

# MSCI ESG Indexes

The combination of MSCI's leading index and ESG Research expertise

Our more than 1,500 equity and fixed income ESG indexes are used by institutional investors for index-based investment products, risk and return analysis, compliance with ESG mandates, and to define an investment universe.

## Key features

### Integrated business model

- Control over the quality and content of the ESG research
- Alignment between the research and the indexes
- Consistency between the ESG and standard indexes

### Quality ESG research

- MSCI ESG Research has a 40 year legacy based on GMI Ratings, KLD, Innovest and IRRC

- Staff of 350+ employees and more than 200 dedicated research analysts around the world
- Products to support the full range of ESG investment strategies

### Experience

- ESG research since 1972 and indexes since 1990
- First ESG provider to assess companies based on industry financial materiality, dating back to 1999.<sup>1</sup>

- Advanced data and technology infrastructure

### Client service excellence

- Committed relationship management process
- Backed by a dedicated ESG client service team.
- 24/5 client service

	MSCI ESG Equity	MSCI ESG Fixed Income & Bloomberg Barclays MSCI
Integration	<ul style="list-style-type: none"> <li>• ESG Leaders</li> <li>• ESG Focus</li> <li>• ESG Universal</li> <li>• Low Carbon</li> <li>• Climate Change</li> </ul>	<p><b>MSCI</b></p> <ul style="list-style-type: none"> <li>• ESG Universal</li> <li>• ESG Leaders</li> <li>• Climate<sup>2</sup></li> </ul> <p><b>Bloomberg Barclays MSCI</b></p> <ul style="list-style-type: none"> <li>• ESG Weighted</li> <li>• Sustainability</li> </ul>
Values & Screens	<ul style="list-style-type: none"> <li>• SRI</li> <li>• KLD 400 Social</li> <li>• ESG Screened</li> <li>• Ex Controversial Weapons</li> <li>• Ex Tobacco Involvement</li> <li>• Ex Fossil Fuel</li> <li>• Faith Based</li> </ul>	<p><b>Bloomberg Barclays MSCI</b></p> <ul style="list-style-type: none"> <li>• Socially Responsible (SRI)</li> <li>• Faith based</li> </ul>
Impact	<ul style="list-style-type: none"> <li>• Sustainable Impact</li> <li>• Global Environment</li> <li>• Women's Leadership</li> </ul>	<p><b>Bloomberg Barclays MSCI</b></p> <ul style="list-style-type: none"> <li>• Green Bonds</li> </ul>

<sup>1</sup> Origins of MSCI ESG Ratings established in 1999.

<sup>2</sup> Planned for 2020.

## Overview

MSCI ESG Indexes are designed to help clients incorporate environmental, social and governance (ESG) factors into their investment decision making processes. The MSCI ESG Indexes range includes:

Indexes	Description
<b>MSCI ESG Leaders Indexes</b>	The indexes use a best-in-class approach by only selecting companies that have the highest MSCI ESG Ratings. They are free float-adjusted market capitalization weighted indexes designed to represent the performance of companies that have favorable ESG profiles compared to industry peers. Overall the indexes target a 50% sector representation vs. the parent index.
<b>MSCI Focus Indexes</b>	These indexes are designed to maximize exposure to positive ESG factors while exhibiting risk and return characteristics similar to those of the underlying market capitalization weighted index
<b>MSCI SRI Indexes</b>	These indexes consist of companies with the highest ESG ratings making 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). In addition to MSCI ACWI SRI Index, MSCI World SRI Index and MSCI EM SRI Index, region and country sub-indexes are available. It also includes the MSCI KLD 400 Social Index, which was launched in May 1990 and is the first SRI index.
<b>MSCI ESG Universal Indexes</b>	These indexes are created by re-weighting free-float market cap weights based upon certain ESG metrics tilting away from free-float market cap weights, these indexes enhance exposure to those companies that demonstrate both a higher MSCI ESG Rating and a positive ESG trend, while maintaining a broad and diversified investment universe. Current suite of indexes include - MSCI ACWI ESG Universal, MSCI World ESG Universal, MSCI EM ESG Universal, MSCI Europe ESG Universal and MSCI USA ESG Universal Index.
<b>MSCI Global ex Tobacco Involvement Indexes</b>	These indexes have been developed for institutional investors, including pension funds, and universal owners who wish to avoid investments in companies involved in the tobacco business. Identification of companies involved in the tobacco business is based on data from MSCI ESG Research.
<b>MSCI Climate Change Indexes</b>	These indexes are designed to represent the performance of a strategy that reweights securities based upon the opportunities and risks associated with the transition to a low carbon economy, enabling institutional investors and wealth managers to integrate climate risk considerations in their global equity investment process.
<b>MSCI Low Carbon Indexes</b>	These indexes are intended to help identify potential risks associated with the transition to a low carbon economy while representing the performance of the broad equity market. Launched in 2014 they are the first index series designed to address two dimensions of carbon exposure: carbon emissions and fossil fuel reserves.  The index aims for a tracking error target of 0.3% (30 basis points) while minimizing the carbon exposure.
<b>MSCI Global Environmental Indexes</b>	These 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 low carbon investment strategies and include the MSCI Low Carbon Indexes, MSCI Global Fossil Fuels Exclusion Indexes, and the MSCI Thematic Indexes.

Indexes	Description
<b>MSCI USA ESG Select Index</b>	<p>These indexes are designed to target companies with positive environmental, social and governance (ESG) factors while exhibiting risk and return characteristics similar to those of the MSCI USA Index. The index is constructed through an optimization process that aims to maximize its exposure to ESG factors, subject to an expected tracking error of 1.8% and other constraints. It is sector-controlled, and is designed to over-weight companies with high ESG ratings and under-weight companies with low ratings. Tobacco and Controversial Weapons companies, as well as major producers of Alcohol, Gambling, Firearms, Military Weapons and Nuclear Power, are not eligible for inclusion.</p>
<b>MSCI KLD 400 Social Index</b>	<p>These indexes are designed to provide exposure to companies with high MSCI ESG Ratings while excluding companies whose products may have negative social or environmental impacts. It consists of 400 companies selected from the MSCI USA IMI Index, which includes large-, mid- and small-cap US companies. It aims to select companies with the highest ESG Ratings in each sector and maintain sector weights similar to those of the parent index.</p>
<b>MSCI ACWI Sustainable Impact Index</b>	<p>These indexes are comprised exclusively 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. To be eligible for inclusion in the Index, companies must generate at least 50% of their sales from one or more of the Sustainable Impact categories and maintain minimum environmental, social and governance (ESG) standards. The parent index is MSCI ACWI.</p>
<b>MSCI Fixed Income Indexes</b>	<p>These indexes are designed to help institutional investors benchmark to ESG investment performance, as well as manage, measure and report on ESG mandates. These indexes include the MSCI USD IG ESG Leaders Corporate Bond Index and the MSCI USD IG ESG Universal Corporate Bond Index.</p>
<b>Bloomberg Barclays MSCI ESG-Weighted</b>	<p>These indexes use MSCI ESG Ratings and MSCI ESG Ratings momentum to overweight/underweight issuers within an existing Bloomberg Barclays parent index. These indexes include the full universe of index eligible securities and then apply tilts to the natural market value weights in favor of higher rated/positive momentum issuers and against lower rated/negative momentum issuers.</p>
<b>Bloomberg Barclays MSCI Sustainability Indexes</b>	<p>These indexes positively screen issuers from existing Bloomberg Barclays parent indexes based on MSCI ESG Ratings, which are a "best in class" assessment of how well an issuer manages ESG risks relative to its industry peer group. ESG Ratings are available for corporate, sovereign, and government-related issuers. The minimum threshold applied to Bloomberg Barclays flagship indexes is an MSCI ESG rating of BBB or better.</p>
<b>Bloomberg Barclays MSCI Socially Responsible (SRI) Indexes</b>	<p>These indexes negatively screen out issuers from existing Bloomberg Barclays parent indexes that may be involved in business lines or activities that are in conflict with investment policies, values or social norms. These indexes use MSCI Business Involvement Screening Research (BISR) and MSCI ESG Controversies to identify exposure to screened issues.</p>
<b>Bloomberg Barclays MSCI Green Bond Indexes</b>	<p>These indexes offer investors an objective and robust measure of the global market for fixed income securities issued to fund projects with direct environmental benefits. An independent research-driven methodology is used to evaluate index-eligible green bonds to ensure they adhere to established Green Bond Principles and to classify bonds by their environmental use of proceeds.</p>

Indexes	Description
<b>Enhanced Focus Indexes</b>	These indexes use a best-in-class approach by only selecting companies that have the highest MSCI ESG Ratings. They are free float-adjusted market capitalization weighted indexes designed to represent the performance of companies that have favorable ESG profiles compared to industry peers. Overall the indexes target a 50% sector representation vs. the parent index.
<b>ESG Screened Indexes</b>	These indexes are designed for institutional investors and aim to exclude companies: associated with controversial, civilian, nuclear weapons and tobacco that derive revenues from thermal coal and oil sands extraction or that are not in compliance with the United Nations Global Compact (UNGC) principles. The indexes incorporate these exclusions while seeking to maintain a profile similar to market cap indexes. The suite of six indexes is available as a standard offering for easier access and implementation. The exclusions have been selected to span the three pillars of Environmental, Social and Governance (ESG) investing which reflect investors' most common concerns.
<b>Custom MSCI ESG Indexes</b>	These indexes are calculated using ESG criteria specified by clients and applied across developed and or emerging markets countries or regions.

Over **1500**  
MSCI ESG Indexes

MSCI is the leading major index provider with in-house ESG research expertise.

## About MSCI ESG Research products and services

MSCI ESG Research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research LLC. are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research LLC. is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc.

## About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit [www.msci.com](http://www.msci.com).

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