rates and analyzes over 5,500 companies, covering the MSCI World, Emerging Markets, US, Canada, UK, Australia, and South Africa Indexes, in addition to 95% by market value of the Barclays Global Aggregate – Corporate Index. Additional bespoke coverage is available through MSCI ESG Research’s Custom Research team. Analysts assess thousands of ESG data points across 34 key ESG issues, focusing on the intersection between a company’s core business and the key industry ESG issues that can create significant financial risks and opportunities for the company.

MSCI ESG IVA applies a 3-phased analytical approach:

» Step 1: Identify Key ESG Drivers of Risks and Opportunity for Each Industry

MSCI ESG IVA identifies four to six key ESG trends and issues where companies in that industry currently generate large environmental or social externalities; these are issues where some companies in those industries may be forced to internalize unanticipated costs associated with those externalities in the medium- to long-term.

MSCI ESG IVA - Key Issues

Environment	Social	Governance
<ul style="list-style-type: none">• Carbon Emissions• Product Carbon Footprint• Energy Efficiency• Insuring Climate Change Risk• Water Stress• Biodiversity and Land Use• Raw Material Sourcing• Financing Environmental Impact• Toxic Emissions and Waste• Packaging Material and Waste• Electronic Waste• Opportunities in Clean Tech• Opportunities in Green Building• Opportunities in Renewable Energy	<ul style="list-style-type: none">• Labor Management• Human Capital Development• Health and Safety• Supply Chain Labor Standards• Controversial Sourcing• Product Safety and Quality• Chemical Safety• Financial Product Safety• Privacy and Data Security• Responsible Investing• Insuring Health and Demographic Risk• Opportunities in Health and Nutrition• Access to Communications• Access to Finance• Access to Healthcare	<ul style="list-style-type: none">• Corruption & Instability• Financial System Instability• Business Ethics & Fraud• Anti-competitive Practices• Corporate Governance

» Step 2: Evaluate Risk Exposure and Risk Management

MSCI ESG IVA analysts calculate the size of each company’s exposure to each key issue based on a granular breakdown of a companies’ business, then take into account the extent to which a company has developed robust strategies and demonstrated a strong track record of performance in managing its specific level of risks or opportunities.

» Step 3: Rate and Rank Each Company against Sector Peers

Using a sector-specific key issue weighting model, companies are rated and ranked in comparison to their sector peers. The companies in each sector undergo an annual review and are updated on a rolling basis as well as in response to major events.

[msci.com/esg](https://www.msci.com/esg) | esgclientservice@msci.com

About MSCI ESG Research

MSCI ESG Research products and services 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 are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research is produced by MSCI’s indirect wholly-owned subsidiary MSCI ESG Research Inc., a Registered Investment Adviser under the Investment Advisers Act of 1940.

The information contained herein (the "Information") may not be reproduced or disseminated in whole or in part without prior written permission from MSCI. The Information may not be used to verify or correct other data, to create indices, 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 or any MSCI Index 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 "MSCI PARTY") MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH MSCI PARTY 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 MSCI PARTIES 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.