

MSCI to launch tools to help investors assess biodiversity, deforestation risk in portfolios

Screening metrics unveiled as world leaders convene at COP15 to develop a United Nations-backed framework to protect biological diversity this decade

NEW YORK – December 14, 2022 – MSCI Inc. (NYSE: MSCI), a leading provider of critical decision support tools and services for the global investment community, today announced the forthcoming launch of tools to help investors identify companies at risk of contributing to biodiversity loss and deforestation.

The new screening tools combine thousands of ESG and climate data points, overlaid with MSCI's proprietary geolocation data that helps pinpoint a company's operations. The tools, which MSCI aims to make available to investors in early 2023, include:

- **MSCI Biodiversity-Sensitive Areas Screening Metrics**, which enable investors to identify companies that have physical assets located in areas of high biodiversity relevance, such as healthy forests, deforestation fronts, or species-rich areas.
- **MSCI Deforestation Screening Metrics**, which indicate companies exposed to deforestation-related risks, including those that may directly or indirectly (via their supply chains) contribute to deforestation. This could be a result of direct operations in areas of risk, such as the tropics, or by the production or reliance on commodities considered key drivers of deforestation, including palm oil, soy, beef, and timber.

Nadia Laine, Executive Director, Head of ESG Products at MSCI, said: "We have spent decades developing data for global investors to measure risk and opportunities related to climate change and ESG factors. We have applied this experience to emerging issues around nature loss and deforestation. Global biodiversity challenges, such as the spread of invasive species, land-use change, and pollution, will have very tangible impacts on the way in which companies function in the near- and long-term future. MSCI aims to help institutional investors understand those risks on the portfolio level."

MSCI announced the forthcoming launch of these tools during the 15th Conference of the Parties (COP 15) in Montreal, which is set to provide a framework with specific goals to protect biodiversity and the world's natural capital by 2030. Emerging financial regulations – such as the European Union Biodiversity Strategy 2023, or recent EU legislation banning imported goods connected to deforestation – are also bringing companies under more scrutiny for contributing to nature loss, presenting new financial risks for their investors.

MSCI ESG Research's [ESG and Climate Trends to Watch for 2023 report](#) indicates that companies' level of preparedness for these types of regulation is low, as less than 12% of food product companies had disclosed a deforestation policy as of October 2022. According to MSCI ESG Research data, 11% of constituents of the MSCI All Country World Index as of Nov. 30, 2022 have the potential for direct or indirect contribution to deforestation.

Sylvain Vanston, Executive Director, Climate Investment Research at MSCI ESG Research, said: “The biodiversity on our planet is declining at an alarming rate largely due to human activity, from habitat destruction, pollution, water stress to climate change-related pressures. This decline in the ability of nature to provide ecosystem services poses a major threat to the global economy. Important steps are being made with world leaders meeting at COP15 in Montreal, and the Taskforce on Nature-related Financial Disclosures is also aiming to redefine a standard reporting framework. However, for crucial action to be taken, capital markets participants need to have access to timely and robust data to make more informed investment decisions. Understanding risks related to deforestation and certain activities in sensitive regions is an important step in this direction.”

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About MSCI Inc.

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data, and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

About MSCI ESG Research Products and Services

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

Media Inquiries

PR@msci.com

| | |
|------------------|------------------|
| Sam Wang | +1 212 804 5244 |
| Melanie Blanco | +1 212 981 1049 |
| Calum MacDougall | +44 7876 836 759 |

MSCI Global Client Services

| | |
|-----------------------------|-----------------------------|
| EMEA Client Service | + 44 20 7618.2222 |
| Americas Client Service | +1 888 588 4567 (toll free) |
| Asia Pacific Client Service | + 852 2844 9333 |

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