

MSCI ESG Controversies and Global Norms Methodology

MSCI ESG Research

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MSCI ESG Controversies overview

MSCI ESG Controversies is designed to provide timely and consistent assessments of companies' involvement in ESG-related controversies and incidents concerning corporate entities in the MSCI ESG Controversies and Global Norms coverage universe.

An ESG controversy case is defined as either an event or an ongoing situation in which company operations and/or products allegedly have a negative environmental, social and/or governance impact. MSCI ESG Controversies assessments aim to measure companies' reputational/brand risk based on alleged involvement in adverse impact activities as reported by the media, nongovernmental organizations (NGOs), civil society groups, academia, regulators and other stakeholders.

Cases include alleged company violations of existing laws and/or regulations to which they are subject to, or an alleged company action or event that violates commonly accepted international norms, including, but not limited to, global norms and conventions, such as the International Labour Organization (ILO) Fundamental Conventions.¹

A case can be a single event such as a spill, accident or regulatory action, or a set of closely linked events or allegations such as health and safety fines at the same facility, multiple allegations of anticompetitive behavior related to the same product line, multiple community protests at the same company location, or multiple individual lawsuits alleging the same type of discrimination.

The MSCI ESG Controversies analytical framework organizes ESG controversies within three Pillars: Environment, Social and Governance. In particular, the Social Pillar is further divided into three Sub-Pillars representing different stakeholders: community (Human Rights & Community Impact Sub-Pillar), workers (Labor Rights & Supply Chain Sub-Pillar) and customers (Customers Sub-Pillar).

Pillars and Sub-Pillars are further divided into 28 Themes (see Exhibit 1). All assessed ESG controversy cases are associated with at least one Theme. Since a single event or an ongoing situation may have a broad array of implications, such an event may result in MSCI ESG Research profiling multiple ESG controversy cases in different Themes. For example, an oil spill incident may result in the profiling of an ESG controversy case assessing alleged impact on the local ecosystem (under the Biodiversity and Land Use Theme) and a separate case assessing alleged impact on the local population (under the Impact on Local Communities Theme). Each case is

¹ For all references to laws, rules or regulations, please note that the information is provided "as is" and does not constitute legal advice or any binding interpretation. Any approach to comply with regulatory or policy initiatives should be discussed with your own legal counsel and/or the relevant competent authority, as needed.

assessed separately based on the severity of impact and other factors detailed below, and is monitored over time for remediation action.

MSCI ESG Research analytical personnel assess the severity of controversy cases that involve corporate entities in our coverage universe on an ongoing basis. ESG analytical personnel review the reported allegations and assign a score and a color-coded flag for each controversy case, based on the Severity of Impact in each case, the alleged Role of the company in each case and the Status of each case (which is determined by the state of resolutions, if any, between involved stakeholders).

Exhibit 1: MSCI ESG Controversies thematic framework

ENVIRONMENT	SOCIAL			GOVERNANCE
	HUMAN RIGHTS & COMMUNITY IMPACT	LABOR RIGHTS & SUPPLY CHAIN	CUSTOMERS	
Biodiversity & Land Use	Impact on Local Communities	Child Labor	Product Safety & Quality	Bribery & Fraud
Energy & Climate Change	Human Rights Concerns	Collective Bargaining & Unions	Anticompetitive Practices	Controversial Investments
Supply Chain Management	Civil Liberties	Discrimination & Workforce Diversity	Customer Relations	Governance Structures
Water Stress	Other	Labor Management Relations	Marketing & Advertising	Other
Toxic Emissions & Waste		Supply Chain Labor Standards	Privacy & Data Security	
Operational Waste (Non Hazardous)		Health & Safety	Other	
Other		Other		

Each ESG controversy case is assessed for the Severity of its impact on society or the environment as Very Severe, Severe, Moderate or Minor.

Each ESG controversy case receives a Score and an associated color-coded Flag based on a combination of the assessed Severity of the controversy as well as the assessments of the company’s alleged Role and the Status of the case remediation and resolution (see Exhibit 2).

Where a company has multiple ESG controversy cases, the Overall Company Score and the corresponding Flag are determined by the lowest-scoring case.

A company-level Overall Flag indicates the following:

- A Red Flag indicates that a company is directly involved in one or more Very Severe Ongoing controversies.
- An Orange Flag indicates that a company has either:
 - Settled most but not all of the stakeholders' concerns related to its direct involvement in one or more Very Severe controversies;
 - Continues to be indirectly involved in one or more Very Severe controversies; or
 - Is directly involved in one or more Severe controversies.
- A Yellow Flag indicates that a company either:
 - Has been implicated in one or more Concluded Very Severe or Severe controversies;
 - Has settled most or all of the stakeholders' concerns related to its alleged direct involvement in one or more Severe controversies or indirect involvement in one or more Very Severe or Severe controversies; or
 - Continues to be indirectly involved in one or more Severe controversies or directly involved in one or more Moderate controversies.
- A Green Flag indicates that a company either:
 - Has fully or partially settled one or more Moderate controversies in which it was involved;
 - Is indirectly implicated in one or more Ongoing Moderate controversies;
 - Is either directly or indirectly implicated in one or more Ongoing, Partially Concluded or Concluded Minor controversies; or
 - Has not been implicated in any controversy.

Exhibit 2: MSCI ESG controversy assessment scoring matrix (effective for controversy cases reviewed after June 20, 2022)

Severity of the case	Company role	Status of the case		
		Ongoing	Partially Concluded	Concluded
Very Severe	Direct	0	1	2
Very Severe	Indirect	1	2	3
Severe	Direct	1	2	3
Severe	Indirect	2	3	4
Moderate	Direct	4	5	6
Moderate	Indirect	5	6	7
Minor	Direct	6	7	8
Minor	Indirect	7	8	9

MSCI ESG Controversies Flags are leveraged to identify corporate entities implicated in third-party allegations concerning practices or incidents that may contradict recommendations under the following global norms and conventions:

- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;
- The Ten Principles of the United Nations Global Compact (UNGC);
- The International Labour Organization’s (ILO) fundamental conventions and ILO Declaration on Fundamental Principles and Rights at Work; and
- The United Nations Guiding Principles on Business and Human Rights (UNGP).

For additional details on the definition of Flag scales, refer to the ESG Symbols and Definitions available [here](#).

MSCI ESG Controversies is not designed to verify or confirm any allegations or claims of violations. Instead, it provides a consistent assessment of controversies in the form of scores and color-coded flags.

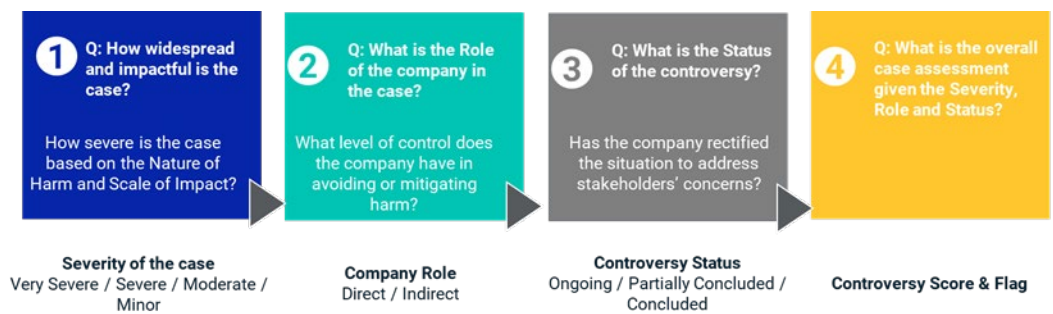
1 ESG controversy case assessment methodology

1.1 ESG controversy case assessment overview

An ESG controversy case is created when allegations concerning an event or a company’s practices, products or businesses could lead to reputational risk due to their potential negative environmental, social and/or governance impact.

MSCI ESG Research analytical personnel identify new ESG controversy cases and update existing cases by researching companies’ public documents, media sources and nongovernmental organization publications. Please refer to “MSCI ESG Controversies and Global Norms Methodology – Process” for details on the frequency of updates, sources and review process.²

Exhibit 3: Assessments made for a controversy case



For each ESG controversy case, MSCI ESG Research determines:

1. The **Severity** of the case based on the nature of harm and scale of alleged impact, and application of specific exacerbating or extenuating circumstances: Very Severe, Severe, Moderate or Minor.
2. The **Role** of the company implicated in the case: Direct or Indirect.
3. The **Status** of the case: Concluded, Partially Concluded, Ongoing, Archived or Historical Concern.

² All information considered in such an assessment must meet the criteria set out in the ESG Controversies sources section of “MSCI ESG Controversies and Global Norms Methodology – Process.” In general, we do not use sanctions lists, trade restrictions, or other “black” lists of companies operating in a specific territory as a source of ESG controversies. These sources typically do not include specific allegations against companies or details on specific adverse impacts associated with companies’ actions or products. If such allegations are found in other sources, they will be processed similarly to all other controversies, assessing the severity of the allegations, the company’s role, and the status of the resolution.

Based on these three inputs, an overall Score and a corresponding Flag are determined for each of the ESG controversy cases.

Written summaries for Severe and Very Severe cases provide details of each controversy and are included in each company’s MSCI ESG Controversies report.

1.2 Severity Assessment

The Severity of each case is assessed based on the Nature of Harm and alleged Scale of Impact of the event, practices, products or businesses on the environment and society. In some instances, the Severity assessment can be adjusted based on exacerbating circumstances that include activities constituting deliberate action with regard to social or environmental harm, or involve the most vulnerable ecosystems or demographic groups. The Severity assessment may also be adjusted due to extenuating circumstances. This adjustment is applied if a case is determined to be linked to a legacy issue that continues to present a reputational or legal risk to the company.

1.2.1 Nature of Harm

The Nature of Harm is assessed on a scale ranging from Very Serious to Minimal harm:

Exhibit 4: Nature of Harm scale



Very Serious harm generally applies to events and actions that lead to irretrievable or long-lasting damage to the environment, result in fatalities, contribute to major financial or economic crisis, or correspond to a most serious crime against humanity.

Minimal harm generally refers to cases where actual impact is projected in the future. This includes cases alleging adverse impact of planned or forthcoming actions, for example, protests against the construction of an oil pipeline based on concerns over possible adverse impact on land and water resources.

1.2.2 Scale of Impact

The Scale of Impact is assessed on a scale ranging from Extremely Widespread to Low.

Exhibit 5: Scale of Impact



The Scale of Impact is an assessment of the extent of the alleged harm and is determined, for example, based on the size of the area or number of people affected, the size of the operating footprint of companies involved in high-impact controversial activity, and the number of regions or jurisdictions affected by high-impact controversial business practices. Low Scale of Impact is attributed to controversies that have an undeterminable, but probable extent of harm where the impact is likely to be insignificant.

See Appendix B for more details and examples of Nature of Harm and Scale of Impact assessments.

1.2.3 Combining Nature of Harm and Scale of Impact

Nature of Harm and **Scale of Impact** assessments are combined to reach an initial determination of Severity; multiple scenarios can lead to the same Severity assessment (see Exhibit 6).

Exhibit 6: Initial assessment of controversy case Severity

		Nature of Harm			
		Very Serious	Serious	Medium	Minimal
Scale of Impact	Extremely Widespread	<i>Very Severe</i>	<i>Severe</i>	<i>Severe</i>	<i>Moderate</i>
	Extensive	<i>Very Severe</i>	<i>Severe</i>	<i>Moderate</i>	<i>Moderate</i>
	Limited	<i>Severe</i>	<i>Moderate</i>	<i>Minor</i>	<i>Minor</i>
	Low	<i>Moderate</i>	<i>Moderate</i>	<i>Minor</i>	<i>Minor</i>

1.2.4 Exacerbating Circumstances

Certain circumstances may warrant a controversy case Severity assessment to be adjusted: cases that have an Exacerbating Circumstance have a controversy assessment that is more severe than otherwise would have been determined through the Nature of Harm and Scale of Impact alone.

Exacerbating circumstances can be assessed if any of the following three criteria are met:

- 1) **Vulnerable demographics:** controversy cases that negatively impact the most vulnerable demographics. See Appendix C for more details.
- 2) **Vulnerable ecosystems:** controversy cases that negatively impact the most vulnerable ecosystems. MSCI ESG Research defines vulnerable ecosystems as those included on the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage List.
- 3) **Deliberate action:** controversy cases that arise from allegations that the company, company's representatives or employees are involved in activities constituting deliberate action with regard to social or environmental harm. These may include deliberate obstruction of investigations, attempts to cover up the event or activity, or the punishment or termination of employees voicing their concerns or participating in protests against the company.

1.2.5 Extenuating Circumstances

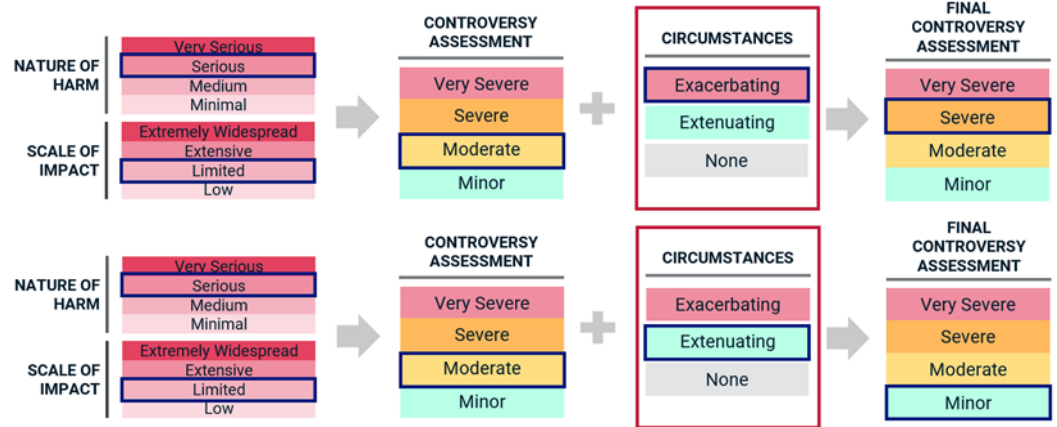
Certain situations may warrant a controversy case Severity assessment to be adjusted based on extenuating circumstances. Cases that face such Extenuating Circumstances have a controversy assessment that is less severe than otherwise would have been determined through the Nature of Harm and Scale of Impact alone.

Extenuating Circumstances are assessed if a case is determined to be linked to a legacy issue that continues to present a reputational or legal risk to the company.

MSCI ESG Research defines a legacy issue as the following:

- A high-impact event that occurred 20 or more years ago (e.g., use of prison labor during World War II); or
- A high-impact product or practice that was discontinued and/or remediated 20 or more years ago (e.g., asbestos, lead paint, polychlorinated biphenyls [PCBs], perfluorooctanoic acid [PFOA][in some cases], perfluoroalkyl and polyfluoroalkyl substances [PFAS], hexavalent chromium [Cr(VI)], etc.).

Exhibit 7: Example of Severity assessment with exacerbating and extenuating circumstances triggers applied



1.3 Company Role assessment

A company’s Role is MSCI ESG Research’s assessment of the level of control a company may have in avoiding or mitigating harm. The Role is assessed as either Direct or Indirect.

1.3.1 Direct

MSCI ESG Research consider companies to have a direct involvement in an ESG controversy if the negative impact is directly attributed to the company’s actions, practices, products or businesses; whereby harm could not have happened without such actions or activities; or if the ESG controversy relates to an entity or a joint venture in which the company has significant control. MSCI ESG Research’s determination of significant control is based specifically on the ownership structure as disclosed by the company. If an entity has 30% ownership or higher or is a primary operator in a joint venture project, it is assessed as having significant control.

Examples:

- A company is implicated in a workplace incident that led to several employee fatalities.
- An oil refining company is facing substantial community opposition to a pipeline construction project that is carried out by a subsidiary of the company, of which it owns 30% of the shares.

- A medical device manufacturer is facing a class-action lawsuit filed by patients who sustained injuries linked to malfunction of the company’s pacemakers.

1.3.2 Indirect

MSCI ESG Research considers companies to have an indirect involvement in an ESG controversy when the negative impact may have been facilitated by the company’s actions, practices, products or businesses, but the company is not considered as playing critical or essential role (e.g., it is involved as a supplier or a client of a directly involved company, or when the company had a minority ownership (<30%) in a company or joint venture involved in an ESG controversy case). Indirect Role is also attributed to companies in cases of adverse impact due to natural causes (e.g., earthquake, tsunami), whereby the company is still responsible for impact remediation.

Examples:

- A company faces allegations of unsafe working conditions at one of its supplier’s factories.
- An oil refining company is facing community opposition to a pipeline construction project. The project is managed by a joint venture, in which the refining company holds 20% ownership.
- A medical device distributor is linked to a controversy related to a class-action lawsuit filed by patients who sustained injuries linked to malfunction of pacemakers. The pacemakers are produced by one of the firms whose products are sold by the distribution company.

As events unfold or additional information becomes available, the company’s Role is reassessed as warranted.

1.4 Controversy Status assessment

ESG controversy cases are monitored on an ongoing basis to determine the status of remediation activities to resolve disputes with affected stakeholders.³ Cases may be determined to be:

- Active cases (determined as either Ongoing, Partially Concluded or Concluded); or
- Inactive cases (determined as either Archived or Historical Concern).

³ MSCI ESG Research does not recommend any specific course of action for corporate entities implicated in controversies.

Only cases identified as active by MSCI ESG Research affect the overall MSCI ESG Controversy company assessment. The assessment of the controversy case status is based on the remedial action taken by involved entities, as reported in public sources.

1.4.1 Active Cases

- **Ongoing:** A case is considered Ongoing if the company has not implemented remediation steps to satisfy the claims of affected stakeholders.

Examples:

- A company was implicated in a workplace incident that led to several employee fatalities yet has not scoped out remediation action.
- A company was implicated in a workplace incident that led to several employee fatalities. The company allocated compensation funds but funds have not been distributed yet.
- **Partially Concluded:** A case is considered partially concluded if there is reasonable evidence that the company has taken action towards the remediation of the relevant issue, while some concerns and disputes over the original claims may still be ongoing.

Remediation activities include payment of penalties, distribution of compensation, settlement agreements, reclamation and rehabilitation activities, discontinuation of the controversial practices or businesses, and implementation of industry best practices to mitigate the adverse impact of the controversial activities.

In cases where community criticism pertains to ongoing adverse impact from operations (e.g., Arctic drilling), a case may not be fully concluded until the company completely discontinues such operations and settles all outstanding claims.

Examples:

- A company was allegedly implicated in a workplace incident that led to several employee fatalities. It has engaged families of the victims to determine a compensation plan and has upgraded health and safety equipment, which are now aligned to international safety standards. However, several workers claimed that the incident may have affected their health, and the investigation into these claims remains ongoing.
- A company was implicated in a workplace incident that led to several employee fatalities. The company has since discontinued related

operations and sold assets of the implicated subsidiary to a third party, but continues to be involved in a lawsuit over alleged insufficient compensation to the victims' families.

- A large palm oil producer is criticized by NGO groups for adverse impact of palm oil production on tropical forests, biodiversity and natural carbon storage. A company certifies over 30% of its palm oil to the most stringent certification standard. Such level and stringency of certification is considered to be the best practice in the industry and can constitute partial conclusion of the case despite ongoing opposition to palm oil production.
- **Concluded:** A case is considered Concluded if the above-described corporate actions or case resolution actions are implemented and the company does not face any pending legal action or ongoing criticism over the controversy.

Examples:

- A company was implicated in a workplace incident that led to several employee fatalities. It has engaged families of the victims to determine a compensation plan and has upgraded health and safety equipment, which are now aligned to international safety standards. A lawsuit filed by several workers claiming that the incident affected their health was dismissed and not appealed.
- A large food producer was criticized by NGO groups for using palm oil in its products. Palm oil production is commonly linked to tropical forests destruction, loss of biodiversity and disturbance of natural carbon storage. The company has since completely discontinued its use of palm oil in food products and was not implicated in palm oil-sourcing controversies.

Some Moderate- or Minor-Severity cases may be determined to be Concluded without an intermediate Partially Concluded step due to a narrow scope of impact that may require a simple resolution. Moderate or Severe cases may also be classified as Concluded if targeted research seeking updated information has yielded no results for at least two consecutive years, subject to review and approval by designated methodology committees (see "MSCI ESG Controversies and Global Norms Methodology – Process" for details).

1.4.2 Inactive Cases

- **Archived:** Concluded cases with no new escalations are eventually assessed as Archived and removed from companies' assessment and profiles.

- Due to the narrow scope and low level of impact of Minor controversies, case conclusions are not often reached or reported. Therefore, Minor Ongoing cases can be assessed as Archived one year after a case's initiation if no further updates to the case are available.
- Moderate ESG controversy cases are assessed as Archived one year after conclusion.
- Severe and Very Severe ESG controversy cases are assessed as Archived three years after conclusion.
- **Historical Concern:** Certain Concluded cases may be determined to be high profile on a case-by-case basis where these form an important part of the company's ESG history. The designation of a case as a Historical Concern requires MSCI Controversies Methodology Committee approval. These cases remain in the company's profile but do *not* affect the scoring.

1.5 Determining Controversy Score and Flag

ESG controversy cases are scored based on a combination of Severity, Role and Status. Within a given Severity level, Ongoing cases score lower than those that are Partially Concluded or Concluded, and those that are Direct score lower than those that are Indirect (see Exhibit 8).

Exhibit 8: MSCI ESG controversy case assessment scoring matrix⁴

Severity of the case	Company role	Status of the case		
		Ongoing	Partially Concluded	Concluded
Very Severe	Direct	0	1	2
Very Severe	Indirect	1	2	3
Severe	Direct	1	2	3
Severe	Indirect	2	3	4
Moderate	Direct	4	5	6
Moderate	Indirect	5	6	7
Minor	Direct	6	7	8
Minor	Indirect	7	8	9

1.6 MSCI ESG Controversies methodology – transitional period

The current MSCI ESG Controversies methodology for case assessment was updated in June 2022 and is effective for controversy cases initiated or reviewed after June 20, 2022. On that date, the case assessment transitioned from the prior methodology to the methodology described in Sections 1.1 to 1.5 above.

Controversy cases last reviewed prior to June 20, 2022, are assessed based on the prior methodology. The prior methodology differs from the current methodology in the following ways:

- The prior methodology used Controversy Types (Structural or Non-Structural) distinguishing instances of systematic and repetitive allegations suggesting a pattern of corporate behavior instead of company Roles (Direct or Indirect) to determine Controversy Scores.
- The prior methodology did not include a Partially Concluded Status.

⁴ The MSCI ESG Controversies methodology outlined in this document is effective for controversy cases reviewed after June 20, 2022.

- Under the prior methodology, a score of 0 and a corresponding Red Flag was applied to all cases assessed as Very Severe, regardless of other criteria.
- Prior to the introduction of the Company Role assessment, to determine whether a case extended to a related company, an evaluation was applied of whether the related companies were under common control and shared senior leadership (or senior leadership who were first-degree relatives).

1.6.1 Controversy Type Assessment

For cases last reviewed prior to June 20, 2022, the assessment of Controversy Types applied the following definitions:

- **Structural:** evidence suggests an underlying problem at the company – poor culture, or lack of adequate governance and oversight – that caused or contributed to the occurrence of the controversy. The incident would likely have been avoided if the company had governance and oversight procedures in place. Indications of a structural issue may include executive misconduct, a history of ignoring warnings or a pattern of incidents across locations or business units.
- **Non-Structural:** The controversy appears to be linked to misfortune or rogue employees rather than poor management or governance failures. Better governance and oversight could not reasonably have been expected to prevent it.

Exhibit 9: Discontinued ESG controversy case scoring matrix (applied to cases last reviewed prior to June 20, 2022)

		Ongoing	Concluded
Very Severe	Structural	0	0
Very Severe	Nonstructural	0	0
Severe	Structural	1	2
Severe	Nonstructural	2	3
Moderate	Structural	4	5
Moderate	Nonstructural	5	6
Minor	Structural	7	8
Minor	Nonstructural	8	9

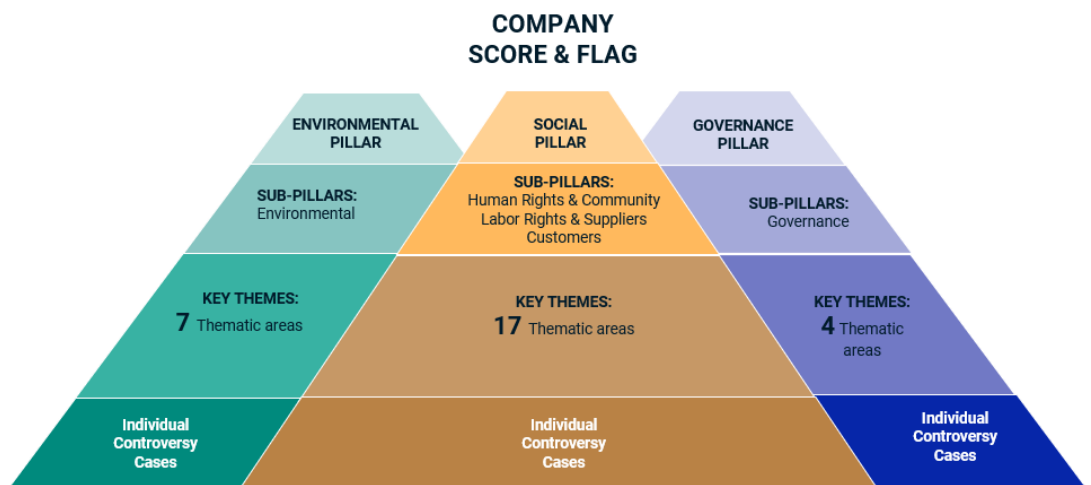
Note: Some companies' cases may still have reflected prior scoring methodology during the transitional period.

2 ESG Controversy Scores aggregation

2.1 ESG Controversy Scores hierarchy

Individual ESG controversy cases are grouped into 28 Themes (or Thematic Indicators), which are organized into 5 Sub-Pillars and 3 Pillars: the Environmental, Social and Governance Pillars. The overall Company Score and Flag are derived from the Pillar-level scores.

Exhibit 10: ESG controversies hierarchy



Please see Appendix A for a complete list of Themes and descriptions of the types of ESG controversies captured within each one.

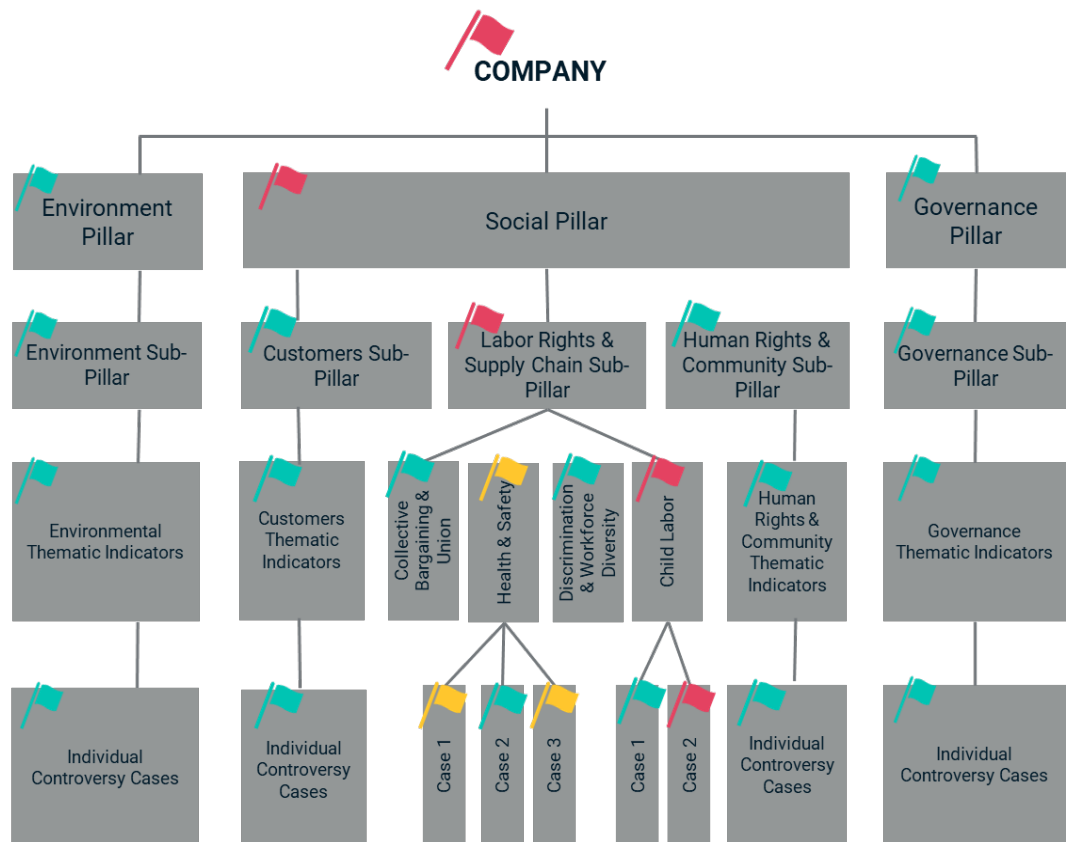
2.2 Determination of Themes, Sub-Pillar, Pillar and Company Scores and Flags

As the objective of MSCI ESG Controversies assessments is to highlight reputational risk to a company based on its alleged involvement in controversial practices or events, no averaging or weight adjustment of scores is applied. An Overall Company Score is generally determined based on the lowest-scoring controversy case in which the company is involved. Unless there is a pattern of controversial involvement within a specific Theme, this approach is applied through the entire ESG controversies hierarchy structure (see Exhibit 11 for a detailed example):

- Thematic Indicators receive the score corresponding to the lowest-scoring controversy case within the same Theme. An additional score deduction may apply if a pattern of involvement in similar cases is established.
- Sub-Pillars receive the score corresponding to the lowest scoring Thematic Indicator within the Sub-Pillar.
- Pillars receive the score corresponding to the lowest-scoring Sub-Pillar within the Pillar.
- The company's Overall Score is ultimately determined by the lowest-scoring Pillar.

Exhibit 11: ESG Controversy Score propagation through the ESG controversies hierarchy

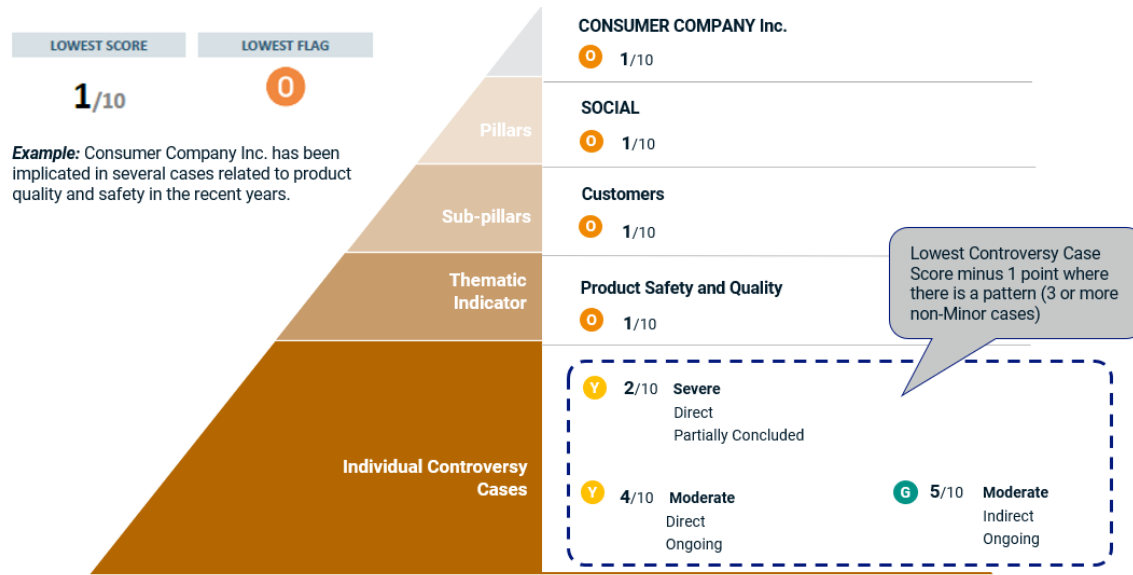
Example: A company is not involved in any major environmental or governance controversies, but is directly involved in an Ongoing Very Severe (Red Flag) case alleging use of child labor in an ethnic community subjected to systemic abuse, and three instances of workplace safety violations, two of which resulted in injuries to several workers (Yellow Flags).



2.2.1 Treatment of more than three cases within the same Theme





In situations where companies have three or more non-Minor controversy cases within the same Theme, the Theme Score is reduced by 1 point. This rule applies only at the Thematic Indicator level to reflect the greater reputational risk associated with multiple controversies of similar impact. There is no pattern-based score adjustment within the same Sub-Pillar or Pillar. Cases with a score of 1 (Orange Flag) or 0 (Red Flag) always result in a Thematic Indicator score of 1 or 0, respectively.

Exhibit 12: Example: ESG Controversy Score propagation for a company with three or more Product Safety & Quality controversies



Scores across individual cases, Thematic Indicators, Sub-Pillars, Pillars and at the company level translate to a corresponding color Flag indicating the Severity of controversies in which the company is involved.

Exhibit 13: Interpretation of a Company Flag

Company Flag	Flag Description
	<p>Red Flag: indicates that a company is directly involved in one or more Very Severe Ongoing controversies.</p>
	<p>Orange Flag: indicates that a company has either:</p> <ul style="list-style-type: none"> ○ Settled most but not all of the stakeholders’ concerns related to its involvement in one or more Very Severe controversies, ○ Continues to be indirectly involved in one or more Very Severe controversies, or ○ Is directly involved in one or more Ongoing Severe controversies.
	<p>Yellow Flag: indicates that a company either:</p> <ul style="list-style-type: none"> ○ Has been implicated in one or more Concluded Very Severe or Severe controversies, ○ Has settled at least some of the stakeholders’ concerns related to its alleged involvement in one or more Severe controversies or indirect involvement in one or more Very Severe controversies, or ○ Continues to be indirectly involved in one or more Severe controversies or directly involved in one or more Moderate controversies.
	<p>Green Flag: indicates that a company either:</p> <ul style="list-style-type: none"> ○ Has fully or partially settled one or more Moderate severity controversies in which it was directly involved, ○ Is indirectly implicated in one or more Moderate controversies, ○ Is either directly or indirectly implicated in one or more Ongoing, Partially Concluded or Concluded Minor controversies, or ○ Has not been implicated in any controversy.

3 MSCI ESG Global Norms screens overview

MSCI ESG Global Norms screens leverage MSCI ESG Controversies Flags to identify corporate entities implicated in third-party allegations that may contradict recommendations under internationally agreed global norms and conventions.

These global norms and conventions have been selected to help support investors to benchmark their investment strategies and objectives against these globally recognized standards or to assist investors in applying regulatory frameworks which reference such norms and conventions.

MSCI ESG Global Norms screens are not, however, intended to verify companies' compliance with global norms and conventions, assess the quality of internal policies and procedures, or measure companies' contributions towards sustainability.

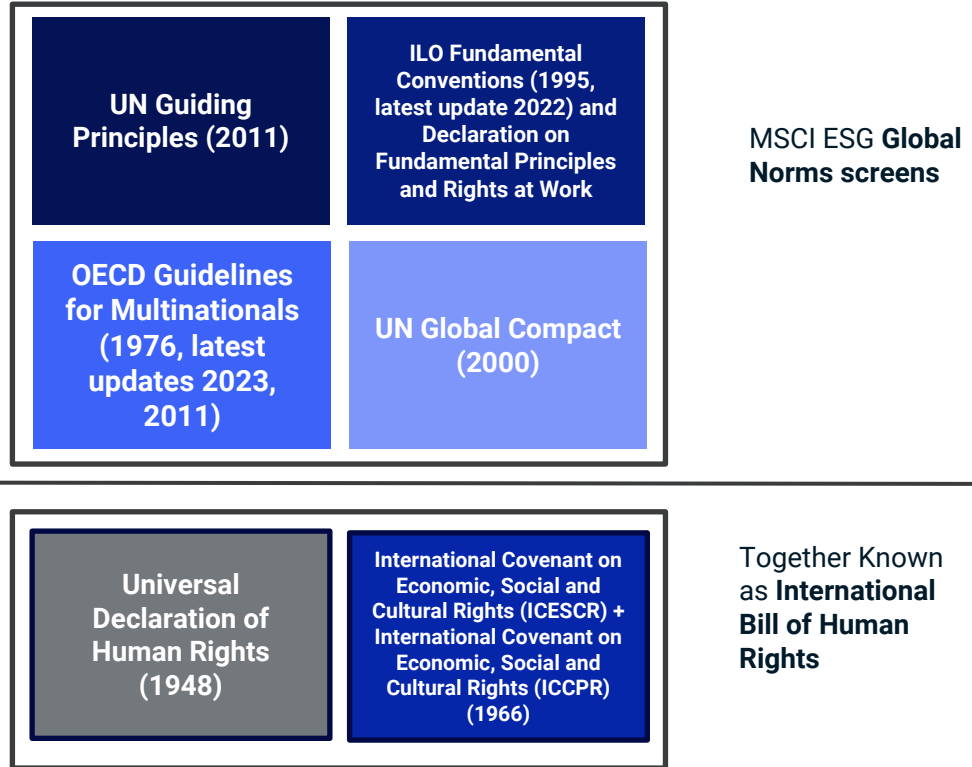
3.1 Scope of the MSCI ESG Global Norms screens

3.1.1 Global norms and conventions within the scope of the MSCI ESG Global Norms screens

MSCI ESG Research has reviewed and developed screens for the following global norms and conventions:

- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;
- The Ten Principles of the United Nations Global Compact (UNGC);
- The International Labour Organization's (ILO) Fundamental Conventions and ILO Declaration on Fundamental Principles and Rights at Work; and
- The United Nations Guiding Principles on Business and Human Rights (UNGP).

Exhibit 14. Global norms and conventions within the scope of the MSCI ESG Global Norms screens



3.1.2 Recommendations outside the scope of the MSCI ESG Global Norms screens

The following are not considered as part of the MSCI ESG Global Norms screens assessment:

- Recommendations concerning good governance.
 - **Example:** UNGP recommendation to have “a policy commitment to meet their responsibility to respect human rights, a human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights and processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.”
- Recommendations concerning positive contributions.

- **Example:** OECD Guidelines for Multinational Enterprises recommendation to “contribute to economic, environmental and social progress with a view to achieving sustainable development.”

3.2 Methodology

3.2.1 Mapping ESG Controversy categories to Global Norms and Conventions recommendations

MSCI ESG Research mapped ESG Controversy categories to recommendations that aim to prevent or minimize the risk of adverse impacts to rights holders, communities or the environment (hereafter referred to as recommendations).

The above-listed global norms and conventions build on and often cross-reference one another as well as other internationally recognized norms and conventions, and therefore they may best be interpreted in the context of each other.

- **Example:** Both the UNGP and the Ten Principles of the UNGC are derived from the Universal Declaration of Human Rights (and other sources). Principles 1 and 2 of the UNGC also refer to the UNGP.

These global norms and conventions vary in terms of scope, structure, primary addressee, and types of recommendations. From a thematic perspective, the OECD Guidelines for Multinational Enterprises may be viewed as the broadest of the global norms, while ILO Fundamental Conventions and the ILO Declaration on Fundamental Principles and Rights at Work have the narrowest scope, covering only labor rights.

However, even where a topic is covered by two or more of these norms and conventions, the expectations for the topic under each of them may vary.

Exhibit 15: Thematic intersection between MSCI ESG Controversies and Global Norms screens

Scope	Thematic areas	OECD	UNGC	UNGP	ILO	ILO (ex H&S) ⁵
Human Rights	Civil Liberties	✓	✓	✓	X	X
	Censorship & Surveillance	✓	✓	✓	X	X
	Controversial Regions	✓	✓	✓	X	X
	Controversial Sourcing	✓	✓	✓	X	X
	Indigenous Peoples' Rights	✓	✓	✓	X	X
Labor	Child Labor	✓	✓	✓	✓	✓
	Forced/Slave Labor	✓	✓	✓	✓	✓
	Kidnapping & Attacks	✓	X	✓	✓	X
	Working Conditions/Pay	✓	X	✓	✓	X
	Discrimination & Harassment	✓	✓	✓	✓	✓
	Opposition to Unions/ Unionization	✓	✓	✓	✓	✓
Environment	Health & Safety	✓	X	✓	✓	X
	Land Use & Logging	✓	✓	X	X	X
	Biodiversity & Endangered Species	✓	✓	X	X	X
	Marine Biodiversity	✓	✓	X	X	X
	Electronic Waste	✓	✓	X	X	X
	Packaging Material & Waste	✓	✓	X	X	X
	Energy & Climate Change	✓	✓	X	X	X
	Operational Waste	✓	✓	X	X	X
	Pesticides/ Persistent Organic Pollutants	✓	✓	X	X	X
	Toxic Releases to Air/Water/Land	✓	✓	X	X	X
	Supply Chain Management	✓	✓	X	X	X
	Water Stress	✓	✓	X	X	X
	Oil Spill	✓	✓	X	X	X
Economic & Business Issues	Bribery & Corruption	✓	✓	X	X	X
	Controversial Investments	✓	✓	X	X	X
	Money Laundering	✓	X	X	X	X
	Import/Export Violations	✓	X	X	X	X
Customer Issues	Anticompetitive Practices	✓	X	X	X	X
	Predatory Lending	✓	X	X	X	X
	Fraud & Billing	✓	X	X	X	X
	Restricted Access to Products/ Services	✓	X	X	X	X
	Misleading Claims	✓	X	X	X	X
	Pesticides, Chemical Safety	✓	X	X	X	X

⁵ The ILO's fundamental conventions and Declaration on Fundamental Principles and Rights at Work (excluding health and safety).

Scope	Thematic areas	OECD	UNGC	UNGP	ILO	ILO (ex H&S) ⁵
	Product & Service Safety/Quality	✓	X	X	X	X
	Structural Integrity & Materials	✓	X	X	X	X
	Privacy & Data Security	✓	X	X	X	X
Community Development	Impact on Communities	✓	✓	✓	X	X

3.2.2 Evaluation Types

The following MSCI ESG Global Norms screens assess companies based on their involvement in ESG Controversies that potentially conflict with the recommendations defined by each global norm or convention. The assessments depend on the severity and the status of the allegations and the roles of the companies in ESG Controversies:

- OECD Alignment.
- UN Global Compact Alignment.
- UNGP Alignment.
- ILO Alignment - Fundamental Principles and Rights at Work.
- ILO Alignment - Fundamental Principles and Rights at Work (ex H&S).

MSCI ESG Global Norms Scale

In the evaluation for each global norms and conventions screen, a three-point scale is applied:

- **Fail:** An alleged involvement in a one or more Red Flag controversies in an area covered by the corresponding set of norms or conventions results in the company receiving an overall Fail designation under that particular MSCI ESG Global Norms screening factor.
 - **Example:** a Red Flag case related to an extensive and long-lasting impact on customers due to issues concerning chemical safety could result in a Fail designation under the OECD Alignment screening factor but will not affect the company’s assessment against the ILO Alignment - Fundamental Principles and Rights at Work and ILO Alignment - Fundamental Principles and Rights at Work (ex H&S) screening factors, given that the ILO Fundamental Conventions and the ILO Declaration on Fundamental

Principles and Rights at Work do not include recommendations concerning customers' safety.

- **Watch List:** The company has either:
 1. Settled most of the concerns related to its alleged involvement in a Very Severe controversy within the scope of one or more recommendations of the relevant global norm or convention,
 2. Continues to be involved in such a controversy indirectly through its business partners, or
 3. Allegedly is directly involved in an Ongoing Severe controversy within the scope of one or more recommendations of the relevant global norm or convention.
- **Pass:** The company has not been implicated in any controversy cases within the scope of one or more recommendations of the relevant global norm or convention, or its involvement in such cases is not considered to be severe enough to warrant a Fail or Watch List designation. Therefore, a Pass designation neither indicates absence of third-party allegations within the scope of one or more recommendations of the relevant global norm or convention, nor indicates alignment with the relevant global norm or convention.

Appendix A – ESG Controversy Pillars, Sub-Pillars and Thematic Indicators

Pillar and Sub-Pillar	Thematic Indicators
Environmental	Biodiversity & Land Use Toxic Emissions & Waste Energy & Climate Change Water Stress Operational Waste (Non-Hazardous) Supply Chain Management Other
Social: Customers	Anticompetitive Practices Customer Relations Privacy & Data Security Marketing & Advertising Product Safety & Quality Other
Social: Human Rights & Community Impact	Impact on Local Communities Human Rights Concerns Civil Liberties Other
Social: Labor Rights & Supply Chain	Labor Management Relations Health & Safety Collective Bargaining & Union Discrimination & Workforce Diversity Child Labor Supply Chain Labor Standards Other
Governance	Bribery & Fraud Governance Structures Controversial Investments Other

Environmental

Biodiversity & Land Use

ESG controversies related to a company's use or management of natural resources, where there is an alleged or anticipated negative impact on the environment, especially in ecologically sensitive areas.

Topics covered under this indicator include issues such as species loss, reduction in biodiversity, habitat damage, depletion of or competition for natural resources, loss of economic value (for example, in fisheries or tourism), as well as post-consumer waste issues.

Biodiversity impacts primarily caused by toxic releases are captured under the Toxic Emissions & Waste Theme.

Competition for water resources and ESG controversies regarding water usage are captured under the Water Stress Theme.

When there is a substantial adverse impact on a local community that results from an environmental ESG controversy classified under Biodiversity & Land Use, an additional ESG controversy case is logged and assessed under the Impact on Communities Theme in the Human Rights & Community Impact Sub-Pillar, with a focus on the community impact rather than the environmental impact.

Toxic Emissions & Waste

ESG controversies related to a company's operational non-GHG emissions or releases to land, air and/or water.

Topics covered under this indicator include issues such as accidental spills or releases as well as the environmental impacts of standard operational emissions, whether within or in exceedance of levels allowed by permit.

When there is a substantial adverse impact on a local community that results from an environmental ESG controversy classified under Toxic Emissions & Waste, an additional ESG controversy case is logged and assessed under the Impact on Communities Theme in the Human Rights & Community Impact Sub-Pillar, with a focus on the community impact rather than the environmental impact.

Energy & Climate Change

ESG controversies related to a firm's climate change and energy-related impacts.

Topics covered under this indicator include issues such as lawsuits over a company's alleged contribution to climate change, public controversy or criticism of

a company's contribution to climate change, or status as an exceptionally large emitter of GHGs, as well as resistance to calls for improvement.

Water Stress

ESG controversies related to a firm's water management practices.

Topics covered under this indicator include issues such as ecological damage resulting from water withdrawals, depletion of water resources for other users and regulatory action or community disputes regarding the company's water usage.

This indicator does not capture water pollution cases, which are covered under the Toxic Emissions & Waste Theme.

When there is a substantial economic impact on a local community that results from an environmental ESG controversy classified under Water Stress, an additional ESG controversy case is logged and assessed under the Impact on Communities Theme in the Human Rights & Community Impact Sub-Pillar, with a focus on the community impact rather than the environmental impact.

Operational Waste (Non-Hazardous)

ESG controversies related to the impact of a firm's non-hazardous, non-toxic operational waste, meaning waste, emissions or effluents produced through normal operations and/or as part of the production of a product.

ESG controversies related to toxic and hazardous waste emitted to air, land or water are captured under the Toxic Emissions & Waste Theme. ESG controversies related to post-consumer waste are captured under Biodiversity & Land Use.

Supply Chain Management

ESG controversies related to the sourcing of raw materials or other inputs that have a substantial negative environmental impact.

Topics covered under this indicator include issues such as degradation of natural resources through use of raw materials that are resource intensive and/or waste intensive, including tropical hardwoods, palm oil or unsustainable fisheries.

Other

Any environmental issues that fall outside of the more targeted indicators listed above.

Social: Customers

Anticompetitive Practices

ESG controversies related to a firm’s anti-competitive business practices.

Topics covered under this indicator include issues such as price fixing, collusion, bid rigging and predatory pricing. Business-to-business claims are generally not covered unless a regulator joins the suit. Similarly, standard pre-merger regulatory inquiries are not considered controversial.

Marketing & Advertising

ESG controversies related to a firm’s marketing and advertising practices.

Topics covered under this indicator include issues such as false or deceptive marketing or advertising, marketing of products for off-label uses, controversies regarding the marketing of products to children or other vulnerable populations, the labeling of such products, and spam or adware.

ESG controversies about known product safety issues are covered under the Product Safety & Quality Theme.

Product Safety & Quality

ESG controversies related to the quality and/or safety of a firm’s products and services.

Topics covered under this indicator include issues such as food safety, controversial media content, product recalls, service disruptions and the use of chemicals of concern in products.

Customer Relations

ESG controversies related to how a firm treats its customers or potential customers.

Topics covered under this indicator include issues such as fraudulent or improper billing, excessive or hidden fees, predatory financial products and restricted or discriminatory access to products or services.

Privacy & Data Security

ESG controversies related to a firm’s privacy and data security practices.

Topics covered under this indicator include issues such as controversial legal uses of personal data, security breaches, regulatory action against the company related to

these, and changes to a company’s policies or practices that may affect or violate customer privacy.

Privacy issues affecting employees are captured under the Labor Management Theme in the Labor & Supply Chain Sub-Pillar. Government surveillance and related issues are captured under the Civil Liberties Theme in the Human Rights & Community Impact Sub-Pillar.

Other

Any customer issues that fall outside of the more targeted indicators listed above.

Social: Human Rights & Community Impact

Impact on Communities

ESG controversies related to a firm’s interactions with communities in which it does business.

Topics covered under this indicator include issues such as land use disputes, negative economic impacts resulting from environmental damage or from the presence of company operations, disputes over access to economic opportunities or jobs, impacts of facility closures, and disputes over access to clean water, clean air or other natural resources.

ESG controversies that are primarily about environmental impact are classified under the appropriate Environment Pillar Thematic Indicator (e.g., Biodiversity & Land Use, Toxic Emissions & Waste). A case in which there are substantial environmental impacts in addition to community impacts may be logged and assessed under and environmental Themes as well as under Impact on Communities.

Civil Liberties

ESG controversies related to the impact of a firm’s operations or products on civil liberties.

Topics covered under this indicator include issues such as cooperation with repressive governments requiring censorship, conducting surveillance or limitations on other civil liberties such as freedom of movement and freedom of the press.

Violations of customer privacy are captured under the Privacy & Data Security Theme in the Customers Sub-Pillar. Violations of employee privacy are captured under the Labor Management Relations Theme in the Labor & Supply Chain Sub-Pillar.

Human Rights Concerns

ESG controversies related to the impact of a firm’s operations or products on human rights.

Topics covered under this indicator include issues such as complicity in killings, physical abuse, displacement or other rights violations, as well as complicity with such actions by governments or other parties.

Other

Any human rights or community issues that fall outside of the more targeted indicators listed above.

Social: Labor Rights & Supply Chain

Labor Management Relations

ESG controversies related to a firm’s labor-management relations.

Topics covered under this indicator include issues such as instances of wrongful termination, reductions in benefits, mistreatment of either employees or contractors, controversial workforce reductions, ESG controversies over wages and hours, employee privacy issues and forced labor.

Health & Safety

ESG controversies related to the health and safety of a firm’s employees, temporary employees and contractors, and franchisee employees.

Topics covered under this indicator include issues such as on-the-job accidents, injuries and fatalities; mental health issues; as well as kidnappings and physical harm experienced by employees in the field.

This Theme does not include health and safety issues in the supply chain, for example in supplier factories; those issues are captured under the Supply Chain Labor Standards Theme.

Collective Bargaining & Unions

ESG controversies related to a firm’s union relations practices.

Topics covered under this indicator include issues such as anti-union activities; efforts to prevent nonunionized employees from unionizing; strikes, lockouts, and the use of replacement workers; acrimonious contract negotiations; and ESG controversies regarding alleged breaches of union contracts. Organized strikes by nonunionized employees are also captured under this Theme.

Union issues in the supply chain are captured under the Supply Chain Labor Standards Theme. Health and safety issues raised by a union but not primarily about the company's relationship with the union are captured under the Health & Safety Theme.

Discrimination & Workforce Diversity

ESG controversies related to a firm's workforce diversity, including its own employees as well as temporary employees, contractors, and franchisee employees.

Topics covered under this indicator include issues such as allegations of discrimination on the basis of gender, race, ethnicity or other characteristics.

Discrimination at supplier facilities is captured under the Supply Chain Labor Standards Theme. Discrimination on the basis of unionization or union sympathies is captured under the Collective Bargaining & Unions Theme.

Child Labor

Child labor ESG controversies in a firm's own operations or its supply chain.

Topics covered under this indicator include issues such as allegations that the company uses or has used underage workers or that underage workers are present at supplier facilities.

Supply Chain Labor Standards

ESG controversies related to workers in a firm's supply chain.

Topics covered under this indicator include issues such as allegations of unsafe working conditions, inadequate pay, excessive working hours or overtime, union issues at supplier facilities, the use of forced labor or prison labor by suppliers and discrimination.

Underage labor in supplier operations is captured under the Child Labor Theme.

Other

Any labor issues that fall outside of the more targeted indicators listed above.

Governance

Bribery & Fraud

ESG controversies related to a firm’s business ethics practices.

Topics covered under this indicator include issues such as bribery, tax evasion, insider trading, money laundering, tax evasion or avoidance, violations of government sanctions and accounting irregularities.

Governance Structures

ESG controversies related to the potential negative impacts of a corporate entity’s governance structure and practices. Impacted constituencies include shareholders, bondholders and society.

Topics covered under this indicator include alleged failures to manage conflicts of interest (which, depending on the ownership structure, may include those related to executive pay or related-party transactions) and other alleged failures of oversight by a relevant governance body (whether that is the executive management, the board of directors or supervisory board, external auditors, or other oversight bodies that have a role at the corporate entity).

Alleged negative governance impacts may also relate to structural concerns including the entity’s legal form, jurisdictional-related concerns, and misalignment of economic interests between shareholders and management or between minority and controlling shareholders.

Certain of these controversies may be highlighted by way of the outcome of votes at shareholder meetings or through the submission of shareholder proposals.

Controversial Investments

ESG controversies related to the social and environmental impact of a firm’s lending, underwriting and financing activities.

Topics covered under this indicator include issues such as financing projects that are controversial because of their actual or anticipated environmental or social impact, as well as criticism of mining companies, real estate investment trusts and similar companies that receive royalties or own shares in a particular project that they neither own nor operate.

Other

Any governance issues that fall outside of the more targeted indicators listed above.

Appendix B – Criteria for determining Scale of Impact and Nature of Harm

Below is an indicative list of criteria used to determine the Scale of Impact and Nature of Harm of an ESG controversy case, arranged by Pillar. The measurements take different forms depending on the type of impact. Note that the criteria listed below are representative but not comprehensive.

Environmental Pillar

The Nature of Harm for ESG controversies in the Environmental Pillar is determined based on the degree of damage and the irreversibility of damage (alleged). In general, the Scale of Impact of an Environmental Pillar ESG controversy is determined by the size of the area affected, whether of land, water, air, or the geographical range of the wildlife impacted. Cases with undetermined or unspecified environmental Scale of Impact are assessed as falling within a Limited Scale of Impact. Note: neither exacerbating nor extenuating factors are part of the Nature of Harm or Scale of Impact assessment, and are reflected, if applicable, as a separate adjustment factor (see section 1.2.4 and 1.2.5 for details) in the assessment of ESG controversy severity.

Scale	Nature of Harm
<p>Extremely Widespread:</p> <ul style="list-style-type: none"> • ≥ 100 km², whole watershed system. • Impact on global species. • > 60,000 barrels spilled. • Top 10 contributors (by sales or production) involved in high impact activity. • Events or activities causing long-lasting (over 5 years) and very severe harm across multiple sovereign states. <p>Extensive:</p> <ul style="list-style-type: none"> • 10-99 km², large bay or portion of river. 	<p>Very Serious</p> <ul style="list-style-type: none"> • Plant/wildlife death. • Habitat/ecosystem destruction. <p>Serious</p> <ul style="list-style-type: none"> • Debilitation plant/wildlife injury/illness. • Major habitat/ecosystem damage (not easily remediated). <p>Medium</p> <ul style="list-style-type: none"> • Short-term damage to plant/wildlife. • Short-term habitat/ecosystem damage. • General pollution with damages not specified.

Scale	Nature of Harm
<ul style="list-style-type: none"> • Regional/country species impact. • 5,000-59,999 barrels spilled. • One of many companies involved in the activity or business. <p>Limited:</p> <ul style="list-style-type: none"> • 1-9 km², stream/small river, lake. • Local wildlife impact. • Spill 1,500-4,999 barrels. <p>Low:</p> <ul style="list-style-type: none"> • Scale of Impact is insignificant or not determined. 	<p>Minimal</p> <ul style="list-style-type: none"> • Impact is projected or not scoped out.

Social Pillar

The Nature of Harm for ESG controversies in the Social Pillar is determined based on irreversibility of damage (alleged) to human health, livelihood and properties. With three underlying Sub-Pillars (Customers, Human Rights & Community Impact, and Labor Rights & Supply Chain), the Nature of Harm of a social ESG controversy may vary by the type of stakeholder involved. In general, the Scale of Impact for a Social Pillar ESG controversy is determined by the number of people or properties affected (for example, in the case of activities damaging home values).

Note: neither exacerbating nor extenuating factors are part of the Nature of Harm or Scale of Impact assessment, and are reflected, if applicable, as a separate adjustment factor (see section 1.2.4, 1.2.5 and Appendix C for details) in the assessment of ESG controversy severity.

Scale	Nature of Harm
<p>Extremely Widespread:</p> <ul style="list-style-type: none"> • 1,000+ people. • 2,000+ properties. • Top 10 contributors (as claimed or by sales or production). • Events or activities causing long-lasting (over 5 years) and very severe economic harm (greater than USD 10B) across multiple sovereign states. <p>Extensive:</p> <ul style="list-style-type: none"> • 25-999 people. • 100-1,999 properties. • One of many companies involved in the activity or business. <p>Limited:</p> <ul style="list-style-type: none"> • 10-24 people. 	<p>Very Serious</p> <ul style="list-style-type: none"> • Death, permanent disability, torture, rape, enslavement, human rights violation signifying most serious crimes. • Destruction of livelihood or traditional way of life, property destruction. • Product or practice is one of the leading causes of death, permanent disability. <p>Serious</p> <ul style="list-style-type: none"> • Debilitating injury/illness. • Major property damage. • impairment of livelihood or traditional way of life, displacement. • Labor and civil rights violation (e.g., privacy, collective bargaining) with evidence of concrete resulting harm. • Product or practices poses health risk.

Scale	Nature of Harm
<ul style="list-style-type: none"> • 10-99 properties. <p>Low:</p> <ul style="list-style-type: none"> • Scale of Impact is insignificant or not determined. 	<p>Medium</p> <ul style="list-style-type: none"> • Treatable short-term injury/illness. • Non-serious property damage (easily repaired). • Non-serious impairment to livelihood or traditional way of life. • Products or practices that could be associated with adverse impact without direct causality. <p>Minimal</p> <ul style="list-style-type: none"> • Inconveniences, minor disruptions • Impact is projected or not scoped out.

Governance Pillar

In the Governance Pillar, when assessing Scale of Impact and Nature of Harm, MSCI ESG Research distinguishes between Business Ethics issues and Governance Structures issues.

For Business Ethics issues, Scale of Impact is generally measured by size of the market or government affected, or the degree to which either company executives or external parties such as government officials were involved.

For Governance Structures issues, measurements of the Scale of Impact vary depending on the nature of the ESG controversy but generally include metrics such as the percentage of shareholder votes or number of shareholders voicing an opinion, number and position of executives or directors involved, number and type of external parties voicing an opinion, or the portion of the company that is affected or implicated. Measures of the Nature of Harm are focused around impacts on investment value and on shareholder rights. Most cases are assumed to be of medium impact, barring circumstances that go beyond typical scenarios and indicating more serious harm.

Measures of the Nature of Harm vary by the type of violation that occurred and include factors such as financial impact on the company or other impacted parties, the value of bribes or ill-gotten gains and other negative impacts that resulted from illicit or unethical activities.

Scale	Nature of Harm
<p>Extremely Widespread:</p> <ul style="list-style-type: none"> Global or 3+ G20 countries involved, 1,000+ people involved. <p>Extensive:</p> <ul style="list-style-type: none"> 1 of G20 countries or 3+ non-G20 countries involved, 25+ people involved. <p>Limited:</p> <ul style="list-style-type: none"> 1-2 non-G20 countries/local municipalities involved, 10-24 people involved. <p>Low:</p>	<p>Very Serious</p> <ul style="list-style-type: none"> Activity substantially destabilized a national government or economy. Total bribes paid or losses to company exceed USD 1B or value of contracts or other ill-gotten gains (e.g., taxes avoided) obtained exceeds USD 10B. <p>Serious</p> <ul style="list-style-type: none"> Activity bankrupts the company or a non-govt customer; material financial impact on a govt body (incl public pension funds).

Scale	Nature of Harm
<ul style="list-style-type: none"> Scale of Impact is insignificant or not determined. 	<ul style="list-style-type: none"> Total bribes paid exceed USD 100M or Value of contracts obtained exceeds USD 5B. <p>Medium</p> <ul style="list-style-type: none"> Corruption & fraud allegations among business entities, not affecting individual customers Most corruption & government fraud activities: harm is real but diffused. <p>Minimal</p> <ul style="list-style-type: none"> Impact is projected or not scoped out

Appendix C – Vulnerable Demographics

Vulnerable demographics are limited to (1) indigenous populations,⁶ (2) national (i.e., civilians and refugees), ethnic, racial and religious groups identified by ongoing Human Rights Council-mandated Investigative Bodies (HRC-mandated Investigative Bodies) or ad-hoc country reports issued by the United Nations Office of the High Commissioner for Human Rights (OHCHR),⁷ and (3) nationals (i.e., civilians and refugees) located and/or originated from countries with ongoing international armed conflicts or military offensives⁸ (see Exhibit 16).⁹

The list of vulnerable demographics undergoes a review, typically annually, to account for updates to the HRC-mandated Investigative Bodies, new ad-hoc reports issued by the OHCHR and the Geneva Academy's RULAC project.

The Vulnerable Demographics exacerbating factor is not applied for the following groups:

- Local communities that fall outside the abovementioned parameters.
- Demographic groups defined by age (e.g., children, elderly), gender or sexual orientation (e.g., women, LGBTQ+) unless they belong to the national (i.e., civilians and refugees), ethnic, racial and religious groups identified by the abovementioned sources.
- Refugees from areas not characterized by ongoing international armed conflict or military offensives, unless they belong to the national (i.e., civilians and

⁶ According to the United Nations and the World Bank, "indigenous peoples are suffering systematic human rights violations, internal displacement, the loss of cultural identity, the destruction of livelihoods, poverty, permanent environmental damage, pollution, and the loss of biodiversity in their traditional lands and territories." *State of the World's Indigenous Peoples: Rights to Lands, Territories and Resources*. 5th volume. Department of Economic and Social Affairs of the United Nations Secretariat. 2021; World Bank. Indigenous Peoples.

⁷ Only country-level reports are considered. When multiple reports for the same country have been issued only the most recent will be considered. In the absence of a report, an oral update may be considered. Only reports issued in or after 2020 will be considered. In the event that a country-level report is issued by the OHCHR for a country with an ongoing HRC-mandated Investigative Body, only the most recent report from either body will be considered.

⁸ Based on the Geneva Academy of International Humanitarian Law and Human Rights' Rule of Law in Armed Conflicts ["RULAC"] project. Non-international armed conflicts are not considered as part of the assessment of vulnerable demographics.

⁹ The assessment of whether a controversy case negatively impacts vulnerable demographics is done at the time the case is opened and when the case is reviewed and is based on the criteria described in this appendix at the time of such assessment. Changes to the Exhibit 19 will be reflected on individual cases only once the case is reviewed/updated following our standard procedure.

refugees), ethnic, racial and religious groups identified by the abovementioned sources.

- Undocumented immigrants or seasonal migrants that fall outside the abovementioned parameters.

Exhibit 16: List of national (i.e., civilians and refugees), ethnic, racial and religious groups identified by ongoing HRC-mandated Investigative Bodies or ad-hoc country reports issued by the OHCHR and nationals (i.e., civilians and refugees) located and/or originated from countries with ongoing international armed conflicts or military offensives ¹⁰

Country/Region ¹¹	National (civilians and refugees), ethnic, racial and religious groups identified by ongoing HRC-mandated Investigative Bodies or ad-hoc country reports issued by the OHCHR	Nationals (i.e., civilians and refugees) located and/or originated from countries with ongoing international armed conflicts or military offensives
Abkhazia, Georgia, and the Tskhinvali region/South Ossetia	Civilians and refugees	N/A
Aksai Chin and Arunachal Pradesh, and a number of smaller regions along the Sino-Indian border	N/A	Civilians and refugees
Belarus	Civilians and refugees	N/A
China – Xinjiang Autonomous Region	Uyghurs	N/A

¹⁰ Accessed April 2024.

¹¹ The Independent International Fact-Finding Mission for the Sudan was established in October 2023 and its first oral update and report are due in June-July 2024 and September-October 2024, respectively.

Country/Region¹¹	National (civilians and refugees), ethnic, racial and religious groups identified by ongoing HRC-mandated Investigative Bodies or ad-hoc country reports issued by the OHCHR	Nationals (i.e., civilians and refugees) located and/or originated from countries with ongoing international armed conflicts or military offensives
Colombia	Indigenous Peoples and persons of African descent	N/A
Crimea	N/A	Civilians
Cyprus	Greek Cypriots and Turkish Cypriots	Civilians and refugees (Northern part of Cyprus)
Democratic Republic of the Congo	Civilians	N/A
Democratic People’s Republic of Korea	Civilians and refugees	N/A
Donetsk and Luhansk	N/A	Civilians and refugees
Guatemala	Indigenous peoples and persons of African descent	N/A
Haiti	Civilians and refugees	N/A
Honduras	Civilians and refugees	N/A
West Bank, Gaza Strip, East Jerusalem	Palestinians	Civilians and refugees
Israel	Israelis	N/A
Iran	Civilians and refugees	N/A
Iraq	N/A	Civilians and refugees
Kashmir	N/A	Civilians and refugees

Country/Region ¹¹	National (civilians and refugees), ethnic, racial and religious groups identified by ongoing HRC-mandated Investigative Bodies or ad-hoc country reports issued by the OHCHR	Nationals (i.e., civilians and refugees) located and/or originated from countries with ongoing international armed conflicts or military offensives
Libya ¹²	Civilians and refugees	N/A
Myanmar	Rohingya Muslims and civilians and refugees	N/A
Nagorno-Karabakh	N/A	Civilians and refugees
Nicaragua	Civilians and refugees	N/A
Philippines	Civilians and refugees	N/A
South Ossetia and Abkhazia	N/A	Civilians and refugees
South Sudan	Civilians and refugees	N/A
Syria	Civilians and refugees	Civilians and refugees (Northern Syria)
Golan Heights and Shebaa Farms	N/A	Civilians and refugees
Transnistria	N/A	Civilians and refugees
Ukraine	Civilians and refugees	Civilians and refugees
Venezuela	Civilians and refugees and indigenous populations	N/A
Western Sahara	N/A	Civilians and refugees

Sources: Human Rights Council-mandated Investigative Bodies list of current mandates and OHCHR country reports (accessed April 2024).

¹² The Office of the High Commissioner in cooperation with the United Nations Support Mission in Libya (UNSMIL) has issued a report on the situation of human rights in Libya, and the effectiveness of technical assistance and capacity-building measures received by the Government of Libya. However, the Independent Fact-Finding Mission on Libya by the Human Rights Council-mandated Investigative Body has ended.

Key Definitions

MSCI ESG Research relies on the following definitions:

Indigenous People

According to the United Nations and the World Bank, over 476 million indigenous people across 5,000 distinct groups and spread over 90 countries make up about 6% of the global population. While the UN Declaration on the Rights of Indigenous Peoples does not include a definition of indigenous people, self-identification as indigenous is considered a fundamental criterion.

The UN identifies common factors among indigenous populations:

- A historical continuity with a given region prior to colonization and a strong link to their lands.
- Distinct social, economic and political systems.
- Distinct languages, cultures, beliefs and knowledge systems.

Systematic abuse of indigenous populations specifically is defined by the UN Declaration on the Rights of Indigenous Peoples Article 8 and includes:

- Any action which has the aim or effect of depriving them of their integrity as distinct peoples, or of their cultural values or ethnic identities.
- Any action which has the aim or effect of dispossessing them of their lands, territories or resources.
- Any form of forced population transfer which has the aim or effect of violating or undermining any of their rights.
- Any form of forced assimilation or integration.
- Any form of propaganda designed to promote or incite racial or ethnic discrimination directed against them.”¹³

Refugees

The United Nations defines refugees as “persons who are outside their country of origin for reasons of feared persecution, conflict, generalized violence, or other circumstances that have seriously disturbed public order and, as a result, require international protection.”

¹³ United Nations. 2008. *United Nations Declaration on the Rights of Indigenous Peoples*. United Nations.

Key References

- United Nations Declaration of Human Rights.
- United Nations Declaration on the Rights of Indigenous Peoples.
- International Labour Organization Convention No. 169: Indigenous and Tribal Peoples.
- International Labour Organization Convention No. 105: Abolition of Forced Labour Convention.
- United Nations Minorities Declaration.
- Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.
- International Convention for the Protection of All Persons from Enforced Disappearance.
- International Convention on the Elimination of All Forms of Racial Discrimination.
- International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.
- International Covenant on Civil and Political Rights.
- International Covenant on Economic, Social and Cultural Rights.
- Convention on the Non-Applicability of Statutory Limitations to War Crimes and Crimes Against Humanity.
- Convention on the Prevention and Punishment of the Crime of Genocide.

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