MSCI ESG Research works with over 1,400 institutional investors worldwide; many of which use ESG Ratings. MSCI ESG Ratings are used by investors to help identify environmental, social and governance (ESG) risks and opportunities within their portfolios. MSCI ESG Ratings can in turn help issuers better understand how their ESG performance is viewed by investors. Issuers may also leverage their MSCI ESG industry report to gain insights into their ESG Rating and assessment relative to their industry peers.

Why MSCI ESG Research and why now?

1. **Investors have become less tolerant of corporate ESG incidents in recent years.** With increased transparency and access to information globally, stakeholders today are holding companies accountable for scandals and controversies. This is reflected in cases such as Valeant's 2015 accounting incident which was followed by a 71% drop of the stock price or Volkswagen's stock price drop of 30% following a corporate governance incident in 2015.

2. **In a recent study, MSCI researchers focused on understanding how ESG characteristics have led to financially significant effects.** Our research showed that ESG affected the valuation and performance of many of the companies in the study through lower costs of capital and higher valuations as well as higher profitability and lower exposures to tail risk.²

3. **Investors are demonstrating more willingness to act.** Since 2006, the UN Principles for Responsible Investment has grown to more than 3,000 signatories in more than 50 countries, managing over $100 trillion AUM.³ In addition, asset owners have adopted MSCI ESG Index benchmarks for assets under management totally approximately USD $277 Billion.⁴

4. **Companies with low ESG Ratings may not meet the requirements for inclusion in ESG indexes.** As of June 2020, more than USD $64 billion in assets (a 158% growth year over year) track over 214 ETFs linked to MSCI ESG Indexes.⁵

5. **MSCI ESG Research is market driven.** MSCI ESG Ratings methodology is reviewed annually based on clients’ feedback, including some of the largest institutional investors.

Issuers are taking notice

Issuers are taking notice of investors’ ESG considerations. MSCI conducts systematic outreach to all rated companies with the opportunity to review their reports free of charge. In 2019, MSCI serviced over 8,500 inquiries from issuers in 2019, which represents a 20% growth in the response rate from issuers from 2018.

---

¹ Clients of MSCI ESG Research LLC and its affiliates as of March 2020
³ https://www.unpri.org/prl/about-the-prl
⁴ Based on publicly available information or press releases published from 2014 to date. Some of the examples listed have not publicly disclosed allocations and are not included in this total.
⁵ Data based on Refinitiv Universe as of June 2020, only primary listings, and not cross-listings.
Issuer awareness of ESG continues to rise

How do MSCI ESG Ratings work?

We use an objective, rules-based methodology to identify industry leaders and laggards. We rate companies on a ‘AAA to CCC’ scale according to their exposure to ESG risks and how well they manage those risks relative to peers. We rate 8,500 companies (14,000 issuers including subsidiaries).^6

We collect thousands of data points for each company which make up the underlying data of key issues. We have determined a handful of key issues to be financially relevant for each industry.

MSCI ESG Ratings are designed to help identify ESG risks and opportunities.

**Key features and benefits**

**Free-of-charge**
- Access to the MSCI ESG Issuer Communications Portal, where you can review data collected by MSCI ESG Research and access your own MSCI ESG Ratings report
- License to display your MSCI ESG Rating Badge in certain company material

**Fee-based solutions – ESG Benchmarking**
- Subscription to MSCI ESG Ratings for your own industry, allowing you to:
  - Benchmark practices against industry peers using our online platform, ESG Manager
  - Gain market and industry perspective through analyst insights in annual industry reports
  - View your peers’ individual company reports for in-depth ESG analysis
  - Monitor industry developments using ESG Manager alerts

**Fee-based solutions – Corporate Finance**
- License your MSCI ESG Rating to promote bond and equity issuances and to support ESG-linked loans and credit facilities

---

^6 As of June 2020
MSCI ESG leadership and experience

Our history
Over 40 years of experience measuring and modeling ESG performance

MSCI ESG Research was the first ESG provider to assess companies based on industry financial materiality, dating back to 1999.

Our coverage
ESG Ratings and Governance Metrics coverage of nearly 14,000 issuers representing more than 680,000 securities

Over 1,500 MSCI equity and fixed income ESG indexes utilizing MSCI ESG Research ratings and data

Our record
Recognized as a “Gold Standard data provider”

MSCI ESG Research Voted 'Best Firm for SRI research and Governance research' since 2015

MSCI Inc. voted 'Best firm for Indices' since 2015

Learn more at https://www.msci.com/esg-investing

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.

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit www.msci.com.

The information contained herein (the “Information”) may not be reproduced or disseminated in whole or in part without prior written permission from MSCI. The Information may not be used to verify or correct other data, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information or any MSCI index is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The information is provided "as is" and the user of the Information assumes the entire risk of any use of the same, either in whole or in part. None of MSCI Inc. or any of its subsidiaries or its or their direct or indirect suppliers or any third party involved in the making or compiling of the Information (each, an "MSCI PARTY") makes any warranties or representations and, to the maximum extent permitted by law, each MSCI PARTY HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

©2020 MSCI Inc. All rights reserved | CFS0820