

MSCI ESG Controversies and Global Norms Methodology

MSCI ESG Research

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MSCI ESG Controversies overview

MSCI ESG Controversies is designed to identify companies within the MSCI ESG Controversies and Global Norms coverage universe that may be subject to reputational risk due to their alleged involvement in ESG controversy cases.

An ESG controversy case arises when reported negative environmental or social impacts are allegedly caused or contributed to by a company, or are otherwise linked to its operations, value chain, products, or services. It can also occur when the company is allegedly involved in misconduct that is seen as enabling adverse impacts.

An ESG controversy case can be derived from allegations¹ of a single event such as a spill, accident or regulatory action, or multiple events or practices such as health and safety fines, investigations of anticompetitive behavior by different regulators, multiple community protests at a company's offices, or multiple individual lawsuits alleging discriminatory practices.

The MSCI ESG Controversies analytical framework organizes ESG controversy cases within three Pillars: Environment, Social and Governance. The Social Pillar is further divided into three Sub-Pillars: Human Rights & Community Sub-Pillar, Labor Rights & Supply Chain Sub-Pillar and Customers Sub-Pillar.

Pillars and Sub-Pillars are further divided into 28 Themes (see Exhibit 1). All allegations are associated with at least one ESG Controversy case. Since the most severe allegations may have a broad array of implications, MSCI ESG Research may profile 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 ESG controversy case assessing alleged impact on the local population (under the Impact on Local Communities Theme). Each ESG controversy case is assessed separately in accordance with MSCI ESG Controversies analytical framework and is monitored over time for case resolution.

¹ An allegation is a claim, accusation, or criticism, whether or not it triggers legal procedures or regulatory investigations, that is publicly reported.

Exhibit 1: MSCI ESG Controversies thematic framework

ENVIRONMENT	SOCIAL			GOVERNANCE
	HUMAN RIGHTS & COMMUNITY	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 receives a Score and an associated color-coded Flag based on three inputs: Severity, Company Role and Status. (see Exhibit 2 and 3).

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

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

Severity	Company Role	Status of the ESG controversy 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 Global Norms overview

MSCI ESG Controversies Flags are leveraged to identify companies implicated in allegations that may suggest misalignment with the 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.
- The United Nations Guiding Principles on Business and Human Rights (UNGP).

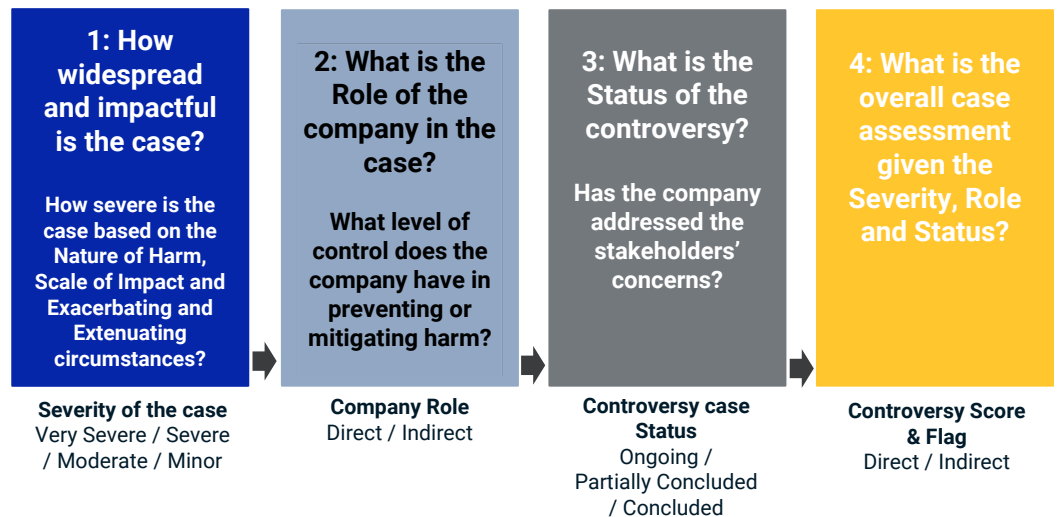
1 ESG controversy case assessment methodology

1.1 ESG controversy case assessment overview

An ESG controversy case arises when reported negative environmental or social impacts are allegedly caused or contributed to by a company, or are otherwise linked to the company’s operations, value chain, products, or services. It can also occur when the company is allegedly involved in misconduct that is seen as enabling adverse impacts. MSCI ESG Research relies on sources² to identify ESG controversy cases, assess the severity of the allegations, evaluate the subject company’s involvement, and review the company’s response or remediation actions. MSCI ESG Research does not act in a journalistic or investigative capacity. As such, we do not fact-check or evaluate the merit or validity of any information included in the sources cited in our company ESG Controversies reports. Rather, MSCI ESG Research’s role is to identify public reports of alleged involvement in controversies and provide consistent assessment of such allegations.

Sources are usually vetted by a specialized third-party service provider. Where a source has not been reviewed by our third-party data provider, it is vetted through MSCI ESG Research internal source vetting process. Please refer to “MSCI ESG Controversies and Global Norms Methodology – Process” for details on the frequency of updates, types of sources and review process.

Exhibit 3: Assessments made for an ESG controversy case



² Source is the entity that publicly reports or disseminates information about an allegation. For further information about the sources that can be used to inform ESG Controversy cases please refer to the MSCI ESG Controversies and Global Norms Process.

For each ESG controversy case, MSCI ESG Research determines:

1. The **Severity** of the ESG controversy case based on the alleged Nature of Harm and Scale of Impact, and application of specific Exacerbating or Extenuating circumstances: Very Severe, Severe, Moderate or Minor.
2. The **Role** of the company implicated in the ESG controversy case: Direct or Indirect.
3. The **Status** of the ESG controversy case: Ongoing, Partially Concluded, Concluded, Archived or Historical Concern.

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

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

1.2 Severity Assessment

The Severity of each ESG controversy case is assessed based on the Nature of Harm and Scale of Impact of: (1) the reported negative environmental or social impact allegedly caused or contributed to by the company, or otherwise linked to its operations, value chain, products or services, or (2) alleged misconduct. In some instances, the Severity assessment can be adjusted based on Exacerbating circumstances (section 1.2.4) or Extenuating circumstances (section 1.2.5).

1.2.1 Nature of Harm

The Nature of Harm varies from Very Serious to Minimal based on the degree of irreparability of the alleged environmental or social harm or misconduct:

Exhibit 4: Nature of Harm scale



Very Serious applies, among other things, to the alleged destruction of habitats or ecosystems, fatalities, torture, rape, enslavement, and allegations of misconduct linked to major financial or economic instability.

Minimal harm generally refers to allegations where the actual impact is projected in the future or not yet defined. This includes ESG controversy cases alleging adverse effects from planned or forthcoming actions - for example, protests against the

construction of an oil pipeline based on concerns over potential harm to land and water resources.

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

1.2.2 Scale of Impact

The Scale of Impact varies from Extremely Widespread to Low based on the extent of the alleged environmental or social harm or misconduct.

Exhibit 5: Scale of Impact



Extremely Widespread applies to allegations of the most extensive damage (for example, affecting 1000+ people or 100 km² of land) as well as allegations of misconduct with the highest financial implications (such as a financial or economic crisis).

Low Scale of Impact applies to allegations of localized adverse impact (e.g., ESG controversy cases affecting fewer than 10 people or less than 1km² of land) as well as allegations of misconduct with localized financial implications (impact on shareholders only). Low Scale of Impact is also attributed to allegations that have an undeterminable Scale of Impact but are likely localized or insignificant. However, if the Scale of Impact is undeterminable but likely to be far-reaching, it is usually considered as Limited.

See Appendix B for more details and examples of 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 ESG 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 adjusting an ESG controversy case Severity assessment. ESG controversy cases with an Exacerbating Circumstance may be assigned a more severe controversy assessment than would otherwise be determined through the Nature of Harm and Scale of Impact alone. This can occur if any of the following three criteria are met:

- 1) **Vulnerable demographics:** ESG controversy cases that allegedly negatively impact the most vulnerable demographics. See Appendix C for more details.
- 2) **Vulnerable ecosystems:** ESG controversy cases that allegedly 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:** ESG controversy cases that arise from allegations that the company, its representatives or employees have attempted to obstruct investigations, cover up the event or activity, or have punished or terminated workers for voicing their concerns or participating in protests against the company.

Exacerbating circumstances usually only apply to ESG controversy cases under the Social and Environmental Pillars, although exemptions may apply.

1.2.5 Extenuating Circumstances

Certain situations may warrant an ESG controversy case Severity assessment to be adjusted based on Extenuating circumstances. ESG controversy cases that face

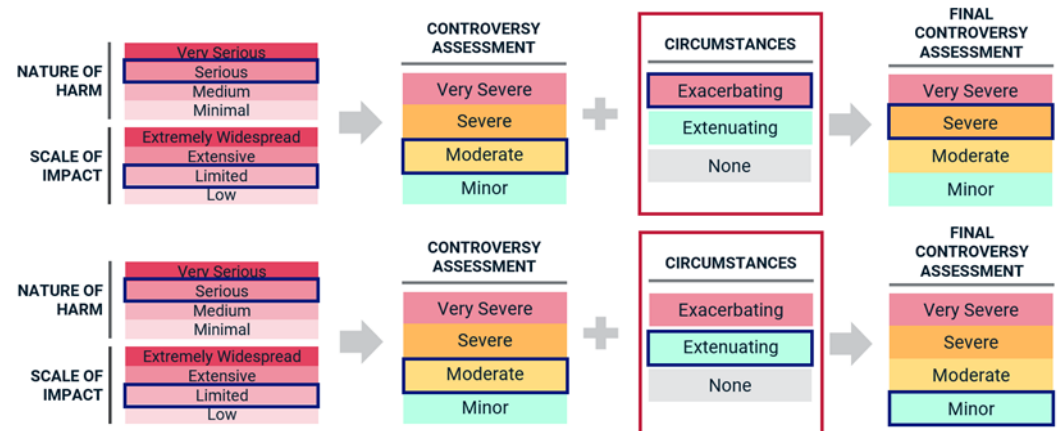
such Extenuating circumstances have a controversy assessment that is less severe than otherwise would have been determined through the Nature of Harm and Scale of Impact alone.

Extenuating circumstances are assessed if an ESG controversy 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., a workplace accident that led to fatalities and is still subject to ongoing legal claims).
- 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 degree of control a company may have in avoiding or mitigating harm or misconduct. The Role is assessed as either Direct or Indirect.

1.3.1 Direct

Usually, MSCI ESG Research considers companies to have a direct involvement in an ESG controversy case if:

- the reported negative environmental or social impact is allegedly caused or contributed to by the company's operations, products or services.
- the company's employees, management or other representatives have allegedly engaged in misconduct.
- based on the reported details, the company has at least 30% ownership or is a primary operator in a joint venture project that has allegedly caused or contributed to the negative environmental or social impact or engaged in misconduct.

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 carried out by a subsidiary 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

Usually, MSCI ESG Research considers companies to have an indirect involvement in an ESG controversy case if:

- the alleged negative environmental or social impact has been linked to the company through business, commercial or business to government relationships.
- the alleged negative environmental or social impact is caused by a misuse of the company's products or services by third parties.
- the alleged misconduct or the negative environmental or social impact is caused or contributed to by an entity or joint venture where the company has less than 30% ownership and is not the primary operator.
- the alleged negative environmental or social impact was primarily due to a natural event (e.g., earthquake, tsunami), whereby the company is still responsible for impact remediation.
- the company allegedly provides insurance or financing to projects or companies associated with adverse environmental or social impact or misconduct.

- there is uncertainty about the company’s role due to an ongoing investigation.

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.

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

1.4 Controversy Status assessment

ESG controversy cases are monitored on an ongoing basis to determine the Status of resolution measures and sources of ongoing criticism. ESG controversy cases may be determined to be:

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

Only ESG controversy cases identified as Active by MSCI ESG Research affect the overall MSCI ESG Controversy company assessment.

The assessment of the ESG controversy case Status is based on the resolution measures taken by the involved entities, as reported by sources.³ These include measures to:

- **remove exposure to the alleged harm:** such as discontinuing relationships, divesting from controversial projects, etc.
- **remediate alleged harm:** such as paying compensation, conducting environmental clean-up, implementing mitigation or prevention practices, etc.
- **dismiss alleged harm:** such as commissioning a third-party audit, where no evidence of the alleged harm has been found, having the lawsuit dismissed, etc.

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

1.4.1 Active ESG controversy cases

- **Ongoing:** An ESG controversy case is considered Ongoing if the company has not implemented resolution measures.

Examples:

- A company was implicated in an oil spill and has not started the environmental cleanup.
- 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:** An ESG controversy case is considered partially concluded if there is publicly available evidence that the company has implemented some resolution measures, while some concerns and disputes over the original claims may still be ongoing.

ESG controversy cases where community criticism pertains to ongoing adverse impact from operations (e.g., Arctic drilling), 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, but it 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 ESG controversy case despite ongoing opposition to palm oil production.

- **Concluded:** An ESG controversy case is considered Concluded if the relevant resolution actions are implemented, and the company does not face any pending legal action, investigation or ongoing criticism regarding the ESG controversy case.

Examples:

- A company was implicated in a workplace incident that led to several employee fatalities. It has compensated the families of the victims 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 any new palm oil-sourcing ESG controversy cases.

In the absence of further publicly reported criticism, re-escalation or updates for two consecutive years:

- Moderate and Severe ESG controversy cases can be Concluded without an intermediate Partially Concluded step.

ESG controversy cases cannot be Concluded in the case of ongoing relevant lawsuits, investigations or criticism from affected stakeholders.

1.4.2 Inactive ESG controversy cases

- **Archived:** ESG controversy cases are eventually assessed as Archived and removed from companies' assessment and profiles.

For a controversy case to be archived, the time that must elapse since the conclusion date or since initiation date differs according to the Severity of the ESG controversy case. ESG controversy cases are eligible for archiving:

- Very Severe: 3 years following case conclusion.
- Severe: 3 years following case conclusion.
- Moderate: 1 year following case conclusion.
- Minor: 1 year after its initiation.

- Historical Concern:** Certain Concluded ESG controversy cases may be determined to be high profile and as such, they remain in the company’s profile. The determination is made on a case-by-case basis and requires CMC approval. These ESG controversy cases do *not* affect the overall ESG controversy score of the company.

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 ESG Controversy cases score lower (worse) than those that are Partially Concluded or Concluded, and those that are Direct score lower (worse) than those that are Indirect (see Exhibit 8).

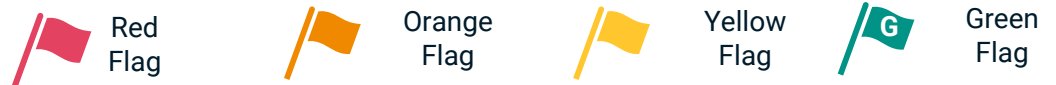
Exhibit 8: MSCI ESG controversy case assessment scoring matrix⁴

Severity	Company role	Status of the ESG controversy 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

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

Exhibit 9: 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 ESG controversy cases.</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 alleged direct involvement in one or more Very Severe ESG controversy cases. ○ Continues to be indirectly involved in one or more Very Severe ESG controversy cases. ○ Is directly involved in one or more Ongoing Severe ESG controversy cases.
	<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 ESG controversy cases. ○ Has settled at least some of the concerns related to its alleged involvement in one or more Severe ESG controversy cases or Indirect involvement in one or more Very Severe ESG controversy cases. ○ Continues to be indirectly involved in one or more Severe ESG controversy cases or directly involved in one or more Moderate ESG controversy cases.
	<p>Green Flag: indicates that a company either:</p> <ul style="list-style-type: none"> ○ Has fully or partially settled one or more Moderate ESG controversy cases in which it was involved. ○ Is indirectly implicated in one or more Ongoing Moderate ESG controversy cases. ○ Is either directly or indirectly implicated in one or more Ongoing, Partially Concluded or Concluded Minor ESG controversy cases. ○ Has not been implicated in any ESG controversy case.



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 ESG 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.

ESG 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.
- 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 10: 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

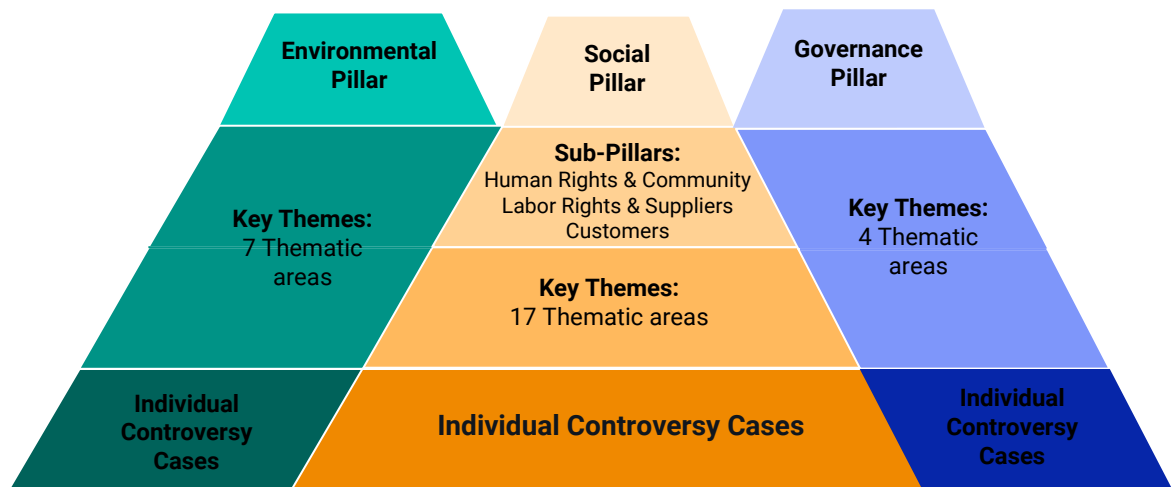
Note: Some companies' ESG controversy cases may still have reflected prior scoring methodology during the transitional period.

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 3 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 11: ESG controversies hierarchy



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

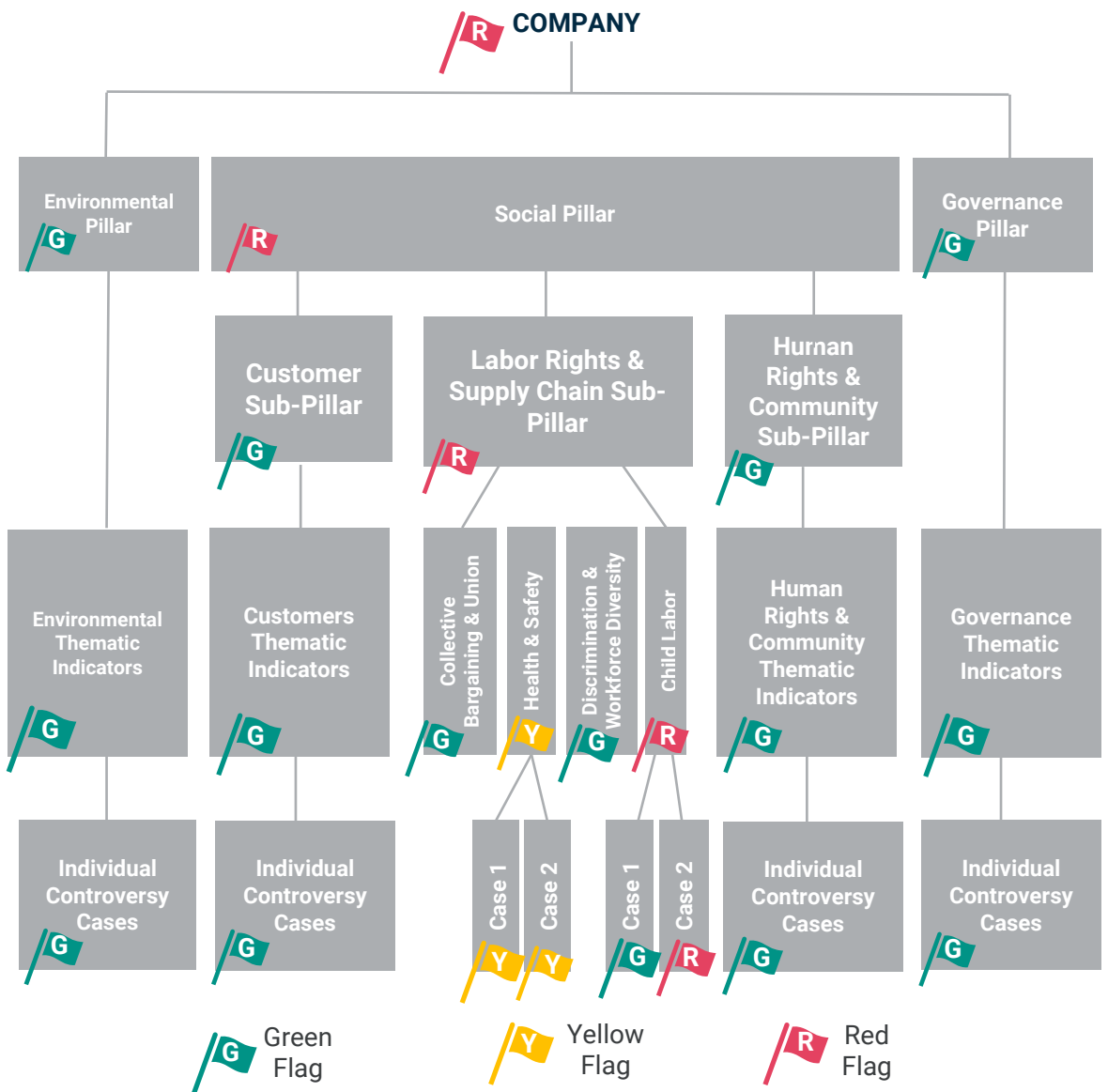
2.2 Determination of Themes, Sub-Pillar, Pillar and Company Scores and Flags

An Overall Company Score is generally determined based on the lowest (worst) scoring ESG controversy case in which the company is involved. Unless there is a pattern of controversial involvement in a specific Theme, this approach is applied through the entire ESG controversies hierarchy structure (see Exhibit 12 for a detailed example):

- Thematic scores are the score corresponding to the lowest scoring ESG controversy case within the same Theme. An additional score deduction may apply if a pattern of involvement in similar cases is established.
- Sub-pillars scores correspond to the Score of the lowest scoring Thematic Indicator within the Sub-Pillar.
- Pillars scores correspond to the Score of lowest-scoring Sub-Pillar within the Pillar, if any, or the lowest scoring Thematic Indicator within the Pillar;
- The company's Overall Score is ultimately determined by the lowest-scoring Pillar.

Exhibit 12: ESG Controversy Score propagation through the ESG controversies hierarchy

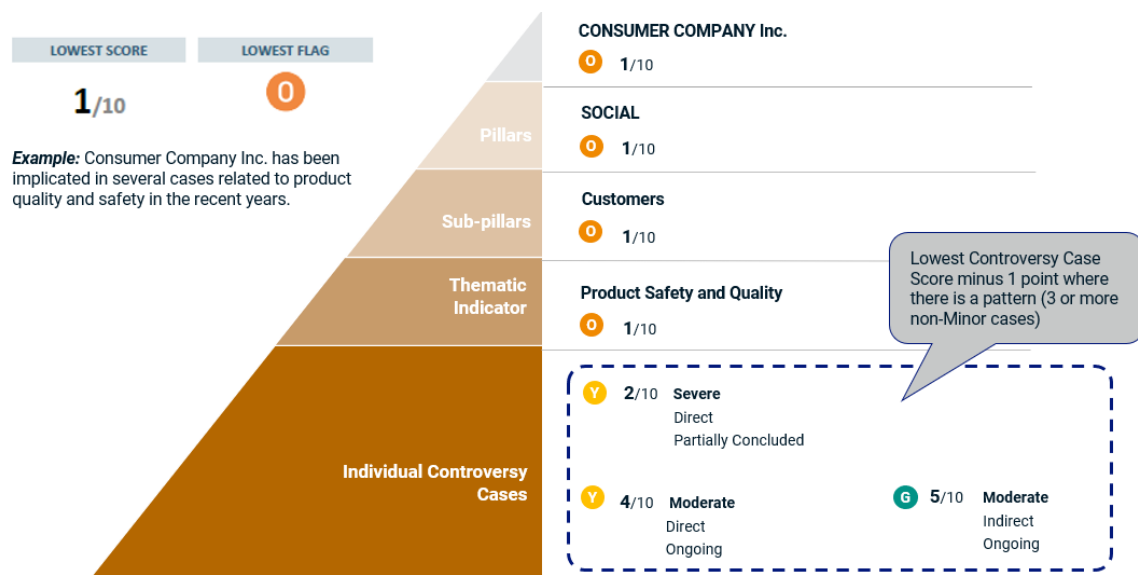
Example: A company is not involved in any ESG controversy case profiled in the environmental or governance Pillars but is directly involved in an Ongoing Very Severe (Red Flag) ESG controversy case alleging use of child labor in an ethnic community subjected to systemic abuse, and two instances of workplace safety violations, which resulted in injuries to several workers (Yellow Flags). The image below provides only a sample of the thematic indicators under the Labor Rights & Supply Chain Sub-Pillar.



2.2.1 Treatment of more than three ESG controversy cases within the same Theme

In situations where companies have three or more non-Minor ESG controversy cases within the same Theme, the Theme Score is reduced by one point. This rule applies only at the Thematic Indicator level to reflect the greater reputational risk associated with multiple ESG controversy cases of similar nature. There is no pattern-based score adjustment within the same Sub-Pillar or Pillar. ESG controversy 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 13: Example: ESG Controversy Score propagation for a company with three or more Product Safety & Quality ESG controversy cases



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

3 MSCI ESG Global Norms screens overview

MSCI ESG Global Norms screens leverage MSCI ESG Controversies Flags to identify companies involved in ESG controversies that may suggest misalignment with recommendations under internationally agreed global 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.

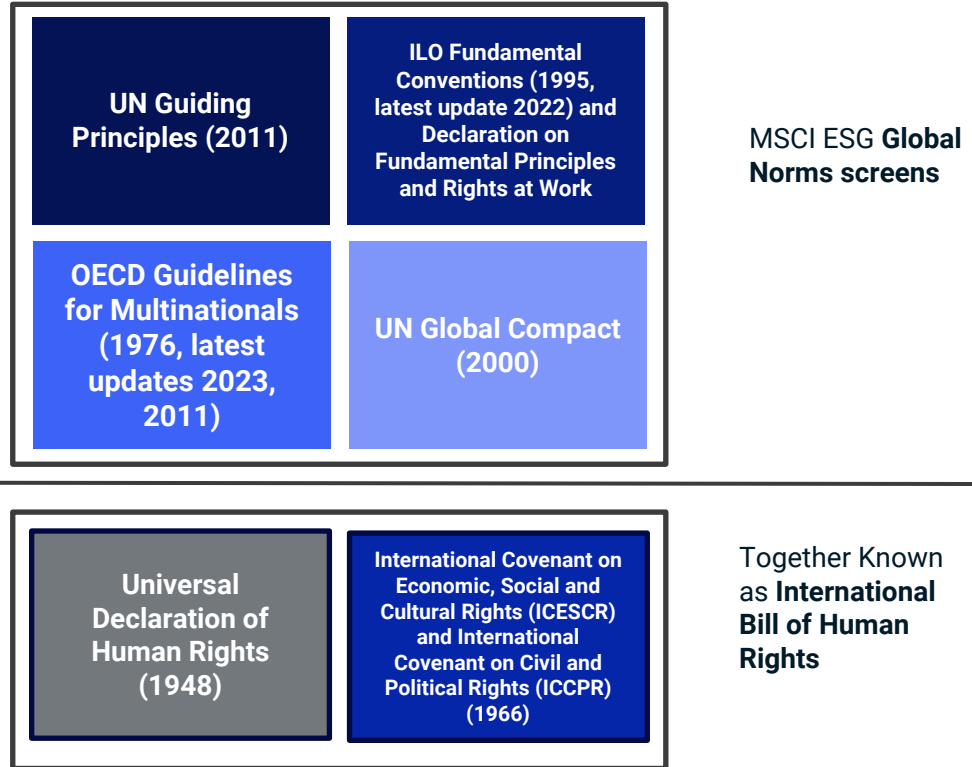
3.1 Scope of the MSCI ESG Global Norms screens

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

MSCI ESG Global Norms consists of 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.
- 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 stakeholders, 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
	Armed Conflict	✓	✓	✓	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	✓	✓	✓	✓	✓
	Health & Safety	✓	X	✓	✓	X
Environment	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
Fraud		✓	X	X	X	X
Controversial Investments		✓	✓	X	X	X
Money Laundering		✓	X	X	X	X
Import/Export Violations		✓	X	X	X	X
	Anticompetitive Practices	✓	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
Customer Issues	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
	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 Controversy cases that may misalign 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 Controversy cases:

- 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 ESG controversy cases 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 ESG controversy case related to a reported 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 direct involvement in a Very Severe ESG controversy case within the scope of one or more recommendations of the relevant global norm or convention.
 2. Continues to be involved in such ESG controversy case indirectly through its business partners.
 3. Allegedly is directly involved in an Ongoing Severe ESG controversy case within the scope of one or more recommendations of the relevant global norm or convention.
- **Pass:** The company has not been implicated in any ESG 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 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	<ul style="list-style-type: none"> Biodiversity & Land Use Toxic Emissions & Waste Energy & Climate Change Water Stress Operational Waste (Non-Hazardous) Supply Chain Management Other
Social: Customers	<ul style="list-style-type: none"> Anticompetitive Practices Customer Relations Privacy & Data Security Marketing & Advertising Product Safety & Quality Other
Social: Human Rights & Community Impact	<ul style="list-style-type: none"> Impact on Local Communities Human Rights Concerns Civil Liberties Other
Social: Labor Rights & Supply Chain	<ul style="list-style-type: none"> Labor Management Relations Health & Safety Collective Bargaining & Union Discrimination & Workforce Diversity Child Labor Supply Chain Labor Standards Other
Governance	<ul style="list-style-type: none"> Bribery & Fraud Governance Structures Controversial Investments Other

Environmental

Biodiversity & Land Use

Includes ESG controversy cases related to allegations of overuse or mismanagement of natural resources, especially in ecologically sensitive areas.

Topics covered under this indicator include, for example, allegations of 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.

ESG controversy cases regarding water usage are captured under the Water Stress Theme.

Toxic Emissions & Waste

Includes ESG controversy cases related to allegations of negative environmental impact linked to non-GHG emissions or releases to land, air and/or water.

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

Energy & Climate Change

Includes ESG controversy cases related to allegations of contribution to climate change and energy-related negative impacts.

Topics covered under this indicator include, for example, reported lawsuits over a company's alleged contribution to climate change, public criticism of a company's contribution to climate change, or public criticism of its status as an exceptionally large emitter of GHGs, as well as resistance to calls for improvement.

Water Stress

Includes ESG controversy cases related to allegations of overuse or mismanagement of water resources. Topics covered under this indicator include, for example, allegations of 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.

Operational Waste (Non-Hazardous)

Includes ESG controversy cases related to allegations of environmental harm linked to non-hazardous and non-toxic operational waste.

Topics under this indicator include, for example, excessive waste generation resulting from a company’s operations and improper waste disposal practices. ESG controversy cases related to toxic and hazardous waste emitted to air, land or water are captured under the Toxic Emissions & Waste Theme. ESG controversy cases related to post-consumer waste are captured under Biodiversity & Land Use.

Supply Chain Management

Includes ESG controversy cases related to allegations of sourcing of raw materials or other inputs that have negative environmental impact.

Topics covered under this indicator include, for example, allegations of 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 related allegations that fall outside of the more targeted indicators listed above.

Social

ESG controversy cases under the Social Pillar aim to capture allegations that suggest misalignment with internationally recognized human rights as laid out in the International Bill of Human Rights⁶. We classify social cases using a stakeholder model. When allegations are primarily in regard to either customers or workers, the ESG controversy case is classified under the Customers or Labor Rights & Supply Chain Sub-pillars, respectively. When allegations apply to local or broader communities, or are not primarily related to customers or workers, ESG controversy cases are classified under the Human Rights & Community Impact Sub-pillar.

⁶ MSCI ESG Research references the Human Rights Translated 2.0 A Business Reference Guide to identify allegations of internationally recognized human rights infringements relevant to companies’ operations, products, or services.

Social: Customers

Anticompetitive Practices

Includes ESG controversy cases related to allegations of anti-competitive business practices.

Topics covered under this indicator include, for example, allegations of price fixing, collusion, bid rigging and predatory pricing. Business-to-business claims are generally not covered unless a regulator joins the suit. Standard pre-merger regulatory inquiries are not considered controversial.

Marketing & Advertising

Includes ESG controversy cases related to allegations of unethical marketing and advertising practices. Topics covered under this indicator include, for example, allegations of false or deceptive marketing or advertising, marketing of products that have not been approved by regulatory authorities, marketing of harmful products, such as tobacco and alcohol, to children or other vulnerable populations and mislabeling of products.

ESG controversy cases about reported product safety issues are covered under the Product Safety & Quality Theme.

Product Safety & Quality

Includes ESG controversy cases related to allegations of product or service quality and safety concerns.

Topics covered under this indicator include, for example, allegations of food safety concerns, harmful content on social media platforms, and service disruptions that negatively impact customers.

Customer Relations

Includes ESG controversy cases related to allegations of business practices negatively impacting customers.

Topics covered under this indicator include, for example, allegations of fraudulent or improper billing, excessive or hidden fees, predatory financial products and restricted or discriminatory access to products or services.

Privacy & Data Security

Includes ESG controversy cases related to allegations of privacy and data security practices negatively impacting customers.

Topics covered under this indicator include, for example, allegations of misuse of customers’ personal data, personal data security breaches, and changes to a company’s policies or practices that may negatively affect customer privacy.

Privacy issues affecting employees are captured under the Labor Management Theme in the Labor & Supply Chain Sub-Pillar. Allegations related to government surveillance or content restrictions are captured under the Civil Liberties Theme in the Human Rights & Community Impact Sub-Pillar.

Other

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

Social: Human Rights & Community Impact

Impact on Communities

Includes ESG controversy cases related to allegations of negative impact on communities.

Topics covered under this indicator include, for example, allegations of land seizure, negative economic impacts resulting from the company’s operations or presence in the community, lack of economic opportunities or jobs for community members, and diminished access to clean water, clean air, or other natural resources. ESG controversy cases that are primarily about environmental impact are classified under the appropriate Environment Pillar Thematic Indicator (e.g., Biodiversity & Land Use, Toxic Emissions & Waste).

Civil Liberties

Includes ESG controversy cases related to allegations of impingement on the exercise of civil liberties.

Topics covered under this indicator include, for example, allegations of 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

Includes other ESG controversy cases related to allegations of infringement of internationally recognized human rights as outlined in the International Bill of Human Rights, that are not covered in the ‘impact communities’ or ‘civil liberties’ categories. Topics covered under this indicator include, for example, allegations of 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 related allegations that fall outside of the more targeted indicators listed above.

Social: Labor Rights & Supply Chain

Labor Management Relations

Includes ESG controversy cases related to allegations of mismanagement of labor relations.

Topics covered under this indicator include, for example, allegations of wrongful termination, reductions in benefits, mistreatment of employees or contractors, controversial workforce reductions, below living wages compensation, employee privacy issues and forced labor.

Health & Safety

Includes ESG controversy cases related to allegations of inadequate health and safety practices.

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

Allegations concerning health and safety issues in the supply chain are captured under the Supply Chain Labor Standards Theme.

Collective Bargaining & Unions

Includes ESG controversy cases related to allegations of anti-union practices.

Topics covered under this indicator include, for example, allegations of efforts to prevent nonunionized employees from unionizing; strikes, lockouts, and the use of replacement workers; acrimonious contract negotiations; and 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

Includes ESG controversy cases related to allegations of discriminatory practices impacting employees, temporary employees and contractors.

Topics covered under this indicator include, for example, 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

Includes ESG controversy cases related to allegations of child labor in a company's own operations or its supply chain.

Supply Chain Labor Standards

Includes ESG controversy cases related to allegations of negative impact caused on workers in a company's supply chain (except for child labor which is captured under the Child Labor Theme).

Topics covered under this indicator include, for example, allegations of unsafe working conditions, inadequate pay, excessive working hours or overtime, anti-union practices, the use of forced labor or prison labor by suppliers and discrimination.

Other

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

Governance

Bribery & Fraud

Include ESG controversy cases related to allegations of unethical or illegal business practices.

Topics covered under this indicator include, for example, allegations of bribery, tax evasion, insider trading, money laundering, tax evasion or avoidance, violations of government sanctions and accounting improprieties.

Governance Structures

Includes ESG controversy cases related to allegations of inadequate governance structures and business oversight.

Topics covered under this indicator include, for example, alleged failures to manage conflicts of interest and alleged failures of oversight by a relevant governance body.

Alleged negative governance impacts may also relate to misalignment of economic interests between shareholders and management or between minority and controlling shareholders.

Controversial Investments

Includes ESG controversy cases related to allegations of financing of companies or projects that may have negative environmental or social impact, whether through lending, underwriting, investing or insuring

Other

Any governance related allegations 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 that can be 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 controversy cases in the Environmental Pillar is determined based on the irreversibility of the alleged damage. 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.

In some ESG controversy cases, financial indicators like estimated cleanup costs, penalties, and settlements may play a role in assessing the Scale of Impact, especially when physical measurements of damage are not immediately available or quantifiable. Note: neither Exacerbating nor Extenuating Circumstances 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"> • $\geq 100 \text{ km}^2$. • Whole watershed system. • Impact on species globally. • $> 60,000$ barrels spilled. • Top 10 contributors (by sales or production) involved in high impact activity. • Events or activities causing harm across multiple sovereign states. <p>Extensive:</p>	<p>Very Serious</p> <ul style="list-style-type: none"> • Plant/wildlife death or extermination. • Habitat/ecosystem destruction. <p>Serious</p> <ul style="list-style-type: none"> • Debilitating but reversible impact on wildlife. • Major habitat/ecosystem damage (not easily remediated). <p>Medium</p> <ul style="list-style-type: none"> • Short-term/minor damage to plant or wildlife.

Scale	Nature of Harm
<ul style="list-style-type: none"> • 10-99 km² large bay or portion of river. • Regional/country species impact. • 5,000-59,999 barrels spilled. • One of many companies involved in the activity or business. • Regional/country air emission impact. <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. • Local air emissions impact. • Scale of Impact is not specified, but likely significant. <p>Low:</p> <ul style="list-style-type: none"> • <1 km². • <10 properties. • Scale of Impact is not specified, but likely insignificant. 	<ul style="list-style-type: none"> • Short-term/minor habitat/ecosystem damage. • General pollution with damages not specified. <p>Minimal</p> <ul style="list-style-type: none"> • Potential environmental damage. • Procedural failings with little or no actual damage.

Social Pillar

The Nature of Harm for ESG controversy cases in the Social Pillar is determined based on irreversibility of alleged damage to human life, health, livelihood and properties. With three underlying Sub-Pillars (Customers, Human Rights & Community, and Labor Rights & Supply Chain), the Nature of Harm of a social ESG controversy case may vary by the type of stakeholder involved. In general, the Scale of Impact for a Social Pillar ESG controversy case 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 Circumstances 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 case 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 harm across multiple sovereign states. • Privacy & Data Security or Anti-Competitive Practices affecting more than 1 million people. <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. • Privacy & Data Security or Anti-Competitive Practices affecting more than 50 000 people. <p>Limited:</p> <ul style="list-style-type: none"> • 10-24 people. • 10-99 properties. • Privacy & Data Security or Anti-Competitive Practices affecting more than 3000 people. • Scale of Impact is not specified, but likely significant. <p>Low:</p> <ul style="list-style-type: none"> • <10 people • < 10 properties 	<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. <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.

Scale	Nature of Harm
<ul style="list-style-type: none">• Privacy & Data Security or Anti-Competitive Practices affecting 3000 people or less.• Scale of Impact is not specified, but likely insignificant.	

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, the Nature of Harm and the Scale of Impact are assessed based on the legal, economic and financial implications linked to the allegations.

For Governance Structures issues, the Scale of Impact and Nature of Harm are assessed by factors such as the extent of board or executive turnover, the involvement of executives or directors in ESG controversy cases, the magnitude of penalties or settlements, and regulatory actions taken.

Scale	Nature of Harm
<p>Extremely Widespread:</p> <ul style="list-style-type: none"> • 3+ countries 1,000+ people involved. • Money Laundering, Embezzlement > USD 1 billion or related Penalty and Settlement > USD 100 million. • Bribery amount > USD 100 million. • Controversial Investment, Financing provided: > USD 1 billion. • Penalty and Settlement related to Taxes and Subsidies: > USD 500 million. • Penalty and Settlement related to Ethics and Fraud: > USD 50 million. <p>Extensive:</p> <ul style="list-style-type: none"> • 1 country. • 25+ people involved. • Money Laundering, Embezzlement < USD 1 billion or related Penalty and Settlement < USD 100 million. • Bribery amount < USD 100 million. • Controversial Investment, Financing provided: < USD 1 billion. • Penalty and Settlement related to Taxes and Subsidies: < USD 500 million. • Penalty and Settlement related to Ethics and Fraud: < USD 50 million. <p>Limited:</p> <ul style="list-style-type: none"> • Regional or local government. 	<p>Very Serious</p> <ul style="list-style-type: none"> • Activity substantially destabilized a national government or economy. <p>Serious</p> <ul style="list-style-type: none"> • Economic effects beyond the company's sector; company bankruptcy. • critical regulatory sanctions threatening company viability. • material financial impact on a govt body (incl public pension funds). <p>Medium</p> <ul style="list-style-type: none"> • Most corruption & government fraud activities: harm is real but diffused. • Noticeable impact on the company or its sector; financial stress or insolvency risk; regulatory infractions or breaches affecting operations. • Financing or insuring controversial companies or project with adverse impact on the environment or society. <p>Minimal</p> <ul style="list-style-type: none"> • Impact is projected or not scoped out. • Minor compliance deviations with limited impact. • Financing or insurance activities not aligned with policies and commitments.

Scale	Nature of Harm
<ul style="list-style-type: none"> • 10-24 people involved. • Money Laundering, Embezzlement or related Penalty and Settlement < USD 50,000. • Bribery amount or related Penalty and Settlement < USD 10,000. • Controversial Investment, Financing provided: < USD 10 million. • Penalty and Settlement related to Taxes and Subsidies: < USD 1 million. • Penalty and Settlement related to Ethics and Fraud: < USD 10,000. <p>Low:</p> <ul style="list-style-type: none"> • Scale of Impact is insignificant or not determined. • Allegations of illegal actions but no formal investigation. • Money Laundering, Bribery, Embezzlement or related Penalty and Settlement: < USD 1,000. • Controversial Investment, Financing provided: < USD 1 million. • Penalty and Settlement related to Taxes and Subsidies: < USD 100,000. • Penalty and Settlement related to Ethics and Fraud: < USD 1,000. 	

Appendix C – Vulnerable Demographics

Vulnerable demographics are limited to (1) indigenous populations,⁷ (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),⁸ and (3) nationals (i.e., civilians and refugees) located and/or originated from countries with ongoing international armed conflicts or military offensives⁹ (see Exhibit 16).¹⁰

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

⁷ 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.

⁸ 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.

⁹ 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.

¹⁰ The assessment of whether an ESG 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 16 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^{11, 12}

Country/Region ¹³	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

¹¹ Accessed April 2024.

¹² Table last updated in April 2024.

¹³ 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/Region ¹³	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
China – Xinjiang Autonomous Region	Uyghurs	N/A
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
Israel	Israelis	N/A
Iran	Civilians and refugees	N/A
Iraq	N/A	Civilians and refugees
Kashmir	N/A	Civilians and refugees

Country/Region¹³	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
Libya¹⁴	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
Transdniestria	N/A	Civilians and refugees
Ukraine	Civilians and refugees	Civilians and refugees
Venezuela	Civilians and refugees and indigenous populations	N/A
West Bank, Gaza Strip, East Jerusalem	Palestinians	Civilians and refugees
Western Sahara	N/A	Civilians and refugees

¹⁴ 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.

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

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.”¹⁵

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

¹⁵ United Nations. 2008. *United Nations Declaration on the Rights of Indigenous Peoples*. United Nations.

circumstances that have seriously disturbed public order and, as a result, require international protection.”

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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