

MSCI ESG INDEXES

A PRIMER FOR CORPORATE ISSUERS

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1 INTRODUCTION

MSCI is a global index provider with in-house ESG research expertise provided by MSCI ESG Research. MSCI has over USD 108 Billion in institutional, retail and exchange traded fund assets benchmarked to MSCI ESG Indexes.¹ Several Global Asset Owners have selected MSCI ESG Indexes, with over \$180 billion allocated in recent years.²

1.1 OVERVIEW OF THE SUITE OF ESG INDEXES

MSCI ESG Indexes are designed to support common approaches to environmental, social and governance (ESG) investing, and help institutional investors more effectively benchmark to ESG investment performance as well as manage, measure and report on ESG mandates. MSCI ESG Indexes are also designed to provide institutional investors with transparency into ESG sustainability and values alignment.

We have observed three main institutional investor objectives:

- Financial integration: consideration of ESG factors as a way to enhance long term return and minimize long term risks
- Values: efforts to align investments with political and ethical values
- Impact: efforts to have a positive impact on society and the environment alongside financial returns.

We have grouped our range of indexes along these three investor objectives:

1.1.1 INTEGRATION: Our flagship ESG indexes fall in this category

MSCI ESG Leaders Indexes

MSCI ESG Leaders Indexes target the highest ESG-rated companies making up 50% of the adjusted market capitalization in each sector of the underlying index. The indexes are designed for investors seeking exposure to companies with

¹ As of March 2018, based on Bloomberg, Morningstar and MSCI data. Active AUM includes data as of Dec, 2017 reported in Mar, 2018 by eVestment. Data excludes mandate or policy benchmark related assets.

²Based on publically available information in press releases published from 2014 to date.

strong sustainability profiles with relatively low tracking error to the parent index representing the underlying equity market and are rebalanced annually.

MSCI ESG Universal Indexes

MSCI ESG Universal Indexes are calculated by re-weighting free-float market cap weights based upon certain ESG metrics; the indexes aim to tilt towards companies that demonstrate both a higher MSCI ESG Rating and a positive ESG trend, while representing the performance of a broad and diversified opportunity set.

1.1.2 VALUES

MSCI SRI Indexes

MSCI SRI Indexes are designed to overweight companies with the highest ESG ratings to make up 25% of the adjusted market capitalization in each sector of a parent MSCI index, after excluding companies involved in alcohol, tobacco, gambling, civilian firearms, military weapons, nuclear power, adult entertainment and genetically modified organisms (GMOs).

MSCI Global ex Controversial Weapons Indexes

MSCI Global ex Controversial Weapons Indexes are designed for investors who wish to avoid investments in cluster bombs, land mines, chemical and biological weapons, and depleted uranium weapons.

1.1.3 IMPACT

MSCI Global Environmental Indexes

MSCI Global Environmental Indexes include Low Carbon, Fossil Fuels Exclusion, Thematic indexes, etc. Increasingly, institutional investors may need to consider how climate change may present risks and opportunities and how to manage carbon exposure in their portfolios. These indexes are designed to support various environmental investment strategies.

MSCI ACWI Sustainable Impact Index

MSCI ACWI Sustainable Impact Index is designed to represent the performance of companies whose core business addresses at least one of the world’s social

and environmental challenges, as defined by the United Nations Sustainable Development Goals.

1.2 ADDITIONAL INFORMATION

Additional information on MSCI ESG Indexes is available on [msci.com](https://www.msci.com) (e.g. Index factsheets, methodology documents) <https://www.msci.com/esg-indexes>.

Note: Some Factsheets and Methodology documents are embedded in the links on the main ESG Indexes webpage. Other useful links are:

- Factsheets: <https://www.msci.com/equity-fact-sheet-search>
- Index Methodology: <https://www.msci.com/index-methodology>
- Index Performance: <https://www.msci.com/end-of-day-data-search>
- Corporate Issuers: <https://www.msci.com/for-corporate-issuers>

2 FREQUENTLY ASKED QUESTIONS

a. How can I find out if my company is included in an MSCI ESG Index?

To find out if your company is a constituent of one the MSCI ESG Indexes or to request an MSCI ESG Index logo to use in company reporting, please contact us at clientservice@msci.com. Index Methodology questions can also be addressed to the same team.

b. If my company is not part of the flagship MSCI ESG Leaders Index, how can we be included?

MSCI does not advise companies as to how to gain inclusion into its indexes. To be eligible for inclusion in an MSCI ESG Index, the security must be a constituent of a MSCI parent index (World, ACWI, EM, etc.) as outlined in the [MSCI Global Investable Market Indexes \(GIMI\) methodology](#). Read the [MSCI ESG Leaders Index Methodology](#) for more information on inclusion criteria.

c. When can I find out if my company is in the ESG leaders Index, or not?

Companies can typically find out constituency status of their securities upon request at clientservice@msci.com. The index is typically reviewed and

rebalanced (additions and deletions of constituents to the index) at the May Semi-Annual Index Review (SAIR). Companies can enquire if they were added or deleted from index after the results of the May SAIR are announced and become effective.

d. We are included in an MSCI ESG Index. Can we obtain a logo to use in our public materials?

Currently, MSCI ESG Index Logos are only available for flagship MSCI ESG Indexes: the MSCI ESG Leaders Indexes, MSCI Japan ESG Select Leaders Index and MSCI Japan Empowering Women Index (WIN). The logos can only be provided to active constituents of the index. To receive the logo, Issuer must agree to the applicable terms and conditions of use. The terms and conditions are accessible online: <http://info.msci.com/l/36252/2017-06-21/k7yknl>.

e. We believe we meet the Index eligibility criteria, but are not on the MSCI ESG Leaders Index. Why?

If you believe that you as an Issuer meet the Index eligibility criteria described by any MSCI ESG Index Methodology and the parent MSCI Global Investable Market Indexes Methodology, please contact us at clientservice@msci.com. For information regarding the ESG Research used in the MSCI ESG Indexes, such as ESG Rating Score, Controversies and Business Involvement Screening Research, please contact our ESG Issuer Communications Team at esgissuercomm@msci.com.

f. How can we participate in the MSCI ESG Research data verification process?

Companies should contact MSCI ESG Research via the ESG Issuer Communications Team at esgissuercomm@msci.com with any questions around the data verification processes. You can also refer to the MSCI ESG Research: FAQ for Corporate Issuers.

g. We have questions about our company’s ESG Rating and ESG Controversies. Where should we direct these queries?

Any questions related to the underlying research (e.g. ESG Ratings, ESG Controversies, ESG Governance Metrics, ESG Business Involvement Screening Research, etc.) should be directed to the MSCI ESG Issuer Communications Team at esgissuercomm@msci.com. For more information, see the corporate issuer landing page on msci.com - <https://www.msci.com/corporate-issuers>

h. Can I see the list of indexes my company is a constituent of?

For Japanese Issuers, please note that you may find the constituent list of the MSCI Japan ESG Select Leaders Index and MSCI Japan Empowering Women Index (WIN) on the Japanese landing page www.msci.com/japan. The constituent level data for the rest of the MSCI Indexes is restricted to subscribers only. MSCI Client Service can only share with a company its own constituency status.



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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

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