MSCI

MSCI ESG Research

Intangible Value Assessment (IVA)

Alibaba Group Holding Limited

TICKER:
IVA INDUSTRY: Retail - Consumer Discretionary
GICS SUB-INDUSTRY: Internet Retail
COUNTRY: CN

RATING DATE: Sep 11, 2014
PREVIOUS RATING: n/a
RATING TREND: Initiate

IVA RATING

B

ESG PILLAR PERFORMANCE

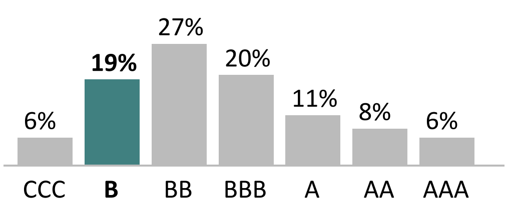
	Score	Industry Percentile	Weight
Environmental	7.9	74th	18.0%
Social	2.4	11th	47.0%
Governance	1.1	10th	35.0%

KEY ISSUES

	Score vs. Average	Industry Percentile	Controversies	Weight
Energy Efficiency	7.9 / 8.0	32nd	None	18.0%
Labor Management	5.4 / 4.0	76th	Minor	0.0%
Human Capital Development	4.9 / –	–	Minor	18.0%
Privacy & Data Security	0.9 / 1.3	38th	None	29.0%
Corruption & Instability	1.4 / –	–	Moderate	12.0%
Corporate Governance	1.0 / 7.0	6th	None	23.0%

COMPETITIVE SET

Industry Rating Distribution*



Top 3 Companies

TIFFANY & CO.	AAA
Industria de Diseno Textil, S.A.	AAA
KINGFISHER PLC	AAA

Bottom 3 Companies

SEARS HOLDINGS CORPORATION	CCC
L BRANDS, INC.	CCC
URBAN OUTFITTERS, INC.	CCC

RATING COMMENT

We initiate coverage of Alibaba at 'B'. The rating reflects core problems in its corporate governance structure under which public shareholders have limited rights or influence on management, and its weak management abilities to address key environmental and social externalities including privacy and data security and internet freedoms, which may hinder its longer-term intentions to expand beyond the China market.

Alibaba is a controlled company due to its partnership structure, under which its founders and senior management with a minority shareholding control its board and key committees (controlling 44% of board seats on listing, and potentially 55% in the future). Further, Alibaba's use of a variable interest entity (VIE) structures amplifies risks for foreign shareholders given their lack of control or influence over the crucial assets held in the VIE and ongoing uncertainties about potential government restrictions on use of this structure. Evidence of related party transactions and takeover defenses further magnify the lack of meaningful shareholder rights.

Alibaba also demonstrates weak management capabilities in addressing risks associated with privacy and data security, as well as government censorship issues. Although facing an evolving regulatory landscape and rising consumer concern regarding privacy issues in China, its privacy policies and data security structures are limited, in line with other Chinese internet companies but significantly lagging those of global internet leaders. Lack of preparedness for higher data security requirements could incur higher compliance costs in the face of evolving Chinese regulation, and even pose difficulties for its overseas expansion strategies (as signaled by its international acquisitions in the last 18 months that represented 17% of the total spent on acquisitions during that period). In addition, Alibaba's potential support for Chinese government's censorship activities could also erode trust among foreign governments and users.

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

KEY ISSUE SUMMARY

	Score	*Average**	Percentile*	Weight
Energy Efficiency	7.9	*8.0*	32nd	18.0%

Alibaba receives a low score on this key issue relative to MSCI World Index companies in the Internet Retail industry, based on its inactive approach to minimizing direct energy use in the face of some exposure to risks of increased costs from rising energy prices. Lack of consolidated performance data on energy consumption and carbon emissions, and minimal transparency on its use of renewable energy sources in data center operations may put it at a disadvantage to reduce energy related costs.

	Score	Average	Percentile	Weight
Labor Management	5.4	*4.0*	76th	0.0%

Alibaba ranks in the top quartile relative to industry peers. This is a key issue for companies classified in the Internet Retail sub-GICS industry due to their commonly high operational dependencies on large, lower-cost workforces, which raise risks of disruptions due to labor unrest, work stoppages, and poor productivity due to worker dissatisfaction. However, as the majority (57%) of Alibaba's employees are IT professionals and engineers, and only 10% in customer service positions, this key issue has been replaced with an assessment of the company's exposure to and management of highly skilled employees. See our analysis under the Human Capital Development key issue.

	Score	Average	Percentile	Weight
Human Capital Development	4.9	—	–	18.0%

Alibaba offers strong employee benefits packages that are competitive compared to its Chinese internet peers, and compare favorably to the average practices of global internet peers. Nevertheless, with employees having grown by 71% in less than 3 years, and new acquisitions of the last 18 months representing 15% of assets as of June 30, 2014, Alibaba faces significant short-term integration challenges, and a heightened need to keep its highly skilled employees satisfied, engaged, and productive in an environment of constant change.

	Score	Average	Percentile	Weight
Privacy & Data Security	0.9	*1.3*	38th	29.0%

Due to its extensive involvement in internet retailing, through which it handles several hundred million buyer and seller accounts and an enormous volume of sensitive personal information associated with these accounts, Alibaba is highly exposed to regulatory and reputational risks associated with privacy and data security issues. The company faces an evolving regulatory landscape and rising consumer concern regarding privacy issues in China. Further, lagging data security practices at Alipay, Alibaba's sole online payment and escrow service provider, raise security concerns for Alibaba in the case of a data breach at Alipay. Alibaba's privacy policies for specific business lines contain minimal information and commitment to ensure privacy and data security. While the company provides various security-enhancing tools and security tips for individual customers, it fails to demonstrate any security best practices, resulting in its low score on this key issue.

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

	Score	*Average* *	Percentile *	Weight
Corruption & Instability	**1.4**	—	–	**12.0%**

Alibaba faces relatively high risks of regulatory action and operational disruptions associated with involvement in corruption, as well as regulatory interference due to the nature of its internet operations. In addition, while Alibaba is primarily involved in online retailing, it has previously operated Yahoo China and currently owns interests in a handful of social media and video companies including UCWeb, Sina Weibo, Youku Tudou, exposing it to reputational risks of being required by the Chinese government to turn in their users' personal information and communication content and support controversial online censorship activities. The company's systems for preventing and detecting involvement in corrupt and unethical conduct are weak, and it has no procedures or policies in place to guide its involvement in government censorship activities. Alibaba's licenses to operate its platform are likely conditioned on its compliance with government censorship demands, which could prove to be a concern for foreign shareholders and users that may in turn dampen its international expansion aspirations. International expansion intentions are signaled by its three international acquisitions in the last 18 months, which represented 17% of the total spent on acquisitions during this period – including mobile messaging app TangoMe.

	Score	*Average*	Percentile	Weight
Corporate Governance	**1.0**	*7.0*	**6th**	**23.0%**

Alibaba's corporate governance profile presents a high level of risk to public shareholders due to a lack of shareholder rights and independent board representation. The company's partnership structure enables its founders and senior management with a minority shareholding to control its board and company, significantly limiting public minority shareholder rights. We also highlight risks faced by shareholders related to its use of the Variable Interest Entity structure and potential conflict of interests due to related party transactions and shareholdings.

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

KEY ISSUES

Energy Efficiency	Pillar	Score	*Industry Average*	Industry Percentile	Weight
	E	7.9	*8.0*	32nd	18.0%

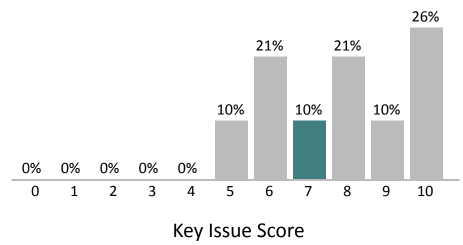
Alibaba receives a low score on this key issue relative to MSCI World Index companies in the Internet Retail industry, based on its inactive approach to minimizing direct energy use in the face of some exposure to risks of increased costs from rising energy prices. Lack of consolidated performance data on energy consumption and carbon emissions, and minimal transparency on its use of renewable energy sources in data center operations may put it at a disadvantage to reduce energy related costs.

Our model evaluates the risk of increased or volatile energy and fuel prices driving up the cost of operation. Companies in the Internet Retail industry in general are significantly less energy dependent than those involved in heavy manufacturing or extractive operations. Unlike many other internet retail companies like Amazon, Alibaba is not directly involved in distribution operations or warehouse operations, but relies on a network of third party logistics and warehouse companies for distribution, somewhat limiting its direct exposure to operational energy costs but exposing it to a substantial energy footprint among its supply chain. Nonetheless, as for other internet service companies such as Tencent and Facebook, numerous trends are driving energy usage increases, including the move to hosted models, the growth of cloud-based services, and exponential growth in the generation of data which must then be stored and processed. Attention to energy consumption and efficiency is likely to result in medium to long-term financial savings, while failure to adequately address efficiency may result in cost increases.

As the largest online retail company in China, with a user base that accounts for 40% of China's Internet population, Alibaba's operations of its online marketplace platforms are supported by a sizable network of servers and IT facilities that consume a large volume of energy. In addition, the company has been aggressively expanding its data center footprint recently, particularly to support its expansion in the cloud computing business. Besides its existing three data centers in China, Alibaba has added two new ones focused on cloud computing since May 2014, which suggests increasing exposure to environmental challenges.

Alibaba only has a modest commitment to energy efficiency practices. The company does not appear to have overarching environmental management strategy or measurable target for improvement. It has been involved in minor environmental initiatives such as the purchase of forestry carbon credits in 2011, philanthropic donations, and employee volunteering activities to raise environmental awareness. Unlike many peers, the company does not monitor or report its energy consumption or Power Usage Effectiveness (PUE) figures for its data centers, nor does it commit to construct data centers to meet certain green building requirements such as the US standard Leadership in Energy and Environmental Design (LEED). This low level of management awareness and commitment is common among Chinese technology companies, and is in line with their low operational risk profile. However, given its highly anticipated public offering and its potential to grow into an international e-commerce company, Alibaba is poorly positioned to face pressure from NGOs, ethical customers and shareholders to increase its transparency on environmental performance.

Key Issue Score Distribution*



Exposure Score:	2.8
Management Score:	3.7

For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.

Headline Indicators

Management & Performance

Governance and Strategy

Has the company implemented programs or taken actions to improve the energy efficiency of its operations?:	**Yes**

Controversies

This key issue assesses energy consumption data to determine companies' environmental impact. Controversies are not covered under this heading.

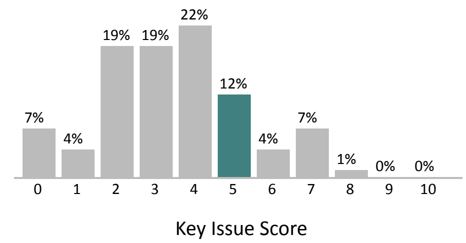
For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.

Labor Management

Pillar	Score	*Industry Average*	Industry Percentile	Weight
S	5.4	*4.0*	76th	0.0%

Alibaba ranks in the top quartile relative to industry peers. This is a key issue for companies classified in the Internet Retail sub-GICS industry due to their commonly high operational dependencies on large, lower-cost workforces, which raise risks of disruptions due to labor unrest, work stoppages, and poor productivity due to worker dissatisfaction. However, as the majority (57%) of Alibaba's employees are IT professionals and engineers, and only 10% in customer service positions, this key issue has been replaced with an assessment of the company's exposure to and management of highly skilled employees. See our analysis under the Human Capital Development key issue.

Key Issue Score Distribution*



Exposure Score: 6.3

Management Score: 4.7

Headline Indicators

Exposure

Exposure Summary

Risk	% of Operations by Segment [1]	% of Operations by Geography [2]
Low	0.0%	0.0%
Medium	100.0%	100.0%
High	0.0%	0.0%

[1] This represents the portion of the company's revenues derived from lines of business that are High Risk (typically experience high levels of labor unrest, work stoppages, or related disputes), Medium Risk (typically experience moderate levels of labor unrest, work stoppages, or related disputes), and Low Risk (typically experience low levels of labor unrest, work stoppages, or related disputes).

[2] This represents the portion of the company's revenues derived from lines of countries or regions that are High Risk (where there is a high incidence of labor unrest such as work stoppages), Medium Risk (where there is a moderate incidence of labor unrest such as work stoppages), Low Risk (where there is a low incidence of labor unrest such as work stoppages).

Additional Exposure Indicators

Layoffs and Restructuring Events

Major Layoffs: **No**

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Size of Workforce

Number of employees: **22,072**

Number of Employees

Year	Number of employees	Part time workers (%)	Contract or temporary workers (%)
2011	21,930		
2012	20,674		
2013	22,072		

Management & Performance

Controversies

All controversies are assessed as part of the annual review of a company's ESG rating. MSCI ESG Research tracks controversies for all companies on a regular basis.

No major relevant controversies have been uncovered.

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Human Capital Development

Pillar	Score	*Industry Average*	Industry Percentile	Weight
S	4.9	—	–	18.0%

Exposure Score:	9.3
Management Score:	7.2

Alibaba offers strong employee benefits packages that are competitive compared to its Chinese internet peers, and compare favorably to the average practices of global internet peers. Nevertheless, with employees having grown by 71% in less than 3 years, and new acquisitions of the last 18 months representing 15% of assets as of June 30, 2014, Alibaba faces significant short-term integration challenges, and a heightened need to keep its highly skilled employees satisfied, engaged, and productive in an environment of constant change.

In the 18 months in the lead up to its IPO, Alibaba has undertaken an ambitious and aggressive series of acquisitions and strategic investments of both dominant and minority stakes in a wide range of businesses, with varying alignment with its current core focus on internet retailing. Acquired targets in June 2014 alone included AutoNavi, a provider of digital map content and navigation in China that was formerly listed on the Nasdaq and is now a wholly-owned subsidiary; UCWeb Inc., a mobile browser provider; and Alibaba Pictures Group Limited, a holding company for film and media assets in China. The pace of frequent and aggressive acquisitions, and the toll on integrating a large number of employees from acquired companies, could affect employees' long-term morale and productivity and elevate Alibaba's exposure to risks of voluntary turnover. This pace of acquisitions seems unlikely to slow down in the near future, particularly as the company faces competition for dominance over the e-commerce market from local Chinese internet peer Tencent which, since 2013, has acquired major stakes in JD.com (China's second largest e-commerce company), Dianping.com (China's leading independent online consumer service rating site) and Dididache (an emerging taxi calling service provider). Further, after its IPO, certain key personnel may be tempted to leave or diversify their commitments as a result of becoming overnight millionaires or billionaires, potentially degrading institutional memory. As Alibaba is a controlled company, with an entrenched partnership structure that erodes the influence of public shareholders on the company's strategy, public shareholders can expect to have little influence over future acquisitions and the knock-on impact this may have for employee turnover and morale.

Alibaba offers strong employee benefits packages, including comprehensive healthcare and insurance offerings, and subsidies, allowances, and interest-free loans for employees in need. Its share subscription plan is open to selected employees, which is not as broad-based as Alibaba's share option scheme which is open to virtually all its employees, although Alibaba reports that about 90% of employees receive some form of incentive pay. Further, unlike Tencent, there is no evidence of conducting annual employee engagement surveys to monitor employee satisfaction and stay ahead of possible morale issues. A highlight is Alibaba's structured employee induction and training programs which are on par with the best practices of some global internet peers, with over 8 days of training per employee on average, above the average of both Chinese and global peers. Overall, although it faces a steep integration curve in the coming years after its spate of acquisitions, Alibaba's rewards systems and ongoing training investments means it is well positioned to remain an attractive employer for top talent in China.

** For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Headline Indicators

Exposure

Additional Exposure Indicators

Layoffs and Restructuring Events

Major merger or acquisition in the last three years (affecting large proportion of staff):	**Yes**
Major layoffs in the last three years (affecting 10% of staff or over 1,000 employees):	**No**

Management & Performance

Strategy

Formal grievance reporting or escalation procedures:	**Company offers internal employee council / committee but grievance procedures unknown**
Company monitors employee satisfaction on a regular basis:	**Not disclosed**

Talent pipeline development strategy

Formal talent pipeline development strategy (forecasts hiring needs, actively develops new pools of talent):	**Not Disclosed**
Internship/ apprenticeship program:	**Yes**
Partners with educational institutions to develop joint training programs:	**Yes**

Programs & Initiatives

Company offers an employee stock ownership plan (ESOP) or employee stock purchase plan (ESPP):	**Only select number of employees eligible for ESOP and/or ESPP, or scope unknown**
Non-salary benefits and work/life balance:	**Substantial evidence of multiple non-salary benefits with material financial value**
Regular performance appraisals and feedback processes:	**Yes**
Job-specific development training programs:	**Yes**
Leadership training and talent management programs:	**Yes**

Training

Year (YYYY)	Percentage of employees receiving training	Training (days per employee)
2011		8.1

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Performance

External recognition as employer of choice (last three years): **Recognized as top employer on credible external list**
External recognition - details: **No. 1 "Top 50 Employers of Choice among College Students" in 2014 (China)**

Human capital performance metrics

Year (YYYY)	Annual employee turnover	Profit per employee (USD '000)	Percentage of women on the executive management team (C-suite)	Details
2013			27.3%	Chief people officer, chief customer officer and chief financial officer are women.

Controversies

All controversies are assessed as part of the annual review of a company's ESG rating. MSCI ESG Research tracks controversies for all companies on a regular basis.

No major relevant controversies have been uncovered.

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Privacy & Data Security

Pillar	Score	*Industry Average*	Industry Percentile	Weight
S	0.9	*1.3*	38th	29.0%

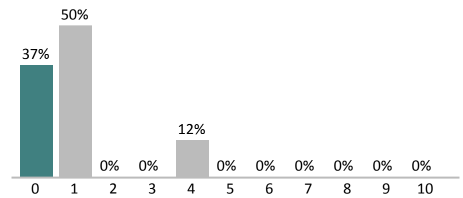
Due to its extensive involvement in internet retailing, through which it handles several hundred million buyer and seller accounts and an enormous volume of sensitive personal information associated with these accounts, Alibaba is highly exposed to regulatory and reputational risks associated with privacy and data security issues. The company faces an evolving regulatory landscape and rising consumer concern regarding privacy issues in China. Further, lagging data security practices at Alipay, Alibaba's sole online payment and escrow service provider, raise security concerns for Alibaba in the case of a data breach at Alipay. Alibaba's privacy policies for specific business lines contain minimal information and commitment to ensure privacy and data security. While the company provides various security-enhancing tools and security tips for individual customers, it fails to demonstrate any security best practices, resulting in its low score on this key issue.

Alibaba operates the largest online retail and wholesale marketplaces in China, including Taobao, Tmall, Juhuasuan, AliExpress, 1688.com and Alibaba.com, which host 279 million active buyers and 8.4 million small and medium sellers. Therefore, the company handles an enormous volume of personal information associated with these accounts, including but not limited to phone numbers, bank accounts, addresses, purchase history, etc. Should it experience a data breach or a controversy over how it uses or handles data, Alibaba would be vulnerable to reputational damage, loss of customers, litigation, and possibly regulatory action, all of which could prove costly. In addition, the company has been expanding its mobile platforms and investing into mobile web or application companies such as UCWeb, suggesting increasing exposure to risks of data leakage through mobile platforms.

Furthermore, the company faces high exposure to regulatory developments targeting privacy protection in the internet and telecom industries in China. While there is currently no national privacy law in China, there have been administrative regulations introduced to govern internet companies. For example, in July 2013, the Chinese central government for the first time promulgated the Rules on Protection of Information of Telecommunications and Internet Users, setting out requirements for internet and telecom service providers to adopt privacy policies, appoint personnel dedicated to data security management, and conduct employee training and data security inspection at least once a year. Furthermore, the government has made privacy protection a focus in 2014, and a national privacy protection law has been drafted and remains pending. Therefore, we expect intensifying regulatory actions and increasing compliance costs for internet service providers and e-commerce companies. In addition, amid increasing incidence of online information leakage and theft in China, there has been growing public concern over online privacy and public outcries for better privacy protection from online service providers. A 2013 report by the China Consumers' Association highlights a low level of satisfaction (scored 3 out of 10) with online data security among internet users surveyed, and another survey by the China Internet Network Information Center revealed that 74% of internet users surveyed encountered some type of data security problems in 2013 (up from 15% in 2009). Due to its business scale and high profile brand name, the company is more likely to be targeted by regulators or users than smaller internet companies, heightening its vulnerability to brand damage in the event of a controversy or data breach.

Although Alibaba is among the first group of internet service providers in China to take actions towards user privacy protection, mainly due to its involvement in high risk activities – in particular the processing of sensitive payment information – its management of these risks still lag those of international internet retail or broader internet service companies. Like most of its peers in the Internet Retail industry, Alibaba publicly discloses its privacy policies covering all of its major online marketplaces. However, the privacy policies only include some basic information on how personal information is collected, the purpose of collection, and whether third party vendors have access to this information, and lacks commitment

Key Issue Score Distribution*



Exposure Score: 9.5
Management Score: 3.4

For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.

to common best practices such as not collecting data from third party sources, limiting access to personal data to designated personnel, or allowing customers to opt out from internal marketing. Chinese internet or software companies tend to have privacy policies of limited scope or no policy at all, given the previously lax regulatory environment. However, Alibaba is a high profile internet retail company that is seeking to expand beyond its domestic market. As such it is likely to be a tempting target for hackers at the same time it encounters consumer expectations of stronger privacy protections. In contrast, leading international internet companies such as Google and Yahoo! have detailed and comprehensive privacy policies in which they commit to several best practices, for example limiting access to personal information and offering opt out option from direct marketing. Even despite their best practices, these large global internet peers have faced ongoing criticism and regulator approbation in important markets like the European Union, indicating that issues of privacy and data security are gaining currency and will eventually be a subject of scrutiny for Alibaba.

Alibaba offers various data security measures and tools including encryption keys, digital certificate and payment security shield for both PC and mobile devices. However, there is no apparent evidence of enforcement measures to prevent data leaks, which at other companies typically incorporate senior executives in charge of data security management, periodic data security inspections, employee training on data security, and acquisition of a relevant certification (e.g. ISO 27001). This weak level of enforcement is again in line with other Chinese internet companies such as Tencent, JD.com, and Baidu. We note that 12% of Internet Retail companies on the MSCI World Index have appointed senior executives with responsibilities of overseeing privacy and data security issues, 25% conduct data security inspections, and 12% conduct employee training.

Further, Alibaba's heavy reliance on Alipay for payment processing and escrow services exposes it to security weaknesses at Alipay. Although Alipay offers security tools and tips for users and cooperates with antivirus software companies to develop security measures, its internal data management procedures are unclear to outsiders. We do not find evidence of data security inspections, employee awareness programs or data security management certification at Alipay. This is particularly concerning given Alibaba's lack of security inspection procedures targeting its service vendors. Should Alipay experience a data breach, Alibaba is likely to be implicated and may suffer inherited financial and reputational losses stemming from their close relationship.

Given the large amount of personal information Alibaba handles in daily operations and a toughening regulatory environment in China and globally, we are concerned that the company is not prepared for future legal requirements. Alibaba's lagging approach in this area could put it at a disadvantage in overseas markets where it will have to compete with global internet companies that have superior data security management practices. Furthermore, Alibaba's potential cooperation in the Chinese government's internet surveillance activities could also raise concerns over privacy violations authorized by the government (see Corruption & Instability section).

Headline Indicators

Management & Performance

Policy

Abide by (or commit to abide by) the following best practices:

Not collecting personal information from third-party sources: **No**

For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.

Limiting access to personal data to designated personnel (employees or contractors):	**No**
Monitoring employees' and contractors' access to data in real time (as a means of detecting suspicious use):	**No**
Providing customers an option to opt out from internal direct marketing:	**No**
Not renting, selling, or providing personal (non-aggregate) information to external parties for the benefit of those external parties (as opposed to for processing or analysis on behalf of the company itself):	**Yes**
Allowing customers (or non-customers on whom data have been collected) to delete all data on them (not just deactivate, but delete):	**No**
Deleting data after a certain amount of time:	**No**
Informing customers whenever their data is transferred to or handled by external data providers:	**No**

Controversies

All controversies are assessed as part of the annual review of a company's ESG rating. MSCI ESG Research tracks controversies for all companies on a regular basis.

No major relevant controversies have been uncovered.

For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.

Corruption & Instability

Pillar	Score	*Industry Average*	Industry Percentile	Weight
G	1.4	—	–	12.0%

Exposure Score:	6.8
Management Score:	1.2

Alibaba faces relatively high risks of regulatory action and operational disruptions associated with involvement in corruption, as well as regulatory interference due to the nature of its internet operations. In addition, while Alibaba is primarily involved in online retailing, it has previously operated Yahoo China and currently owns interests in a handful of social media and video companies including UCWeb, Sina Weibo, Youku Tudou, exposing it to reputational risks of being required by the Chinese government to turn in their users' personal information and communication content and support controversial online censorship activities. The company's systems for preventing and detecting involvement in corrupt and unethical conduct are weak, and it has no procedures or policies in place to guide its involvement in government censorship activities. Alibaba's licenses to operate its platform are likely conditioned on its compliance with government censorship demands, which could prove to be a concern for foreign shareholders and users that may in turn dampen its international expansion aspirations. International expansion intentions are signaled by its three international acquisitions in the last 18 months, which represented 17% of the total spent on acquisitions during this period – including mobile messaging app TangoMe.

While the Internet Retail industry is less prone than many other industries to involvement in corrupt practices, according to data from Transparency International, Alibaba's operations in China present relatively high risks of being implicated in unethical practices and political interference. Corruption and restrictions on free expression and civil liberties in China present substantial operational threats to businesses, according to our analysis of data published by Transparency International, the World Bank, Reporters Without Borders, and Freedom House. Therefore, Alibaba and its domestic peers are highly exposed to risks of suffering operational disruptions or loss of market access due to political instability, demands for bribes, and costly litigation related to corrupt and unethical practices.

As popular intolerance of corruption in China has grown, the Chinese government has taken more and more forceful measures to crack down on crimes of corruption among senor party officials and members of management of state-owned enterprises. This has grown into a national campaign as the new Politburo has made the fight against corruption one of its top current priorities. Strong warning signals for violators have been sent so far through the sacking and investigation of many high level officials, tens of thousands of lower-level officials, and widespread investigations in some high profile industries. Although private internet companies are not likely to be implicated in high profile allegations, given the government's broad commitment and firm anticorruption commitment, their operations remain dependent on government approval, and violators will not likely be exempt from punishment and the reputational risks associated with it.

Alibaba has been involved in unethical business practices in its business-to-consumer unit. Some of the company's employees and managers were found to have taken bribes from vendors and offered fake deals and product ratings in return from 2011 and 2013. This type of unethical practices is considered to be widespread in Alibaba, highlighting loopholes in its internal control systems and lax oversight over employees. Following the arrest and dismissal of the former general manager of Alibaba's discount group-buying company in 2012, the company has stepped up its management oversight and internal control. It initiated a job rotation among senior management across all business units and established rules regulating relationship with merchant vendors. The company states that it has adopted an Alibaba Group Code of Ethics that outlines its rules regarding related party transactions, gifts and hospitality and conflict of interests. This is not publicly disclosed, offering limited assurance regarding its commitment in this area. It offers whistleblower protection but does not appear to conduct employee training, or internal or external audits.

** For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

In our analysis of this key issue, we also address the potential for Alibaba to be involved in government censorship activities and by implication, repression of civil liberties. Through its ownership in some internet and social media companies, including UCWeb (100% stake, a mobile internet company), Sina Weibo (18%, a microblogging website), and Youku Tudou (16.5%, China's biggest video site), Alibaba is still substantially involved in online communications and media services, which could be targeted by the Chinese government for surveillance and censorship requests. Associated with its operations of Yahoo China until August 2013, Alibaba was believed to have deployed technicians and software to filter online content and block and remove content deemed politically objectionable, and shared users' personal information and browsing habits with the government. Given that its licenses to operate its online platforms are likely conditioned on its compliance with government surveillance request, the company is in a weak position to be able to reject government requests to censor communication traffic. However, even in such scenarios, there is still room for the company to distinguish itself from its domestic peers in how aggressively and comprehensively it opts to proactively censor content. For example, leading companies offer an open and transparent procedure with regard to compliance with local censorship regulations, taking steps to inform users when it monitors and censors their online communications or limiting their reporting to local governments on the activities of political dissidents. Search engines run by Microsoft and Yahoo! provide notice to Chinese users when results have been censored.

While we do not anticipate that the company's operations in China could be jeopardized due to cooperation with government censorship efforts, the company is likely to feel increasing pressure to be more transparent with Chinese internet users who are increasingly aware of their rights to free expression and privacy, and more importantly, to gain trust from foreign users and governments as it expands overseas. The escalating cyber security disputes between China and the US could potentially complicate the problem for technology companies like Alibaba, akin to the loss of business opportunities for some Chinese technology companies that have sought to expand overseas (e.g. Huawei).

Headline Indicators

Management & Performance

Policies & Commitments

Highest level of oversight and responsibility for ethics issues:	**Senior executive or committee**
Bribery and corruption policy:	**Commitment stated but no policy articulated**
Business ethics policy covers subsidiaries:	**Policy covers most major subsidiaries**
Business ethics policy covers suppliers/contractors:	**Not disclosed**
Business ethics policy covers facilitation payments and political contributions:	**Not disclosed**

Programs & Structures

Internal auditors ensure compliance with ethical standards:	**No**
External independent auditors ensure compliance with ethical standards:	**No**
Employee training on ethical standards :	**No**
Whistleblower protection:	**Yes**

**For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Human Rights - Policies and Programs

Policy on civil liberties and freedom of speech: **Not disclosed**

Controversies

All controversies are assessed as part of the annual review of a company's ESG rating. MSCI ESG Research tracks controversies for all companies on a regular basis.

Moderate Controversies

Date: August 2014
Assessment: Moderate

Former Manager and other Staff Detained over Bribery Allegations

In July 2012, a former Alibaba executive was detained by Hangzhou police over allegations of bribery. The said executive was the former general manager of Alibaba's discount group-buying site and was dismissed in March 2012, over accusations of benefiting from certain vendors. The company stated that another 28 staff also allegedly took bribery from vendors, and offered fake deals and ratings in return from 2011 to 2013. Seven of them were allegedly detained by Hangzhou police. Alibaba shut down 9 online suppliers which had bribed its staff.

UPDATES:

31 Aug 2014: No recent information available.

06 Jul 2012: Alibaba Closed 9 Online Stores and Disclosed its Staff Bribery. (The Beijing News)

05 Jul 2012: Alibaba Former Manager and another Seven Staff Detained over Bribery Allegations. (Chinaz.com)

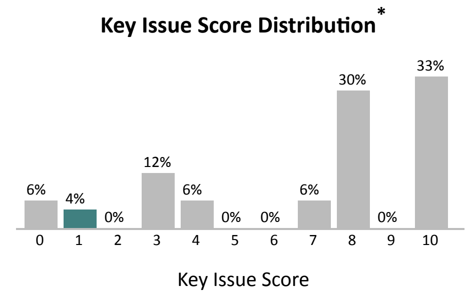
21 Nov 2011: Alibaba Suppliers' Fraudulence Indicates Internal Auditing Defectives. (People.com)

Source: 6 Jul 2012_The Beijing News; 5 Jul 2012_Chinaz.com; 21 Nov 2011_People.com

**For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Corporate Governance

Pillar	Score	*Industry Average*	Industry Percentile	Weight
G	1.0	*7.0*	6th	23.0%



Alibaba's corporate governance profile presents a high level of risk to public shareholders due to a lack of shareholder rights and independent board representation. The company's partnership structure enables its founders and senior management with a minority shareholding to control its board and company, significantly limiting public minority shareholder rights. We also highlight risks faced by shareholders related to its use of the Variable Interest Entity structure and potential conflict of interests due to related party transactions and shareholdings.

Audit practices

Alibaba acknowledges in its Prospectus of September 4, 2014, that its external auditor, the Hong Kong affiliate of PricewaterhouseCoopers (PwC), is not fully inspected by the Public Company Accounting Oversight Board (PCAOB) because the group has substantial operations in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of Chinese government authorities. This raises potential questions for shareholders on the independence and quality of the audit work PwC has performed for Alibaba. Furthermore, this statement highlights the possibility that Chinese companies like Alibaba could be drawn into a long-running dispute between the U.S. and Chinese governments concerning how much oversight the U.S. should have over the audits and financial reporting of China-based companies that trade on U.S. markets. In January 2014, a Securities and Exchange Commission (SEC) administrative judge reached an initial decision that the China-based affiliates of the "big four" accounting firms should be suspended from auditing U.S.-listed companies for a six-month period for refusing to submit to the SEC documents about some of their audit clients, to aid the SEC in investigating those companies. The affected accounting firms have appealed the initial decision so there is uncertainty about the ultimate outcome. Although Alibaba's Hong Kong-based auditor is not directly implicated in this dispute, it is possible that the firm has engaged PwC's affiliates in mainland China in its audit process.

The audit concern also reflects Alibaba's recent suspicion of potential accounting irregularities at recently acquired a subsidiary, Alibaba Pictures Group. In August 2014, Alibaba Pictures Group stated that it would delay its semi-annual report and closed trading on the Hong Kong Stock Exchange due to possible accounting irregularities. The company allegedly failed to impair some of its assets, and was exposed to other misrepresented accounting issues. The company has launched an internal investigation into the possible irregularities. Alibaba bought into Alibaba Pictures (previously ChinaVision Media Group Ltd) for more than USD 800 million in June 2014, only two months before the controversy, raising doubts about the adequacy of its due diligence efforts before making major acquisitions, a concern that is compounded in light of its pre-IPO acquisition spree spanning multiple industries outside its core business.

Lack of majority independence on the Board

The Alibaba Partnership ("partnership") has 30 members, including 24 members of management (six of whom are founders), five members of management of Small and Micro Financial Services Company (SMFSC), and one member of management of China Smart Logistics. According to Alibaba's articles of association and a voting agreement between its major shareholders, the board is controlled by the partnership. (See further analysis under 'Shareholder Rights'.)

Following the IPO, the board will be comprised of four executive directors, one non-independent director, and four independent directors. Therefore, less than 50% of the initial board will be independent, which compares poorly with most US-based internet service companies including those with dual class structures (e.g. Facebook, Google, LinkedIn), but

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

slightly better than Tencent (a major Chinese internet peer). Non-independent directors include Executive Chairman and Founder Jack Ma, Executive Vice Chair Joseph Tsai, CEO Jonathan Lu, COO Daniel Zhang, and Masayoshi Son, founder and CEO of Softbank. Independent directors include J. Michael Evans, former Goldman Sachs Vice Chair; Walter Kwauk, former chair of Alibaba.com's audit committee; Chee Hwa Tung, former governor of Hong Kong and well-connected to the People's Republic of China's Communist Party; and Jerry Yang, the co-founder and former CEO of Yahoo!. While these directors have been classified as independent, their background raises concerns of potential conflict of interests. For example, Mr. Kwauk and CFO Maggie Wu both served as executives at KPMG-Beijing over the same period of time.

According to its Prospectus of September 5, 2014, the partnership will be entitled to appoint two more directors without shareholder approval following public offering, bringing the total number of directors to eleven, to ensure that the directors nominated or appointed by the Alibaba partnership comprise a simple majority of the board. The timing and process for appointing the two extra directors is uncertain. The independence of the board will be even lower if the partnership appoints additional directors at some later time.

Each of the company's proposed board committees is slated to include an executive officer. Joe Tsai will be a member of Alibaba's Compensation and Audit Committees, and Jack Ma will be chairman of the Nominating and Corporate Governance Committee. This raises concerns about the ability of the committees to provide effective independent oversight.

Issues surrounding the Alibaba partnership

The Prospectus of September 4, 2014, is silent on several issues of interest to shareholders regarding the process for partnership nominations, elections, length of tenure, and removal from the partnership. Further, it remains unclear whether there is an upper limit to the size of the partnership, with three new members being announced as recently as 4 September 2014, barely two weeks prior to the IPO. Such a structure appears more than likely vulnerable to political jostling around admission into the partnership that may divert the attention of senior members of management from their proper duties, or create potential conflicts of interests for them.

Compensation

Like many Chinese companies, Alibaba does not provide sufficient disclosure for investors to assess its executive remuneration practices. The company has not disclosed specific, quantifiable performance target objectives for the CEO. Disclosure of performance metrics is essential for investors to assess the rigor of incentive programs. Furthermore, the company fails to establish and disclose specific standards regarding minimum equity retention standards for its CEO and directors, which may weaken the ability of equity awards to align executives’ interests with long-term value creation.

In the absence of adequate disclosure, MSCI rates such companies primarily by evaluating the independence of the remuneration or compensation committee, evaluates any items that are disclosed, and additionally lowers the company’s rating 'floor' to ensure poor disclosure does not receive a higher rating than merely mediocre practices. Alibaba’s board does not include a fully independent compensation committee, raising concerns about the board's effectiveness in overseeing the company's CEO and other managers, a key board function, as well as its ability to design sufficiently rigorous incentives for executives. Moreover, Joe Tsai, Alibaba executive vice chairman and one of the company’s founders, sits on the compensation committee, magnifying the severity of these concerns.

Public shareholders have limited rights or influence on management and board composition

While the partnership controls approximately 16% of the company’s outstanding stock, the company's articles of association entitles the partnership to nominate a simple majority of the board. Moreover, pursuant to a voting agreement between SoftBank (a major shareholder

** For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

since 2000), Yahoo! (a major shareholder since 2005), Jack Ma, and Joseph C. Tsai, all four parties have agreed to vote in favor of the partnership's director nominees. The agreement also provides SoftBank the right to nominate one director as long as it owns at least 15% of outstanding shares. The other parties would also vote their shares in favor of the election of the SoftBank director nominee. Softbank (32.4%), Yahoo! (16.3%) and Jack Ma (7.8%) will cumulatively hold a majority of the company's shares upon completion of the offering, suggesting that the partnership nominees and SoftBank nominees will almost certainly be elected at annual general shareholder meetings. According to the company's articles of association, Alibaba's partnership nomination rights may only be changed upon a 95% vote of shareholders, which further ensures entrenches the partnership's nomination rights. The partnership and voting agreement limits public shareholders' rights to nominate and elect directors. Public minority shareholders will have very limited rights and influence on management decisions, thus exposing them to inherently higher degrees of governance and investment risk.

Alibaba's partnership structure is similar to the dual class structure adopted by many other internet companies such as Facebook and Google, in that it effectively concentrates the majority of voting rights in the hands of a small group of partners, which has caused significant concerns over lack of accountability to investors. An April 2014 survey on Alibaba and non-standard shareholding structures by the Asian Corporate Governance Association reveals strong investor opposition to non-standard shareholding structures, and indicates that global investors would be inclined to apply an average discount of 19% to Alibaba's shares due to the partnership structure. While Alibaba has been trying to distinguish itself from other dual class structures, arguing that management decisions are made by the 30-member partnership with diverse expertise, which is thus superior to dual-class companies where only a few founders retain strategic control over the whole business, the founder Jack Ma clearly has a dominant influence on major management decisions. This is shown in his lead role in initiating acquisition deals, breeding innovative business ideas, and formulating development strategies. Alibaba's success to date has been largely attributed to Jack Ma's business insights and entrepreneurship. Such heavy reliance on one prominent figure raises doubts about the ability of the company to sustain success after Jack Ma leaves the company, given its current board structure.

Variable interest entity structure

Alibaba's licenses to operate its websites in China, which are crucial to the value of its business, are held by a variable interest entity (VIE) which must be 100% owned by Chinese citizens under Chinese law. The VIE structure is a corporate structure specific to the China context and has been used by all of China's major Internet companies (including Baidu, JD.com, Weibo, Sohu.com) that list on US exchanges. This is because foreign investment in the Internet and Telecom industries is strictly limited or prohibited in China, and the VIE structure has provided a means for these companies to bypass the Chinese government's restrictions on their access to foreign capital. The basis of the structure is the establishment of a local VIE entity and wholly foreign-invested entities, which avoids co-mingling of foreign and domestic investors' funds. The local and foreign entities enter into legal contracts that are enforceable only in China; as such, foreign investors in VIE structures are relying on Chinese government regulations and courts to uphold the contracts in the event of conflict.

Protection for the value held in VIE structures have been a grey area in the Chinese legal system and there have even been attempts by the government to abolish the structure. In prior cases, the Supreme Court of China invalidated similar contracts and ruled against the structure in 2012. In the US, the structure has come under closer scrutiny by the Securities and Exchange Commission (SEC) along with the spike in US listings of Chinese internet companies in recent years. The likelihood of government action against the use of VIE structure may have increased since the July 2012 SEC investigation into the Chinese company New Oriental Education regarding the specific details of its VIE structures. A June 2014 report by the US-China Economic and Security Review Commission, created by the US Congress in 2000 to monitor the national security implications of the China-US economic relationship and provide

For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.

recommendations to Congress for legislative or administrative action, further highlighted the risks from investing in Chinese internet companies such as Alibaba that use a VIE structure. The weaker system of shareholder protection under the Chinese legal system compared to other developed markets, should give foreign investors good reason for closer inspection of the shareholder risks inherent to Alibaba.

Related Party Transactions present potential conflicts of interest

In evaluating the corporate governance of these companies our primary focus is on determining whether the actions of the board are excessively aligned with the interests of the controlling shareholders, a situation that even further magnifies the investment risks involved. In Alibaba's case, an extensive list of potentially conflicted related party transactions between the company and entities affiliated with the partnership raise serious concerns regarding the alignment of interests between the controlling shareholders and any minority public holders, and indicate a high degree of governance risk. We note that in 2011, Mr. Ma spun out the company's payment processing unit, Alipay, to SMFSC without notifying other shareholders, precipitating a high-profile spat with major shareholder Yahoo! (which owned 40% of shares of Alibaba Group at the time). If conflicts arise between the company, Alipay, Mr. Ma or SMFSC, such conflicts could have a negative effect on its business.

Takeover defenses

Finally, Alibaba's articles of association also contain other anti-takeover provisions that limit public shareholder rights. This includes the ability of the board to establish one or more series of preferred shares without a shareholder vote and a classified board which would make it difficult to replace the majority of directors at one time. Combined with the company's partnership structure, these provisions have the effect of delaying, preventing or deterring a change in control.

Headline Indicators

Management & Performance

Governance

Audit

Audit Grade:	**Medium Concern**
Audit Analysis:	**Audit-related practices or controversies in the past two years raise a moderate level of concern. Alibaba may be exposed to a prohibition imposed by the Securities and Exchange Commission on the use of big four accounting firm affiliates in China, and accounting irregularities at a recently acquired subsidiary points to the possibilities of further flaws among other subsidiaries.**

Audit Indicators

Non-audit fees:	**The percentage of non-audit fees to total fees is not disclosed.**
Audit results:	**The auditor has issued an unqualified opinion for the most recent fiscal year.**

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Board Structure

Board Structure Grade:	**Medium Concern**
Board Structure Analysis:	**The structure or performance of the board of directors raises a moderate level of concern due to a lack of majority independence among board members.**

Board Structure Indicators

Independence of board of directors:	**44.4% of the directors are independent and were elected by shareholders.**
Chairman and CEO roles separation:	**The roles of Chairman and CEO are separated.**
Independence of compensation committee:	**66.7% of the compensation committee members are independent.**
Independence of audit committee:	**66.7% of the audit committee members are independent.**
Percentage of Women on Board:	**Women represent 0% of the board of directors.**
Key board committees:	**The board includes audit, compensation and nominating committees.**

Compensation

Compensation Grade:	**High Concern**
Compensation Analysis:	**The company's compensation/remuneration practices raise a high level of concern. CEO pay practices at Alibaba Group Holding include a number of areas that may raise concerns for shareholders, especially considering the weakness of pay related disclosure and the absence of an independent compensation committee.**

Shareholder Rights

Shareholder Rights Grade:	**High Concern**
Shareholder Rights Analysis:	**The structure or performance of the board of directors raises a high level of concern. Alibaba is a controlled company due to its partnership structure and a voting agreement between major shareholders. Further, key business assets are held in a variable interest entity (VIE) structure which is separate from the entity in which foreign investors may hold shares. Evidence of related party transactions and takeover defenses further magnify the lack of meaningful shareholder rights.**

Shareholder Rights Indicators

Controlling shareholder:	**The company has a controlling shareholder with ownership between 50 and 85 percent.**
Issuing shares for takeover defense:	**The company has issued shares that can be used as a takeover defense.**
Country standards for protection of minority shareholders:	**Country standards for the protection of minority shareholders are strong.**

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

Controversies

All controversies are assessed as part of the annual review of a company's ESG rating. MSCI ESG Research tracks controversies for all companies on a regular basis.

No major relevant controversies have been uncovered.

For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.

OTHER RISKS & OPPORTUNITIES

Alibaba's heavy reliance on Alipay exposes it to the political and regulatory risks faced by Alipay. With 78.3% of gross merchants value on its China retail marketplaces settled through Alipay, Alipay's payment processing and escrow services are critical to Alibaba's business success. In addition, according to the share and asset purchase agreement between Alibaba and SMFSC (Alipay's parent company), Alibaba transferred its small and medium enterprise loan business to SMFSC and receives a lroyalty streams and a service fee payment from SMFSC that would account for 37.5% of itsSMFSC's consolidated pre-tax income. Therefore, while Alibaba does not have direct interests in Alipay, the two companies are closely related.

The online and mobile payment industry, in which Alipay is a dominant player, is subject to increasing scrutiny from regulators and major third party financial institutions in China, due to increasing concerns over financial product safety and competition. There have been cases thatIn March 2014, instances arose in which Alipay's services have beenwere blocked by some major financial institutions in earlier this year. It is likely that future regulatory developments could reduce the convenience or utility of Alipay services, which may adversely affect Alibaba's business.

* *For terms used in this report and for an explanation of the Governance score, please refer to the Glossary section at the back of the profile or refer to the IVA Methodology.*

GLOSSARY

*Calculation of Average, Percentile and Rating Distribution

All averages, percentiles, and rating distributions found in the report are based on companies in the relevant IVA Industry that are constituents of the MSCI World Index and are calculated based on industry scores as of the date of publication of this report.

About IVA

Intangible Value Assessment (IVA) measures and analyzes companies' risk and opportunities arising from environmental, social and governance issues. By assessing indicators typically not identified by traditional securities analysis, IVA Ratings uncover hidden risks and value potential for investors. Ratings range from AAA (best) to CCC (worst). Scores range from 10 (best) to 0 (worst).

This report should be read in conjunction with the IVA Industry Report, where the Key Issues are explained in further detail.

IVA Ratings and Scores

Final IVA Rating

- Letter ratings are relative within each IVA industry. Each Final Industry-Adjusted Company Score is converted to an equivalent rating on the AAA-CCC scale.

ESG Pillars

- the ***Environment Score*** represents the weighted average of all Key Issues that fall under the Environment Pillar
- the ***Social Score*** represents the weighted average of all Key Issues that fall under the Social Pillar
- the ***Governance Score*** represents the weighted average of all Key Issues that fall under the Governance Pillar

- the ***Environment Weight*** represents the sum of the weights of all Key Issues that fall under the Environment Pillar
- the ***Social Weight*** represents the sum of the weights of all Key Issues that fall under the Social Pillar
- the ***Governance Weight*** represents the sum of the weights of all Key Issues that fall under the Governance Pillar

Key Issues

For each industry and Company-Specific Key Issue that contributes to the final rating:

- ***Weight*** contribution to the final rating
- ***Risk Exposure*** Score (available for companies published since June 2011; excluding Raw Material Sourcing – Environmental)
- ***Risk Management*** Score (available for companies published since June 2011; excluding Raw Material Sourcing – Environmental)
- Overall ***Key Issue Score***

Estimated Carbon Emission

Carbon estimates are based on carbon intensity (carbon emissions/sales). The Estimate Key represents the source of the estimated carbon emissions data. E.CSI represents Company-Specific Intensity estimates based on previously disclosed data. E.GICSSI represents estimates based on the GICS Sub-Industry average. For E.GICSSI we set five levels of confidence (High, Moderately High, Moderate, Moderately Low, and Low). The Carbon Estimation Methodology document, available on ESG Manager, describes the estimation model in greater detail.

Controversies

- ***Very Severe:*** Indicates an action by a company that results in a very large impact on society and/or the environment.
- ***Severe:*** Indicates an action by a company that results in a large impact on society and/or the environment.
- ***Moderate:*** Indicates an action by a company that results in a moderate impact on society and/or the environment.
- ***Minor:*** Indicates an action by a company that results in a low impact on society and/or the environment.
- ***None:*** There is no evidence that a company is involved in any controversy.

CONTACT US

esgclientservice@msci.com

Americas	Europe, Middle East & Africa	Asia Pacific
+1.212.804.5299	+44.20.7618.2510	+612.9033.9339

NOTICE AND DISCLAIMER

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. Ratings and data from MSCI ESG Research 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.

ABOUT MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indexes, portfolio risk and performance analytics, and ESG data and research.

The company's flagship product offerings are: the MSCI indexes with approximately USD 8 trillion estimated to be benchmarked to them on a worldwide basis; Barra multi-asset class factor models, portfolio risk and performance analytics; RiskMetrics multi-asset class market and credit risk analytics; IPD real estate information, indexes and analytics; MSCI ESG (environmental, social and governance) Research screening, analysis and ratings; and FEA valuation models and risk management software for the energy and commodities markets. MSCI is headquartered in New York, with research and commercial offices around the world.

[1]*As of September 30, 2013, as reported on January 31, 2014 by eVestment, Lipper and Bloomberg*