

MSCI ESG Focus Indexes

Getting Focused on ESG investing



GETTING FOCUSED ON ESG INVESTING

As institutional investors evaluate the risk and opportunities associated with environmental, social, and governance (ESG) characteristics, the challenge some investors face is how to integrate ESG into their investment process and maintain equity market-like exposure at the same time. The MSCI ESG Focus Indexes are designed to help investors address this investment problem and focus on maximizing their exposure to ESG leaders while targeting risk and return characteristics similar to those of the underlying parent market cap weighted index.

MSCI ESG FOCUS INDEXES

The MSCI ESG Focus Indexes are designed to target companies with positive environmental, social and governance (ESG) factors while maintaining the risk and return profile of the underlying parent index. Each index is constructed through an optimization process that aims to maximize its exposure to ESG, subject to a target tracking error and other constraints. Companies with involvement in tobacco and controversial weapons are not eligible for inclusion. The Bloomberg Barclays MSCI ESG Fixed Income Indexes also include ESG Focus Indexes.

- MSCI EAFE ESG Focus Index
- MSCI EM (Emerging Markets) ESG Focus Index
- MSCI USA ESG Focus Index
- MSCI World ESG Focus Index
- MSCI Taiwan ESG Focus Index
- MSCI ACWI ESG Focus Index
- Bloomberg Barclays MSCI US Corporate ESG Focus Index
- Bloomberg Barclays MSCI US Corporate 1-5 Year ESG Focus Index

MSCI EXTENDED ESG FOCUS INDEXES

The MSCI Extended ESG Focus Indexes are a variation of the MSCI ESG Focus Indexes. In addition to tobacco and controversial weapons companies, those with ties to civilian firearms production and retailing are not eligible for inclusion.

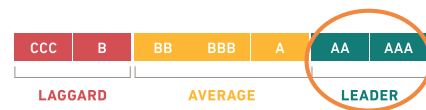
- MSCI USA Small Cap Extended ESG Focus Index
- MSCI USA Extended ESG Focus Index
- MSCI EAFE Extended ESG Focus Index
- MSCI Emerging Markets Extended ESG Focus Index

KEY ESG FEATURES OF THE MSCI USA ESG FOCUS INDEX

Designed to target companies with positive ESG profiles while maintaining the risk and return characteristics of the underlying parent index



15% GREATER EXPOSURE TO ESG LEADERS*



MSCI ESG RATINGS

Targets no exposure to controversial weapons, firearms, or tobacco



AIMS TO EXCLUDE COMPANIES INVOLVED IN TOBACCO, FIREARMS, CLUSTER BOMBS, OR LANDMINES**



* As of October 3, 2018, in comparison to the MSCI USA Index.

** As of October 3, 2018. Note firearms are excluded from the MSCI Extended ESG Focus Index variation of the MSCI ESG Focus Indexes.

This brochure may contain analysis of historical data, which may include hypothetical, backtested or simulated performance results. There are frequently material differences between backtested or simulated performance results and actual results subsequently achieved by any investment strategy. Past performance — whether actual, backtested or simulated — is no indication or guarantee of future performance. None of the information or analysis herein is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision or asset allocation and should not be relied on as such. Results may be different for the other indexes in the MSCI ESG Focus Index family.

ABOUT MSCI ESG RATINGS

MSCI ESG Ratings helps investors identify ESG risks and opportunities within their portfolio. We research and rate companies on a 'CCC' (industry laggard) to 'AAA' (industry leader) scale according to their exposure to business-relevant ESG risks and their ability to manage those risks relative to industry peers.

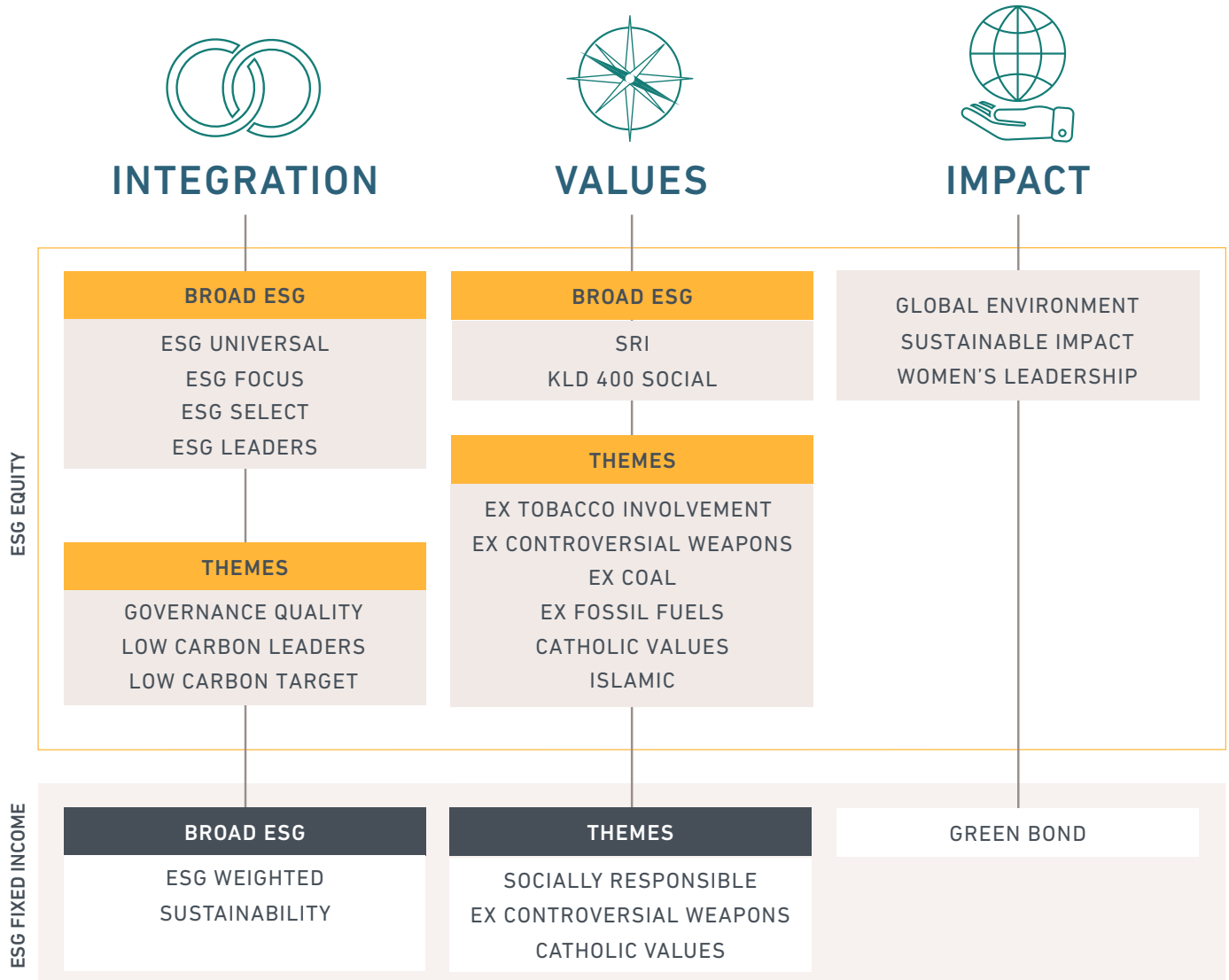
MSCI ESG Ratings cover 7,000 companies (13,000 issuers including subsidiaries) and more than 650,000 equity and fixed income securities globally.



ABOUT MSCI ESG INDEXES

The MSCI ESG Indexes are designed to support common approaches to ESG investing, and help institutional investors more effectively benchmark to ESG investment performance as well as manage, measure and report on ESG mandates.

MSCI ESG Indexes also provide institutional investors with transparency into ESG sustainability and values alignment, together with the ability to compare holdings.



BROAD ESG – Methodology is based on ESG Ratings reflecting a combination of environmental, social and governance issues

THEMES – Methodology is based on data for specific ESG issue(s)

MSCI ESG indexes (under the integration category as shown in the above diagram) aim to incorporate broad ESG issues by leveraging companies' MSCI ESG Ratings as part of the index methodology. Specifically, the indexes are designed to:

- target positive ESG exposure through optimization (MSCI ESG Focus)
- tilt the weight of index constituents based on their ESG profile and ESG trend (MSCI ESG Universal)
- select companies with the highest ESG Ratings in each sector (MSCI ESG Sustainability)

The ESG integration indexes aim to maintain the key characteristics of the parent free float market capitalization indexes, either through an explicit tracking error constraint (MSCI ESG Focus) or by targeting sector weights that reflect the underlying parent indexes, designed to limit the systematic risk introduced by the ESG selection process.

Other indexes focus on single themes or issues, such as the MSCI Low Carbon Target indexes, which are designed to achieve a target level of tracking error while minimizing carbon exposure. Indexes in the integration category are designed to help investors efficiently integrate ESG considerations into their core asset allocation without deviating from broad market characteristics.

The **value** category aims to help investors to align their personal or ethical values, or faith, with their investment processes. These include the MSCI SRI Index, MSCI KLD 400 Index and the MSCI ex Controversial Weapons Index.

The **impact** category groups indexes, such as the MSCI Sustainable Impact Index, that include companies whose core business addresses at least one of the world's social and environmental challenges, as defined by the United Nations Sustainable Development Goals.

MSCI ESG INDEXES – A LEADER IN ESG INDEXING

#1 for SRI² Research, Corporate Governance and ESG Indexes

Voted by

1,200

participants of the SRI Connect and Extel Survey - 2015, 2016 & 2017

over

\$108bn

in institutional, retail and ETF assets benchmarked to MSCI ESG Indexes¹



¹ As of Mar 2018, based on Bloomberg, Morningstar and MSCI data. Active AUM includes data as of Dec, 2017 reported in Mar, 2018 by eVestment. Data excludes mandate or policy benchmark related assets.

² 'SRI' - Socially Responsible Investment.

MSCI



[msci.com/msci-esg-focus-indexes](https://www.msci.com/msci-esg-focus-indexes)
esgclientservice@msci.com

ABOUT MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset-class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real-estate benchmarks and ESG research.

MSCI serves 99 of the 100 largest money managers, according to the most recent Pensions & Investments ranking.

For more information, visit us at www.msci.com.

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