

# 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

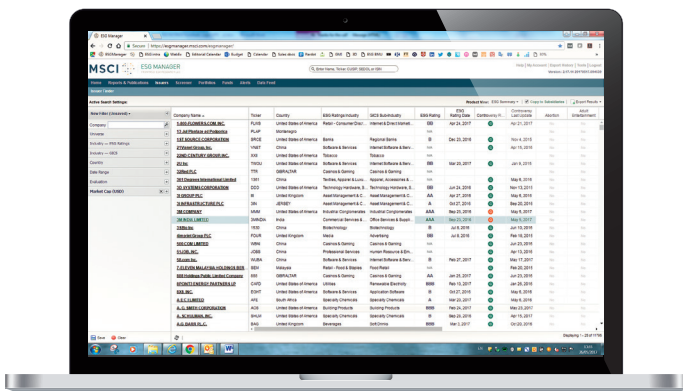
6,400 companies (11,800 total issuers, including subsidiaries) and more than 400,000 equity and fixed income securities globally.

### 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	24.75	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 expressing concern over the company's strategy to resolve the market leader in terms of sales 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. Due to its above average ESG exposure to diesel fuel, the overall potential credit rating is impacted by the emissions scandal. In addition, with a highly uncertain workforce and general health issues, the company faces high labor risks in new Dieselgate results in manufacturing activities including lawsuits. In September 2016, management announced that also engineers and executives at the company's individual level have already been significantly involved in 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 response is shown to be largely ineffective and unconvincing to date. Although the quality management in the work environment, and labor practices.
- Product Safety & Quality:** CCC Jul 06, 2016  
Volkswagen's emissions manipulation test case raises questions over the company's ability to quality and safety issues and the Dieselgate scandal. Its response is shown to be largely ineffective and unconvincing to date. Although the quality management in the work environment, 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

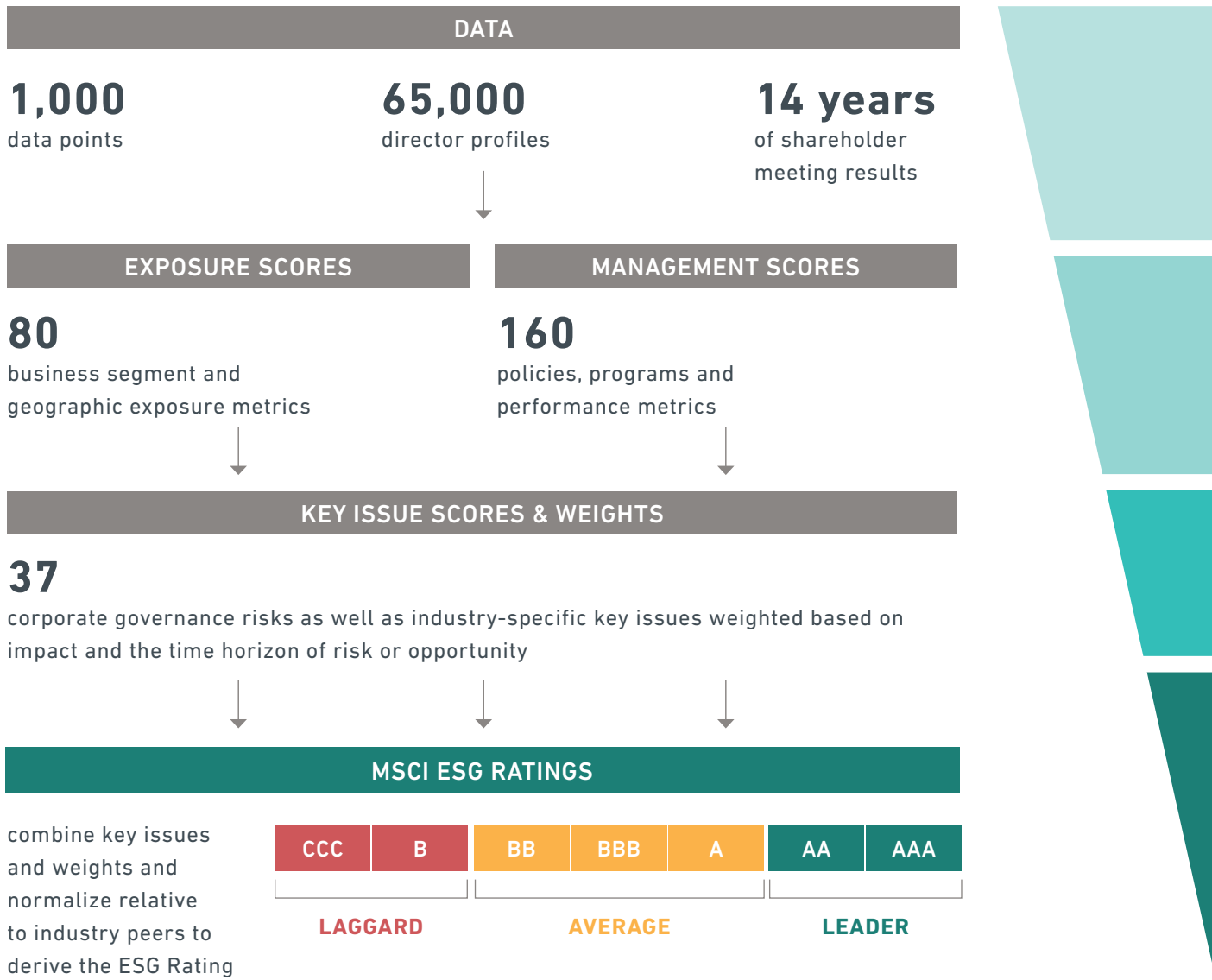
- Standardized methodology to assess company Risk Exposure and Risk Management relative to industry peers
- MSCI's ESG corporate communications team engages with companies for verification and data quality control

## EVALUATION

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

## RATING

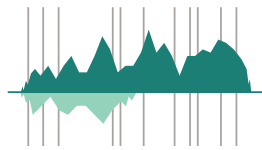
- Key ESG Issue scores and weights combine to create an overall ESG rating (AAA – CCC) relative to industry peers
- Ratings are subject to industry and market-led checks and formal committee review



## HOW OUR CLIENTS USE MSCI ESG RATINGS



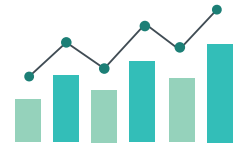
Fundamental /  
Quant Analyses



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](mailto:esgclientservice@msci.com)

### ABOUT MSCI ESG RESEARCH PRODUCTS AND SERVICES

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