

# MSCI ESG Government Ratings

FROM MSCI ESG RESEARCH LLC

MSCI ESG Government Ratings identify a country's exposure to and management of environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy. By providing a long-term view on sustainability the ratings aim to complement traditional government debt analysis for analyzing a country's credit worthiness.

## Key features and benefits

### Broad Universe Coverage

MSCI ESG Government Ratings provide an overall sustainability assessment of 198 countries/regions and 45 Local Authorities covering Developed, Emerging and Frontier Markets, containing historical time series results since 2012 with data backfilled to 2008. They offer unique matching capabilities by containing a file matching more than 13,000 issues updated on a monthly basis. Coverage is designed to provide ratings on 99% of government bonds issued in the marketplace.

### Understand ESG Risks That May Not Be Captured By Conventional Analysis

MSCI ESG Government Ratings assess a country's exposure to and management of environmental, social and governance risks. ESG risk exposure and management has an important bearing on the long-term competitiveness and sustainability of a country's economy and, in turn, the attractiveness of the country as an investment destination.

### Support the Integration of ESG into Investment Analysis

Integrating ESG into the investment process is the first principle for the UN Principles for Responsible Investment (PRI) signatories and is increasingly being mandated and scrutinized by asset owners.

Institutional investors require core portfolios of equities and bonds and MSCI ESG Government Ratings are a critical tool to integrate ESG research into their fixed income portfolios.

### Ratings and Research

MSCI ESG Government Ratings scores and rates countries on a seven point scale from 'AAA' (best) to 'CCC' (worst). Ratings are derived from 0-10 scores on underlying factors in three pillars: Environmental, Social, and Governance. The model contains scores on all of these sub-factors to provide granular insight on a country's performance on the issues.

### Screening Capability

Included are a set of screening factors for each country which allows investors to assess the profile of a country's status with respect to various values- and mission-based issues and controversies, such as child or forced labor and armed conflicts, and whether the country is a party to international conventions related to endangered species, biological diversity, chemical and biological weapons.

# MSCI ESG Government Ratings seeks to answer the following questions:



## MSCI ESG Government Ratings assesses a country's ESG Risk Exposure, Risk Management Practices and Performance:

- Countries are endowed with varying amounts of natural, financial and human resources. Hence, they have inherent advantages or disadvantages in converting these assets into productive goods and services. However, these are not the sole determinants of a country's economic and ESG performance. An effective government and judiciary, and a supportive economic environment can enable efficient utilization of these resources. In the MSCI ESG Government Ratings, these endowments define the parameters for the measure of ESG risk exposure.
- A country's relative ESG risk exposures are measured against its applied ESG risk management practices and demonstrated ESG performance results to form the basis of our final ESG Government Ratings. Efficiency of resource utilization, performance on socio-economic factors, financial management, corruption control, political stability and other factors define the parameters for measuring ESG risk management.

**ESG GOVERNMENT REPORT**  
**CANADA (CA)**  
 REGION: NORTHERN AMERICA  
 MARKET PEER GROUP: DEVELOPED MARKET  
 ESG RATING: AA  
 RATING OUTLOOK: NEUTRAL  
 RATING DATE: January 22, 2020  
 LAST UPDATE: September 05, 2020

**GOVERNANCE SNAPSHOT**

Level of democracy	LOW RISK
Press freedom	LOW RISK
Rule of law	LOW RISK
Political rights	STRONG MGMT
Civil liberties	STRONG MGMT
Corruption perception	STRONG MGMT
UN Sanctions	NO
EU Sanctions	NO

**RATING TREND**

**TOP AND BOTTOM MARKET PEERS\***

ESG RATED PEERS	RATING	OUTLOOK
Norway	AAA	Negative
Sweden	AAA	Negative
Denmark	AA	Neutral

BOTTOM RATED PEERS	RATING	OUTLOOK
Italy	BBB	Neutral
Portugal	BBB	Neutral
Spain	BBB	Neutral

**ESG SCORE CARD**

ESG RISK	SCORE	GLOBAL RISK	
Environment	21.0%	7.3	5.8
Natural Resources	18.0%	7.4	6.4
Climate Change	2.0%	6.8	5.8
Water	2.0%	7.4	5.1
Human Capital	19.0%	6.8	5.5
Human Resources	18.0%	7.5	5.9
Government	30.0%	7.6	5.4
Financial Governance	20.0%	5.7	5.8
Political Governance	30.0%	6.8	6.0

**RATING COMMENT**  
 Canada maintained its rating of AA, with a constant neutral outlook. The country has a low exposure to risks related to energy security, lack of productive land and of mineral resources per capita, and, lack of water resources per capita. This risk exposure is below the median level relative to other countries in Northern America. In contrast, Canada has a medium management performance related to energy management (GDP per unit of energy consumption, renewable energy generation and policies to promote a energy consumption per capita, and energy resource depletion), agricultural exports and sustainable use of mineral and forest resources; and, sustainable water withdrawal relative to water availability. This performance is in line with the median level relative to other countries in Northern America. As part of the 2019 Sovereign Watch process, local wildfire events were assessed, but did not result in a rating reduction.

**MOST SIGNIFICANT RECENT EVENTS**  
 MSCI ESG Research tracks high-impact global events and incorporates the impact of such events in ESG Government Ratings on a monthly basis. At the time of the last monthly review, no events with significant impact on the three scores or the overall ESG Government Rating were flagged.

**GLOBAL RATING DISTRIBUTION**

**ESG GOVERNMENT REPORT**  
**CANADA (CA)**  
 REGION: NORTHERN AMERICA  
 MARKET PEER GROUP: DEVELOPED MARKET  
 ESG RATING: AA  
 RATING OUTLOOK: NEUTRAL

**ESG RATING: DEVELOPED MARKET\***

**Top 10 Rated Countries**

AAA	Norway	7.5
AAA	New Zealand	7.4
AA	Canada	7.2
AA	Sweden	7.0
AA	Finland	6.1
AA	Australia	6.0
AA	United States	6.0
AA	Ireland	5.8
AA	Denmark	5.6
AA	Austria	5.3

**Environment Score: Developed Market**

**Top 10 Scored Countries**

A	Portugal	4.5
A	France	4.2
A	Germany	4.2
A	Israel	4.0
A	Italy	3.9
BBB	Netherlands	3.8
BBB	Japan	3.6
BBB	Belgium	3.2
BBB	Hong Kong	3.1
BBB	Singapore	2.8

**MARKET PEER SET ESG RATING DISTRIBUTION**

**MARKET PEER SET ENVIRONMENT SCORE DISTRIBUTION**

\*Peer set is based on the combination of MSCI Index Classification and World Bank Income Classification.

## MSCI ESG Government Ratings: ESG Risk Factors

Pillar	Risk factor	Sub-factors (Exposure)	Sub-factors (Management)
Environmental Risk	Natural resource	<ul style="list-style-type: none"> <li>Energy Security Risk</li> <li>Water Resources</li> <li>Productive Land and Mineral Resources</li> </ul>	<ul style="list-style-type: none"> <li>Energy resource management</li> <li>Resource conservation</li> <li>Water resource management</li> </ul>
	Environmental externalities and vulnerability	<ul style="list-style-type: none"> <li>Vulnerability to environmental events</li> <li>Environmental externalities</li> </ul>	<ul style="list-style-type: none"> <li>Environmental performance</li> <li>Impact of environmental externalities</li> </ul>
Social Risk	Human Capital	<ul style="list-style-type: none"> <li>Basic Human Capital</li> <li>Higher Education and Technological Readiness</li> <li>Knowledge Capital</li> </ul>	<ul style="list-style-type: none"> <li>Basic Needs</li> <li>Human Capital Performance</li> <li>Human Capital Infrastructure</li> <li>Knowledge Capital Management</li> </ul>
	Economic environment	<ul style="list-style-type: none"> <li>Economic environment</li> </ul>	<ul style="list-style-type: none"> <li>Employment</li> <li>Wellness</li> </ul>
Governance Risk	Financial governance	<ul style="list-style-type: none"> <li>Financial capital</li> </ul>	<ul style="list-style-type: none"> <li>Financial Management</li> </ul>
	Political governance	<ul style="list-style-type: none"> <li>Institutions</li> <li>Judicial and penal system</li> <li>Governance effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Political rights and civil liberties</li> <li>Corruption control</li> <li>Stability and peace</li> </ul>

### About MSCI ESG Research products and services

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