

MSCI ESG Research's Endorsement Statement of Principles and Guidelines of the Japan Code of Conduct

29 June 2023

As an ESG Evaluation Provider producing ESG evaluations, MSCI ESG Research LLC (“MSCI ESG”) endorses the Code of Conduct (“the Code”) published by the Japan Financial Services Authority. MSCI ESG has addressed the Principles and Guidelines stated out in the Code for MSCI ESG Ratings, MSCI Controversies and MSCI Labeled Bond and Loan Assessments (“MSCI ESG Evaluations”) as follows:

Principle 1: Securing Quality

Guideline 1: MSCI ESG has formalised a set of procedures to assign MSCI ESG Evaluations based on a thorough analysis of relevant information.

Guideline 2: MSCI ESG applies rules-based methodologies to assign MSCI ESG Evaluations. These methodologies are publicly available free of charge on MSCI’s website (www.msci.com).

Guideline 3: MSCI ESG either has or is implementing a set of mechanisms and procedures designed to ensure its methodologies are applied consistently. These mechanisms include methodology application guidance documents, committees where issues related to consistent application of methodologies may be raised, sector reviews as well as reviews of a sample of rating actions.

Guideline 4: MSCI ESG is developing criteria and a process to evaluate its ESG methodologies on a regular basis.

Guideline 5: MSCI ESG has formalized a range of procedures to adopt new ESG Evaluations methodologies or changes to its ESG Evaluations methodologies, as well as to review its ESG Evaluation methodologies on a continuous basis. Publicly available MSCI ESG Evaluations methodologies provide information related to when input data is obtained and updated.

Guideline 6: MSCI ESG does not outsource its ESG Evaluations.

Principle 2: Analytical Resourcing (Human Resources Development)

Guideline 1: MSCI ESG collects and analyses relevant information on an ongoing basis to maintain necessary professional ESG analytical resources.

Guideline 2: ESG analytical staff receives onboarding training when they join MSCI ESG as well as technical development opportunities during their tenure with MSCI ESG. Compliance undertakes annual compliance certification and training and implements a surveillance program designed to ensure its ESG analytical staff carries out their duties in good faith.

Guideline 3: MSCI ESG has annual processes to evaluate its analytical staff.

Guideline 4: HR participates in various senior management meetings where key HR topics can be discussed and HR issues raised and properly addressed.

Principle 3: Ensuring Independence and Managing Conflicts of Interest

Guideline 1: MSCI ESG has identified potential conflicts of interest related to ESG Evaluations and has implemented measures to avoid, or appropriately manage and reduce the risk of conflicts of interest. These are described in the publicly available publication: *How MSCI ESG Research Manages Conflicts of Interest Related to ESG Ratings*.

Guideline 2: MSCI ESG takes appropriate measures to prevent business relationships from affecting its ESG Evaluations. These measures include separate reporting lines between sales and analytical personnel, as well as measures to prevent analytical personnel from accessing commercial related information.

Guideline 3: MSCI ESG does not use questionnaires or surveys.

Guideline 4: MSCI ESG has Securities Trading Procedures designed to prevent employees from engaging in securities or derivatives transactions that could create conflicts of interest with the provision of ESG Evaluations.

Guideline 5: MSCI ESG has appropriate work and compensation structures to avoid conflicts of interest or appropriately manage and reduce risks of potential conflicts of interest.

Guideline 6: MSCI ESG has established policies, procedures and measures designed to ensure that existing business relationships with companies do not affect the evaluation of the companies for ESG Ratings.

Guidelines 7 & 8: MSCI ESG does not follow an issuer-pay model for MSCI ESG Evaluations of companies.

Principle 4: Ensuring Transparency

Guideline 1: In recognition of the importance of transparency, MSCI ESG publishes its ESG Evaluations methodologies and makes them publicly available on its web site free of charge.

Guideline 2: MSCI ESG has disclosed its approach for providing ESG Evaluations, including the purpose and description of these evaluations in *MSCI ESG and Climate Symbols and Definitions* which is publicly available on its web site.

Guideline 3: In addition to publishing its ESG Evaluation methodologies, MSCI ESG also publishes information about its process regarding MSCI ESG Evaluations.

Guideline 4: MSCI ESG discloses the sources of information that are used in the development of its ESG Evaluations in its publicly available methodologies, including information about the use of estimated data and the basic methodology of estimation.

Guideline 5: Publicly available MSCI ESG Evaluations methodologies provide essential information to enable users of ESG evaluations to understand how MSCI ESG Evaluations are determined.

Principle 5: Confidentiality

Guidelines 1 and 2: MSCI ESG's procedure on handling ESG Non-Public Research Information addresses proper treatment of such information.

Principle 6: Communication with Companies

Guideline 1: MSCI ESG does not use surveys. MSCI ESG only accepts publicly available information through its online issuer portal.

Guideline 2: MSCI ESG has a dedicated email address: esgissuercomm@msci.com where companies can send questions and raise issues regarding ESG Evaluations.

Guideline 3: In its ESG Evaluations methodologies, MSCI ESG discloses sources of information and data it uses to provide MSCI ESG Evaluations. In addition, through its online issuer portal, MSCI ESG also endeavors to provide companies with the issuer-verifiable data used in MSCI ESG Evaluations. Companies may review this data on an ongoing basis and provide feedback at any time throughout the year.

Guideline 4: Where a company raises an issue, MSCI ESG Issuer Communications team take appropriate measures to respond to this query.



Guideline 5: MSCI ESG has established *Procedures for Corporate Issuer Interaction* which are available on its website. The Procedures state out how MSCI ESG normally interacts with companies, how they could raise issues and how MSCI ESG would generally respond.

Guideline 6: Through its online issuer portal, MSCI ESG is developing a constructive dialogue with evaluated companies.

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