MSCI launches tool to help investors assess alignment to UN Sustainable Development Goals

NEW YORK, September 16, 2020 – MSCI Inc. (NYSE: MSCI), a leading provider of critical decision support tools and services for the global investment community, has today launched a tool to help investors assess their exposure and alignment to the United Nations Sustainable Development Goals (UN SDGs).

The MSCI SDG Alignment Tool is designed to provide investors with a complete view of a company's net contribution — both positive and negative — towards addressing each of the 17 UN SDGs. The launch follows MSCI's collaboration in 2018 with the Organization for Economic Co-operation and Development (OECD) on a joint discussion paper, "Institutional Investing for the SDGs," which was intended to spark discussion among stakeholders and market participants. The tool brings together MSCI's framework covering over 8,600 equity and fixed income issuers, with analysis of the full range of a company's operations, products, services, policies and practices, to evaluate its net contribution to addressing the global challenges the UN SDGs aim to tackle.

The tool allows for flexible use of its model towards specific impact investing goals or focused on specific alignment dimensions, powered by data inputs from MSCI ESG Research's core research products.

Remy Briand, Head of ESG at MSCI, commented: “Five years on from the adoption of the UN SDGs, we are at a critical juncture. There is increasing demand from investors to channel capital to help deliver on these goals, but the fragmented data around the extent to which a company’s products and operations are aligned to a particular SDG remains an obstacle. Through this new tool we are seeking to provide an additional layer of transparency for investors to better assess the merits of claims put forth by their portfolio companies. With the target deadline for achieving the SDGs only a decade away, the standardization of that assessment is critical.”

Assessing company alignment to the UN SDGs

The framework behind the MSCI SDG Alignment tool draws on publicly available information, rather than solely relying on companies self-declared alignment with the goals, to provide a holistic view of alignment.

Based on data from the new tool MSCI found that:

- Across all 17 SDGs, 54 percent of MSCI ACWI constituents were mostly aligned, meaning that they showed no strong misalignment on any of the SDGs and had more areas assessed as aligned than misaligned.

- SDG 8 (decent work and economic growth) showed the highest degree of alignment: of the MSCI ACWI constituents (as of August 11, 2020), a third were found to be aligned or strongly aligned with the goal either through offering products enabling economic
advancements (such as SME financing, digital divide solution, or education materials and services) or supporting inclusive and fair employment and support for communities.

- Goals 7 (clean energy), 12 (sustainable consumption and production) and 13 (climate action) had the highest percentage of companies (8%-9%) misaligned with the goals, driven mostly by continuing reliance on fossil fuels.

Remy Briand continued, “We have found that companies can both overstate and understate their commitments to particular SDGs, which could undermine efforts by institutional investors to advance sustainable development. Investors pursuing an impact investing approach could find that portfolio companies claim to support an SDG while being implicated in conduct that may belie that support. Conversely, some companies that fail to publicly commit to any SDG but may align with at least one of the goals may fall below the radar of impact investors seeking to target positive impact companies.”

More About the MSCI SDG Alignment tool

Through the MSCI SDG Alignment tool, which is available through MSCI’s ESG Manager platform, investors will be better able to:

- Measure and report on the degree of SDG alignment in portfolios
- Develop SDG-themed investment products
- Comply with client mandates on the SDGs
- Identify companies that are better aligned with the SDGs
- Meet the rising demand to channel capital towards addressing the objectives of the global goals

The model provides 17 SDG Net Alignment scores and assessments for each of the UN SDGs on a scale from Strongly Aligned to Strongly Misaligned. The model also offers assessments on two dimensions – product alignment and operation alignment – for each company and for each of the 17 goals.

MSCI has a long history of analyzing SDG metrics. In 2016, it developed a new framework designed to allow investors to measure their exposure to listed companies providing sustainable impact solutions, grouping the 17 goals into five actionable impact themes.

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About MSCI ESG Research Products and Services

MSCI ESG Research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research LLC. are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc.
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