

MSCI: ENABLING SUSTAINABLE INVESTING

Task Force on Climate-related
Financial Disclosures (TCFD) Report

December 2020



Henry A. Fernandez
Chairman and
Chief Executive Officer

As the global economic and investment impact of climate change grows, the need to act now has never been more critical. The climate emergency is one of the defining threats of our time and reminds us how fragile our world is.

We believe the financial industry can play an important role in bringing attention to the climate crisis and, through the allocation of capital, set the global economy on track for a more sustainable future. We are committed to educating the market on environmental, social and governance (ESG) trends via our research, podcasts and participation in industry events. Earlier this year, we published "The MSCI Principles of Sustainable Investing," a framework designed to illustrate specific, actionable steps for investors to integrate ESG considerations across the investment value chain. We also offer a suite of tools and data to help measure and manage climate risk. Our goal is to help investors build better portfolios for a more sustainable future.

Building a sustainable future entails a dual role for MSCI. On the one hand, we provide our clients with cutting-edge tools and products to help them assess the impact of climate change on their investment portfolios; on the other, we hold ourselves to the same high standards that we use to assess the risk profiles of the companies in those investment portfolios. For both clients and MSCI, there are both risks and opportunities.

The risks for investors are all too evident. Recent extreme climate events such as the devastating hurricanes and wildfires around the world make this clear, creating potential costs for asset owners and managers. For our clients, the MSCI Climate Risk Center, within MSCI ESG Research, provides groundbreaking climate-scenario analyses and forward-looking assessments of transition and physical risks. I am excited to share its analysis and methodologies, which present the risks and opportunities facing MSCI in this report.

This is the time for companies and investors to rise to the challenge. At MSCI, we are committed to building a sustainable future for all.



Baer Pettit
President and
Chief Operating Officer

Just as it is critical that investors focus on climate control in their portfolios, so it is equally critical that we as managers of a public company take meaningful steps toward integrating environmental principles into our strategy. To that end, I am pleased to announce that, using science-based targets' methodologies, we are committing to reduce our Scope 1 and Scope 2 emissions by 50% and our Scope 3 emissions by 20% by 2035.

We have already taken action to implement initiatives to reduce our impact on the environment. We remain committed to developing, adopting and monitoring climate and carbon-related environmental impact strategies to further reduce our environmental footprint, and we have created internal policies that prioritize environmental impacts. Specifically, we have secured leases in green-certified buildings. We are also harnessing renewable energy in our data centers and across our firm's operations and are engaging systematically in recycling. Furthermore, we have established an extensive governance structure for monitoring and addressing climate risks, as described in this report.

Our strategy, and the outcomes we seek through environmentally responsible behaviors, are strongly aligned and are inspired by our investors, clients and employees, and a vested interest in the communities in which we operate. Our support for climate-related disclosures boosts employee morale and enhances our ability to attract talented people.

This report aligns with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). It aims to provide greater transparency regarding our approach to sustainability, facilitating sustainable investing and helping to reduce our own long-term financial risks related to climate change. We hope that you find it useful and informative.



Diana Tidd
Head of Index and
Chief Responsibility Officer

We strongly support the TCFD's objectives to enhance transparency around climate-related risks and opportunities. We believe this transparency will help companies and investors take critical actions needed to protect our planet.

Institutional investors are already taking action. For example, they are seeking more transparent and consistent ESG data so as to better incorporate ESG considerations in their investment decisions and to facilitate better engagement with portfolio companies.

To aid the transition to a low-carbon world, we offer a broad array of tools and solutions to help investors measure and manage climate risks and opportunities. For example, we have introduced a suite of equity and fixed-income MSCI Climate Indexes. In addition, we provide ESG data and analytics to help investors align with reporting initiatives including the TCFD and the EU Sustainable Finance Disclosure Regulation. To help educate the marketplace, we offer free company and fund ESG ratings, and index metrics search tools.

At MSCI, we strive to bring greater transparency to the investment process, enabling the global investment community to make better decisions for a better world. We help bring clarity to dynamic and increasingly complex financial markets. We believe, and our research shows, that sound ESG practices have been linked to better business and investment results.

We at MSCI believe it is important to both "talk the talk" and "walk the walk." We do this by aligning our climate solutions with our own firm's actions. Providing MSCI's TCFD Report is just one part of this process as we seek to provide transparency on our own climate-related actions and our efforts to create a more sustainable world.



Background

The TCFD was the brainchild of the Financial Stability Board, which was created in April 2009 to monitor the world's financial system. Chaired by Michael Bloomberg, the TCFD's principal purpose is to help companies better understand what financial markets need in terms of carbon-related exposure information.

In 2017, the TCFD published climate-related financial disclosure recommendations designed to help companies provide better information in support of their capital allocation priorities. Its recommendations are voluntary and have been created "by the market, for the market." It currently has over 1,500 supporters in 70 countries.¹

According to the Task Force's 2020 Status Report, around 60% of the world's 100 largest public companies now support the TCFD — but the TCFD is still urging companies to do more. Interestingly, energy companies, and materials and building companies, are leading the way in terms of disclosure. However, the Task Force found that only one in 15 companies discloses information on the resilience of their strategies. The TCFD also encouraged asset managers and asset owners to do more in terms of reporting to their clients and beneficiaries.

On a more positive note, the TCFD reports that corporations and investors find information on the impact of climate change on their business and strategies very useful for decision-making. And insights from experts help companies to prioritize their efforts and build a road map for the future.

In this report, we examine how MSCI takes climate change into account in managing our own business. We have a multipronged approach that ensures that we monitor, evaluate and take action on areas of our business vulnerable to climate change as well as examine ways we can reduce our own climate footprint.

“We strongly support the TCFD’s objectives to enhance transparency around climate-related risks and opportunities. We believe this transparency will help companies and investors take critical actions needed to protect our planet.”

— **Diana Tidd**, Head of Index and Chief Responsibility Officer



¹ This total includes "over 1,340 companies with a market capitalization of \$12.6 trillion and financial institutions responsible for assets of \$150 trillion." "Task Force on Climate-related Financial Disclosures: 2020 Status Report." TCFD, October 2020.

We have structured our TCFD report around four areas recommended by TCFD: governance, strategy, risk management and metrics and targets.



Our Governance

We are committed to having good management and governance structures in place that underscore the importance of ESG and climate-related issues to our company. Our management team has day-to-day responsibility for identifying, assessing and managing ESG and climate-related risks and opportunities, while the MSCI Board of Directors ultimately oversees management's execution of these responsibilities.

As the Chairman of MSCI's Board, MSCI's Chief Executive Officer ensures, through continuous and frequent communication, alignment between management and the Board on key ESG and climate-related initiatives.

Our Board's four standing committees oversee the management of specific risks and the execution of strategic opportunities, including climate-related risks and opportunities that fall within the committee's area of responsibility. The committee chairs provide regular updates to the full Board on the activities of their committees. The Board's committees are the Compensation and Talent Management Committee, the Audit Committee, the Nominating and Corporate Governance Committee and the Strategy and Finance Committee. Please see the chart on the following page as well as Appendix 1 for more information.

At the management level, there are two committees responsible for monitoring climate-related risks — the Enterprise Risk

Oversight Committee (EROC) and, under the leadership of the Chief Responsibility Officer, the Corporate Responsibility Committee (CRC). For example, the EROC oversees MSCI's risk-management governance to ensure that MSCI has an effective process designed to identify, evaluate and manage risks that may have an adverse impact on MSCI's ability to achieve its operational and strategic objectives.

The EROC is comprised of the President, the Chief Financial Officer, the General Counsel, the Chief Human Resources Officer, the Chief Technology Officer, the Head of Internal Audit, the Head of Investor Relations and the Enterprise Risk Management Officer to ensure well-rounded knowledge of potential exposure risks.

In 2020, the Chief Responsibility Officer and our Global Head of Corporate Services led the EROC in a review of our TCFD Scenario Analysis report and a climate-related scenario analysis to assess our most probable climate-related, facility-level, physical and enterprise-level transition risks in accordance with the TCFD recommendations. The EROC also reviewed the risks disclosed in our most recent CDP filing² and committed to performing an ongoing assessment of climate risk as part of our enterprise risk management system.

The Audit Committee receives a quarterly update from the Enterprise Risk Management Officer on the work of the EROC, which in 2020 included the EROC's focus on: the growing interest by investors, clients and employees as to how institutions

globally are responding to climate change; how we are addressing global climate change (including our own environmental impact); and MSCI's existing resourcing and approach to monitoring and responding to such exposures. In addition, the Chief Information Security Officer periodically updates the Audit Committee on our business continuity plans and IT disaster recovery efforts to mitigate the impact of potential disruptions, including those that could be caused by climate and extreme weather events. While not directly related to climate, the COVID-19 pandemic has proven the resiliency of a number of our business continuity and disaster recovery plans.

The CRC has some overlapping membership with the EROC, e.g., the Chief Human Resources Officer and the Head of Investor Relations. It also includes the Head of Global Communications, the Global Head of MSCI ESG Research, the Global Head of Corporate Services, the Corporate Responsibility Business Manager and the Corporate Secretary.

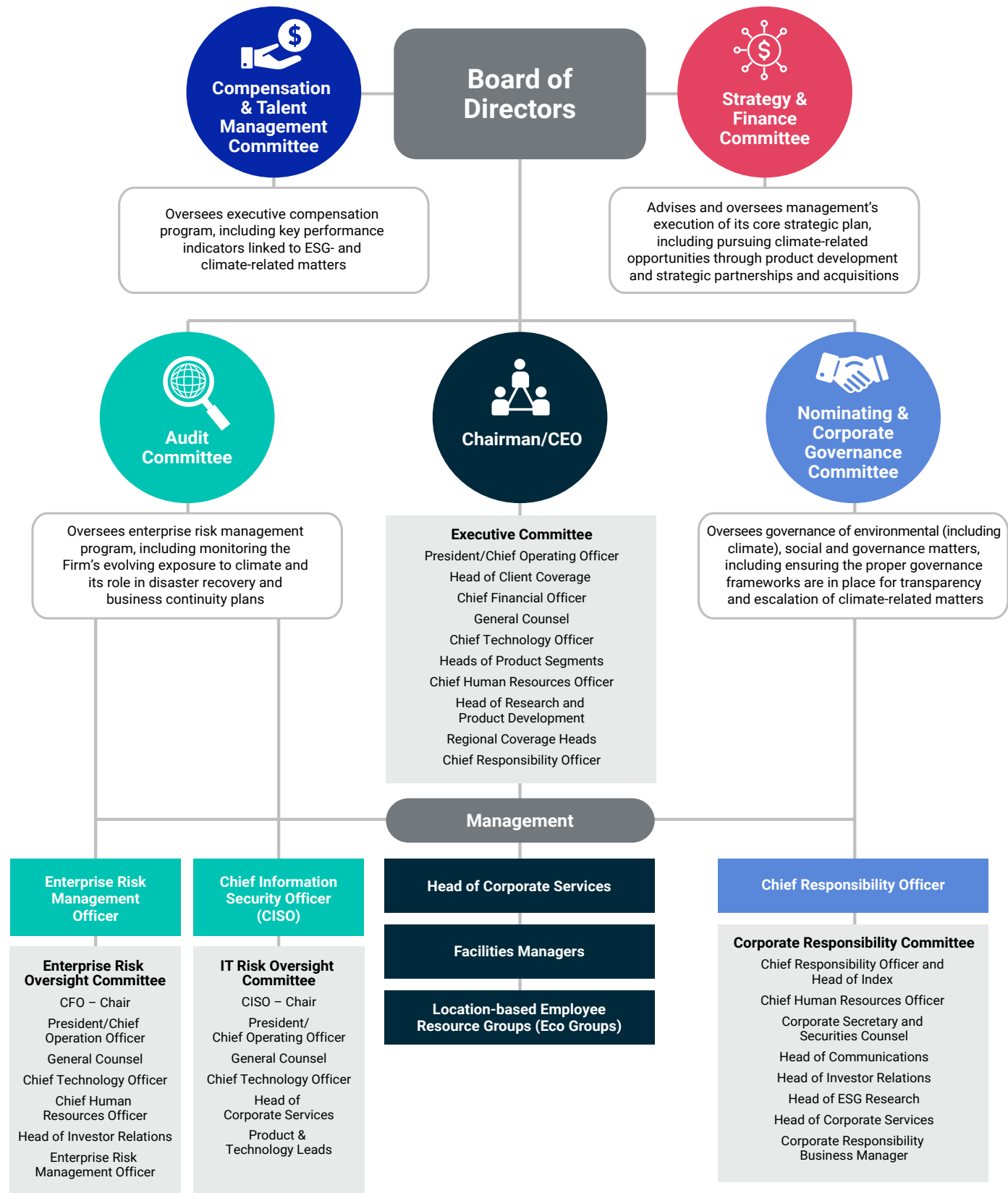
The CRC identifies and supports ESG initiatives that promote sustainability. For example, as a member of the CRC, the Global Head of MSCI ESG Research advises the Committee on trends and best practices in ESG, including with respect to climate-related matters. Each year, our Chief Responsibility Officer participates in a number of investor meetings, including our corporate responsibility roadshow, to directly address and solicit feedback on ESG-related matters that are important to our investors.

“The TCFD framework will provide transparency for corporations and investors alike, requiring them to articulate their climate strategies.”

– Remy Briand, Head of ESG

² CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

MSCI's Governance Structure





Our Strategy

Our strategy has been influenced by climate-related risks and opportunities. In general, they can be divided between operational and product risks and opportunities. These areas include our business operations, our products and services, our supply chain, our investment in R&D and our long-term planning process and development of climate-related products for the investment community.

Key Operational Risks and Opportunities

Using science-based target methodologies, we are committing to reducing our Scope 1 and Scope 2 emissions by 50% and our Scope 3 emissions by 20% by 2035, starting in 2019. This aligns with the objective of reducing our carbon footprint.

From an operational perspective, we remain committed to limiting our environmental impact and have developed an Environmental Policy that we monitor via an environmental management system, with specific metrics and periodic reporting to our Corporate Responsibility Committee.

While MSCI's primary business of providing financial products and services does not expose us directly to climate-related risks, we may experience business interruptions from increased severity and frequency of extreme weather events, such as a heat wave, hurricane or flood that may result in a power loss or telecommunications failure. Our ability to continue to operate depends, in part, on the health and availability of our personnel, our office facilities and the proper functioning of our electronic, telecommunication and other related systems and operations.

Key Product Risks and Opportunities:

An increasing portion of our revenues comes from products that relate to certain trends, such as ESG investing, including climate change. Our ESG products include MSCI ESG Ratings, screening, indexes and climate-related products. Clients often use our ESG and climate products and services to address the following objectives:

1. investing with a systematic and explicit inclusion of ESG and climate risks and opportunities in investment analysis,

2. investing with the intention to generate measurable positive social or environmental benefits alongside a financial return, and
3. investing in alignment with an organization or individual's values.

For example, our MSCI ESG Ratings product, an innovative and pioneering risk metric that calculates a company's resilience to long-term ESG risks, helps investors understand and quantify relevant risks within their portfolios. In addition, our acquisition of Carbon Delta (now the MSCI Climate Risk Center) in 2019 allows us to offer a climate scenario analysis model to clients. Please see "Climate Solutions for Investors" box on p. 10 for more information on this and other climate-related solutions across our business segments including ESG Index, Analytics and Real Estate.

Going forward, we foresee a growing focus on climate change and the need for solutions. We see significant opportunities for climate-related products and services.

Research

Our research is critical in helping clients understand and address current investment challenges. In offering a solution to their most pressing investment problems, we can illustrate the efficacy of our products.

Recent examples include the following papers and blog posts:

- "Aligning with the Paris Agreement: An Index Approach" illustrates how an index that embeds forward-looking measures of climate risk and return may help investors in their journey to decarbonizing their portfolios, both as a benchmark and as the basis for indexed allocations.
- "Managing Climate Risk in Investment Portfolios" shows how the MSCI Climate Value-at-Risk Model (Climate VaR) can be applied to a hypothetical global actively managed fund. This paper examines the different dimensions of climate-related risks, both in terms of measuring climate risks for the portfolio as a whole as well as which sectors, countries and securities were driving these risks.

- "Climate Change and Climate Risk: An Index Perspective" shows how a transition to a low-carbon economy could reduce demand for carbon-intensive products and services in favor of low-/zero-carbon counterparts. This migration in demand could also alter the risk-return profiles — not only of individual companies but of some entire industries. As this paper explains, the MSCI Climate Change Index aims to reflect these potential changes.
- "Climate Change and Low-Carbon Risks and Opportunities in China" provides a focused look at the implications of how a shift to a low-carbon economy could affect the risk-return profile of many industries in China. It supports the MSCI China Climate Change Index and the MSCI China A Climate Indexes.
- "Measuring Climate Risk in Real Estate Portfolios" explains that private real estate may be especially vulnerable to both physical and transition risks from climate change. Our analysis found that different potential physical risks may require different mitigation strategies, while transition risk may also play an increasingly important role with investors facing potential costs from emission-reduction requirements.

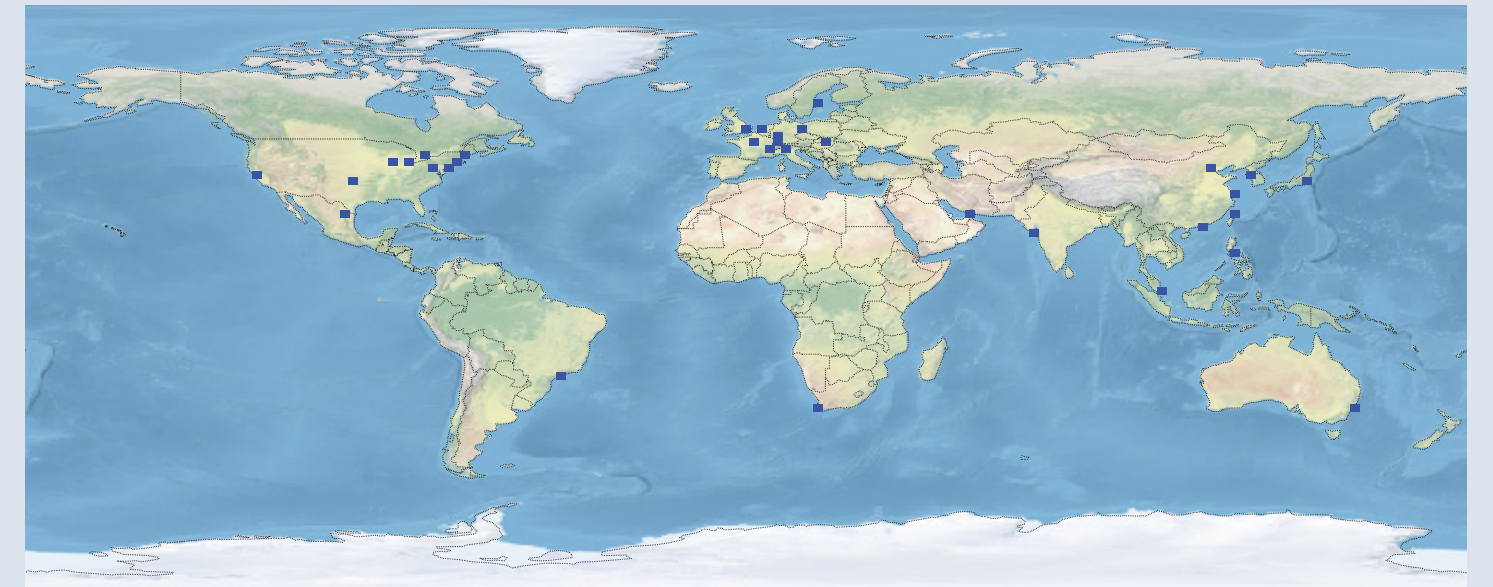
Scenario Analysis

In 2020, we conducted a detailed climate-related scenario analysis to quantitatively analyze the climate-related risks and opportunities that we can expect to face between now and 2030 using MSCI ESG Research's Climate VaR Model. MSCI ESG Research comprehensively assesses future climate-change risks and opportunities, which include transition risks and opportunities related to greenhouse gas (GHG) emission limitations as well as physical risks and opportunities resulting from climate change. More details about the methodology can be found in Appendix 2.

Our Strategy (continued)

Map of MSCI Facilities

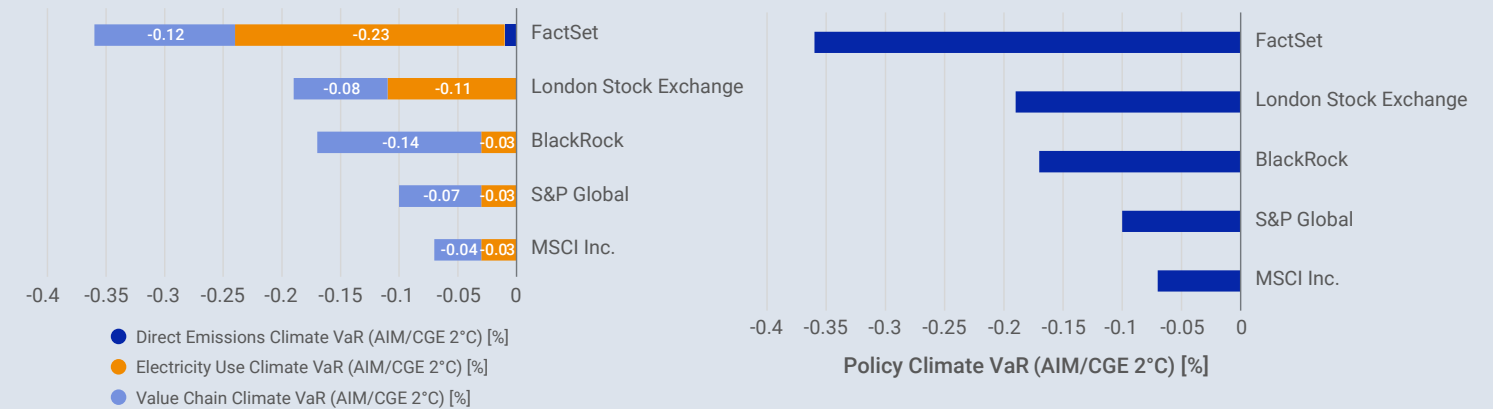
The infrastructure map displays all of the company facilities that MSCI ESG Research maintains in its global database. These locations include production sites and sales offices in buildings that MSCI leases, as well as other assets that are owned by MSCI. The charts below identify physical risks for some of these locations. It should be noted that the employee populations and significance to MSCI's operations vary by location.



Source: MSCI Climate Value-at-Risk, November 2020

Policy Risk (Scope 1, 2, 3) Climate VaR

The bar charts illustrate how MSCI compares to its market peers in terms of the Policy Risk Climate VaR. The Policy Risk Climate VaR encapsulates GHG emission-reduction costs from climate-change policies, including both direct and indirect exposure to climate policies. Climate VaR is a downside risk indicator that determines the potential maximum drawdown that an asset could experience under a defined climate-change scenario. The below charts display how policy risks could impact MSCI's stock price. According to our model, MSCI's stock price could drop by less than 0.1% under a 2°C policy scenario. Given that this is a very small downside risk level, especially when placed alongside MSCI's sector peers, MSCI's risk analysis should prioritize physical-climate risks instead of climate-policy risks.



Source: MSCI Climate Value-at-Risk, November 2020

IMPORTANT NOTICE: Affiliate Conflicts Disclosure

MSCI ESG Research LLC ("MSCI ESG Research") has developed a fully automated and forward-looking financial climate risk model called Climate Value-at-Risk (Climate VaR) that was used to quantitatively analyze the climate-related risks and opportunities included in this report for MSCI Inc. MSCI Inc. is the ultimate parent company of MSCI ESG Research. The application of the Climate VaR model and analysis included herein were conducted in the same manner and based on the same information available for other companies that are not affiliated with MSCI Inc. However, due to the affiliate relationship and the potential for a conflict of interest, this report should not be relied upon as an independent analysis of MSCI Inc.

Our Strategy (continued)

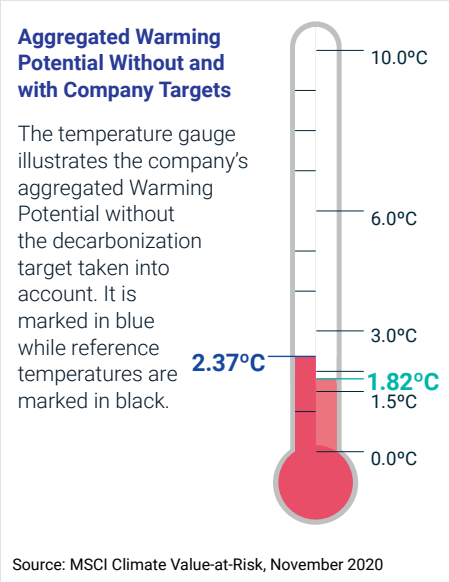
A Company's Contribution to Rising Temperatures

The Warming Potential metric encapsulates a company's contribution to rising temperatures. The metric aims to quantify the alignment of a company's activities against pathways commensurate with future temperature goals. This metric also allows for standardized comparison between companies. This concept draws on the Intergovernmental Panel on Climate Change goal to limit global temperature increases by the year 2100 to 2°C or lower compared to pre-industrial levels. This metric allows investors to assess compliance with globally agreed temperature thresholds, such as “well below (the) 2°C” target enshrined in the Paris Agreement. The minimum value that can be assigned to a company is 1.3°C and the maximum value is 10°C.

Temperature Gauge

The temperature gauge shows the aggregated Warming Potential of the company while relating it to important target temperatures in global climate-change negotiations. It has been calculated by combining Scope 1 (direct emissions), Scope 2 (indirect emissions from the generation of purchased energy) and Scope 3 (all other

indirect emissions that occur in the value chain) Warming Potential results, as well as the Cooling Potential of the company. The weights used are sector-specific and aim to give most weight to the most relevant scope for each company.



As the above temperature gauge shows, MSCI's activities currently are aligned with a 2.37°C temperature rise. Assuming MSCI meets its carbon reduction targets (See Metrics & Targets section), its activities will contribute to a 1.82°C global warming

by 2100. Effectively, MSCI is aligned with the Paris Agreement's objective of keeping the rise in the global temperature below 2°C.

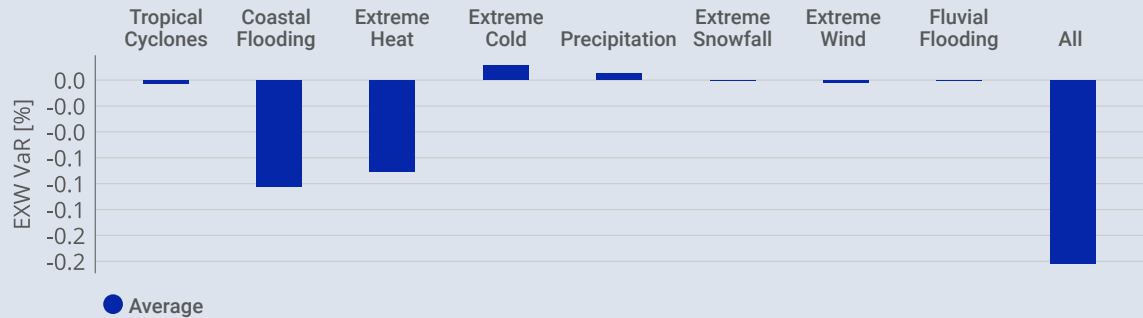
Physical Scenario Analysis

Climate-related physical risk affects all company facilities to varying degrees. Particularly at risk are those companies with locations in climate-sensitive regions, or with long-lived fixed assets.

Physical-risk scenarios are essential in identifying the potential change in extreme weather caused by increased levels of GHG emissions in the atmosphere. These scenarios model the physical aspects of the climate system changes, including variables such as temperature and sea level rise, and changes to the frequency and severity of specific extreme weather events. MSCI ESG Research has established the current level of climate-related physical risk from eight distinct hazards to companies' facilities and modeled how that may change in the future under different scenarios. MSCI ESG Research has also translated the physical risk from these hazards into detailed costs or opportunities calculations for each company facility.

Physical Climate Risk of the Company by Hazard

The graph below illustrates the change in the physical-risk exposure (in percent) from today's climate to one in 15 years' time. This is an aggregation of the physical risk across all company facilities of MSCI.

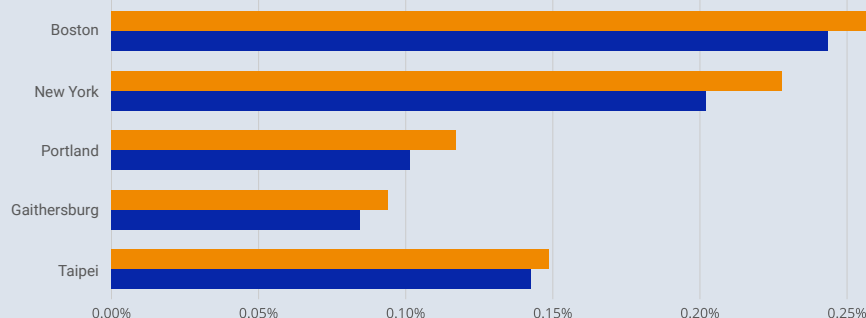


Source: MSCI Climate Value-at-Risk, November 2020

*Our Strategy (continued)***Acute Physical Risk Exposure: Tropical Cyclones**

The below graph shows the assets with the biggest change in exposure to tropical cyclones. The current exposure is today's average relative damage to the asset caused by tropical cyclones in relation to the value of the asset. The future exposure is the average relative damage to the asset (in relation to the value of the asset) in 15 years caused by tropical cyclones based on the average outcome of a future physical-risk scenario. If this value is higher than the current exposure to tropical cyclones, the asset will be exposed to more frequent or intense tropical cyclone events. MSCI ESG Research models the risk based on the difference between the current exposure and future exposure.

Among the top five locations projected to experience the largest change in exposure to cyclones, we believe that Taipei does not pose material risks to the company as we only have one employee located there. We acknowledge that Boston and New York's exposure to increased frequency and/or intensity of cyclones requires continued monitoring.

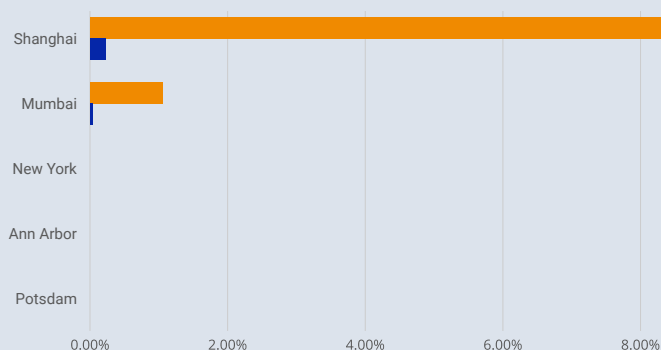


Source: MSCI Climate Value-at-Risk, November 2020

● Future exposure to tropical cyclones (relative annual damage to the asset in 15 years)
 ● Current exposure to tropical cyclones (relative annual damage to the asset)

Acute Physical Risk Exposure: Coastal Flooding

The below graph shows MSCI assets with the biggest change in exposure to coastal flooding. The current exposure is today's average relative damage to the asset caused by coastal flooding in relation to the value of the asset. The future exposure is average relative damage to the asset (in relation to the value of the asset) in 15 years caused by coastal flooding based on the average outcome of a future physical-risk scenario. If this value is higher than the current exposure to coastal flooding, the asset will be exposed to more frequent or intense coastal flooding events. MSCI ESG Research models the risk based on the difference between the current exposure and future exposure.

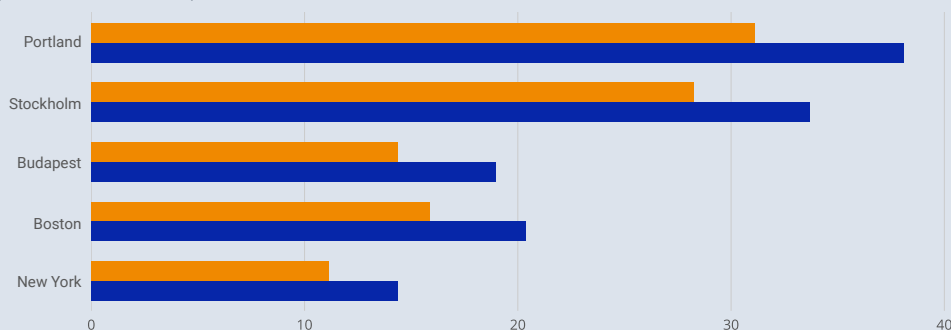


Source: MSCI Climate Value-at-Risk, November 2020

● Future exposure to coastal flooding (relative annual damage to the asset in 15 years)
 ● Current exposure to coastal flooding (relative annual damage to the asset)

Chronic Physical Risk Exposure: Extreme Cold

The below graph shows the assets with the biggest change in exposure to extreme cold events. The current exposure is today's number of days per year in which the asset is exposed to extreme cold weather events. The future exposure is the number of days per year in which the asset will be exposed to extreme cold weather events in 15 years based on the average outcome of a future physical-risk scenario. If this value is higher than the current exposure to extreme cold, the asset will be exposed to more frequent or intense cold weather events. MSCI ESG Research models the risk based on the difference between the current exposure and future exposure.

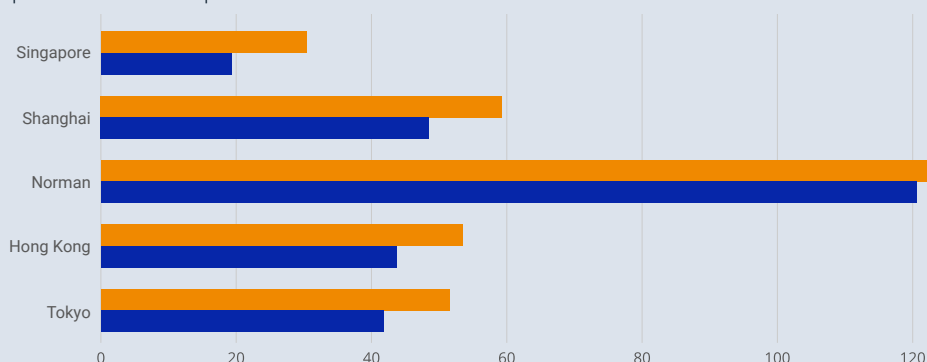


Source: MSCI Climate Value-at-Risk, November 2020

● Future exposure to extreme cold (number of days in 15 years)
 ● Current exposure to extreme cold (number of days)

*Our Strategy (continued)***Chronic Physical Risk Exposure: Extreme Heat**

The below graph shows the assets with the biggest change in exposure to extreme heat events. The current exposure is today's number of days per year in which the asset is exposed to extreme heat weather events. The future exposure is the number of days per year in which the asset will be exposed to extreme heat weather events in 15 years based on the average outcome of a future physical-risk scenario. If this value is higher than the current exposure to extreme heat, the asset will be exposed to more frequent or intense heat weather events. MSCI ESG Research models the risk based on the difference between the current exposure and future exposure.



Source: MSCI Climate Value-at-Risk, November 2020

● Future exposure to extreme heat (number of days in 15 years)
 ● Current exposure to extreme heat (number of days)

Based on the physical risk assessments above, coastal flooding poses the greatest risk to MSCI's office locations, especially in Shanghai and Mumbai. We also observed that extreme heat and tropical cyclone risk exposure may slightly increase at some MSCI office locations. The current exposure to extreme cold will be decreasing in most places.



Climate Solutions for Investors

Our climate solutions include a wide range of tools, indexes and data designed to help our clients address a variety of needs. Our MSCI ESG Research and Ratings, and our MSCI Climate Metrics and Indexes help meet increasing demand to provide data and metrics on the financial impacts of climate change. Increasingly, we have shared key ESG data in an effort to provide transparency to investors.

Recent highlights include:

- We made our ESG ratings and methodologies publicly available in an effort to promote ESG transparency. This includes the most widely owned companies worldwide.
- In 2020, we also made public the ESG characteristics of all our MSCI Equity and Fixed Income Indexes regulated in the EU and the most commonly owned mutual funds.
- Since 2014, we have introduced a suite of MSCI Climate Indexes, including low carbon, ex-fossil fuels, climate change and, most recently, the Climate Paris Aligned Index.
- We launched MSCI Fixed Income ESG Indexes in January 2020 designed to help institutional investors manage, measure and report on ESG fixed-income mandates. In September 2020, we also launched MSCI Climate Change Fixed Income Indexes addressing the growing demand for climate-change solutions in the credit space.
- With the acquisition of Carbon Delta (now the MSCI Climate Risk Center) in 2019, we now offer a climate scenario analysis model: Climate Value-at-Risk is designed to provide a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio across asset classes.
- MSCI ESG Research's Warming Potential tool enables clients to run "what if" scenarios to 2050, using various metrics and forward-looking data.
- We have incorporated ESG and climate data into our analytics models, offering clients enhanced tools to evaluate their portfolios.



Risk Management

Our climate-related risk and opportunity identification, assessment and management processes are integrated into a multidisciplinary, companywide risk management process.

We look at risk from varying time horizons. We define short-, medium- and long-term time horizons as follows:

	From (years)	To (years)
Short-term	0	1
Medium-term	1	3
Long-term	3	>3

Climate Materiality: We define substantive strategic or financial impact from climate change as an impact that:

- requires a significant change in our operations and/or how we deliver our products to our clients;
- warrants an extended or permanent change in the location of a facility or the implementation of our Business Continuity Plan beyond current scenarios; and
- results in a significant change to our business strategy.

Currently, there are no disruptions to our business that meet this definition.

More generally, to the extent that climate-related issues may impact our operations or financial results, these issues are addressed as part of our overall business continuity and IT disaster recovery planning and are assessed periodically.

This disaster planning increases our ability to operate in a "business as usual" fashion in the face of climate-related events. Examples include Superstorm Sandy in the

Northeast U.S., droughts in South Africa, monsoons in Mumbai, flooding in Budapest, extreme heat in Western Europe, tornados in Oklahoma and typhoons in Manila and Hong Kong. We routinely conduct tabletop disaster simulation events for every office.

In all areas, we use our TCFD scenario analysis to inform our office location strategy and help mitigate the disruption to our business as a result of longer-term global climate changes.

Recently, the coronavirus pandemic illustrated the effectiveness of our business resilience program. While not a climate-related event, it shows that we were able to quickly move the majority of our global staff from offices to working from home.

Our Business Resiliency team assesses the severity, probability and scale of extreme climate events in the geographies that we operate in and develops, implements and tests technology systems to support our business continuity plans.

Our Crisis Management Team and Technology Service Operations Management Team are responsible for all aspects of our disaster and recovery response efforts. Disaster recovery planning and testing includes protecting the general welfare and safety of our employees, data centers, networks, applications supporting business operations, communications systems and general technology recovery following an extreme weather incident or natural disaster.

Our Supply Chain

We regularly evaluate the potential for supply-chain disruption, which includes climate-related changes over both short- and long-term horizons. Physical climate risks, such as temperature extremes, storm damage and coastal flooding have the potential to disrupt the operations of our supply chain and value chain

members. This in turn may directly or indirectly impact our operations and timely customer delivery.

Wherever possible, we identify the multiple sourcing of critical services to reduce the impact of supply-chain disruptions. For example, our data centers are located in both Europe and the U.S. and serve to mitigate any impact to MSCI should a climate event impact one of the data centers.

Along similar lines, we also seek opportunities to reduce our reliance on extended supply chains and lower operating costs. For example, we eliminated the use of single-use plastics and other disposable kitchen items and office supplies in most of our offices, globally. This reduced our annual operating costs by USD 565,000.

Employee Incentives

Under our compensation program, employees of the Global Corporate Services Divisions are incentivized to take various environmental factors (including local recycling initiatives, the use of energy-efficient materials and the availability of public transport for employees) into consideration as part of our approach to acquiring new office space.

When selecting new office space, we also account for a property's vulnerability to extreme weather events and natural disasters. We also purchase energy-efficient products for our offices and widely use sustainable products, including recycled and low-environmental-impact materials. This practice has contributed to an emissions reduction trend and we forecast that the continued selection of lower-impact equipment and materials will result in a further reduction of our emissions.



How We Have Improved Our Offices

We recently chose a vendor for new and remodeled offices that uses **70% to 90%** recycled materials.

Over **89%** of our employees now work in LEED or BREEM environmentally friendly offices, and **95%** of our employees are now in offices with automatic lighting.

Our principal vendor has **100%** of all furniture and components certified to a holistic environmental product standard.



Metrics and Targets

Targets. Using science-based target methodologies, we are committed to reduce our Scope 1 and Scope 2 emissions by 50% by 2035 and our Scope 3 emissions by 20% by 2035, starting in 2019. Ways to achieve those targets include implementing energy-efficiency measures, increasing the use of renewables, shrinking employee commutes to their offices and business travel and reducing our footprint throughout the supply chain. Assuming we meet our carbon-reduction targets, our activities will contribute to a temperature rise below 2°C by 2100, which is aligned with the objectives of the Paris Agreement.

We began disclosing our annual GHG emissions on our website in 2019, and we intend to update our annual emissions data every year in our sustainability-related disclosures.

GHG Emissions. Over the last several years, we have focused on improving our disclosures around GHG emissions associated with our business operations. Staying true to that commitment, in 2020 we expanded the coverage of our emissions to account for all our relevant Scope 3 emissions. The tables on the right show the year-over-year change in Scope 1, 2 and 3 emissions.

Year-over-Year Change in MSCI's Scope 1 & 2 Emissions (MT CO₂e)

Year*	Scope 1 (On-site Combustion)	Scope 2 (Location)	Scope 2 (Market)
2018	419	8,391	5,246
2019	272	7,392	4,089
MT CO ₂ e Change	-147	-999	-1,157
Change	-35%	-12%	-22%

*Note: 2017 is not shown as estimates of Scope 1 and Scope 2 utilized simplistic methods that are not comparable to subsequent years.

Year-over-Year Change in MSCI's Scope 3 Emissions (MT CO₂e)

Year	Purchased Good and Services	Waste Generated in Operations	Transmis- sion and Distribution	Employee Commute	Business Travel	Total
2018	16,777 ^a	—	718	—	3,717	N/A
2019	19,373 ^a	676 ^a	609	2,568	4,417	27,643
Change	15%	N/A	-15%	N/A	19%	

^aNote: We derived these values using the GHG Protocol's Scope 3 Evaluator tool. This tool generates high-level estimates using an underlying economic input-output model database and contains a relatively high degree of uncertainty.



Appendix 1

Board Oversight

The Board's four standing committees oversee the management of specific risks and the execution of strategic opportunities, including climate-related risks, providing regular updates to the full Board. The Board's committees include the following:

The Nominating and Corporate Governance Committee

Our Governance Committee is responsible for overseeing environmental (including climate), social and governance matters as they relate to MSCI's business and long-term strategy. The Chief Responsibility Officer provides quarterly updates and reports semiannually to the Governance Committee. These quarterly updates are made available to the full Board. They include progress on the execution of the CRC's operating plan. This provides a framework for executing on high-impact areas for improvement, including MSCI's practices and disclosures, and for developing and implementing short- and long-term plans to address key priorities, commitments and reporting. For example, in 2019, she led the Governance Committee in a review of the results of MSCI's TCFD Scenario Analysis and, in 2020, she presented to the Governance Committee on MSCI's climate-management strategy and our efforts to enhance MSCI's transparency around climate reporting.

Audit Committee

Our Audit Committee oversees MSCI's enterprise risk management program and is responsible for reviewing: 1) our key business risks; 2) policies and practices for risk governance, risk assessment and risk management; and 3) steps taken to monitor and mitigate such risks.

The Audit Committee receives a quarterly report from our Risk Officer on the work of MSCI's Enterprise Risk Oversight Committee. While climate change does not currently present a significant risk to our business and operations, the Audit Committee, through the EROC, monitors its evolving exposure to the business.

Strategy and Finance Committee

Our Strategy and Finance Committee monitors and provides guidance on our strategic objectives. These may include sustainability-related mergers, partnerships and acquisition opportunities such as climate-related products and services. For example, our Strategy and Finance Committee advised management on the acquisition of Carbon Delta in 2019 (see "Climate Solutions for Investors" box on p. 10).

Our Strategy and Finance Committee also works with the Board and management team in setting the agenda for the Board's annual two-day strategy session. At these strategy sessions, the heads of our product lines lead the discussions on our investment priorities. In 2020, the Board and management team focused on initiatives that would position MSCI as a leader in providing valuable insights on ESG and climate change-related impacts to the institutional investor community.

Compensation and Talent Management Committee

Under our executive compensation program, executives (including our CEO, President and Chief Responsibility Officer) receive cash bonuses based on the achievement of certain financial performance metrics and individual key performance indicators (KPIs). Our Compensation and Talent Management Committee is responsible for ensuring our incentive awards align with our strategic goals and reviewing, approving and assessing the attainment of those goals, including financial performance metrics and KPIs.

The KPIs for our most senior leaders, who serve on the Executive Committee, are shared broadly within the wider company and provide an opportunity to set the "tone at the top." To that end, in 2019 our CEO identified among his goals supporting the Chief Responsibility Officer in her ESG objectives. These included calculating our carbon footprint, conducting a TCFD Aligned Scenario Analysis and expanding employee-led local office groups (Eco Groups) focused on improving how we operate from an environmental perspective. Meanwhile, our President listed executing on priority investments in ESG among his strategic goals.



Corporate Responsibility Committee

Led by the Chief Responsibility Officer, the CRC is a cross-functional team of senior leaders that coordinates our efforts to implement sound ESG policies and practices. The CRC is comprised of the following:

- 1 Head of Communications:** assists in framing the messaging around our ESG practices to both internal and external stakeholders and reports to MSCI's President.
- 2 Chief Human Resources Officer:** provides insight on ESG matters from a Human Resources perspective and reports to MSCI's CEO.
- 3 Head of Investor Relations:** liaises with investors on ESG matters, including climate change, and communicates to the CRC investors' expectations with respect to our ESG practices and reports to MSCI's CFO.
- 4 Head of MSCI ESG Research:** leverages expertise gained from leading one of the largest teams of research analysts in the world dedicated to identifying risks and opportunities arising from significant ESG issues and understanding the ESG practices of companies around the world, providing expertise to the CRC's own processes and decisions. This position reports to MSCI's Head of Research.
- 5 Head of Corporate Services:** oversees our Corporate Real Estate, Facilities and Procurement Departments. This role oversees initiatives to reduce MSCI's and MSCI's vendors' impact on the environment and collaborates with IT to ensure business continuity during extreme climate events. This role reports to MSCI's Chief Human Resources Officer.
- 6 Corporate Responsibility Business Manager:** drives the direction and strategy on the execution of the CRC framework and initiatives and reports to the Chief Responsibility Officer.
- 7 Corporate Secretary:** provides insight into the applicable regulatory and governance frameworks impacting ESG practices and disclosures and reports to MSCI's General Counsel.



Appendix 1 (continued)

Management Responsibilities

The following members of the management and management-level committees are responsible for the day-to-day management of climate-related risks and opportunities. We are fully committed to creating a governance structure at the management level that promotes transparency in all its practices and ensures proper escalation procedures with respect to climate-related issues.

Our President

The heads of our product lines and key functional areas report directly to the President. These leaders play an important role in the assessment and management of climate-related risks and opportunities within their respective areas. Our President oversees investment in key strategic growth and operational areas, including investments in climate-related opportunities and strategies to mitigate climate-related risks.

In 2020, our President approved our Environmental Policy, which reiterates our commitment to limiting our environmental

impact over time. He also encouraged our stakeholders to do the same.

Chief Responsibility Officer

In 2018, the Chief Responsibility Officer role was created to work closely with our senior leadership team to guide and communicate our ESG policies, as well as oversee and improve the governance structure for our ESG practices and assess how we could further reduce our environmental impact and carbon footprint through our business strategy. The Chief Responsibility Officer is also the Head of Index, the company's largest product line, and a member of the Executive Committee, reporting directly to the CEO — underscoring the importance of the Chief Responsibility Officer role.

Head of Corporate Services

The climate-related issues that impact our supply chain, real estate and environmental sustainability functions are assessed and managed by our Head of Corporate Services. This function reports directly to our Chief Human Resources Officer.

The Real Estate, Facilities and Vendor Procurement management teams that report

to the Global Head of Corporate Services have direct responsibility for monitoring climate-related issues associated with our day-to-day operations. Our Real Estate management team is responsible for monitoring and managing our energy use and efficiency efforts to reduce energy consumption, including through leasing of office space in buildings with LEED, BREAM or equivalent green building recognitions. LEED and BREAM are construction project certification programs that denote environmental-friendly design.

Our Vendor Procurement management team uses responsible sourcing practices and partners with our suppliers to minimize our environmental impact. We use a third-party platform (EcoVadis) to assess our suppliers' corporate responsibility practices, including their environmental performance.

Our Head of Corporate Services and the Facilities management teams work with a series of local Eco groups, established in 17 offices. The Eco groups aim to increase awareness and manage regional environmental issues, including climate-related issues.

Appendix 2

Transition Risks and Opportunities

MSCI ESG Research's Climate VaR Model aims to provide a quantitative and forward-looking analysis on how climate change may affect a company's market valuation. The Transition Risk and Opportunity Climate VaR Model is comprised of four main sub-models: the Direct Emissions Climate VaR, Electricity Use Climate VaR, Value Chain Climate VaR and Technology Opportunity Climate VaR models. Each model is summarized below.

Direct Emissions (Scope 1)

MSCI ESG Research employs a top-down and bottom-up hybrid methodology to calculate potential risks from future climate change policies coming from countries' Nationally Determined Contributions (NDCs) stemming from the Paris Agreement. To calculate a company's costs associated with reaching emission-reduction targets, the policy risk methodology uses technology and policy-based carbon price estimates extracted from Integrated Assessment Models. Company- and

location-specific GHG reduction requirements, on an annual basis, are multiplied with carbon price estimates per year, which are scenario-specific. The model computes the "Direct Emissions Climate VaR," identifying the companies that may be most at risk from the emission-reduction requirements needed to reach long-term climate stabilization targets.

Electricity Use (Scope 2)

MSCI ESG Research developed a model to calculate the potential risk that companies could face through their electricity consumption in a climate-transition scenario. The model uses scenario-specific electricity data obtained from Integrated Assessment Models and estimates of the costs, coming from our Direct Emissions (Scope 1) Climate VaR Model, passed through from electricity producers to final consumers, to compute an "Electricity Use Climate VaR" metric.

Value Chain (Scope 3)

MSCI ESG Research developed a model to calculate the potential risk that a company

faces from activities embedded within its value chain. A company's Scope 3 footprint is separated into upstream and downstream elements. A company's exposure to upstream emissions can add input costs whereas downstream emission exposure can lead to a company's loss in market share due to shifts in demand. Therefore, both sides of the supply chain are assessed independently to compute a company's "Value Chain Climate VaR."

Technology Opportunities

MSCI ESG Research developed a low-carbon Technology Opportunity model based on a company's current low-carbon revenue streams and company-specific patent data. Recently published patent databases allow an evidence-based view into the strategic R&D investments of companies. Using granted, low-carbon patents as a proxy for low-carbon innovative capacity, the Technology Opportunity model computes a company's "Technology Opportunity Climate VaR," identifying which companies might benefit from the implementation of long-term climate stabilization targets on a global level.

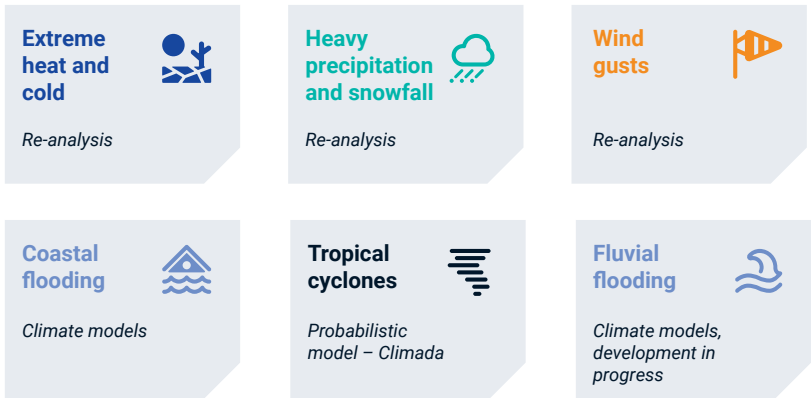


Appendix 2 (continued)

Physical Risks and Opportunities

Physical-climate scenarios define possible climate consequences resulting from increased concentration of GHG emissions. They describe changes in global temperatures, precipitation levels, extreme weather events such as storms, snowfall and wildfires. Using the past 35 years of observed extreme weather to set a historical baseline, MSCI ESG Research brings current and future extreme weather developments into perspective for the coming 15 years.

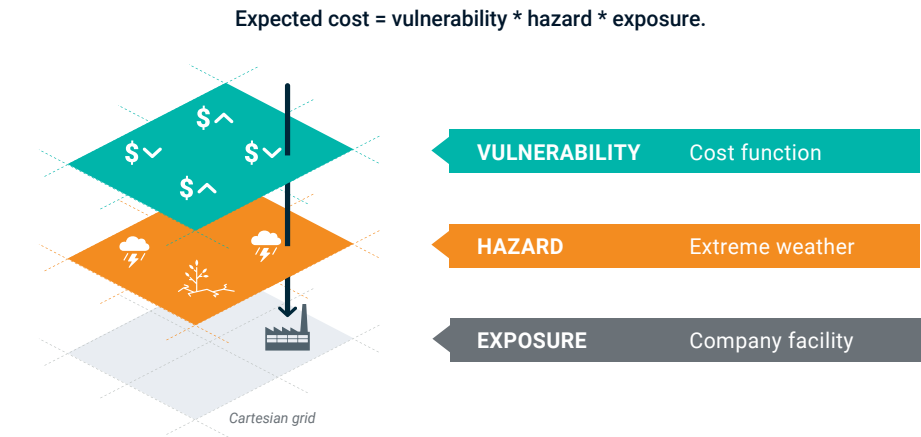
Current physical-climate scenarios modeled by MSCI ESG Research include costs of extreme weather events relating to temperature changes (extreme heat and cold), extreme precipitation, extreme snowfall and wind patterns, tropical cyclones and coastal flooding (from sea-level rise). Recent additions to the model have been datasets on fluvial flooding.



Physical-climate impacts vary greatly depending on geographical positioning. This is why MSCI ESG Research employs global gridded data for assessing physical impacts. To model high-resolution spatial distributions of extreme weather impacts across the globe, MSCI ESG Research has produced a Cartesian grid with a resolution of up to 3" x 3" for acute risks such as coastal flooding, on which hazard data is overlaid. The coverage is global and the grid cell width in mid-latitudes is around 90 meters. For chronic risks such as heat stress, a grid resolution of 0.5° x 0.5° is used. The global coverage (reaching across all land covered area) has a cell width in mid-latitudes of around 50 kilometers.

Cost Modeling

To quantify physical risks and opportunities, MSCI ESG Research applies a process used in most hazard models in the insurance industry, which can be represented as follows:



Warming Potential

MSCI ESG Research's Warming Potential metric aims to measure how a given company is aligned to a pathway corresponding to a target level of global temperature rise. The Warming Potential metric looks at the contributions to climate change from a company's direct greenhouse gas emissions (Scope 1), indirect GHG emissions (Scopes 2 and 3) and emission reductions from low-carbon technology (Cooling Potential).

To compute the temperature alignment for companies, MSCI ESG Research has developed an approach that considers both sector-specific and sector-agnostic data. For each sector, the logarithmic relationship between 1.5°C, 2°C, 3°C, 3.8°C and 6°C carbon-intensity budgets and temperature levels in 2100 are computed. For the calculation of the carbon-intensity budgets, analysis from the Nationally Determined Contributions has been combined with insight from the latest UNEP GAP publication. Sectoral as well as sector-agnostic warming functions, which take into account global and sector-specific GHG emission budgets, are incorporated into the modeling approach.



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