

MSCI ESG THOUGHT LEADER COUNCIL 2014: YEAR IN REVIEW

FROM MSCI ESG RESEARCH INC.

PHARMACEUTICALS | METALS & MINING | CLEAN TECHNOLOGIES | PRIVACY AND DATA SECURITY

INTRODUCTION TO THE MSCI ESG THOUGHT LEADER COUNCIL

The goal of the MSCI ESG Research Thought Leader Council is to maintain our leading edge in research methodology by regularly seeking feedback and opinions from external experts in key industries and relevant ESG issue areas. The MSCI ESG Research Thought Leader Council consists of a series of about four panels annually, with three to seven members on each panel. We aim to assemble international experts with recognized leadership and expertise on the topic area related to the panel.

In 2014, panels were held on Pharmaceuticals, Clean Technologies, Mining, and Privacy and Data Security. Panel members were asked to review MSCI ESG Research's proprietary IVA Rating methodology, as well as specific industry and company reports before participating in the official panel discussion with MSCI ESG Research analysts.

Thank you to all of our panelists who made the Thought Leader Council a success during its first year.

2014 KEY TAKEAWAYS

PHARMACEUTICALS

1. The Thought Leader Council thought our approach captured the most relevant key issues for this industry, yet noted that monitoring companies' supply chains is of the utmost importance to mitigate environmental and social risks facing the drug industry.
2. Capturing companies' capacity for innovation is key, although challenges in developing accurate indicators remain high.

CLEAN TECHNOLOGIES

1. The Council thought that MSCI ESG Research's taxonomy captures the most relevant clean technologies, but to avoid overlap it was suggested that the taxonomy of the classification system be organized along environmental themes.
2. The Thought Leader Council recommended that we also include smart IT systems, transportation services, and technologies related to agricultural efficiency in our definition of clean technology.

METALS & MINING

1. The panel felt that better granularity in our evaluation and understanding of the implementation of sustainable policies at the operational level, as opposed to just the presence of sustainable policies at the corporate-level, would best serve our clients.
2. Mining will not get easier, as mines age, ore grades decline, and growth is expected in areas of environmental, social, corruption, and political risks. Panelists identified community ownership/beneficiation, local sourcing, and ongoing support for local economic development as the most important factors in building stable community relations.

PRIVACY AND DATA SECURITY

1. The panel recommended that we use more financial data to better highlight the materiality of issues related to privacy and data security.
2. Participants identified several industries, which they felt were more exposed to the risk of data theft and financial security breaches. These include industries in the Financial Services, Telecommunication, and Health Care Sectors.

COUNCIL MEMBERS



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