



Frequently Asked Questions

MSCI ESG RESEARCH

FAQs for the Corporate Community

October 2014

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General:

What is MSCI?

MSCI is a leading provider of investment decision support tools to around 8,000 clients worldwide, ranging from large pension plans to boutique hedge funds. We offer a range of products and services – including indexes, portfolio risk and performance analytics, and governance tools. Located in 24 countries around the world, and with over 3,000 employees, MSCI is dedicated to supporting the increasingly complex needs of the investment community with groundbreaking new products, high quality data, superior distribution and dedicated client support. For more information, please visit our [web site](#).

What is MSCI ESG Research?

MSCI ESG Research provides ratings, analysis, and research on company environmental, social and governance (ESG) performance. MSCI ESG Research products and services are used by institutional investors and asset managers to integrate ESG factors into their investment processes. Our clients include asset owners, asset managers, advisors, government and non-government organizations, sovereign wealth funds and consultants.

MSCI ESG Research helps investors uncover ESG risks and opportunities.. Our research allows investors to satisfy ESG client investment guidelines and mandates, or to manage potential ESG portfolio risks.

Ratings and data from MSCI ESG Research are used in the construction of MSCI ESG Indexes. These indexes establish ESG standards, allow clients to benchmark ESG investment performance, and are used to create index-based ESG investment products.

The MSCI ESG Research team consists of more than 200 ESG specialists worldwide, including more than 120 dedicated ESG analysts and researchers.

For more information on MSCI ESG Research, please visit:

http://www.msci.com/products/esg/about_msci_esg_research.html

How can a company contact MSCI ESG Research?

All company inquiries are answered by our ESG Corporate Communications team:
esg_corporate_communications@msci.com.

How can a company review its MSCI ESG Research assessments?

MSCI ESG Research will provide a complimentary copy of our ESG research reports on a specific company to that specific company, upon request.

What products & services does MSCI ESG Research provide?

MSCI ESG Research provides the following research products and services designed to allow institutional investors to integrate ESG factors into their investment processes:

- MSCI ESG Intangible Value Assessment (IVA)
- MSCI ESG Impact Monitor
- MSCI ESG Business Involvement Screening Research
- MSCI ESG CarbonMetrics
- MSCI ESG GovernanceMetrics
- MSCI ESG DataMetrics
- MSCI ESG Indexes

For more information on MSCI ESG Research, please visit:

http://www.msci.com/products/esg/about_msci_esg_research.html

Who are MSCI ESG Research's clients?

Our client base is global and includes institutional investors, asset managers, advisors, government and non-government organizations, sovereign wealth funds and consultants. As of October 2014, 125 asset owners with \$4.4 trillion in assets depend on MSCI ESG Research, and we have over 800 clients with \$15 trillion in assets globally¹.

How do MSCI ESG Research's clients use ESG research?

MSCI ESG Research helps investors uncover ESG risks and opportunities that conventional investment research might not detect. The specific use case for our research varies with client and product. For example, clients may use our screening product to screen certain companies out of their portfolios (e.g. companies that are involved in particular business activities such as weapons or tobacco). Other clients may use our IVA research to filter top ESG performers (based on the letter rating scale) or use weak performing key issues as a basis for engagement with the company.

For more information on MSCI ESG Research, please visit:

http://www.msci.com/products/esg/about_msci_esg_research.html

¹ As of March 2013, based on P&I and MSCI data ² Source: MSCI ESG Research, as of July 2014

Access to MSCI ESG Research:

Can we review MSCI ESG Research assessments of our company?

Yes. MSCI ESG Research will provide a free copy of our various ESG company reports to a company, upon request.

Can we have access to other company or industry reports?

Companies can purchase access to company and industry reports via subscription to MSCI ESG Research's online platform – ESG Manager. For more information, please contact esgclientservice@msci.com.

How does MSCI ESG Research deliver its products and services?

MSCI ESG Research products and services are available via MSCI ESG Research's online platform - ESG Manager. MSCI ESG IVA research is also integrated with MSCI's BarraOne and Barra Portfolio Manager platforms, and is available through third party platforms by Factset and Style Research.

Data Verification:

What is data verification?

All companies researched by MSCI ESG Research are invited to review and comment on the data underlying MSCI ESG Research's ESG ratings and other MSCI ESG Research products. In general, for each company the timing of the data verification process coincides with when an industry is scheduled for its annual review. Thus, for example, since utilities are updated in the 4th quarter, utility companies can expect to receive their data verification report in the 4th quarter.

How are companies alerted to when the data verification process will take place and what is the feedback deadline?

Companies are sent an initial notification email about the data verification process prior to the quarter in which their ESG ratings are scheduled to be updated. Companies will be sent a data verification report for review when the data verification report is completed.

MSCI ESG Research highly recommends providing feedback as soon as possible upon reception of the data verification report.

MSCI ESG Research will be publishing our updated analysis shortly after the data verification report is sent.

MSCI ESG Research will review and add updated information to our analysis when we receive it, and we will republish our analysis at that time.

Will we be able to see the published reports?

Yes, we provide companies a copy of their published ESG report upon request.

Any questions about this process can be directed to esg_corporate_communications@msci.com

MSCI ESG Intangible Value Assessment (IVA)

What is Intangible Value Assessment (IVA)?

MSCI ESG Research's Intangible Value Assessment (IVA) ESG rating product provides an assessment of companies' ESG risks and opportunities.

The IVA product is designed to help investors understand ESG-driven risks and opportunities, and how to integrate these factors into a portfolio construction and management process. The MSCI ESG Research team assesses hundreds of ESG data points for over 5,000 companies in order to understand the relationship between a company's core business and the key industry ESG issues.

Companies are rated on a seven-point scale ('AAA–CCC'). The IVA rating allows investors to differentiate between how well companies in the same industry are managing their ESG risks and opportunities.

For more details on the IVA research model, please see:

http://www.msci.com/resources/factsheets/IVA_Methodology_SUMMARY.pdf

What industry classification system does MSCI ESG Research use?

MSCI ESG Research uses the Global Industry Classification Standard (GICS®). GICS is a joint venture between MSCI and Standard & Poor's.

For more details on GICS, please see: <http://www.msci.com/products/indices/sector/gics/>

How does MSCI ESG Research select which ESG issues are relevant for each industry?

MSCI ESG Research selects ESG key issues based on an analysis of the environmental and social externalities created by the business activities of an industry. Each industry typically has between four and seven key issues.

The process for assigning ESG key issues to an industry is quantitatively driven. For example, Carbon Emissions is eligible to be a key issue for industries where the average emissions intensity (emissions/revenues) ranks in the 50th percentile or above when compared to all other industries we cover.

MSCI ESG Research reviews all key issues annually and we initiate a 30-day client consultation and comment period on proposed changes every Q4.

For more details on IVA key issues, please see Appendix 1 of the following document:

http://www.msci.com/resources/factsheets/IVA_Methodology_SUMMARY.pdf

How does MSCI ESG Research select an ESG issue that is specific to a company?

Companies may also be analyzed on *company-specific* key issues in the following situations:

- Company sources significant revenues from a secondary industry

- Company has large footprint in secondary industry
- Company has unique business model
- Companies faces a Severe or Very Severe controversy on a non-Key Issue

How does MSCI ESG Research measure ESG key issue risk exposure?

MSCI ESG Research's assessment of ESG Key Issue risk exposure consists of up to three different areas of analysis, depending on the key issue:

Business Segment Risk Exposure:

MSCI ESG Research categorizes a company's business segments by Standard Industry Classification (SIC) code in terms of revenues, assets, or operations.

Geographic Segment Risk Exposure:

MSCI ESG Research analyzes the breakdown of a company's geographic segments in terms of revenues, assets or operations. Geographic exposure scores are assigned for key issues where we observe different risk levels across countries based on factors such as stringency and expected changes in regulatory landscape or other country-level risk factors like prevalence of corruption and work stoppages.

Additional Company-Level Risk Exposure:

For some industries, MSCI ESG Research includes company-specific factors such as number of employees or production outsourcing footprint

How does MSCI ESG Research measure how well companies manage their ESG risk exposure?

MSCI ESG Research's assessment of a company's ability to manage its risk exposure on a particular ESG key issue typically falls into three broad categories:

Strategy & Governance

MSCI ESG Research evaluates a firm's organizational capacity and level of commitment to addressing key risks and opportunities. Metrics include level and extent of organizational responsibility for the specific ESG risks/opportunities, strength and scope of policy commitments, and strength and scope of commitment to best practice standards.

Initiatives

MSCI ESG Research evaluates the strength and scope of specific initiatives and programs designed to improve performance on a relevant key issue.

Performance

MSCI ESG Research collects, standardizes, and benchmarks a range of quantitative indicators where applicable. In addition, analysts take into account company provided performance metrics, such as targets and performance against those targets year over year.

An additional factor in MSCI ESG Research evaluation of ESG performance is information concerning ESG controversies in which a company has been implicated. Controversies are assessed according to severity of its social or environmental impact. The framework for assessing ESG controversies is based on commonly accepted international norms, including the Universal Declaration of Human Rights, the ILO

core conventions, and the UN Global Compact. Analysts assess whether the controversies case indicates a structural problem with a company's risk management capabilities.

What are the data sources for MSCI ESG Research IVA analysis?

MSCI ESG Research sources data from a wide range of third party government and nongovernmental sources (e.g. International Labour Organization, the World Bank, Carbon Disclosure project, etc.).

To assess company ESG management performance, including ESG controversies research, analysts collect publicly available information from corporate documents (e.g. annual reports, sustainability reports, websites), government data, trade and academic journals, news media, and relevant organizations and professionals (e.g. reports from trade groups, NGOs, etc.).

A more detailed account of MSCI ESG Research IVA methodology can be accessed [here](#).

MSCI ESG Impact Monitor

MSCI's ESG Impact Monitor is designed to provide timely and consistent assessments of ESG controversies involving publicly traded companies and fixed income issuers. The evaluation framework used in ESG Impact Monitor is designed to be consistent with international norms represented in numerous global conventions, including the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

MSCI ESG Research analysts conduct research on alleged company violations of laws and regulations, as well as alleged company actions that deviate from commonly accepted norms. Company performance is signaled via a flagging system. A red flag indicates a very serious controversy for one or more ESG issues. A yellow flag indicates noteworthy controversies on an ESG issue. A green flag signals either minor controversies or none at all. The flags are accompanied by scores (0-10, with 0 representing the worst controversies and 10 meaning no controversies). Both scores and flags are derived from our assessment of individual controversy cases in which a company has been implicated.

For more information on MSCI ESG Impact Monitor, please go to:
http://www.msci.com/products/esg/impact_monitor/

MSCI ESG Business Involvement Screening Research

In order to help asset owners and portfolio managers ensure that their investment decisions comply with client mandates, MSCI ESG Research provides research on publicly traded companies involved in the following specific business activities:

- Abortion Providers
- Abortifacients
- Adult Entertainment
- Alcohol

- Animal Welfare
- Cluster Bombs
- Contraceptives
- Firearms
- For Profit Healthcare
- Gambling
- Genetic Engineering
- Landmines
- Nuclear Power
- Pork
- Predatory Lending and CRA Rating
- Stem Cells
- Tobacco
- Weapons

For more information on MSCI ESG Business Involvement Screening Research, please go to:
http://www.msci.com/products/esg/bisr_and_global_sanctions/

MSCI ESG Indexes:

What are MSCI's main ESG Indexes?

MSCI has three distinct families of ESG indexes:

1. MSCI Global Sustainability Indexes
 - a. These indexes aim to represent best-of-class ESG performance by sector and region.
2. MSCI Global Socially Responsible (SRI) Indexes,
 - a. These indexes aim to represent best-of-class ESG performance by sector and region., subject to a standard set of ESG exclusionary screens.
3. MSCI Global Environmental Indexes
 - a. These indexes provide Low Carbon, Fossil Fuels Exclusion and Thematic alternatives for investors.

For more information and a full list of our standard ESG Indexes, please go to
<http://www.msci.com/products/indices/esg/>

How do I find out if my company is on an MSCI ESG Index?

Please contact esg_corporate_communications@msci.com.

Does MSCI have an ESG Index logo that we can use in our marketing collateral?

If you are a member of our MSCI ESG Indexes, the ESG Corporate Communications team will provide you with the appropriate logo(s) to use in your company reporting.

Please contact esg_corporate_communications@msci.com.

Contact Us

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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.

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 governance tools.

The company's flagship product offerings are: the MSCI indexes with approximately USD 8 trillion estimated to be benchmarked to them on a worldwide basis¹; 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; ISS corporate governance research, data and outsourced proxy voting and reporting services; 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