

MSCI ESG RATINGS

FROM MSCI ESG RESEARCH LLC

MORE DATA. MORE CONTEXT. MORE INFORMED DECISIONS.

MSCI ESG Ratings helps investors identify environmental, social and governance (ESG) risks and opportunities within their portfolio. 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.

KEY FEATURES AND BENEFITS:

Risk Exposure, Not Disclosure

Risk management efforts assessed in the context of a granular breakdown of widely reported business and geographic exposure to ESG risks. Emphasis on performance, not disclosure.

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.

Precision Approach to Identify Industry Outliers

156 industry model variants to focus on the key issues that pose the most significant risk to a company relative to its industry peers.

Market Leading Corporate Governance Insights

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

Extensive Coverage

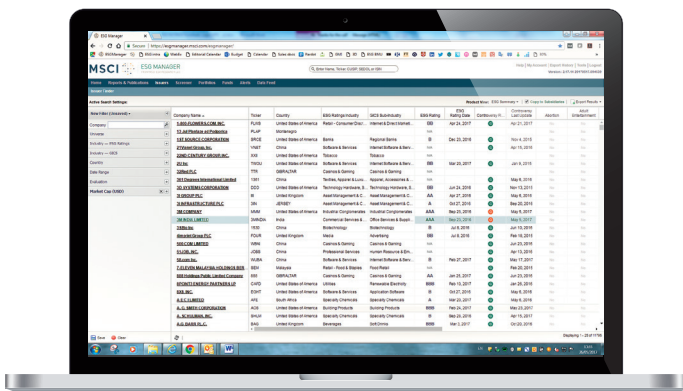
6,400 companies (11,800 total issuers, including subsidiaries) and more than 400,000 equity and fixed income securities globally.

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.

Global In-House Team

Global, multilingual team of analysts and client service professionals providing around the clock expertise and support to help clients find the most effective ways to integrate ESG into their investment processes.



MSCI ESG Ratings as seen on the MSCI ESG Manager Platform

Volkswagen AG (VWAG)
ESG RATING **CCC**

AUTOMOBILES | US | LAST UPDATED: April 08, 2017

Dieselgate continues to pose substantial business risks

GOVERNANCE SNAPSHOT

- Board Independence %: 51.7%
- Significant Votes Against Management: NO
- Retired Board: NO
- Pay-Related Risk: NO
- Executive Pay Non-Reciprocal: NO
- Multiple Share Classes with Different Voting Rights: YES

INDUSTRY RATING DISTRIBUTION

ESG RATING HISTORY

ESG SCORE CARD

Category	Score	Scale	Weight
Environment	54.26	1-100	33%
Social	10.00	1-100	33%
Governance	10.00	1-100	33%
Overall	24.42	1-100	100%

RATING COMMENT

Volkswagen's rating is unchanged at CCC.

VW's management of diesel vehicle emissions continues to significantly impact the company's business and future strategy. The Dieselgate scandal has created serious concerns over the company's business ethics and governance practices. In June 2015, Volkswagen agreed to pay USD 15 billion to settle consumer lawsuits and government obligations in the US. Investors, analysts and other stakeholders are assessing the impact of the settlement on the company's long-term viability. VW's actions to resolve the scandal are being closely monitored. The case has eroded the company's strategic advantage for the market leader in terms of cost and sustainability in the auto industry.

In light of the scandal, Volkswagen announced to strengthen its clean tech strategy and to develop 20 new battery electric car models by 2025. VW is to achieve average ESG exposure to score of 34.6 in the period.

FTSE4Good, Volkswagen is not prepared to meet the criteria. However, at the end of the year, further potential credit-related by the emissions regulations could impact its outlook. In addition, with a highly uncertain worldwide and general market context, the company faces high labor risks in new European plants in manufacturing activities including Brazil. In September 2016, management announced that also engineers and executives at the company's subsidiaries had been allegedly been regularly treated to the emissions manipulation case.

KEY RISKS

- Business Ethics & Fraud:** CCC Jul 06, 2016
Volkswagen's emissions manipulation test case raises questions over the company's business ethics and corporate governance practices. Its measures to settle the scandal, including the settlement with the US, have not been sufficient to restore investor confidence. The company faces significant legal and financial risks given several lawsuits over violation of consumer rights, fraud, environmental, and labor practices.
- Product Safety & Quality:** CCC Jul 06, 2016
Volkswagen's emissions manipulation test case raises questions over the company's product safety and quality. Its measures to settle the scandal, including the settlement with the US, have not been sufficient to restore investor confidence. The company faces significant legal and financial risks given several lawsuits over violation of consumer rights, fraud, environmental, and labor practices.

ISSUER COMMUNICATION

Company response last 12 months? **YES** May 17, 2017
Last Communication Date: May 17, 2017

Tear sheets designed to highlight the key material risks and opportunities driving the ESG Rating

OUR APPROACH

DATA

- No questionnaires
- We collect and standardize public data:
 - Government and NGO datasets
 - Company disclosure documents
 - 2,100 media sources

METRICS

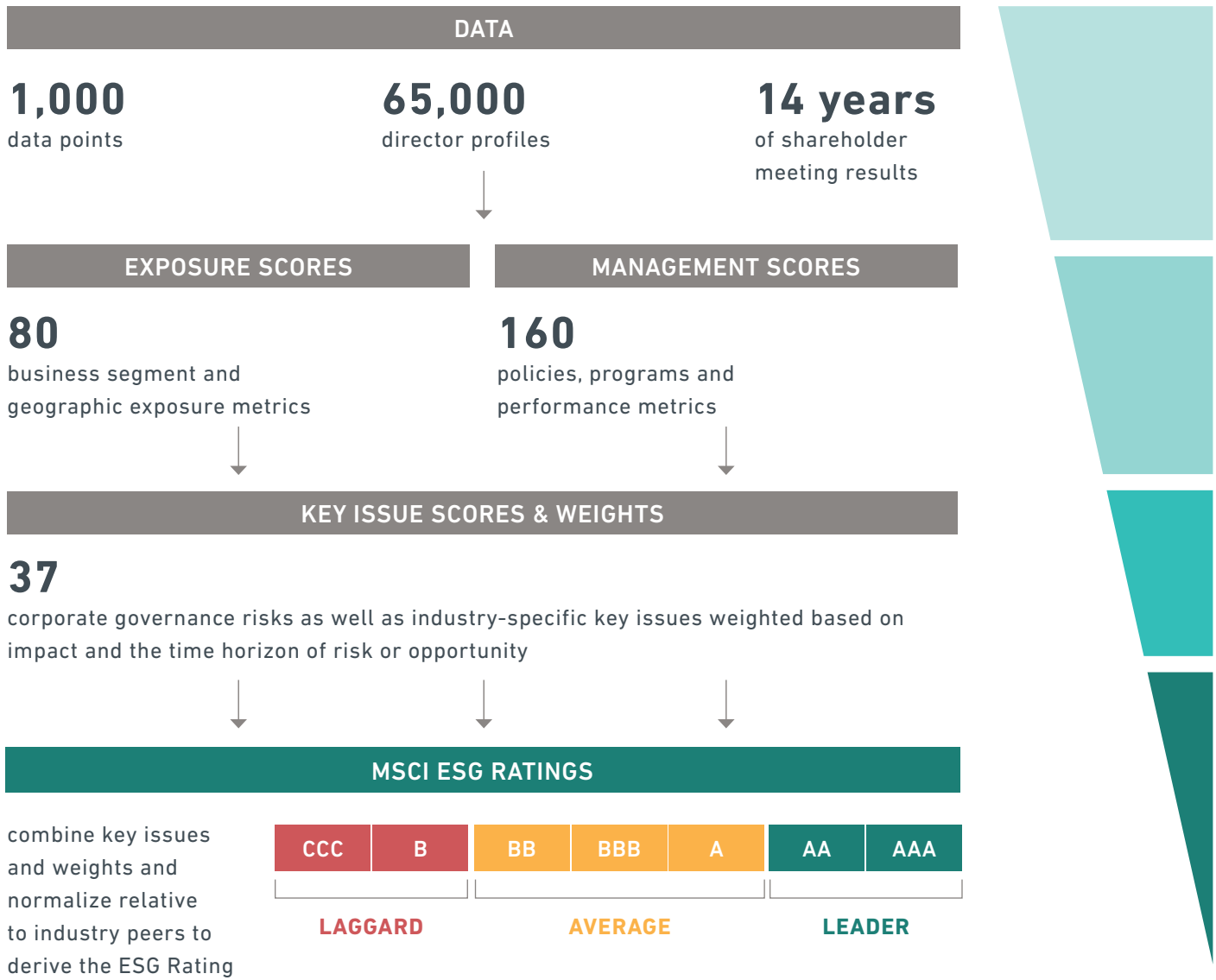
- Standardized methodology to assess company Risk Exposure and Risk Management relative to industry peers
- MSCI's ESG corporate communications team engages with companies for verification and data quality control

EVALUATION

- Industry-specific Key Issues are scored (0-10) using a rules-based methodology
- Daily monitoring and weekly update of controversies and events

RATING

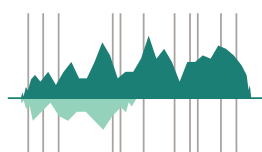
- Key ESG Issue scores and weights combine to create an overall ESG rating (AAA – CCC) relative to industry peers
- Ratings are subject to industry and market-led checks and formal committee review



HOW OUR CLIENTS USE MSCI ESG RATINGS



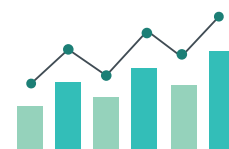
Fundamental /
Quant Analyses



Portfolio Construction /
Risk Management



Engagement &
Thought Leadership



Benchmarking /
Index-based Product
Development

For more information, visit [msci.com/esg-ratings](https://www.msci.com/esg-ratings) or contact esgclientservice@msci.com

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