

# MSCI ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) INDEXES

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**A modern approach to  
ESG indexes**



# MSCI ESG INDEXES

With indexes that represent the performance of the most relevant environmental, social and governance (ESG) investment strategies, MSCI continues to be the world's largest provider of ESG indexes<sup>1</sup> and research.

ESG indexes and research from MSCI address the evolving needs of institutional investors, who increasingly aim to incorporate ESG considerations into their strategic asset allocation and implementation of investment strategy, based in part on a growing body of research that suggests a link between ESG and performance over the long term.

## MSCI ESG INDEXES – A LEADER IN ESG INDEXING

**#1** for SRI<sup>3</sup> Research,  
Corporate Governance  
and ESG Indexes  
as voted by

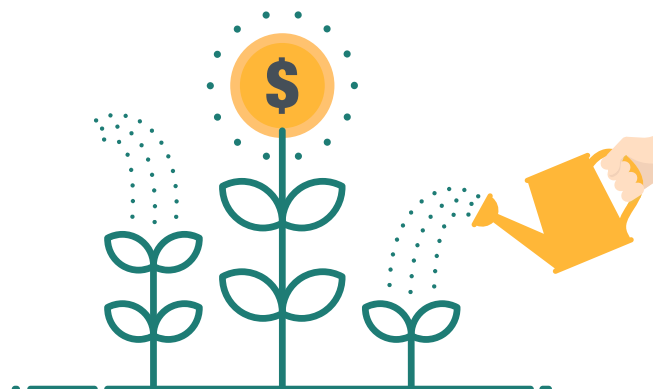
**1,300**

participants of the SRI Connect and  
Extel Survey, 2015 & 2016

over

**\$85bn**

in assets are benchmarked to  
MSCI ESG Indexes<sup>2</sup>



<sup>1</sup> By number of indexes and by assets tracking the indexes compared with publicly available information produced by FTSE and S&P Dow Jones.

<sup>2</sup> As of September 2017, based on Bloomberg, Morningstar and MSCI data. Active AUM includes data as of June, 2017 reported in September 2017 by eVestment. Data excludes mandate or policy benchmark related assets.

<sup>3</sup> 'SRI' - Socially Responsible Investment.

# MSCI ESG UNIVERSAL INDEXES

The new MSCI ESG Universal Indexes are a modern way of indexing, and are designed to address the needs of asset owners (who also classify themselves as universal owners), who may look to enhance their exposure to ESG while maintaining a broad and diversified universe to invest in.

By re-weighting free-float market cap weights based upon certain ESG metrics tilting away from free-float market cap weights, the indexes enhance exposure to those companies that demonstrate both a higher MSCI ESG Rating and a positive ESG trend<sup>2</sup>, while maintaining a broad and diversified investment universe.

The MSCI ESG Universal Indexes exclude only companies found to be in violation of international norms (for example, facing very severe controversies related to human rights, labor rights or the environment) and companies involved in controversial weapons (landmines, cluster munitions, depleted uranium, and biological and chemical weapons).

The MSCI ESG Universal Indexes is the latest in a suite of MSCI Indexes and tools designed to help institutional investors globally integrate ESG into their investment decision-making processes.

There are five indexes within the MSCI Universal ESG Indexes:

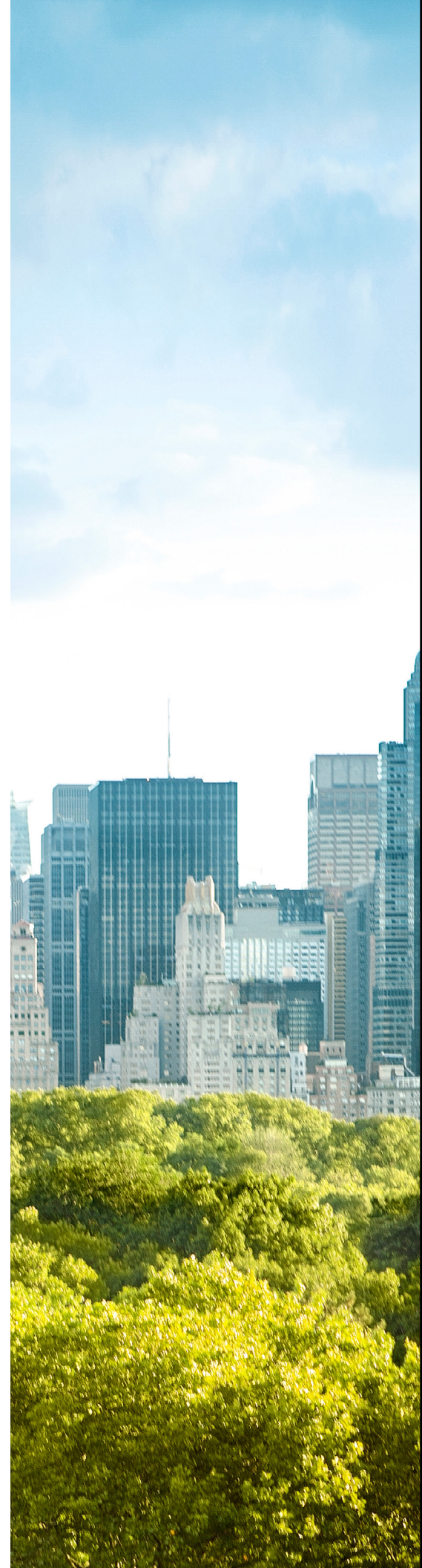
1. MSCI ACWI ESG Universal Index
2. MSCI World ESG Universal Index
3. MSCI EM (Emerging Markets) ESG Universal Index
4. MSCI Europe ESG Universal Index
5. MSCI USA ESG Universal Index

## MSCI ESG INDEXES

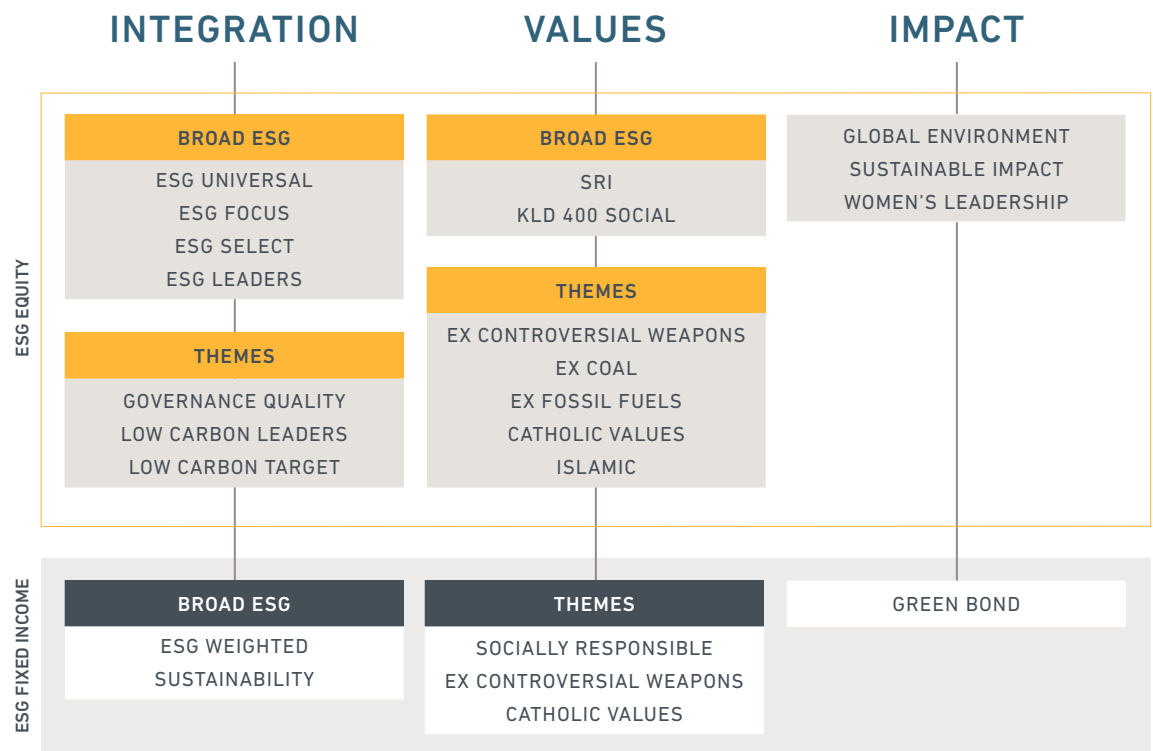
The MSCI ESG Indexes are designed to support common approaches to ESG investing, and help institutional investors more effectively benchmark to ESG investment performance as well as manage, measure and report on ESG mandates.

MSCI's ESG Indexes also provide institutional investors with transparency into ESG sustainability and values alignment, together with the ability to compare holdings.

<sup>2</sup> For more information on MSCI ESG Ratings visit <https://www.msci.com/esg-ratings>







**BROAD ESG** – Methodology is based on ESG Ratings reflecting a combination of environmental, social and governance issues  
**THEMES** – Methodology is based on data for specific ESG issue(s)

\*MSCI ESG Indexes diagram

MSCI ESG indexes (under the integration category as shown in the above diagram) aim to incorporate broad ESG issues by using companies' MSCI ESG Ratings as part of the index methodology. They...

...select companies with the highest ESG Ratings in each sector (MSCI ESG Sustainability)

...tilt the weight of index constituents based on their ESG profile and ESG trend (MSCI ESG Universal)

...target positive ESG exposure through optimization (MSCI ESG Focus)

MSCI's ESG index **integration** category maintains the key characteristics of the parent free-float market capitalization benchmarks, either through an explicit tracking error constraint (MSCI ESG Focus) or by targeting sector weights that reflect the underlying parent indexes, thus limiting the systematic risk introduced by the ESG selection process.

Other indexes focus on single themes or issues, such as the MSCI Low Carbon Target indexes, which are designed to achieve a target level of tracking error while minimizing carbon exposure. Indexes in the integration category are designed to help investors efficiently integrate ESG considerations into their core asset allocation without deviating from broad market benchmarks.

MSCI's ESG index **value** category aims to enable investors to align their personal or moral values, or faith, with their investment processes. These include the MSCI SRI Index, MSCI KLD 400 and the MSCI ex Controversial Weapons.

The **impact** category groups indexes, such as the MSCI Sustainable Impact Index, include 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.

## INTEGRATION



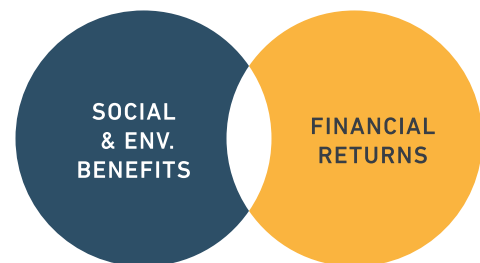
Incorporate ESG criteria to enhance long term return, manage ESG financial risk

## VALUES



Align portfolio with investor's ethical or political values

## IMPACT



Generate measurable social or environmental benefits as well as financial returns

\* MSCI common approaches to ESG investing diagram

## MSCI ESG INDEX RE-NAMING

MSCI's ESG Indexes offer institutional investors a range of equity indexes designed to support varied approaches to ESG investing. In addition to the launch of the MSCI ESG Universal Indexes, the existing MSCI ACWI ESG and MSCI ACWI SRI Indexes have been re-named this June 2017 as described in the table below. The newly named indexes will continue to provide institutional investors with transparency into ESG sustainability and values alignment, as well as the ability to compare holdings.

Current indexes	Current index name	New MSCI Indexes
MSCI Global Sustainability	MSCI ACWI ESG	MSCI ACWI ESG Leaders
MSCI Global Socially Responsible	MSCI ACWI SRI	MSCI ACWI SRI

# CONTACT US

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## AMERICAS

Americas	1 888 588 4567 (toll free)
Atlanta	+ 1 404 551 3212
Boston	+ 1 617 532 0920
Chicago	+ 1 312 675 0545
Monterrey	+ 52 81 1253 4020
New York	+ 1 212.804.3901
San Francisco	+ 1 415 836 8800
São Paulo	+ 55 11 3706 1360
Toronto	+ 1 416 628 1007

## EUROPE, MIDDLE EAST & AFRICA

Cape Town	+ 27 21 673 0100
Frankfurt	+ 49 69 133 859 00
Geneva	+ 41 22 817 9777
London	+ 44 20 7618 2222
Milan	+ 39 02 5849 0415
Mumbai	+ 91 22 6784 9160
Paris	0800 91 59 17 (toll free)

## ASIA PACIFIC

China North	10800 852 1032 (toll free)
China South	10800 152 1032 (toll free)
Hong Kong	+ 852 2844 9333
Seoul	00798 8521 3392 (toll free)
Singapore	800 852 3749 (toll free)
Sydney	+ 61 2 9033 9333
Taipei	008 0112 7513 (toll free)
Tokyo	+ 81 3 5290 1555

## TO FIND OUT MORE PLEASE VISIT

### MSCI Indexes

[msci.com/esg-indexes](https://www.msci.com/esg-indexes)

### MSCI Index Performance

[msci.com/end-of-day-data-search](https://www.msci.com/end-of-day-data-search)

### MSCI Index Licensing

[msci.com/index-licensing](https://www.msci.com/index-licensing)

[msci.com](https://www.msci.com)

[esgclientservice@msci.com](mailto:esgclientservice@msci.com)

# ABOUT MSCI

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For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset-class coverage and innovative research.

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

MSCI serves 99 of the 100 largest money managers, according to the most recent Pensions & Investments ranking.

For more information, visit us at [www.msci.com](https://www.msci.com).

1 Based on latest P&I AUM data and MSCI clients as of September 2017

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