MSCI ESG Ratings

Providing institutional investors with a more robust ESG integration tool to help them mitigate risk and enhance long term value creation.
Integrating MSCI ESG Ratings into investment decision making can help identify risks or opportunities that may not be captured by conventional financial analysis.

Eric Moen
Managing Director, MSCI ESG Research

MSCI ESG Ratings


MSCI ESG Ratings helps investors identify environmental, social and governance (ESG) risks and opportunities within their portfolio. Leveraging Artificial Intelligence (AI), machine learning and natural language processing augmented with our 200+ strong team of analysts, we research and rate companies on a ‘AAA’ to ‘CCC’ scale according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to peers.

Overview
We have over 40 years of experience through our legacy companies collecting, cleaning, standardizing and modelling ESG data from thousands of sources to create a precision tool for a clear signal of ESG performance.

MSCI ACWI ESG Leaders Index, powered by MSCI ESG Ratings, has out-performed the MSCI ACWI Index in 8 of the last 10 years.


1 Source: MSCI ESG Research as of October 2019. Includes full time employees, employees of foreign affiliates providing investment advisory services to MSCI ESG Research LLC, and global allocated staff performing non-investment advisory tasks.
Key features and benefits

- **Market leading corporate governance insights**
  - For each company, 96 unique corporate governance metrics that look at board, pay, ownership and control, and accounting practices.

- **Robust data on boards and directors**
  - Data on board size, tenure and director election standards; director age and gender diversity; plus financial, industry and risk management expertise on key board committees.

- **Tech-enabled human insights**
  - We leverage Artificial Intelligence (AI) to expertise on key board committees.

- **Data on board size, tenure and director election standards; director age and gender diversity; plus financial, industry and risk management expertise on key board committees.**

- **Industry and risk management**
  - For each company, 96 unique governance insights.

- **Gold standard data provider**
  - MSCI ESG Research has been recognized as a ‘Gold Standard data provider’ by the Deep Data Delivery Standard.

- **Extensive coverage**
  - 7,500 companies (13,500 total issuers, including subsidiaries) and more than 650,000 equity and fixed income securities globally.

- **Daily updates**
  - Continuous evaluation of ESG risks, including daily monitoring of 2,100 media publications and regular updates of public documents and third-party data sets.

Methodology

**ESG Rating of 7,500 companies (13,500 total issuers, including subsidiaries) and more than 650,000 equity and fixed income securities globally**

**Our approach**

- **Data**
  - No questionnaires
  - We collect and standardize public data:
    - Alternative data
    - Company reports
    - Company, Industry & Thematic Reports

- **Metrics**
  - Key ESG Issue scores and weights combine to create an overall ESG rating (AAA – CCC) relative to industry peers
  - MSCI’s ESG issuer communications team engages with companies for data verification
  - Company disclosure documents
  - 2,100 media sources

- **Evaluation**
  - Industry-specific Key Issues are scored (0-10) using a rules-based methodology
  - Daily monitoring and weekly update of controversies and events
  - Company, Industry & Thematic Reports

- **Rating**
  - Available on: Barra©, RiskMetrics© RiskManager, FactSet, MSCI Beon, Barclays POINT, StyleResearch, Aladdin, MSCI ESG Manager or integrated into client platforms

**Outputs**

- **Company, Industry & Thematic Reports**
- **Portfolio Analytics**
- **Data Feeds**
- **Indexes**
  - Additional insight into significant ESG risks and opportunities through:
    - Company reports
    - Industry reports
    - Thematic reports
    - Analyst calls and webinars

**More insight. More context. More informed decisions.**
The making of an MSCI ESG Rating

MSCI ESG Ratings is designed to provide more data with more context to support more informed decisions for the modern institutional investor.

<table>
<thead>
<tr>
<th>Data</th>
<th>Management scores</th>
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<tbody>
<tr>
<td>&gt;1,000 data points</td>
<td>15 years of shareholder meeting results</td>
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<tr>
<td>65,000 director profiles</td>
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<tr>
<th>Exposure scores</th>
<th>Management scores</th>
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<tr>
<td>80 business segment and geographic exposure metrics</td>
<td>160 policies, programs and performance metrics</td>
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<tr>
<td>30 business segment and geographic exposure metrics</td>
<td>160 policies, programs and performance metrics</td>
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<tr>
<td>15 business segment and geographic exposure metrics</td>
<td>160 policies, programs and performance metrics</td>
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<td>5 business segment and geographic exposure metrics</td>
<td>160 policies, programs and performance metrics</td>
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<th>Key issue scores &amp; weights</th>
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<td>37 corporate governance risks as well as industry-specific key issues weighted based on impact and the time horizon of risk or opportunity</td>
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<th>MSCI ESG RATINGS</th>
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<tbody>
<tr>
<td>CCC</td>
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<td>LAGGARD</td>
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MSCI ESG RATINGS combine key issues and weights and normalize relative to industry peers to derive the ESG Rating.

Powering better investment decisions.

How our clients use MSCI ESG Ratings

- Fundamental / Quant Analyses
- Portfolio construction / Risk management
- Engagement & thought leadership
- Benchmarking / Index-based product development
MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

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

About MSCI ESG Research

Products and Services

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

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