

# MSCI ESG RATINGS

MORE DATA. MORE CONTEXT. MORE INFORMED DECISIONS.

Providing institutional investors with a more robust ESG integration tool to help them mitigate risk and enhance long term value creation.





INTEGRATING MSCI ESG RATINGS  
INTO INVESTMENT DECISION MAKING  
CAN HELP IDENTIFY RISKS OR  
OPPORTUNITIES THAT MAY NOT  
BE CAPTURED BY CONVENTIONAL  
FINANCIAL ANALYSIS.



**Eric Moen**

---

Managing Director, MSCI ESG Research

# MSCI ESG RATINGS

## MORE DATA. MORE CONTEXT. MORE INFORMED DECISIONS.

MSCI ESG Ratings helps investors identify environmental, social and governance (ESG) risks and opportunities within their portfolio. We research and rate companies on a 'AAA' to 'CCC' scale according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to peers.

### OVERVIEW

We have over 40 years of experience through our legacy companies collecting, cleaning, standardizing and modelling ESG data from thousands of sources to create a precision tool for a clear signal of ESG performance.

Integrating MSCI ESG Ratings into the investment decision making process can help identify risks or opportunities that may not be captured by conventional financial analysis – incorporating these signals may help you mitigate risks and enhance long term returns.

MSCI ESG ACWI INDEX, POWERED BY MSCI ESG RATINGS, HAS OUT-PERFORMED THE MSCI ACWI INDEX IN 8 OF THE LAST 9 YEARS<sup>1</sup>.

170+

ESG Analysts<sup>2</sup>  
(Over 280 Staff)

46 OF TOP 50

Global Asset  
Managers<sup>3</sup>

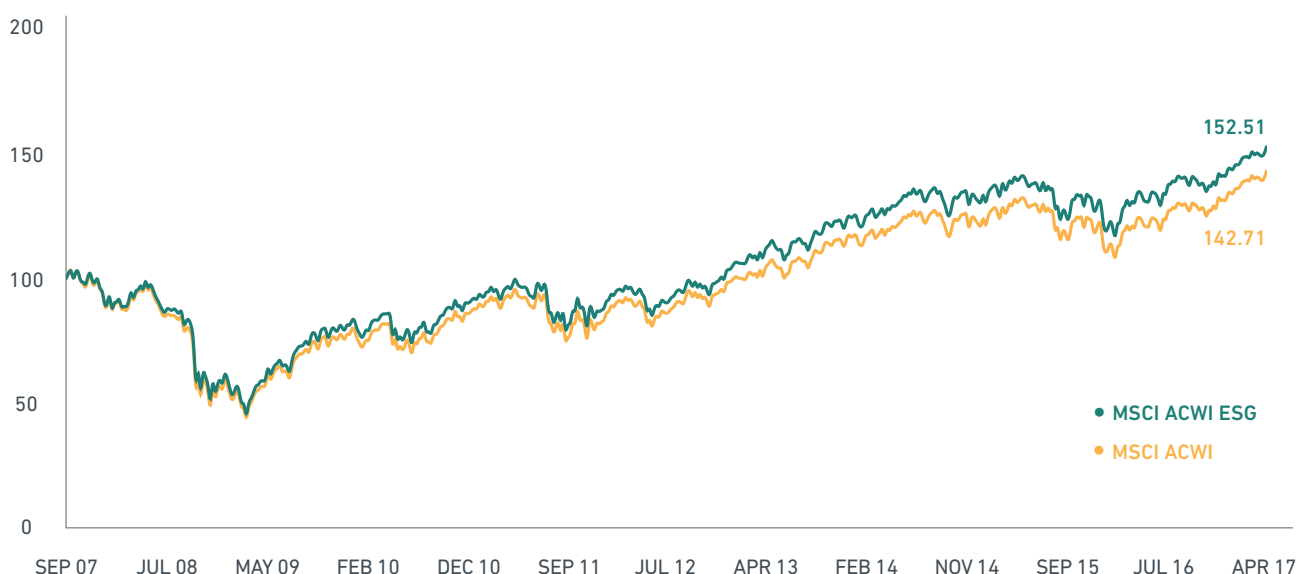
700+

ESG Equity and  
Fixed Income Indexes

1000+

Clients  
Worldwide

### CUMULATIVE INDEX PERFORMANCE – GROSS RETURNS (USD) SEP 2007 – APR 2017



<sup>1</sup> Past performance is not indicative of future results. Performance data may include back tested data. There are frequently material differences between back tested or simulated performance results and actual results subsequently achieved by any investment strategy.

<sup>2</sup> Source: MSCI ESG Research as of January 2017

<sup>3</sup> Based on P&I AUM data as of Dec 2016 and MSCI clients as of March 2017

# KEY FEATURES AND BENEFITS

## RISK EXPOSURE NOT DISCLOSURE

Risk management efforts assessed in the context of a granular breakdown of widely reported business and geographic exposure to ESG risks. Emphasis on performance, not disclosure.

## ROBUST DATA ON BOARDS AND DIRECTORS

Data on board size, tenure and director election standards; director age and gender diversity; plus financial, industry and risk management expertise on key board committees.

## PRECISION APPROACH TO IDENTIFY INDUSTRY OUTLIERS

156 industry model variants to focus on the key issues that pose the most significant risk to a company relative to its industry peers.

## MARKET LEADING CORPORATE GOVERNANCE INSIGHTS

For each company, 96 unique corporate governance metrics that look at board, pay, ownership and control, and accounting practices.

## EXTENSIVE COVERAGE

6,400 companies (11,800 total issuers, including subsidiaries) and more than 400,000 equity and fixed income securities globally.

## DAILY UPDATES

Continuous evaluation of ESG risks, including daily monitoring of 2,100 media publications and regular updates of public documents and third-party data sets.

## GLOBAL IN-HOUSE TEAM

Global, multilingual team of analysts and client service professionals providing around the clock expertise and support to help clients find the best way to integrate ESG into their investment processes.

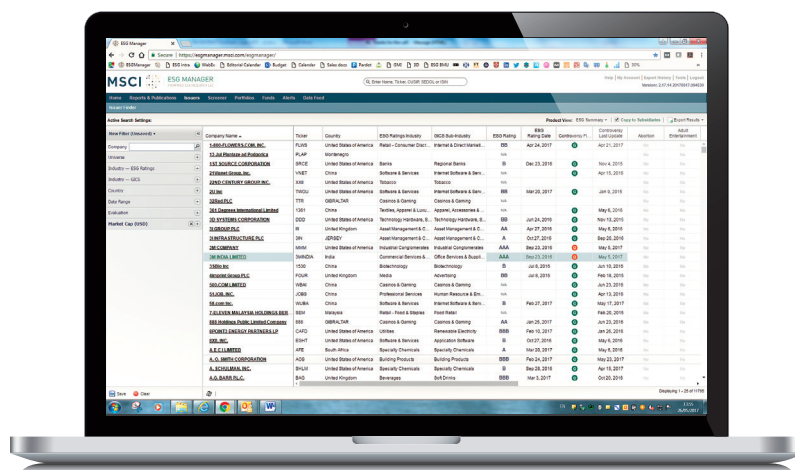
## GOLD STANDARD DATA PROVIDER

MSCI ESG Research has been recognized as a 'Gold Standard data provider' by the Deep Data Delivery Standard.

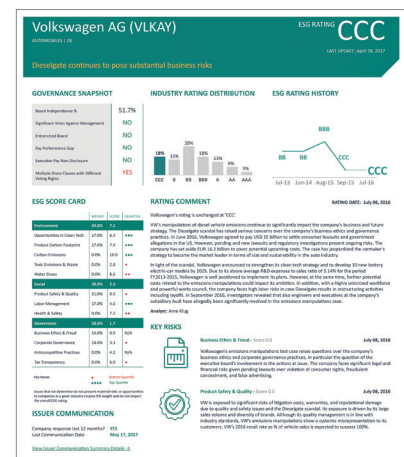
## MSCI ESG RATINGS AND ESG INDEXES

MSCI ESG Ratings is the foundation of many of the 700+ MSCI ESG Indexes.

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



MSCI ESG Ratings as seen on the MSCI ESG Manager Platform



Tear sheets designed to highlight the key material risks and opportunities driving the ESG Rating

MSCI VOTED 'BEST' FOR RESEARCH, DATA AND INDEXES (IRRI 2015 & 2016) – 1,363 SURVEY PARTICIPANTS FROM 704 FIRMS IN 58 COUNTRIES

# METHODOLOGY

ESG RATING OF 6,400 COMPANIES (11,800 TOTAL ISSUERS, INCLUDING SUBSIDIARIES) AND MORE THAN 400,000 EQUITY AND FIXED INCOME SECURITIES GLOBALLY

## OUR APPROACH

### DATA

- No questionnaires
- We collect and standardize public data:
- Government and NGO datasets
  - Company disclosure documents
  - 2,100 media sources

### METRICS

- Standardized methodology to assess company Risk Exposure and Risk Management relative to industry peers
- MSCI's ESG corporate communications team engages with companies for verification and data quality control

### EVALUATION

- Industry-specific Key Issues are scored (0-10) using a rules-based methodology
- Daily monitoring and weekly update of controversies and events

### RATING

- Key ESG Issue scores and weights combine to create an overall ESG rating (AAA – CCC) relative to industry peers
- Ratings are subject to industry and market-led checks and formal committee review

## OUTPUTS



### Company, Industry & Thematic Reports

Additional insight into significant ESG risks and opportunities through:

- Company reports
- Industry reports
- Thematic reports
- Analyst calls and webinars



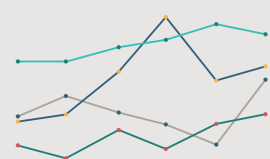
### Portfolio Analytics



### Data Feeds

Available on:

Barra®, RiskMetrics® RiskManager, FactSet, Barclays POINT, StyleResearch, Aladdin, MSCI ESG Manager or integrated into client platforms

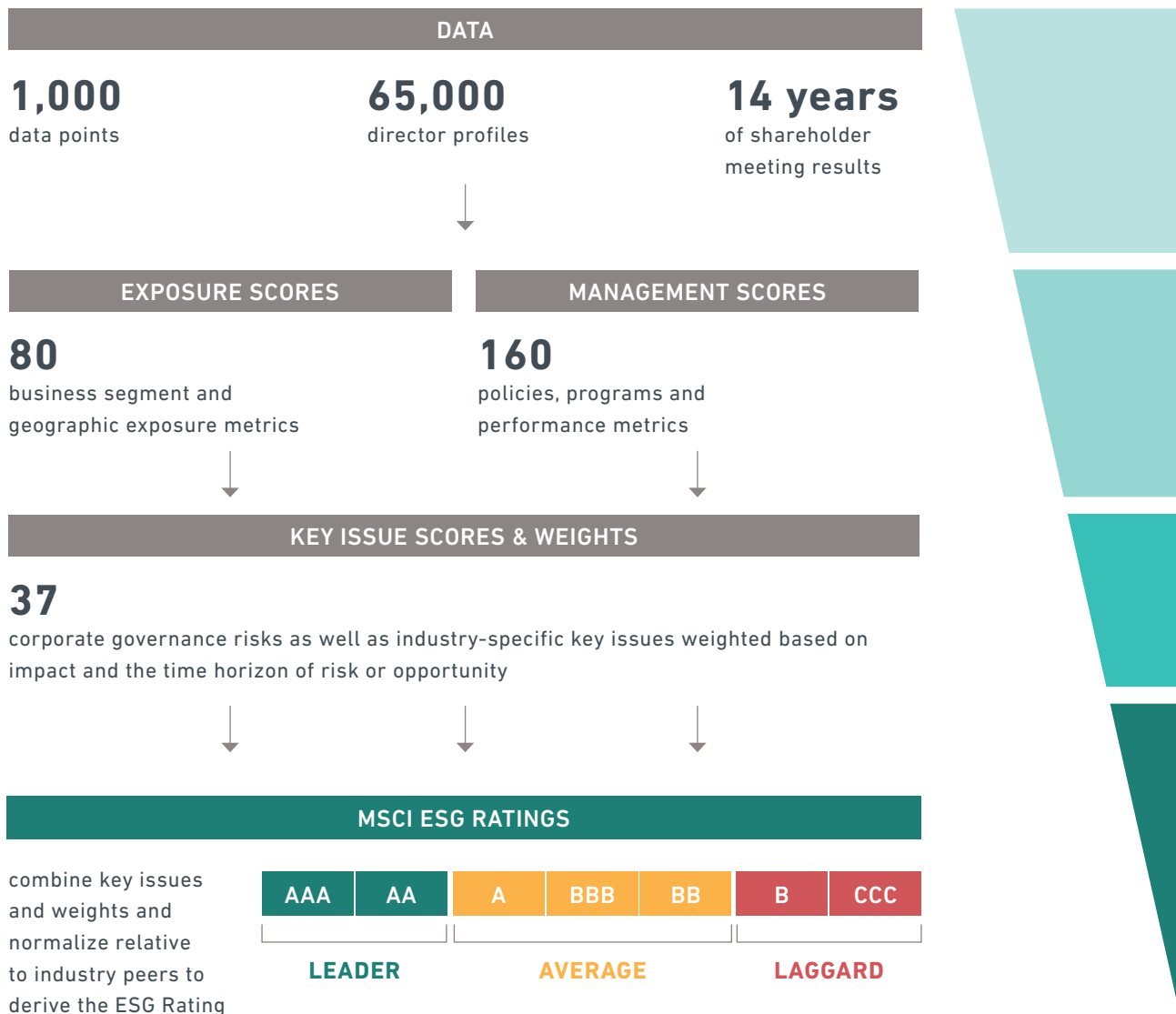


### Indexes

→ MORE DATA. MORE CONTEXT. MORE INFORMED DECISIONS. ←

# THE MAKING OF AN MSCI ESG RATING

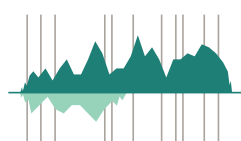
MSCI ESG Ratings is designed to provide more data with more context to support more informed decisions for the modern institutional investor.



## HOW OUR CLIENTS USE MSCI ESG RATINGS



Fundamental /  
Quant Analyses



Portfolio Construction /  
Risk Management



Engagement &  
Thought Leadership



Benchmarking /  
Index-based Product  
Development

# 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.

## MSCI

For more than four decades, MSCI (NYSE: MSCI) has helped global investors build and manage better portfolios. Our research-based tools and services provide our clients with deeper insights into the drivers of risk and performance, broad asset class coverage and innovative ways to bring investment strategies to market. Our offerings include indexes, data, analytical models, regulatory reporting and ESG research.

MSCI's clients include 97 of the top 100 global asset managers, as ranked by P&I<sup>5</sup>.

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

<sup>5</sup> Based on latest P&I AUM data and MSCI clients as of March 31, 2017

The information contained herein (the "Information") may not be reproduced or disseminated in whole or in part without prior written permission from MSCI ESG Research. The Information may not be used to verify or correct other data, to create any derivative works, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. MSCI ESG Research is provided by MSCI Inc.'s subsidiary, MSCI ESG Research LLC, a Registered Investment Adviser under the Investment Advisers Act of 1940.

MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF MSCI INC. OR ANY OF ITS SUBSIDIARIES OR ITS OR THEIR DIRECT OR INDIRECT SUPPLIERS OR ANY THIRD PARTY INVOLVED IN THE MAKING OR COMPILING OF THE INFORMATION (EACH, AN "INFORMATION PROVIDER") MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH INFORMATION PROVIDER HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE INFORMATION PROVIDERS HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

## CONTACT US

### AMERICAS

+ 1 212 804 5299

### EUROPE, MIDDLE EAST & AFRICA

+ 44 20 7618 2510

### ASIA PACIFIC

+ 612 9033 9339

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

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